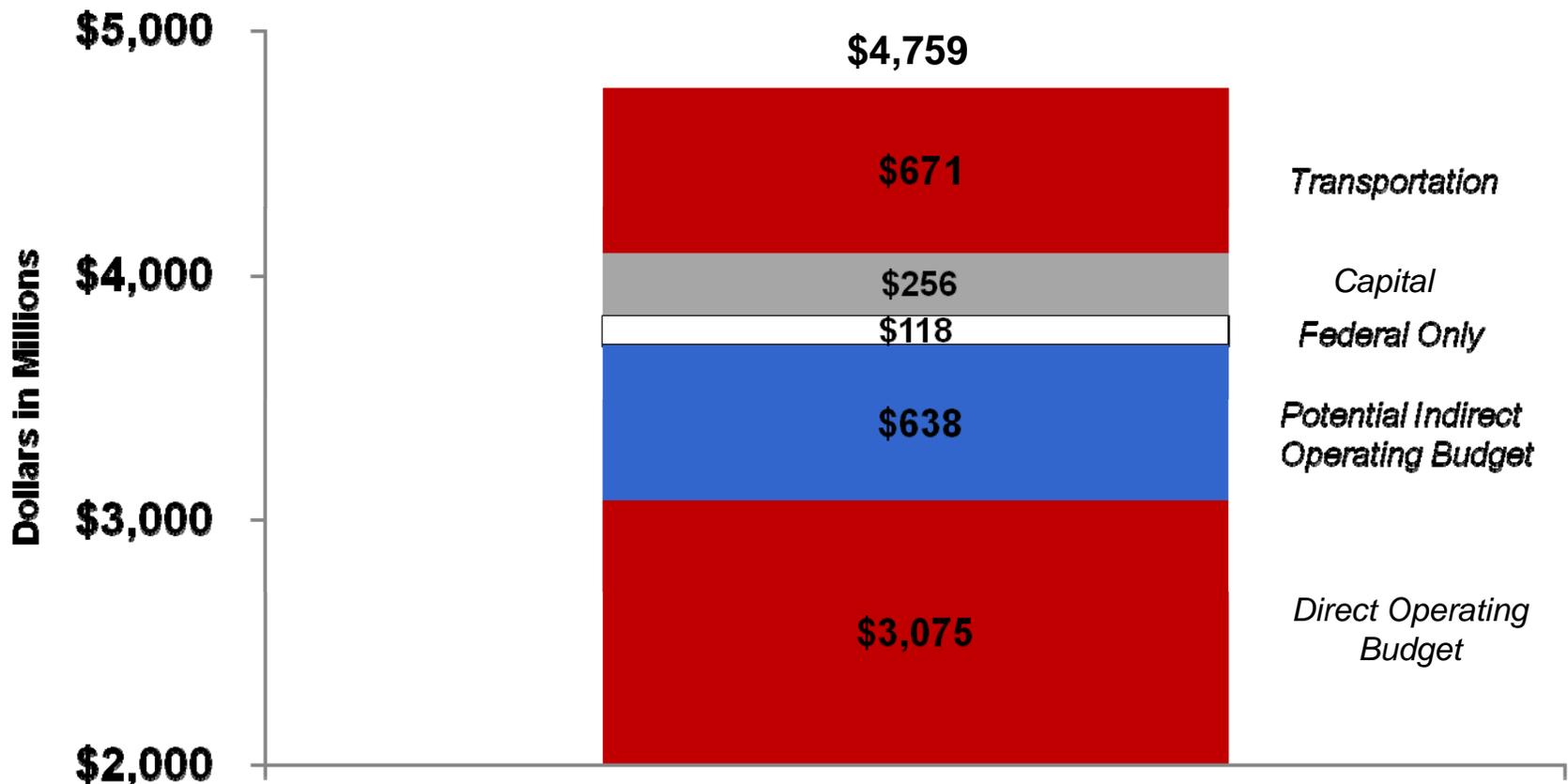


Overview of the Budget Impact of the Federal Stimulus Act

February 23, 2009

Prepared by Legislative Fiscal Committee Staff

Of the \$4.8 billion in additional federal funding the state is expected to receive, it appears that at least \$3.1 billion has direct operating budget implications



Washington's Estimated Additional Federal Allocations*

* Information is preliminary from FFIS or staff analysis and could ultimately be significantly higher or lower. This also does not include all of the funding (e.g. unemployment benefits) that is likely to result from the federal stimulus package.



Federal Stimulus Major Items

- **Direct Operating Budget Impact, \$3,075 million**
 - *Enhanced Medicaid Match - \$1,733 million*
 - *Fiscal Stabilization - \$1,002 million*
 - *TANF Contingency - \$285 million*
 - *Additional SCHIP Funding - \$55 million*

- **Potential Indirect Operating Budget Impact, \$638 million**
 - *Special Education - \$238 million*
 - *K-12 Remedial Education (Title 1) - \$179 million*
 - *State Energy Programs - \$55 million*
 - *Criminal Justice Byrne Grant - \$37 million*
 - *Child Care Block Grant - \$33 million*



Federal Stimulus Major Items

(Continued)

- **Federal Only Programs, \$118 million**
 - *Workforce Development (Adult & Youth) - \$34 million*
 - *Dislocated Workers Program - \$17 million*
 - *Community Development Block Grant - \$17 million*
 - *Unemployment Insurance Administration - \$11 million*
 - *Head Start - \$10 million*

- **Capital Funding, \$256 million**
 - *Clean Water & Drinking Water Projects - \$111 million*
 - *Public & Low Income Housing - \$83 million*
 - *Weatherization - \$61 million*



Enhanced Federal Medicaid Match

(\$1.7 Billion Over Three Years)

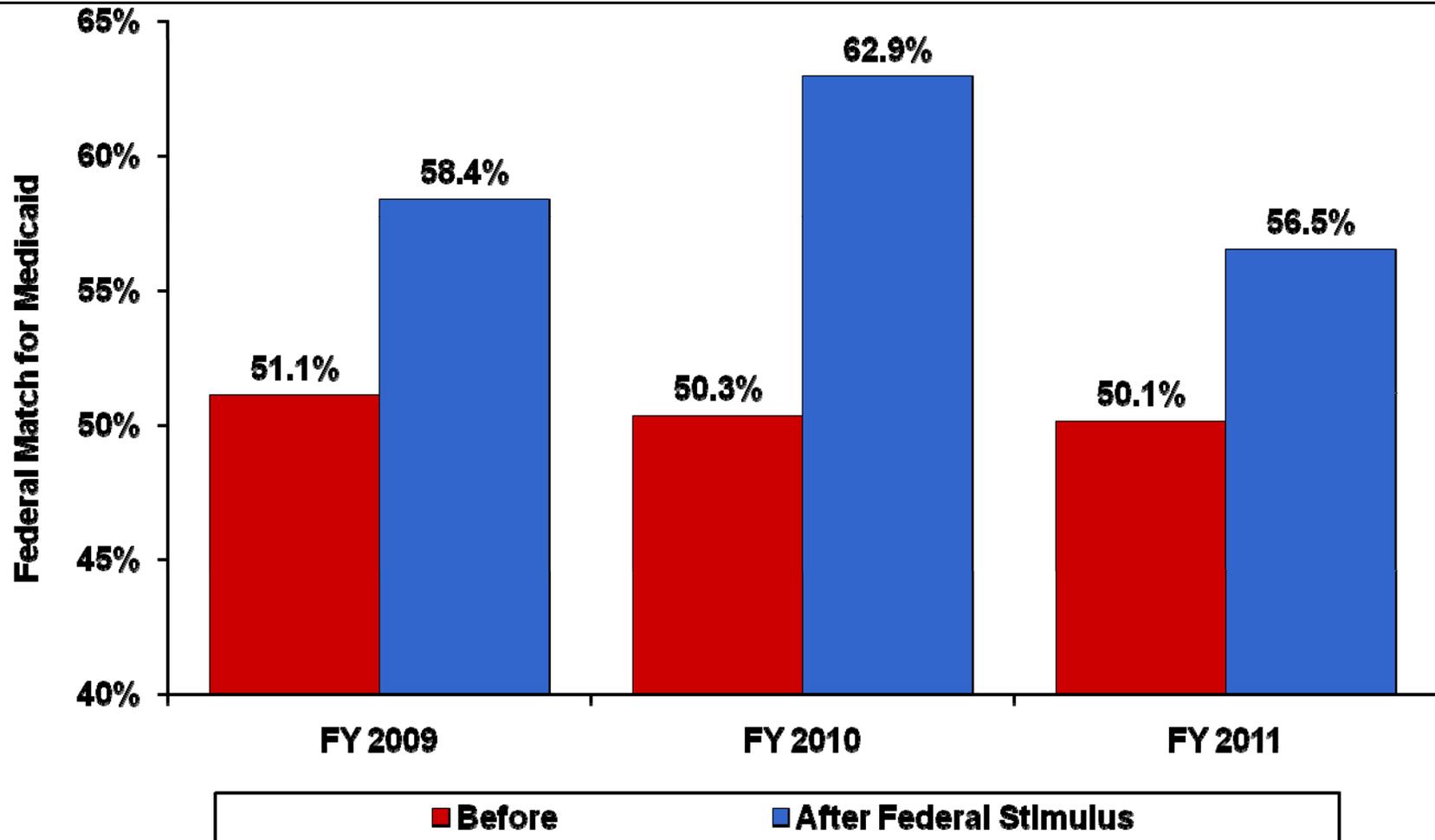
Summary

- Provides a 27 month increase in the percentage of federal match for Medicaid eligible services.
- The increases are the result of a 6.2 percent increase for all states, a “hold harmless” provision, and an additional bump based on changes in state unemployment.

Major Requirements/Implications

- In order to be eligible for the enhanced Medicaid match, states can not restrict eligibility from the levels in effect as of July 1, 2008 and the state cannot use the fund to enhance their “rainy day” fund.
- The result of the increased federal support is that the state cost-benefit ratio for Medicaid eligible services is potentially changed and the state savings for Medicaid eligible services is now approximately 20 percent less.

As a result of the federal stimulus provisions, the expected federal Medicaid match is expected to go up by 6 to 12 percent per year



* Depending of what happens with state unemployment, the match amounts could be higher or lower than ones depicted.



State Fiscal Stabilization Allocations (\$1 Billion Over Three Years)

Summary

- Provides a one-time allocation to states for fiscal relief.
- 82 percent of the funding is directed at K-12 and higher education and 18 percent for public safety and other governmental purposes.

Major Requirements/Implications

- States must use the 82 percent to restore state K-12 and higher education to certain levels and can not reduce state support below FY 2006 levels. If states meet the restoration levels identified, the remaining funds are to be distributed to school districts through the Title I funding formula.
- The language around the 18 percent for public safety and other governmental functions appears to be fairly broad and seems to leave a fair amount of discretion to states in how to utilize those funds.



TANF Contingency & Emergency Funds (\$285 Million Over Three Years)

Summary

- While not directly part of the recently enacted federal stimulus, Washington state currently qualifies for approximately \$76 million per year of Temporary Assistance for Needy Families (TANF) contingency funds.
- The new federal stimulus also establishes a new TANF emergency/contingency program that appears to have different requirements.

Major Requirements/Implications

- Depending on the type of contingency dollars, the state may need to identify additional funding in order to meet its Maintenance of Effort obligation.
- Additionally, there is a potential structural budget problem in the TANF welfare box that may impact the ability to offset state costs in this area.
- Given that the federal pot is limited, even if Washington is eligible for the TANF contingency dollars, the funds may get exhausted.



State Children's Health Insurance (SCHIP)

(\$55 Million Over Three Years)

Summary

- The recent reauthorization of the State Children's Health Insurance Program is likely to increase the number of children eligible for the enhanced (65% vs. regular FMAP) federal match.
- Washington state can now be reimbursed for Medicaid-eligible children in families between 133 - 200% of the federal poverty level at the enhanced rate.

Major Requirements/Implications

- As a result of the change, there are not any major anticipated additional requirements on the state.
- The enhanced Medicaid funding (described earlier) has had the effect of reducing the state savings at least in the short term from this change.



Potential Key Policy Questions

- *Given that most of the federal stimulus dollars are one-time in nature, how do you want to craft the budget to account for this?*
- *Should the state savings achieved by “integrating” federal stimulus funding be used to reduce the overall budget problem or should some of it be used to backfill particular areas?*
- *What will be your general rules for deciding how to handle any federal maintenance of effort or other requirements?*
- *Should any particular federal stimulus funding streams be off limits for using to offset the state budget problem?*