

## STIMULUS UPDATE #1—STATE BUDGET STABILIZATION

The federal stimulus bill adopted in February 2009 included \$787 billion in funding to help reverse the economic decline. Oklahoma state and local governments are expected to receive approximately \$2.9 billion. Over half of this amount, \$1.5 billion, is in two programs intended to help stabilize state budgets. Oklahoma has allocated \$681 million from these programs for FY '09 and FY '10 to maintain education and health care services. Between \$707 and \$857 million in additional funding has not yet been allocated.

### THE STIMULUS AND STATE BUDGET STABILIZATION

The American Recovery and Reinvestment Act (ARRA or stimulus) committed \$787 billion in federal funds to help stabilize the declining economy. Of the total stimulus package, over \$136 billion, or 17 percent, will be spent on two large programs to help states maintain services in the face of declining state tax revenues.

- The **State Fiscal Stabilization Fund (SFSF)** provides \$53.6 billion nationally and \$578 million in Oklahoma to help maintain education and other state spending in the next two years.
- **Enhanced Medicaid** funding, will increase the federal share for Medicaid. This provides \$82.7 billion nationally and up to \$950 million in Oklahoma to provide health coverage to Oklahomans, including many affected by the recession, and to keep up with growing medical costs.

Figure 1 shows how Oklahoma is allocating these budget stabilization funds for FY '09 and FY '10. The largest share—23 percent—is for the Oklahoma Health Care Authority. Common Education, Higher Education, and the Department of Human Services also are receiving significant amounts of funding. Up to \$857 million, 56 percent of the total available, has not been allocated.

Figure 2 compares the amounts Oklahoma is eligible for with the amounts the federal government has approved and spent, and the amounts that Oklahoma has allocated. Oklahoma is on track in allocating funds. Federal approvals and spending are timely for Medicaid but considerably slower for SFSF.

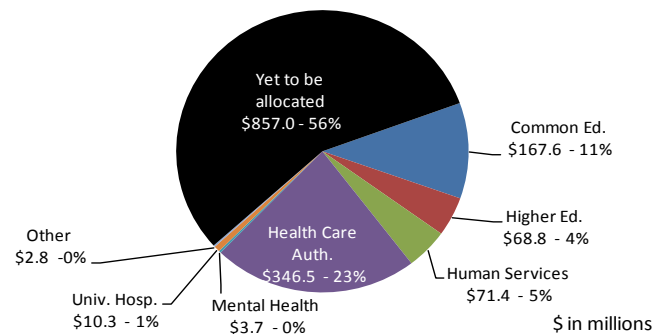
### STATE FISCAL STABILIZATION FUND

#### Program Summary

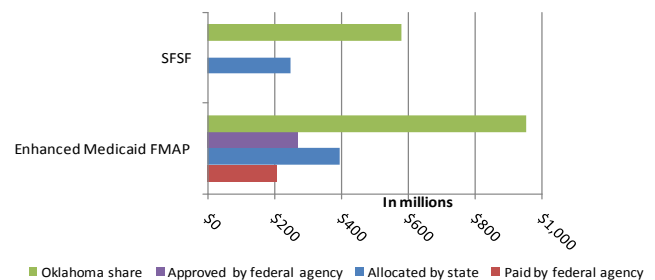
The SFSF is ARRA's most flexible funding source for states. It consists of two parts:

- The *Education block grant* (81.8 percent of the total SFSF funding) supports K-12 and higher education during state fiscal years 2009-11. It helps states keep K-12 and higher education funding up at FY '08-'09 levels. It can also increase spending under the school formula for K-12 education in 2010 and 2011. Any remaining funds go to local school districts based on the Title I education funding formula. Oklahoma's share is \$472.8 million of the total ARRA funding of \$39.5 billion.

**Figure 1**  
State Budget Stabilization Funds  
Oklahoma Allocations by Agency



**Figure 2**  
Status of State Budget Stabilization Programs  
As of June 2, 2009



- The *general purpose, or flexible, block grant* makes up 18.2 percent of total SFSF funding. It may be used for "other high priority needs such as public safety and other critical services, which may include education". Oklahoma will receive \$105.2 million of the ARRA total funding of \$8.8 billion.

State allocations are based on a formula blending a state's share of youth population and total population. Funds must be spent within two years.

States must pass all of the SFSF education funds on to school districts and higher education institutions, but have more latitude on how they use the general purpose funds.

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### Qualifying for Funding

The SFSF program is managed by the U.S. Department of Education. It made \$32 billion (2/3) of the SFSF available on April 1, 2009, subject to approval of state applications, which are due by July 1, 2009. To qualify, states must:

- Assure they will maintain appropriations for both K-12 and higher education at no less than their FY '06 levels in FY '09-'11;
- Assure that they will implement education reform strategies relating to teacher effectiveness, teacher distribution among schools, data collection, standards, and assessment;
- Strive to better schools that are identified for improvement under the No Child Left Behind Act process;
- Describe how the state will use both the education and general purpose SFSF funds; and
- Comply with general ARRA requirements.

Remaining SFSF funds will be awarded by December 31, 2009. To receive those funds, states must describe how they will meet the education reform objectives and the record-keeping and reporting requirements of ARRA.

### Oklahoma's Funding Status

Oklahoma's first-round application has not been submitted as of June 1, because budget decisions on how to use funds were not completed until late May.

### How Oklahoma Compares

As of June 1, the Department of Education has approved 24 SFSF applications for a total of \$19 billion. Only about \$3 billion has actually been paid to states. Oklahoma is among the one-half of states whose application has not yet been approved.

### How Oklahoma is Using the Money

Oklahoma's Legislature and Governor Brad Henry agreed to allocations from the SFSF for FY '10, which begins July 1, 2010, as follows:

- SFSF education block grant funding of \$167.6 million to the Department of Education for K-12 education and \$68.8 million to the Regents for Higher Education, to be distributed among colleges and universities; and
- \$10.0 million from the SFSF general purpose block grant to the Oklahoma Health Care Authority.

After these allocations, the state has \$331.7 million in SFSF funds (\$236.5 million for education and \$95.2 million for general purposes) to allocate before September 30, 2011.

### RESOURCES

OK Policy stimulus updates each cover a different policy area or stimulus issue. See our web page, <http://www.okpolicy.org/stimulus>, for these and other reports and links to stimulus resources.

Government stimulus pages may be found at:

<http://www.recovery.gov> (U.S.)  
<http://www.recovery.ok.gov> (State of Oklahoma)

## ENHANCED MEDICAID MATCHING

### Program Summary

The stimulus increases the federal match rate for the Medicaid program, known as FMAP, to allow states to maintain health insurance coverage for low-income residents. The increased FMAP includes:

- a hold harmless provision so that federal FMAP does not decrease for any state in FY '09 or FY '10;
- an across-the-board 6.2 percentage point FMAP increase through December 31, 2010; and
- bonus increases for states experiencing high levels of unemployment.

Costs of this provision will not be known until the end of the program, since they depend on usage of the program and state unemployment rates. Federal Funds Information for the States estimates Oklahoma revenue of \$950 million, while Oklahoma legislative staff estimate \$800 million.

### Qualifying for Funding

States receive Enhanced FMAP without the need for an application.

They must, however, agree to:

- keep Medicaid eligibility at the level in effect on July 1, 2008 or above;
- only fund agencies that provide services eligible for Medicaid; and
- comply with rules for prompt payment of providers, which are extended to nursing facilities and hospitals.

### Oklahoma's Funding Status

Oklahoma has been approved for \$270 million for FY '09 funding (beginning Oct. 1, 2008) and received \$205 million as of June 1. Quarterly payments will continue through Dec. 31, 2010.

### How Oklahoma Compares

Oklahoma is among the 47 states that were accessing these funds as of June 1.

### How Oklahoma is Using the Money

The FY'10 budget allocates \$394.7 million of Enhanced Medicaid funding to several state agencies. Eighty percent (\$336.5 million, including \$30 million for FY '09) goes to the Oklahoma Health Care Authority. The Department of Human Services, University Hospitals Authority, Mental Health and Health Departments, Office of Juvenile Affairs, Physician Manpower Training Commission, and J.D. McCarty Center receive additional funding for Medicaid services and programs they administer. Between \$400 and \$550 million remains available for future allocation.

The higher federal match allows the state to supplant state revenues previously used for these agencies, as intended in the federal legislation. Revenues freed up by ARRA were available to fund other state agencies and programs. In the face of significant state revenue declines, the Enhanced FMAP has allowed the state to maintain essential public services during an economic downturn.

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