



AMERICAN RECOVERY AND REINVESTMENT ACT – PROVISIONS FOR MISSISSIPPI

SUMMARY: With the passage of the American Recovery and Reinvestment Act, Mississippi stands to receive nearly \$2.3 billion. This brief focuses on two of the larger components – the Fiscal Stabilization Fund and Medicaid Assistance. Both are designed to provide aid to states to reduce the effects of state budget cuts on key services such as education and health care.

Fiscal Stabilization Fund

In total, \$479.3 million will be made available to Mississippi in two block grants for education and for other publicly funded services. The table below illustrates the breakout of the block grant.

	Education Block Grant	Flexible Block Grant	Total
Mississippi	\$392.1 million	\$87.2 million	\$479.3 million

Source: Center on Budget and Policy Priorities

Through the Fiscal Stabilization Fund, Mississippi will receive funding to be used in FY09, FY10 and FY11. From a fiscal perspective, to be eligible for the federal recovery funds, Mississippi must maintain K-12 and higher education funding at FY06 levels during that time period. Even with current fiscal year budget reductions to the K-12 and Higher Education budgets, Mississippi is above the FY06 funding threshold to be eligible for the recovery dollars.

In using the recovery funds, the Education Block Grant must first be used to restore funding for K-12 and Higher Education to the greater of FY08 or FY09 amounts. After restoration, the remaining funds would go to local school districts.ⁱ Flexible Block Grant funds can be used to address budget needs for things like school modernization or to address cuts in other areas such as public safety.

Medicaid Assistance

Under the Medicaid components of the Recovery Bill, the United States Government Accountability Office estimates that Mississippi could receive approximately \$790 million for its Medicaid budget.ⁱⁱ Funds would be made available by increasing the federal share of the state Medicaid budget from October 1, 2008 to December 31, 2010.ⁱⁱⁱ The funds would become available through the following:

- Suspension of any decreases in the federal match rate through FY11 that would occur through the normal review process that uses economic data from previous (and likely more prosperous) years;
- An increase in the base federal match for Medicaid funding by 6.2 percentage points. In Mississippi, the federal match would increase from approximately 76% to 82.2%.
- Additional increases in the federal match based on rising unemployment.

To be eligible for the funding, states must demonstrate that current eligibility requirements are equal to or less restrictive than they were on July 1, 2008. Additionally, states must demonstrate timely payment for Medicaid reimbursement to health care providers including physicians, hospitals and nursing homes.

ⁱ This brief does not address additional funds available through incentive grants. It also does not address other education funding sources supported through the recovery act such as Title I or IDEA.

ⁱⁱ The estimates produced by the Government Accountability Office cited in this brief are based on assumptions made about the economic conditions in the future. Given the amount of uncertainty about the future the estimates may or may not hold and may ultimately be different from the ones cited.

ⁱⁱⁱ Increases would include costs for Medicaid benefits and Title IV-E foster care and adoption assistance. Cost associated with Disproportionate Share Hospital payments, the State Children's Health Insurance Program and other Title IV programs with similar federal match rate formulas are not included.