



Federal Economic Recovery Proposed to Aid States in Two Key Budget Areas

Key Takeaway: Congress has proposed some economic recovery measures that may provide budget relief for state Medicaid and Education budgets. Some of these measures may be coming in time to address some of the current year's budget deficit.

In recognition of the impact of the national economic downturn on state budgets, Congress is working to develop an economic recovery package that would provide more federal funding for states in key areas. Each chamber of congress is working on its own recovery package. While this brief focuses only on the fiscal stimulus elements for states (Medicaid and Education funding provisions), the recovery also includes a variety of programs such as increased assistance for working families through expansion of services, proposed tax cuts and tax credits, unemployment insurance modernization and workforce training.

Medicaid and Education Assistance

Two of the major state stimulus programs proposed will provide aid to states for Medicaid and education funding. K-12 education is the state's largest general fund spending category. Medicaid is also a large state budget category, but it is mostly funded by federal funds.

Medicaid Federal Match Proposals

The federal government provides a certain match of state funds spent on Medicaid. The match rate differs for each state. For Mississippi, the federal government provides about 76% of program costs for Medicaid. The proposed House and Senate recovery plans would increase that percentage temporarily. The proposed measures would be effective October 1, 2008 through December 31, 2010. Table 1 shows estimates calculated by the Center on Budget and Policy Priorities on the proposed increases that the state would realize if either the House or Senate Medicaid proposals becomes enacted.

Table 1: Estimated increase in federal Medicaid Funds in Mississippi: Proposed House and Senate Proposals by State Fiscal Year

Proposal	FY 2009	FY 2010	FY 2011	Total
House	\$164,959,000	\$347,217,000	\$185,294,000	\$697,470,000
Senate	\$179,904,000	\$335,969,000	\$179,737,000	\$695,609,000

Source: Center on Budget and Policy Priorities

The House proposal also includes more funding for Medicaid for states that choose to expand Medicaid to cover low-income workers who lose their jobs through 2010.

Block Grant Proposals for Education

Though K-12 education is mostly funded by state and local governments, the federal recovery legislation is also being proposed for states to lessen budget cuts for education. A House proposal would provide two block grants for education through a program called the State Fiscal Stabilization Fund. Information is not yet available on whether the Senate proposal will include similar provisions.

One of the proposed block grants would be distributed based on total state population and the other would be distributed according to school-age population. They would be distributed in two equal installments--one in July 2009 and one July 2010.

Table 2 shows the estimated amounts that may be available in Mississippi under to House proposal.

Table 2: Estimated State Fiscal Stabilization Fund Amounts Under Proposed House Stimulus Package

Block Grant	Based on School Age Population	Based on Total Population	Total
Estimated Amount	\$394,100,000	\$236,600,000	\$630,700,000

Source: Center on Budget and Policy Priorities

Other education funding may be available to states through the proposed stimulus package for implementation or expansion of some existing federal programs such as Title I funds and Individuals with Disabilities Education Act funds.