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Senate Proposal Would Extend ARRA FMAPs, Create Education Jobs Fund

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Summary

The Senate has scheduled a vote for Monday, August 2, 2010, on a bill (a substitute amendment to H.R. 1586) that would provide an extension of the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) Federal Medical Assistance Percentages (FMAPs), as well as additional funding for education jobs, while fully offsetting the cost. At this point, the prospect for passage appears unlikely. This Issue Brief provides a description of the key provisions of the bill.

ARRA FMAP Extension

The Senate bill includes a scaled-down version of the two-quarter ARRA FMAP extension. Specifically, for the second and third quarters of FY 2011 (January 1, 2011 - June 30, 2011), the bill would eliminate any scheduled FY 2011 FMAP decreases by relying on the state's highest FMAP from FY 2008-FY 2011 and maintain the unemployment bonuses. The across-the-board increase would be reduced from 6.2 percentage points to 3.2 percentage points in the first quarter of the extension and 1.2 percentage points in the second quarter. The hold-harmless provision and across-the-board increase would apply to Title IV-E foster care and adoption assistance payments.

The provisions in the bill are slightly different from current ARRA provisions, although similar to previous extension proposals. First, in order for a state to receive additional funding, the bill would require that, no later than 45 days after enactment, the governor certify that the state will request and use the additional funds. Second, the bill would extend the hold-harmless period for the unemployment bonuses from July 1, 2010 to January 1, 2011. This means that no state would see a reduction in its bonus tier until January 1, 2011. Finally, the provisions would modify the special rule regarding the calculation of the unemployment bonuses during the last two quarters of the adjustment period.

Table 1 displays the potential increase in federal Medicaid and Title IV-E foster care and adoption assistance grants resulting from the ARRA extension. The figures also include estimated state savings from lower Medicare Part D clawback payments.

Education Jobs Fund

The measure also includes \$10 billion for an Education Jobs Fund. The bill would require that funds be spent by local education agencies to rehire former employees or hire new employees.

The maintenance of effort requirement specifies that states must maintain education funding for FY 2011 at FY 2009 levels or at a percentage of total revenues that is equal to FY 2010 education funding. However, if calendar year 2009 tax collections were lower than calendar year 2006 collections, states must only maintain education funding for FY 2011 at FY 2006 levels or at a percentage of total revenues that is equal to FY 2006 education funding. Table 1 includes these potential state-by-state grant estimates.

Rescissions

In order to offset the full cost of the spending provisions, the bill would rescind funding from numerous sources, some of which are of particular importance to states. Noteworthy ARRA rescissions include \$600 million in unspent broadband technology funds, \$362 million in unobligated Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) balances, \$9.2 million in unspent funds for the Leaking Underground Storage Tank program, and \$2.6 million from the Hazardous Substance Superfund.

The rescissions also include \$2.2 billion in unspent transportation funds, as well as public health and education funds from various appropriations bills. Some unspent defense funds were also targeted.

Next Steps

As with previous efforts to extend the ARRA FMAPs, this bill faces an uphill battle. Moreover, Congress is about to begin a six-week August recess, so there will be only limited time for consideration of these proposals.

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Table 1

FY 2011 State Estimates for Senate FMAP, Jobs Proposal

(dollars in thousands)

State	ARRA FMAP	Education Jobs	Total
	Extension*	Fund	
Alabama	\$133,335	\$149,286	\$282,622
Alaska	56,704	23,292	79,996
Arizona	352,507	208,243	560,749
Arkansas	129,447	90,883	220,331
California	1,881,037	1,220,489	3,101,527
Colorado	159,231	155,676	314,907
Connecticut	204,427	110,960	315,387
Delaware	47,971	27,617	75,588
District of Columbia	55,079	18,302	73,381
Florida	793,571	552,941	1,346,513
Georgia	233,940	315,617	549,557
Hawaii	90,304	39,353	129,657
Idaho	53,105	50,492	103,597
Illinois	552,766	420,839	973,606
Indiana	239,031	206,188	445,220
Iowa	112,041	96,721	208,762
Kansas	87,070	91,977	179,047
Kentucky	158,987	133,376	292,362
Louisiana	394,559	145,090	539,650
Maine	87,540	39,615	127,155
Maryland	290,277	180,158	470,435
Massachusetts	500,803	203,595	704,398
Michigan	379,012	326,024	705,036
Minnesota	281,675	167,193	448,868
Mississippi	151,429	98,147	249,576
Missouri	297,258	188,543	485,800
Montana	39,518	30,447	69,966
Nebraska	63,466	58,566	122,032
Nevada	78,896	81,209	160,105
New Hampshire	54,499	41,115	95,614
New Jersey	407,951	272,444	680,395
New Mexico	134,044	65,195	199,240
New York	2,220,412	617,957	2,838,369
North Carolina	342,923	290,868	633,790
North Dakota	21,857	21,439	43,297
Ohio	513,761	366,412	880,174
Oklahoma	203,028	118,362	321,389
Oregon	155,596	116,770	272,366
Pennsylvania	668,449	390,216	1,058,664
Rhode Island	73,770	33,773	107,543
South Carolina	147,567	142,123	289,691
South Dakota	23,115	26,108	49,223
Tennessee	238,882	194,040	432,922
Texas	850,650	813,645	1,664,295
Utah	58,445	98,275	156,721
Vermont	39,228	19,313	58,541
Virginia	293,255	246,292	539,547
Washington	338,352	205,258	543,610
West Virginia	81,055	54,565	135,620
Wisconsin	228,080	179,572	407,652
Wyoming	22,582	16,927	39,510
Puerto Rico	40,860	132,611	173,471
Virgin Islands	2,043	14,532	16,575
Territories	4,103	40,347	44,450
Unallocated**	0	51,000	51,000
Total	\$15,069,494	\$10,000,000	\$25,069,494

*Figures include impact on Medicaid, Title IV-E, and Medicare Part D Clawback.

Assumes the extension of the hold-harmless provision, the unemployment bonus, and a modification of the across-the-board increase (3.2 percentage points in the Jan-Mar 2011 quarter and 1.2 percentage points in the April-June 2011 quarter).

**Unallocated education funds include \$50 million for schools operated or funded by the Bureau of Indian Affairs and \$1 million for administration and oversight.

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