



# FEDERAL FUNDING FOR EDUCATION AND MEDICAID

## ISSUE BRIEF

### **SUMMARY**

On August 10, 2010, the U.S. House of Representatives passed H.R. 1586 which provides \$10 billion to states to support public education and an additional \$16 billion to augment states' Medicaid budgets. Utah's estimated share is around \$100 million of the education funding and \$30-\$40 million for the Medicaid funding.

### **EDUCATION JOBS FUND – “EDU-JOBS”**

The Education Jobs Fund (Edu-Jobs) provides \$10 billion to states for use in K-12 public schools. Funds are intended to support school-level education jobs during the next school year (2010-11). States will receive funding on a formula basis, with 61 percent based on each state's student-age population and 39 percent on total population. Funds can be distributed to school districts and charter schools by using either the “primary funding formula” - which, in Utah, is a distribution through the Minimum School Program based on Weighted Pupil Units - or a district or charter school's relative share of federal Title I funds.

### ***Process***

Similar to State Fiscal Stabilization funding contained in the American Recovery and Reinvestment Act (ARRA), the application, assurances, and receipt of funding will be primarily handled by the Governor's Office. The Governor has 30 days (September 9) to submit an application and the U.S. Department of Education has 45 days (September 24) to distribute funding to the states. If a governor fails to apply for funding within 30 days, the Secretary of Education shall allocate funds to another entity or entities within a state.

Although the Governor may apply for and receive funding under this new federal grant program, the large amount of funding triggers higher legislative scrutiny under our federal funds approval process (UCA 63J-5-202, 204). A High Impact Federal Grant must be approved by the full Legislature in an annual general session or special session before funds can be expended. High impact federal grants have any one of the following characteristics: (1) more than \$10 million in federal funding per year; (2) 11 or more new permanent full/part-time employees; or (3) matching state funds of more than \$1 million.

### ***Maintenance of Effort***

In order to receive funds, States must assure that they meet maintenance of effort (MOE) provisions. The state must meet **one** of the following MOE measures:

1. Maintaining K-12 and higher education spending at FY 2008-09 levels.
2. Maintaining both K-12 and higher education spending as the same percentage of the overall state budget as in FY 2009-10.
3. Maintaining K-12 and higher education spending at 2006 levels or maintain K-12 and higher education spending at the same percentage of overall FY 2005-06 state budget in those states where tax revenue was lower in CY 2009 than it was in CY 2006.

In its application, the Governor's Office will provide documentation that the state meets one of these MOE provisions.

***Use & Restrictions***

Funds may only be used during the 2010-11 school year for school-level compensation, benefits, and other expenses necessary to hire or retain existing employees. Indications suggest that all school-site employment categories may qualify, including teachers, principals, counselors, aides, psychologists, social workers, bus drivers, food service, etc. School districts may not use funds for general administrative expenses or for other support service expenditures.

The State may retain up to two percent for administrative costs or to create/retain state level positions. States may not use these funds to replenish rainy-day funds or reduce/retire debt. Funds may not be used for higher education.

**MEDICAID FUNDING (ENHANCED FMAP)**

The Federal Medical Assistance Percentage (FMAP) represents the federal share of the service costs for Medicaid and a few other federal programs. H.R. 1586 will increase FMAP for the first six months of calendar year 2011, providing between \$30-\$40 million in additional federal funds for Medicaid and Foster Care programs. Of this amount, approximately 80 percent is associated with Health programs and the other 20 percent with Human Services programs. The \$30-\$40 million to the State does not require legislative approval, but does require the Governor within 45 days to certify that Utah will use the funds. Additionally, local government entities, who participate directly in the Medicaid program, will receive new federal funds.

The increases for both programs are made up of 3 components: (1) 3.2% increase for the first quarter of 2011, (2) 1.2% increase for the second quarter of 2011, and (3) a hold harmless provision where the State avoids a 0.55% (less than one percent) match rate decrease until July 2011. Additionally, the Medicaid programs for the first six months of 2011, will continue to receive a 2.91% increased federal match rate if unemployment rates are above 6%. As of June 2010, the Consensus Estimate for the unemployment rate is 6.7% for 2011.

In past years the Legislature has used FMAP increases on a one-time basis to free-up General Fund or to fund mandatory caseload and inflation growth. As many as 30 states presumed this FMAP extension when they drafted their FY 2011 budgets. Utah did not do so. However, the State may require a \$30 million supplemental in FY 2011 for new Medicaid caseload growth.

**SOURCES:**

U.S. Department of Education. Press Release "Congress Passes Bill to Provide \$10 Billion to Support 160,000 Education Jobs Nationwide". August 10, 2010. [www.ed.gov](http://www.ed.gov)

U.S. Department of Education. Conference Call. August 12, 2010. Transcript forthcoming.

Education Commission of the States. ECS Alert "Summary of Edu-Jobs and State-by-State Estimates of Its Impact." Griffith, Michael. August 11, 2010. [www.ecs.org](http://www.ecs.org)

Federal Funds Information for States. "Senate Proposal would Extend ARRA FMAPs, Create Education Jobs Fund" Issue Brief 10-32. Trinity Tomsic & Steven Pennington. July 30, 2010.

National Conference of State Legislatures. "FMAP Extension and the Impact on States." April 29, 2010. <http://www.ncsl.org/documents/fiscal/NALFOEnhancedFMAPExtension.pdf>.