

## **FMAP and an Education Jobs Fund: State Fiscal Relief To Strengthen the National Economy, Reduce State Budget Cuts, and Create Jobs**

### **OVERVIEW**

During the budget process, as the state Legislature was developing its proposal for the Fiscal Year (FY) 2011 budget, it was anticipated that Massachusetts would receive approximately \$700 million in additional state fiscal relief from the federal government on top of amounts authorized through the American Recovery and Reinvestment Act (ARRA). This additional funding, which had previously passed separately in the US Senate and House, would have been provided by a six-month extension of the provisions in ARRA that help states by paying a larger than usual share of Medicaid costs (FMAP). Because shortly before the Legislature enacted its budget the US Senate failed to pass the six-month extension to FMAP, the Legislature passed a budget that provided two funding recommendations: one including FMAP funds, in the case that Congress would be able to pass FMAP before the end of the budget process, and one without FMAP funds. But when the time came for the Governor to approve the budget or provide vetoes, it appeared even less likely that Congress would pass the FMAP extension, so he vetoed the Legislature's recommendations that included FMAP funding. The Governor did this to ensure that the budget only reflected revenues that the state knew would be available.

Last week, however, the US Senate finally passed a bill that would extend FMAP funding and the US House is reconvening today specifically to take up that bill. This legislation would provide \$26 billion in additional fiscal relief for states, \$655 million specifically for Massachusetts. Of this amount, \$450 million would be FMAP funding, which is \$250 million less than the \$700 million originally anticipated, and another \$205 million in funding for education through a new Education Jobs Fund. If the House does approve this legislation, the Massachusetts Legislature would need to appropriate these funds through a supplemental budget.

A primary purpose of the additional state fiscal relief that Congress is likely to provide to the states is to help stimulate the national economy and job creation by reducing the need for state budget cuts that would weaken economic growth and increase unemployment. Such state fiscal relief has been found to be among the most effective strategies for stimulating the national economy.<sup>1</sup> There is a danger, however, that states could undermine this strategy for strengthening the national economy by using accounting maneuvers that would result in these stimulus funds being diverted from uses that would help the recovery (by reducing the magnitude of cuts that harm both the economy and residents who rely on good schools, public safety, and safety net services) and instead being used to replenish state rainy day accounts, which would do nothing to stimulate the national economy and create jobs.

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<sup>1</sup> For more information on economic stimulus, see "Economic Stimulus: What Can National and State Governments Do To Save and Create Jobs Quickly?," <http://massbudget.org/doc/729>

For the \$205 million Education Jobs Fund Congress has included language providing some guidance on how the funds should be spent. This one-time money will be distributed to states through the existing State Fiscal Stabilization Fund and must be spent during the upcoming FY 2011 school year. States can choose to allocate this money to local school districts either through existing school funding formulae – the Chapter 70 education aid formula in Massachusetts – or based upon the federal Title I formula, which distributes aid according to individual schools’ low-income student populations. Public institutions of higher education are also eligible to receive money from this fund. Regardless of the distribution mechanism, states must demonstrate that Education Jobs Fund money will be used directly to retain or create jobs in schools.

In this paper, we list the amount of extended FMAP funds that were provided to programs and services in the Legislature’s original FMAP recommendations. As the Congress debates providing FMAP funds, this will provide a picture of what is at stake in Massachusetts and how FMAP could help mitigate potentially harmful state budget cuts. As the FY 2011 budget currently stands, the cuts due to FMAP funding were, in most cases, in addition to smaller cuts that would have occurred anyway. In some cases the FMAP funding would have allowed level funding and in a few cases, the FMAP funds would have allowed the state to restore some of the funding that had been cut in FY 2010.

## EDUCATION

Recommendations included in the Legislature's FY 2011 budget proposal would have provided up to \$65.6 million in additional FMAP funding for education programs. This funding could be restored if Congress enacts the pending FMAP extension. The additional \$205 million in Education Jobs Fund money for the preservation and creation of teacher jobs was not included in the Legislature's budget as that funding was not anticipated at the time the budget was enacted.

### *EARLY EDUCATION AND CARE*

- **Income-Eligible Child Care For Low-Income Families: \$5 million.**  
Although this line item is cut by a total \$33.4 million in FY 2011, \$5 million in FMAP funds could have funded approximately 690 full-time child care slots for low-income children.
- **Universal Pre-Kindergarten Program: \$500,000.**
- **Head Start Grants: \$500,000.**
- **Early Childhood Mental Health Grants: \$250,000.**

### *ELEMENTARY AND SECONDARY EDUCATION*

- **Kindergarten Expansion Grants: \$3 million.**  
Grants to support schools transitioning from half-day to full-day kindergarten will be cut by an average of \$1361 for each of 2205 recipient classrooms. Additionally, 30 new classrooms that would have otherwise have won grants will not be able to receive funding.
- **Extended Learning Time Grants: \$1.6 million.**  
Grant money will fund extended school days for 3 fewer schools (19 instead of 22) in FY 2011 due to the loss of FMAP money.
- **Bay State Reading Institute and Other Targeted Literacy Programs: \$750,000.**  
Programs aimed at improving the literacy skills of elementary school children will be reduced \$750,000 due to the loss of FMAP money. This total includes a 25% across-the-board cut to 166 schools operating Reading Recovery and other targeted literacy programs.
- **After-School and Out-of-School Grants: \$500,000.**  
Grants to support after-school enrichment programs at 65 schools and community centers will be cut by 25% across-the-board, for an average cut of \$7692 per program
- **Adult Basic Education: \$250,000.**  
Adult basic education services, including classes in adult literacy, high school equivalency, and English for speakers of other languages, will serve approximately 150 fewer adult students due to the loss of FMAP money.
- **Reimbursements for Extraordinary Special Education Costs: \$12.6 million.**  
Circuit breaker reimbursements to school districts for extraordinary special education costs have been cut significantly over the last two years, going from \$228 million in FY 2008 to \$133.1 million in FY 2010. While the circuit breaker program is budgeted to receive level funding in FY 2011, a full extension of FMAP would help reimburse school districts by \$12.6 million more, bringing this program closer to funding levels prior to the beginning of the fiscal crisis.

- **Transportation for Regional School Districts: \$3.6 million.**  
While regional school districts with high transportation costs are budgeted to receive level funding in FY 2011 – \$40.5 million – a full extension of FMAP would help the state reimburse regional school districts by \$3.6 million more, bringing this program closer to funding levels prior to the beginning of the fiscal crisis.

#### *HIGHER EDUCATION*

- **University of Massachusetts: \$14.3 million.**
- **Community Colleges: \$4.9 million.**
- **State Colleges/Universities: \$6.5 million.**
- **State Scholarship Program: \$3 million.**  
State funded need-based financial aid, scholarships, tuition waivers, and loans will be cut by \$3 million. Most awards amounts will receive across-the-board cuts, although the total number of award recipients may also decrease.

## ENVIRONMENT & RECREATION

Recommendations included in the Legislature's FY 2011 budget proposal would have provided up to \$10.2 million in additional FMAP funding for the state's environment and recreation programs. This funding could be restored if Congress enacts the pending FMAP extension.

- **State Parks & Recreation: \$1.7 million.**
- **Environmental Administration: \$485,000.**  
This includes the Executive Office of Energy and Environmental Affairs, which would have received \$311,000, and the Environmental Law Enforcement, which would have received \$174,000.
- **Department of Environmental Protection: \$402,000.**
- **Fish and Game: \$333,000.**  
The Division of Marine Fisheries would have received \$271,000 and the Department of Fish and Game would have received \$62,000 through the FMAP extension.
- **Department of Agricultural Resources: \$67,000.**

## MASSHEALTH (MEDICAID) & HEALTH REFORM

Recommendations included in the Legislature's FY 2011 budget proposal would have provided up to \$144.4 million in additional FMAP funding for MassHealth (Medicaid) and the state's health reform programs. This funding could be restored if Congress enacts the pending FMAP extension.

- **Commonwealth Care Bridge Program: \$56 million.**  
Without FMAP dollars, 24,000 legal immigrants will lose their health insurance coverage on August 31.
- **MassHealth: \$81.3 million.**  
Without FMAP dollars, service cuts to MassHealth members include cuts to the day habilitation services for disabled adults from six hours to five hours daily, reductions in personal care attendant services, reductions in grants to certain community providers, and a reduction in funding for the Children's Behavioral Health Initiative (also known as "Rosie D." funding.) MassHealth will also shorten the time frame for eligibility redeterminations, and take other cost-tightening measures.

## MENTAL HEALTH & PUBLIC HEALTH

Recommendations included in the Legislature's FY 2011 budget proposal would have provided up to \$9.2 million in additional FMAP funding for mental health programs and \$15.3 million for public health programs. This funding could be restored if Congress enacts the pending FMAP extension.

### *MENTAL HEALTH*

- **Adult Mental Health Services: \$2 million.**
- **Mental Health Facilities: \$6.4 million.**

### *PUBLIC HEALTH*

- **Substance abuse prevention and treatment: \$3.4 million.**  
Without FMAP dollars, funding for the Division of Substance Abuse Services receives \$1.4 million less, and funding for a program providing secure treatment for persons struggling with addiction to opiates is cut in half, from \$4 million to \$2 million.
- **Compulsive Behavior Treatment Program: \$500,000.**  
Without FMAP dollars, funding for treatment programs for persons trying to overcome a variety of addictive behaviors drops from \$1 million to \$500,000.
- **Shaken Baby Syndrome Prevention: \$178,000.**  
Without FMAP dollars, the shaken baby syndrome prevention program is eliminated.
- **Primary Care Loan Forgiveness: \$157,000.**  
Without FMAP dollars, a program designed to support medical practitioners who choose primary care is eliminated.
- **Academic Detailing: \$93,000.**  
Without FMAP dollars, a program designed to encourage cost-effective use of generic prescription medications is eliminated.

## HUMAN SERVICES

Recommendations included in the Legislature's FY 2011 budget proposal would have provided up to \$64.8 million in additional FMAP funding to the state's human services programs. This funding could be restored if Congress enacts the pending FMAP extension.

### *CHILDREN AND FAMILIES*

- **Congregate Care: \$3.8 million.**  
Although this line item is cut by a total \$18.2 million in FY 2011, \$3.8 million in FMAP funds could have mitigated this severe cut by 20 percent. This line item funds the congregate care of children in the custody of the Department of Children and Families.
- **Services to Children and Families (including Family Support And Stabilization): \$7.4 million.**
- **Support Services for People At-Risk For Domestic Violence: \$1.2 million.**

### *DEVELOPMENTAL DISABILITIES*

- **Community Day and Work Programs: \$4.7 million.**
- **State and Community-Based Residential Services: \$6.5 million.**
- **Respite Services and Intensive Family Supports: \$1.5 million.**

### *ELDER SERVICES*

- **Elder Home Care: \$10.8 million.**  
Without FMAP funding, community-based long term care services for elders loses funding equivalent to a full year's worth of services for more than 2,400 elders.
- **Protective Services: \$1.5 million.**

### *TRANSITIONAL ASSISTANCE*

- **Transitional Aid to Families with Dependent Children (TAFDC): \$1 million.**
- **Employment Services Program (ESP): \$8.1 million.**  
ESP provides job training, education, and job placement services for individuals transitioning out of TAFDC cash assistance. Without FMAP dollars, ESP is funded at \$15 million for FY 2011. The Department of Transitional Assistance estimates that the FMAP funding would have supported approximately 3,000 to 3,500 slots and 1,600 to 1,800 placements in ESP programs.

### *OTHER HUMAN SERVICES*

- **Home Care Services for the Disabled under the Massachusetts Rehabilitation Commission: \$406,000.**
- **Department of Youth Services and the programs it administers: \$633,000.**

## HOUSING

Recommendations included in the Legislature's FY 2011 budget proposal would have provided up to \$6.9 million in additional FMAP funding for the state's housing programs. This funding could be restored if Congress enacts the pending FMAP extension.

- **Massachusetts Rental Voucher Program (MRVP): \$2.2 million.**  
This program provides rental assistance to low-income families, earning on average \$11,000 annually. MRVP provides two types of vouchers: project-based, meaning that voucher is tied to a subsidized housing unit, and mobile vouchers, which recipients can apply to any rental housing unit. Although the FY 2011 appropriation of \$33.2 million is \$300,000 higher than the FY 2010 budgeted amount, it is still not nearly enough to meet the increasing demand for rental assistance, particularly in light of the economic recession. The mobile voucher program has been frozen, while the waiting list for project-based vouchers is extremely long and can take years to for applicants to move off the waiting list.
- **Residential Assistance for Families in Transition (RAFT): \$740,000.**  
RAFT provides short-term financial assistance (up to \$2,000) to families who are at-risk of becoming homeless and who are facing an immediate financial crisis. This can be through a single allocation or through more than one allocation, as long as the total financial assistance does not exceed \$2,000. Funding for RAFT was significantly cut to just \$260,000 and has essentially been offline since FY 2009, when it was fully funded at \$5.5 million. In FY 2009, the RAFT program provided grants to over 2,700 families, with average grants ranging from \$1,300 to \$1,900.<sup>2</sup> Although a similar homelessness prevention program exists through the federal recovery act, in order for the RAFT program to be restored, the state will have to find a way provide funding, especially when the federal recovery funds run out.
- **Subsidies to Public Housing Authorities: \$2 million.**
- **Emergency Assistance: \$1.6 million.**

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<sup>2</sup> Community-Based Research Initiative, Northeastern University. "Fighting Homelessness in Massachusetts: A Cross-Agency Analysis of the Residential Assistance for Families in Transition (RAFT) Program." October 2009.

## ECONOMIC DEVELOPMENT AND WORKFORCE & LABOR

Recommendations included in the Legislature's FY 2011 budget proposal would have provided up to \$6.7 million in additional FMAP funding for the state's economic development and workforce programs. This funding could be restored if Congress enacts the pending FMAP extension.

- **One-Stop Career Centers: \$506,000.**  
One-Stop Career centers provide job placement and job readiness assistance to unemployed workers. These centers, located throughout the state, have served thousands of workers. The three Centers in Boston alone served almost 18,000 customers in FY 2007.<sup>3</sup> A decrease in funding would create constraints for the Centers at a time when job placement and training are critical services for unemployed workers.
- **Local Tourism Councils: \$2.5 million.**
- **Individual Training Grants: \$845,000.**
- **Regional Economic Development Grants: \$400,000.**

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<sup>3</sup> Boston Private Industry Council. "Career Center Charter Review Report." April 2008. <http://www.bostonpic.org/resources/career-center-charter-review-report>

## LAW & PUBLIC SAFETY

Recommendations included in the Legislature's FY 2011 budget proposal would have provided up to \$35.7 million in additional FMAP funding to law and public safety programs. This funding could be restored if Congress enacts the pending FMAP extension.

### *COURTS & LEGAL ASSISTANCE*

- **Public Counsel Services: \$1.6 million.**  
This reduction translates into decreased availability of public lawyers to counsel defendants who are unable to pay for private legal representation.
- **District Court: \$1.7 million.**
- **Juvenile Court: \$1.5 million.**
- **Indigent Persons Fees and Court Costs: \$1.1 million.**
- **Superior Court: \$860,000.**
- **Probate and Family Court: \$760,000.**

### *LAW ENFORCEMENT*

- **Department of State Police Operation: \$4.2 million.**
- **Gang Prevention Grant Program (Shannon Grants): \$2.0 million.**
- **Office of the Chief Medical Examiner: \$640,000.**
- **Criminal Systems History Board: \$540,000.**

### *PRISONS, PROBATION & PAROLE*

- **Department of Correction Facility Operations: \$5.3 million.**
- **County Sheriffs' Departments: \$100,000 - 400,000 each.**

### *PROSECUTORS*

- **District Attorney Offices': \$30,000 - 150,000 each.**
- **Wage Enforcement Program: \$190,000.**
- **Witness Protection Board: \$100,000 and Victim and Witness Assistance: \$40,000.**  
These programs provide help to at-risk witnesses with temporary housing and moving costs, as well as food, childcare and other costs.

**Original FMAP Allocations in the Legislature's FY 2011 Budget By Category & Subcategory**

<b>Category</b>	<b>FMAP Amount</b>
<b>Education</b>	<b>\$65,567,393</b>
Chapter 70	\$0
Early Education & Care	\$8,861,271
Elementary & Secondary Education	\$26,078,172
Higher Education	\$30,627,950
School Building	\$0
<b>Environment &amp; Recreation</b>	<b>\$10,202,471</b>
Agriculture	\$67,000
Environmental Administration	\$485,339
Environmental Protection	\$601,764
Fish & Game	\$332,986
Parks & Recreation	\$8,715,382
<b>Health Care</b>	<b>\$168,911,185</b>
MassHealth (Medicaid) & Health Reform	\$144,396,663
Mental Health	\$9,234,300
Public Health	\$15,280,222
State Employee Health Insurance	\$0
<b>Human Services</b>	<b>\$64,821,695</b>
Children & Families	\$17,889,105
Developmental Services	\$19,096,449
Elder Services	\$12,998,616
Transitional Assistance	\$13,420,037
Other Human Services	\$1,417,488
<b>Infrastructure, Housing, &amp; Economic Development</b>	<b>\$14,151,477</b>
Economic Development	\$6,186,904
Housing & Community Development	\$6,909,345
Regulatory Entities	\$529,850
Transportation	\$0
Workforce & Labor	\$525,378
<b>Law &amp; Public Safety</b>	<b>\$35,741,473</b>
Courts & Legal Assistance	\$9,357,604
Law Enforcement	\$7,588,658
Prisons, Probation, & Parole	\$16,610,040
Prosecutors	\$1,913,186
Other Law & Public Safety	\$271,985
<b>Local Aid</b>	<b>\$2,189,000</b>
General Local Aid	\$0
Other Local Aid	\$2,189,000
<b>Other</b>	<b>\$10,487,788</b>
Constitutional Officers	\$165,554
Debt Service	\$700,000
Executive & Legislative	\$2,089,470
Libraries	\$0
Pensions	\$0
Other Administrative	\$7,532,764
<b>Grand Total</b>	<b>\$372,072,482</b>