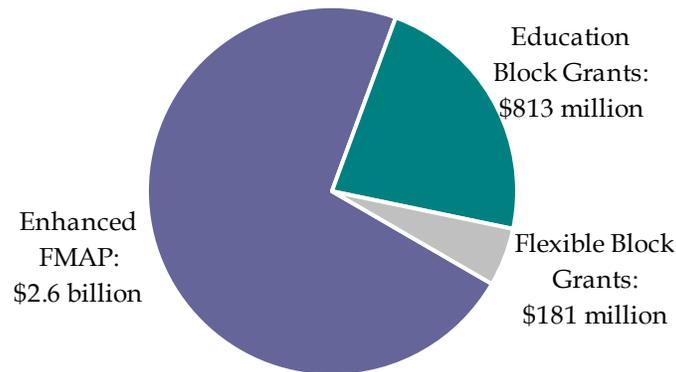


## American Recovery and Reinvestment Act – State Fiscal Relief

One of the most important aspects of the federal stimulus bill – the American Recovery and Reinvestment Act (ARRA) – is to provide a measure of fiscal stability to state budgets reeling from the impact of the national recession. This funding allows states to reduce significantly the size of budget cuts that would otherwise likely have been enacted, thereby maintaining essential services and preserving billions of dollars that would otherwise have been taken out of local economies, and reducing the need to raise taxes. In Massachusetts, ARRA is providing close to \$3.6 billion in state fiscal relief through three main sources: a temporary increase in the federal reimbursement rate for the Medicaid program, an education block grant, and a flexible block grant. In addition, ARRA provides more than \$129 million in other funding that the state can use to in the budget, in the form of funding for certain health care providers, funds for assistance to low-income families, and funding for homelessness prevention.<sup>1</sup>

### ARRA Provides \$3.6 Billion for State Fiscal Relief



### TEMPORARY INCREASE IN FEDERAL MEDICAID ASSISTANCE PERCENTAGE (FMAP)

ARRA allocates \$85.6 billion nationally in the form of an increase in the federal reimbursement rate (Federal Medicaid Assistance Percentage, or “FMAP”) paid to states for their Medicaid spending. From Fiscal Year 2009 through Fiscal Year 2011, Massachusetts will receive an estimated \$2.6 billion in enhanced FMAP reimbursement to support a wide variety of health and safety net services within the state budget. This total consists of \$806 million spent in the FY 2009 state budget, \$1.223 billion estimated for the FY 2010 state budget, and \$600 million estimated for the FY 2011 state budget.

### EDUCATION BLOCK GRANT

Massachusetts will receive approximately \$813 million in an education block grant to provide funding for public school districts and public higher education campuses. The state can use these dollars for three main

<sup>1</sup> For a complete discussion of ARRA in Massachusetts, including citations for the numbers included in this brief, see Massachusetts Budget and Policy Center, “The American Recovery and Reinvestment Act of 2009: Federal Stimulus in Massachusetts - October 2009 update,” October 14, 2009. Available at <http://massbudget.org/doc/695>.

purposes: to make up for cuts to K-12 public education since FY 2008; to fund increases in K-12 public education funding called for by existing school funding formulas; and to make up for funding cuts from public higher education since FY 2008. In FY 2009, Massachusetts used \$322 million to support K-12 education and \$54 million for higher education. Approximately \$174 million of these funds will support higher education and \$172 million will support K-12 education in FY 2010. If the state does not use any additional ARRA funds in FY 2010 to help balance the budget, there will be little more than \$96 million left for use in FY 2011.

**FLEXIBLE BLOCK GRANT**

Massachusetts will receive approximately \$181 million in flexible block grant funds to support education, public safety, and “other government services.” So far, Massachusetts has spent \$90 million of these funds in FY 2009 for K-12 education funding, and \$21 million in FY 2010 for a grant program to reduce the need for staffing reductions at fire departments around the state. Approximately \$70 million remains.

**PROVIDING FISCAL RELIEF FOR THE STATE BUDGET**

The dollars made available through ARRA are temporary funds. In the FY 2009 budget, the state relied on approximately \$1.3 billion in state fiscal relief to help balance the budget; in FY 2010, the state will be using approximately \$1.6 billion. This will leave only \$770 million for use in the FY 2011 budget, assuming none of that funding is needed in FY 2010. As unemployment continues to rise, it is clear that states will face severe fiscal challenges beyond FY 2010. To reduce state tax increases and budget cuts that would harm the national economy as well as the people directly affected, Congress could provide additional state fiscal relief.

**Fiscal Relief Funds Used in the State Budget**

