

State Notes

TOPICS OF LEGISLATIVE INTEREST

July/August 2009



Federal Stimulus Funding Update in Michigan Gary S. Olson, Director

President Obama on February 17, 2009, signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The Act provides for \$787.0 billion of stimulus to the national economy; this sum includes \$500.0 billion of increases in Federal spending and \$287.0 billion of Federal tax reductions.

To date, the State of Michigan has been authorized to appropriate approximately \$6.7 billion of direct Federal funding under provisions of ARRA. These additional Federal funds are split between \$3.7 billion of funding that has a high level of flexibility and \$3.0 billion of funding that is subject to restrictions on its use. Michigan will be using the additional Federal funds that can be characterized as flexible in nature to help eliminate actual and projected deficits in the General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) budgets. The restricted Federal funding received by Michigan must be used pursuant to rigid guidelines developed by the Federal government.

Flexible Federal ARRA Funding

Table 1 provides a summary of the \$3.7 billion of Federal ARRA funding that can be characterized as flexible. There are three major categories of these flexible Federal funds. The first is a temporary increase in the Federal Medicaid matching rate. The Medicaid program is a jointly funded State and Federal program that provides health care for low-income citizens. The provisions of ARRA contain a temporary enhancement in the total cost of the Medicaid program paid by Federal funding. This temporary increase in the amount of Federal funds financing the Medicaid program allows Michigan to reduce the amount of State GF/GP appropriations needed to support the program. During fiscal year (FY) 2008-09, the Federal Medicaid match rate will increase from 60.27% to 70.41%, resulting in GF/GP appropriation savings of \$893.6 million. During FY 2009-10, the Federal Medicaid match rate will increase from 63.19% to 73.27%, resulting in GF/GP appropriation savings of \$973.0 million. A similar increase in the Federal Medicaid match rate in the first quarter of FY 2010-11 will result in GF/GP appropriation savings of \$209.6 million. The enhanced Federal Medicaid match rate funding is eliminated effective December 31, 2010. Michigan will be using these temporary increases in the Federal Medicaid match rate and the associated GF/GP appropriation savings to help eliminate overall projected GF/GP budget deficits.

Table 1

American Recovery and Reinvestment Act Summary of Flexible Funding (millions of dollars)	
Enhanced Medicaid Match Rate (FY 2008-09).....	\$893.6
Enhanced Medicaid Match Rate (FY 2009-10).....	973.0
Enhanced Medicaid Match Rate (FY 2010-11).....	209.6
Unrestricted State Fiscal Stabilization Fund (FY 2008-09).....	289.8
State Fiscal Stabilization Fund, K-12 (FY 2008-09).....	600.0
State Fiscal Stabilization Fund, K-12 (FY 2009-10).....	634.1
State Fiscal Stabilization Fund, Higher Ed. (FY 2009-10).....	68.3
Total Flexible Funding	\$3,668.4

Source: Senate Fiscal Agency



The second category of flexible Federal ARRA funding is \$289.6 million of unrestricted funding that Michigan will receive under a provision of ARRA referred to as the State Fiscal Stabilization Fund. This temporary Federal funding can be used for any purpose and Michigan will be appropriating these flexible Federal funds during FY 2008-09 to help close the projected GF/GP budget deficit.

The third category of flexible Federal ARRA funding involves a total of \$1.3 billion of funding also under the State Fiscal Stabilization Fund. These funds must be used for K-12 education, community colleges, or higher education. The State of Michigan has appropriated \$600.0 million of these funds to the K-12 School Aid Fund budget in FY 2008-09. These funds were appropriated to eliminate a projected deficit in the FY 2008-09 SAF budget. The State of Michigan will appropriate an additional \$634.1 million of these funds in the FY 2009-10 SAF budget and an additional \$68.3 million will be appropriated in the FY 2009-10 Higher Education appropriation bill.

Restricted Federal ARRA Funding

Table 2 provides a summary of the \$3.0 billion of Federal ARRA funding that can be characterized as restricted. These restricted Federal funds must be appropriated based on the conditions contained in ARRA. They are not available to the State to help eliminate any projected deficits in either the GF/GP or the SAF budget.

Table 2
American Recovery and Reinvestment Act
Summary of Restricted Funding
(millions of dollars)

Transportation Projects	\$903.4
K-12 Special Education Programs	426.3
K-12 At-Risk Programs	465.1
Workforce Training Programs	235.3
Environmental Cleanup Projects.....	248.6
Low-Income Home Weatherization Programs	244.0
Food Assistance Programs	150.0
Energy Programs	108.8
Unemployment Assistance.....	85.3
Community Services Block Grants	36.0
K-12 Education Technology Grants	24.5
Byrne Justice Assistance Grants	41.2
All Other Restricted Programs	73.3
Subtotal Restricted Programs	\$3,041.8

Source: Senate Fiscal Agency

The restricted ARRA funding falls into the broad categories of transportation, education, environmental, energy, workforce training, and low-income assistance programs. Transportation funding is split between highway construction projects, assistance to transit projects, and airport funding. Education funding is split between special education programs, at-risk student funding, and technology grants for school districts. The environmental funding is provided for the cleanup of contaminated sites. Energy funding includes funding of energy

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improvement projects in public buildings and energy technology projects. Workforce training funding includes increases in job training plus increases in unemployment benefits. Low-income assistance funding includes such programs as weatherization programs in low-income homes, increases in the level of food assistance for low-income families, and increases in community services block grant programs designed to assist low-income families.

While the State of Michigan has currently identified approximately \$3.0 billion of this restricted ARRA funding, the total amount of this type of ARRA funding is likely to increase. State departments and agencies are currently applying for a variety of competitive ARRA grants that are not distributed pursuant to formulas contained in ARRA. As Michigan receives Federal approval the total amount of Federal ARRA restricted funding will increase.