



NATIONAL CONFERENCE
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FMAP Extension and the Impact on States

April 29, 2010

The ongoing congressional debate on Capitol Hill over whether to provide a six-month extension to the enhanced Federal Medical Assistance Percentages (FMAP) for states could have some major consequences on state budgets for the upcoming fiscal year. The \$25.5 billion extension of provisions in the American Recovery and Reinvestment Act (ARRA) would cover the period between Jan. 1, 2011 and June 30, 2011, which represents the second half of fiscal year (FY) 2011 for nearly all states. Increasing demands that any “jobs,” supplemental appropriations or emergency legislation be offset with revenue adjustments or spending reductions has emerged as the dominant factor in potential passage of H.R. 4213, the FMAP extension bill, and related legislation.

As of Apr. 29, 2010, at least 29 states have finalized their budget plans for FY 2011. Most of the remaining states plan on adopting their FY 2011 budgets before June 30.

This brief provides information on all 50 states. It is based on data collected from legislative fiscal directors in April 2010. It includes information on:

- Whether states have budgeted on the assumption that Congress will approve a six-month extension to the FMAP.
- How much states have budgeted for the FMAP extension.
- Whether states have developed any budget contingencies in the event the FMAP is not extended by Congress.

Table 1 provides further details on state responses.

Budgeting for an FMAP Extension

Most states have budgeted for the upcoming fiscal year, FY 2011, on the assumption that Congress will approve a six-month extension to the enhanced FMAP. Thirty states reported that their budgets, either proposed or already enacted, assume Congressional approval of the six-month extension to the FMAP.

In Kansas, the budget being considered by the House of Representatives assumes an enhanced FMAP extension while the Senate proposal does not. The North Carolina budget was adopted in 2009 but the

governor's recommended budget adjustments for the biennium are based on the assumption that the FMAP will be extended.

Twenty states have not budgeted on the assumption that there will be an extension to the enhanced FMAP. Eight of these states adopted their biennial budgets during 2009 legislative sessions, well ahead of any discussion of a possible six-month extension: Indiana, Montana, Nebraska, North Dakota, Ohio, Oregon, Texas, and Wyoming.

Amount Budgeted for FMAP Extension

States that included an FMAP extension in their budgets assumed amounts ranging from \$33.7 million in New Hampshire to \$1.5 billion in California. These are significant amounts in light of the projected budget gaps that most states have had to address for the upcoming fiscal year. Thirty-eight states and Puerto Rico recently reported that they were dealing with a cumulative projected budget gap of \$89 billion for FY 2011.¹

Alabama reports that its FY 2011 budget assumes \$197 million from an FMAP extension. Georgia's soon-to-be-adopted budget assumes \$370.5 million. In Illinois, the governor's introduced budget assumes the proceeds will total \$737 million. Michigan is assuming \$514 million. And in Washington, it was presupposed from the beginning of the budget process that the FMAP would be extended; the \$479.8 million that was allotted is a 17 percent solution of the state's \$2.8 billion shortfall this biennium.

State Contingency Plans

Only nine states out of the 30 that are budgeting for an FMAP extension have budget contingencies in place should Congress not approve a six-month extension. Contingency plans include:

- Eliminating some Medi-Cal eligibility categories and optional benefits in California.
- Depleting reserves in Idaho.
- Reducing allotments in Maine.
- Transferring \$200 million to the general fund from a local income tax reserve account in Maryland.

¹ More information on current state fiscal conditions can be found in NCSL's report, *State Budget Update: March 2010*, which can be found at: <http://www.ncsl.org/?tabid=20157>.

Table 1. Six-Month FMAP Extension

State	Has your state budgeted on the assumption that Congress will approve a six-month extension to the FMAP?	How much has your state budgeted for the FMAP extension?	Has your state developed any budget contingencies in the event that the FMAP is not extended?
Alabama	Yes. The FY 2011 budget assumes that the extension will be approved.	\$197 million	No.
Alaska	Yes.	\$60 million	The state will have to fill the hole with general funds in a supplemental appropriation bill.
Arizona	No. Arizona's budget eliminated coverage for the KidsCare (SCHIP) program and reduced funding a portion of its Medicaid population in its FY 2011 budget prior to the signing of federal health care legislation. The Legislature is presently considering a bill to restore the reduced funding for the Medicaid population, contingent upon the extension of the enhanced FMAP.	\$394 million: \$9 million for restoration of KidsCare (occurring even if enhanced FMAP is not extended), and \$385 million for restoring other T19 programs by six months.	N/A
Arkansas	No.	N/A	N/A
California	Yes. The budget assumes a six-month extension of enhanced FMAP. It assumes a 61.59 percent federal to 38.41 percent state share for Medi-Cal costs.	About \$1.5 billion.	If the state does not receive increased federal funds from the extension of enhanced FMAP and other federal funds initiatives, the governor proposes to eliminate some Medi-Cal eligibility categories and optional benefits. It is unlikely that much of the governor's savings proposal is still viable due to Medicaid maintenance of effort requirements included in the Patient Protection and Affordable Health Care Act.
Colorado	Yes. Colorado just passed its budget and included the FMAP extension to June 2011. The legislature decided to include this after the U.S. Senate passed the FMAP extension with 63 votes.	Approximately \$245 million in federal funds would be lost.	Not yet. The state will start working on a contingency plan if no movement is made in Congress. The legislative session ends on May 12. Therefore, a contingency plan would have to be introduced by May 3, at the latest.
Connecticut	Connecticut has not yet budgeted for next year but current assumptions include an extension of FMAP.	The FMAP portion alone is \$263.5 million.	No. The state is still determining whether it needs to plan on a contingency. The budget is still in negotiations.

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Delaware	No. Delaware's FY 2011 budget does not assume that the ARRA FMAP will be extended past Dec. 31, 2010.	N/A	N/A
Florida	Yes.	\$270 million	Yes.
Georgia	Yes. The soon to be adopted budget assumes a six-month extension.	\$370.5 million	No.
Hawaii	Yes, although indirectly. Hawaii's Medicaid program is already running a shortfall that requires general funds. A portion of that shortfall was addressed under the assumption that additional federal reimbursements (\$86 million) would be coming to the state to help address the shortfall.	\$86 million	No contingencies. The projected carryover balance for FY 2011 is about \$200 million. Thus, there could be an emergency appropriation made for Medicaid during the next legislative session in 2011. However, such an appropriation would cause a projected deficit in FY 2012.
Idaho	Yes.	\$68 million	Yes. The state would deplete reserves in the event that there is no FMAP extension.
Illinois	Yes. The governor's introduced budget assumed the proceeds from the enhanced FMAP extension.	\$737 million	Budget deliberations are ongoing.
Indiana	No. The biennial budget was prepared with the assumption the ARRA stimulus FMAP would end after December 2010.		
Iowa	Yes.	\$115.9 million	No.
Kansas	The House budget proposal assumes an enhanced FMAP extension while the Senate budget proposal does not.	The House budget proposal budgets for \$130 million from the FMAP extension while the Senate version assumes zero funding.	No.
Kentucky	Kentucky has not yet enacted a FY 2010-2012 budget. However, both the Senate and House budget proposals assume a six-month extension of FMAP.	\$257 million	Kentucky has developed no contingency plan if the FMAP is not extended. However, the General Assembly meets on an annual basis and could address the issue in January 2011, if the extension is not provided.

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Louisiana	No.	N/A	Contingency plans include provider rate cuts and use of other one-time money (including \$233 million in amnesty program funds that are reflected in the FY 2011 proposed budget). The FY 2011 budget proposal does not use the six-month FMAP extension to balance the Medicaid budget.
Maine	Yes. Maine recognized the savings from the enhanced FMAP, with a provision to curtail allotments statewide if it is not approved.	\$85.5 million	As noted, a provision for a statewide reduction to allotments will go into effect Oct. 1, 2010, if the extension is not approved by July 1, 2010.
Maryland	Yes.	\$389 million	A provision in separate budget reconciliation legislation permits the transfer of \$200 million to the general fund from a local income tax reserve account (the remaining \$189 million is covered by a fund balance) which the state would repay in future years, but only if the FMAP extension is not approved by Dec. 31, 2010.
Massachusetts	Yes. The budget proposals being considered all assume a six-month extension of the FMAP.	\$689 million	No.
Michigan	Yes. Michigan is assuming \$514 million of general fund savings from the six-month extension in the budget.	\$514 million	No, not at this point.
Minnesota	The governor has included the FMAP extension in his budget recommendations. The House has assumed that revenue in its budget. The Senate has also planned for the extension. Minnesota has not yet completed its budget but the FMAP extension would be very helpful in the budget process.	Approximately \$408 million	No, not yet.

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Mississippi	The Legislature passed the FY 2011 budget without the FMAP extension but the Legislature also passed HB 1059, which will allow a portion of the FMAP savings to be used if Congress extends FMAP past Dec. 31, 2010.	Current estimates are a savings to the State General Fund of \$187 million.	As stated before, the Legislature has passed the FY 2011 budget without the FMAP extension but provided for supplemental allocations of a portion of the FMAP savings, if the FMAP extension is approved past Dec. 31, 2010.
Missouri	Missouri is in conference between the House and Senate on the budget and it looks like Missouri is not going to budget the extension for FY 2011. The state is going to keep it for FY 2012.		No.
Montana	No. Montana is not in a legislative session this year.		
Nebraska	No.		
Nevada	Although the funds have not been authorized in the legislatively approved budget, they have been included in the current plan to close the FY 2011 budget shortfall.	\$88.5 million	No, not at this time.
New Hampshire	The 2011 supplemental budget negotiations have not been completed. On April 15, 2010, the governor submitted a plan to the legislature that does recognize a six-month extension of FMAP.	The governor's plan recognizes \$33.7 million of additional FMAP money.	There are numerous budget contingencies being discussed at this time.
New Jersey	Yes.	About \$490 million	Unknown.
New Mexico	Yes.	Approximately \$150 million	No.
New York	Yes.	\$1.1 billion	No.

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North Carolina	The FY 2009-2011 budget, as passed during the 2009 legislative session, did not contemplate an FMAP extension. The legislature will convene in mid-May and will begin considering adjustments to the FY 2009-11 budget at that time. The legislature may or may not include a six-month FMAP extension. However, the governor has released her recommended budget adjustments for FY 2009-11, and her recommendations are based on the assumption that FMAP will be extended.	The governor's budget assumes \$499 million for the FMAP extension.	No. The FY 2010-11 budget has not been adjusted and will not be until the legislature convenes in mid-May.
North Dakota	No. The North Dakota Legislative Assembly meets each odd-numbered year; therefore, when the North Dakota Legislative met in 2009, it was not aware of a possible extension of the enhanced FMAP and budgeted assuming the enhancement would not be extended.		
Ohio	No. Ohio does biennial budgeting; the FY 2011 budget was enacted in July 2009.	N/A	N/A
Oklahoma	The Legislature currently is in the process of developing the budget, but is considering the option of including the assumption of the extension.		Yes. Should the FMAP not be extended, the majority of state agencies would receive deeper budget cuts.
Oregon	No. It has not been included in the budget for the 2009-2011 biennium (July 2009 through June 2011).		The state is developing estimates for its 2011-13 budget without counting on any FMAP extension. If it does occur, it will be used to reduce our projected deficit.
Pennsylvania	Yes. The FY 2011 budget currently under consideration has assumed an extension of the ARRA FMAP on qualified expenditures.	\$848.5 million	No.
Rhode Island	Yes.	\$95.2 million	No, no formal proposals.

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South Carolina	Yes. The House-passed budget and the Senate Finance Committee have budgeted the additional six-month FMAP extension.	\$230 million	The extension is budgeted in its own separate section, and it is a contingent appropriation.
South Dakota	Yes, but the FY 2011 budget was balanced without the six-month extension.	\$36 million	The FY 2011 budget is balanced without FMAP.
Tennessee	No.	None.	The state will have contingencies, which are yet to be negotiated between the governor and legislature.
Texas	Texas is facing a likely supplemental appropriations need for Medicaid in FY 2011. The state is hoping funds from an extension of FMAP would partially offset that spending need so that it would have more state funds available for the 2012-2013 biennium where it faces a shortfall greater than \$11 billion.	The state is hoping for about \$900 million in additional federal funds.	State agencies and institutions have been asked to implement plans to reduce their 2010-11 biennial general revenue spending by 5 percent. This is not tied directly to the FMAP extension issue but is another tool the state is using to reduce spending now in light of a projected tough budget session in 2011 for the 2012-13 biennium.
Utah	Not explicitly. However, the state funded only half of the projected Medicaid caseload projections for FY 2011. Some have postulated that the second half would be covered by the six-month FMAP extension.	\$40 million	Utah passed a number of eligibility/coverage reductions that were put on hold with the passage of ARRA. Those reductions would likely go into place once ARRA ends without additional FMAP.

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Vermont	Yes. At this point the state has budgeted on the assumption of a six-month extension.	\$62.8 million	Yes, the state has contingently provided general funds that would otherwise be used for needed but "investment type" expenditures. Failure to receive the money will cause some immediate shortfalls including: difficulty in making a \$2 million investment in communities to reduce the number of people being incarcerated or re-incarcerated by providing transition housing and substance abuse treatment and \$3 million (\$8.3 million gross) in hospital outpatient services. The state would need to make cuts in long-term care nursing home and/or home- and community -based care to meet a \$2.1 million (\$5.8 million) budget need. It will also seriously weaken the state's ability to build other long-term solutions needed to address the structural issues it faces in FY 2012 and beyond, these issues include creating funds to meet a \$45 million shortfall for stated Medicaid programs in FY 2012, funding for a Vermont mental health secure facility, and several state IT projects where systems are in need of replacement and the improvements could result in financial savings. In its human services program, for example, the state is currently relying on eligibility systems that are 30 years old.
Virginia	No. Virginia made general fund budget cuts totaling \$417 million for the FY 2010-12 budget (July 1, 2010 - June 30, 2012). Language was added that would restore proposed funding reductions if six months of additional FMAP is provided.		If funding is not provided, the reductions included in the approved budget will go into effect. Of the total anticipated, approximately \$45 million must be restored in FY 2011 to satisfy MOE requirements related to the FMAP extension.

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Washington	Yes. The assumption that FMAP would be extended was fully integrated into all budget steps and the overall decision-making process. The budget was adopted April 12, 2010. In addition to the FMAP assumption, the legislature also increased revenues, transferred dedicated fund sources into the state general fund, utilized the budget stabilization account, assumed savings from federal health reform and made numerous program reductions in addition to imposing mandatory employee furloughs.	\$479.8 million (Solved about 17 percent of the state's \$2.8 billion budget shortfall.)	Washington typically leaves a projected ending balance to guard against: a) revenue forecast changes; b) entitlement caseload growth; c) litigation preventing or delaying implementation of budget reductions; d) other unforeseen circumstances. In the 2010 session, the list of risks would also include the extension of FMAP and federal health reform. Total general fund reserves are projected to be approximately \$473 million (before the impact of governor's veto actions) or about 1.5 percent of the 2007-09 budget. No funds remain in the budget stabilization account.
West Virginia	No. West Virginia has been very conservative in budgeting for the state match with a secondary goal of building a surplus for the out years when it anticipates a "funding cliff" scenario.	Not applicable.	Yes. The state has been building a surplus balance in its Medical Services (Medicaid) Trust Fund. This may still be woefully inadequate depending upon Medicaid expansion and future changes in the FMAP.

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Wisconsin	Wisconsin operates on a two-year budget cycle. The 2009 Wisconsin Act 28, enacted in June 2009, established a Medicaid budget for state fiscal years 2009-10 and 2010-11 (the period July 1, 2009 through June 30, 2011) that did not assume the period of enhanced FMAP would be extended past Dec. 31, 2010. However, Medicaid caseloads and costs are significantly exceeding the Act 28 estimates, so that the FMAP extension would significantly help the state fund these higher-than-budgeted costs.	N/A	Wisconsin's Department of Health Services, which administers the state's Medicaid program, has been soliciting ideas from a number of health care providers and other stakeholders to reduce state Medicaid benefits costs, both in the near-term and long-term. These proposals range from reducing reimbursement rates to providers, reducing the scope of some benefits, seeking additional opportunities to access federal medical assistance funds (such as increasing or expanding health care provider taxes), and broadening the state's estate recovery program. It is possible that DHS will choose to implement some of these proposals administratively, while others would require legislative action, perhaps after January when a new Legislative session begins. At that time, the state will also have a new governor, as the state's current governor is not seeking re-election. It may also be necessary to provide supplemental funding from the state's general fund to support the medical assistance program to fully fund costs through June 30, 2011. Much of what occurs in Wisconsin will depend on whether Congress extends the period of higher FMAP.
Wyoming	No.	N/A	N/A

Source: NCSL survey of state legislative fiscal offices, April 2010.