

POLICY UPDATE

States Receive Funding from Stimulus Bill

BY DAVID VAN DEN BERG

Money from the American Recovery and Reinvestment Act of 2009, better known as the stimulus bill, is flowing to states around the country and the Fifth District.

The \$787 billion legislation will provide at least \$18 billion to the states of the Fifth District to fund a variety of projects like road building and school improvements, according to the National Conference of State Legislatures (NCSL). The amount of money states should expect to receive is based on funding formulas that take into account a state's population, unemployment rate, and number of low-income residents, said Michael Bird, federal affairs counsel with the NCSL.

Most of the money provided is for specific programs and must be used for those purposes. North Carolina's allocation is the largest in the District, at about \$6 billion, while West Virginia will get \$1.4 billion and the District of Columbia will get \$876 million. Virginia will receive \$4.5 billion; Maryland will receive \$4 billion, while South Carolina is slated to get \$2.9 billion. These allocations exclude additional funds they will receive later this year through grant programs, disbursements for traditional unemployment benefits, and the food stamp program. This money is not meant to be a permanent fixture in the federal budget: The new money is slated to stop flowing to the states on Sept. 30, 2010.

Here's a look at some of the funding coming to the Fifth District, based on numbers obtained from the NCSL:

Medicaid

The formula by which the federal government allocates Medicaid matching dollars will be altered so as to allow an increase in federal spending on that program. Additional amounts of funding will be given to a state if its unemployment rates rise higher. In the Fifth District, North Carolina will receive the most additional Medicaid funding, \$2.35 billion. Maryland will receive \$1.63 billion, while Virginia will receive \$1.47 billion. South Carolina's Medicaid allocation will rise by \$860 million, while West Virginia's will rise by \$450 million.

All together, this amounts to a two-year increase (FY 2009 and 2010) in Medicaid spending of \$6.7 billion for the Fifth District states (excluding the District of Columbia). According to preliminary estimates from the National Association of State Budget Officers, that is almost double the amount — \$7 billion — that these states received from the federal government for that program in fiscal years 2007 and 2008. This growth is partly a result of an expansion in the number of people who can now qualify for Medicaid.

Fiscal Stabilization Fund/Education

Of the \$54 billion in the bill's "fiscal stabilization fund," about \$45 billion is directed at education. States will receive a total of \$40 billion for education-related purposes. Another \$5 billion goes to the U.S. Secretary of Education to allocate to states for school improvement projects.

However, there is a pot of money in the "fiscal stabilization fund" over which state governments will have complete discretion. States will receive a total of \$9 billion, allocated by a formula, to use as they see fit. North Carolina will receive \$254.3 million of this money, while Virginia will receive \$219.15 million. Maryland and South Carolina will receive at least \$125 million each. West Virginia will receive \$49 million, while the District of Columbia will receive \$16.3 million. "This was seen as money the states could use to help balance their budgets without being stuck in a specific funding silo," Bird said.

Unemployment Benefits

Most of the stimulus bill does not require state legislative changes for states to receive money. But to receive all available money for expanded unemployment benefits, states that have not already done so will have to change their laws about eligibility for those benefits. These changes would expand the benefits to workers not formerly covered by state unemployment insurance programs.

Not all governors are interested in making these changes, which could have a long-term impact on state budgets. South Carolina Gov. Mark Sanford opposes changing his state's laws. "After the federal money runs out, we're left to pick up the tab at the state level," said Joel Sawyer, a Sanford spokesman. Twenty states have changed their laws regarding unemployment eligibility and how those benefits are calculated. All of those states did so before President Obama took office, Bird said.

Infrastructure

Expenditures in this funding category include money to build or improve highway and bridges. North Carolina and Virginia will receive the District's largest allocations for this construction, at \$736 million and \$694 million, respectively. South Carolina will get \$463 million, followed by Maryland with \$431 million. West Virginia (\$210 million) and the District of Columbia (\$123 million) will receive the least.

Taxpayers will be able to monitor stimulus expenditures on a federal government site, www.recovery.org. Maryland, Virginia, West Virginia, North Carolina, and South Carolina have launched similar Web sites to allow their residents to track stimulus spending.

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