

June 2003

FEDERAL FUNDING FOR TEMPORARY STATE FISCAL RELIEF

The federal Jobs and Growth Tax Relief Reconciliation Act passed by Congress in May 2003 includes \$20 billion for increased federal payments to states under the Medicaid program (\$10 billion) and for temporary fiscal assistance for states (\$10 billion).

FEDERAL MEDICAL ASSISTANCE PERCENTAGE CHANGES

The Act provides \$10 billion for increased federal payments to states under the Medicaid program effective April 1, 2003, through June 30, 2004. Federal projections indicate that North Dakota will receive \$21,190,000 of additional federal funds under Medicaid as a result of the provisions of the Act. Due to programmatic changes made to North Dakota's

medical assistance program during the past year, the Department of Human Services projects additional federal funds and resulting state general fund savings of **\$19,600,000** rather than \$21,190,000 as earlier projected by the federal government as a result of the federal medical assistance percentage (FMAP) changes.

The Act provides a "hold harmless" provision for the state's FMAP and an enhanced FMAP. The hold harmless provisions and the enhanced FMAP rates are effective for the third and fourth quarters of federal fiscal year 2003 (April through September 2003) and for the first three quarters of federal fiscal year 2004 (October 2003 through June 2004). The chart below presents the changes that will be made to North Dakota's FMAP as a result of provisions of the Act.

North Dakota's FMAP				
Federal Fiscal Year	Percentage Prior to New Federal Act	Adjustments		Percentage Under New Federal Act
		Hold Harmless Provision	Enhancement	
2001	69.99			69.99
2002	69.87			69.87
2003				
Quarter ending 12/31/02	68.36			68.36
Quarter ending 3/31/03	68.36			68.36
Quarter ending 6/30/03	68.36	1.51	2.95	72.82
Quarter ending 9/30/03	68.36	1.51	2.95	72.82
2004				
Quarter ending 12/31/03	68.31	0.05	2.95	71.31
Quarter ending 3/31/04	68.31	0.05	2.95	71.31
Quarter ending 6/30/04	68.31	0.05	2.95	71.31
Quarter ending 9/30/04	68.31			68.31
2005				
Preliminary projection	67.22			67.22

A state is eligible for the higher federal matching percentage only if the eligibility for Medicaid under the state's plan is no more restrictive than the eligibility under the plan that is in effect on September 2, 2003.

The adjusted FMAP rates apply only to the federal Medicaid program and do not apply to disproportionate share hospital payments, child welfare, the state's children's health insurance program, or other Medicaid activities that already receive enhanced federal matching rates.

The federal funding became available to states on Monday, June 16, 2003. Due to computer system changes that need to be made to the department's Medicaid management information system (MMIS), the department anticipates beginning to receive the enhanced FMAP reimbursement in July 2003 and will continue to receive the enhanced reimbursement through June 2004, as Medicaid claims are processed. Therefore, the entire \$19.6 million will be received in the 2003-05 biennium, resulting in \$19.6 million of savings to the general fund.

FLEXIBLE GRANT - TEMPORARY STATE FISCAL RELIEF

The federal Act provides \$5 billion for fiscal year 2003 and \$5 billion for fiscal year 2004 for state fiscal assistance. The funds are allocated based on population; however, a state may not receive not less than one-half of 1 percent of the amount appropriated for each fiscal year. North Dakota's allocation amounts to \$25 million for each federal fiscal year.

The \$25 million for federal fiscal year 2003 will be made available to North Dakota on the date that the Governor certifies to the Secretary of the Treasury that the state's proposed use of the funds is consistent with those listed below. Certification must be made by September 30, 2003, for the fiscal year 2003 payment. The Governor may certify for both fiscal years at the same time; however, the \$25 million payment for federal fiscal year 2004 will not be made before October 1, 2003. The state must certify by September 30, 2004, to receive the second-year payment. A copy of the certification form is attached as Appendix A.

The payments made to states for each fiscal year must be used to:

1. Provide essential government services.
2. Cover the costs to the state of complying with any federal intergovernmental mandate to the extent that the mandate applies to the state and the federal government has not provided funds to cover the costs.

The Act provides that a state may only use funds provided under the Act for types of expenditures permitted under the most recently approved budget for the state.

RECEIPT OF FEDERAL FUNDS - NORTH DAKOTA REQUIREMENTS Current Law

North Dakota Century Code Section 54-16-04.1, attached as Appendix B, allows the Emergency Commission to:

1. Authorize the State Treasurer to receive any funds not appropriated by the Legislative Assembly which are made available by any federal agency and which the Legislative Assembly has not indicated an intent to reject.
2. Authorize any state officer to expend federal money from the date the money becomes

available until June 30 following the next regular legislative session, if the amount under consideration exceeds \$50,000, with approval of the Budget Section of the Legislative Council.

Effective August 1, 2003

North Dakota Century Code Section 54-16-04.1 was amended by the 2003 Legislative Assembly in Section 6 of Senate Bill No. 2422, attached as Appendix C, to provide that effective August 1, 2003:

1. A state officer may not receive federal funds exceeding \$50,000 without Budget Section approval.
2. Approval of the Budget Section is not required for the acceptance of federal funds if the acceptance is necessary to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis or an imminent financial loss to the state.
3. Budget Section approval is required before the expenditure of any funds received in excess of \$50,000.

For additional information on the federal Act, please see the Legislative Council memorandum attached as Appendix D.

ATTACH:4