



Memorandum

June 13, 2005

TO: Honorable Jeff Bingaman
Attention: Bruce Lesley

FROM: Christine Scott
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SUBJECT: Medicaid in State Budgets

This memorandum is in response to your request on the Medicaid share of state budgets.

There are two ways to measure the Medicaid share of state budgets: (1) total Medicaid spending as a share of total state budgets; and (2) state-funded Medicaid spending as a share of total state-funded budgets (federal spending is not included for Medicaid or the total budget).

Medicaid as a Share of Total State Budgets. As a share of total state budgets, Medicaid spending is a measure of the size of the program managed by states without regard to the source of funding. However, the problem with this measure is that it includes all funding sources. Because the measure includes intergovernmental transfers from the federal government and local governments, it is not an accurate measure of state's fiscal responsibility for programs within state budgets, including the Medicaid program.

The National Association of State Budget Officers (NASBO) publishes an annual report, based on a survey of state budget officials, of state expenditures by major function. In the latest report,¹ as shown in **Table 1** (attached), federal funds were 28.7% of total funds in state budgets for state fiscal year 2003, and estimated to rise to 30.2% in state fiscal year 2004. In contrast, federal funds for Medicaid were 58.2% of the total funds for the Medicaid program in state budgets in state fiscal year 2003, and estimated to rise to 59.5% for state fiscal year 2004. **Table 2** (also attached) shows the share of total state budgets by major program category for selected years during the state fiscal year 1990-2004 period. For state fiscal year 2003, Medicaid was 21.4% of total state budgets and estimated to increase to 21.9% for state fiscal year 2004. As shown in **Table 2**, Medicaid is the only program in total state budgets showing a consistent pattern of growth over the period.

¹ National Association of State Budget Officers, State Expenditures Report 2003, fall 2004

The Jobs and Growth Tax Relief Reconciliation Act, P.L. 108-27 provided two means of temporary fiscal relief to states. First, there was \$10 billion in federal grants — \$5 billion in FY2003 and \$5 billion in FY2004. However, the timing of the grant payments was such that both payments were received in state fiscal year 2004 (payments were made in July 2003 and October 2003).² However, because many state legislatures were not in session, they could not appropriate the funds through their budget processes to permit spending of the funds until state fiscal year 2005.

Second, P.L. 108-27 provided a temporary increase (of 2.95 points) in the federal medical assistance percentage (FMAP) for the last half of FY2003 and the first three quarters of FY2004 (April 1, 2003 through June 30, 2004), and prevented any scheduled declines in state FMAPs. Since P.L. 108-27 was signed into law on May 28, 2003, the impact of the temporary increase in state FMAPs came in state fiscal years 2004 and 2005.

While the federal grants were not targeted to specific programs and for many states were not spent until state fiscal year 2005, the targeted federal relief for Medicaid did impact total state Medicaid spending levels in state fiscal year 2004.

State-Funded Medicaid as a Share of Total State-Funded Budget. This is a measure of the distribution (or use) of state funds for the programs in state budgets. As such, it can be viewed as a measure of the state fiscal responsibility for Medicaid. It is important to note that while this measure does not include federal funds in the spending amounts for Medicaid or total budget, it does include funds from other levels of government. By law, at least 40% of the non-federal portion of Medicaid spending must be from state funds. This means that up to 60% can be from other sources including local governments, provider taxes, the national tobacco settlement, etc. The NASBO data does not break out the source of the state funds beyond general funds and other state funds.

Table 3 (attached) shows state-funded Medicaid as a share of state-funds budgets for selected years in the state fiscal year 1990-2004 period. The Medicaid share was 12.6% in state fiscal year 2003, and was estimated to increase to 12.7% in state fiscal year 2004. This makes Medicaid the third largest program, behind elementary and secondary education and higher education, for state-funded expenditures.

Table 4 (also attached) shows state-funded Medicaid as a share of the state-funded budget by state for selected years in the state fiscal year 1990-2004 period. In state fiscal year 2003, state-funded Medicaid expenditures as a share of the total state-funded budget ranged from a low of 3.3% (West Virginia) to a high of 23.0% (Ohio).

The variation for state-funded Medicaid expenditures is primarily due to two factors: (1) within federal requirements, states determine the structure of their Medicaid programs; and (2) the state FMAPs differ to reflect the per capita personal income of each state. However, for the periods shown in **Table 4**, for most states (and the sum of all states) the state-funded Medicaid share of the state-funded budget increased.

If you have any questions or need additional assistance, please contact me at 7-7366.

² Most, but not all, states use a July 1 to June 30 fiscal year. State fiscal year 2004 began on July 1, 2003 and state fiscal year 2005 began on July 1, 2004. In contrast the federal fiscal year FY2004 began on Oct. 1, 2003, and FY2005 began on Oct. 1, 2004.

Table 1. Source of Funds for Total State Budgets and Medicaid Expenditures in State Budgets, State FY2003-FY2004

	Total State Budgets		Medicaid	
	2003	2004(*)	2003	2004 (*)
General funds	43.9%	43.5%	33.8%	32.7%
Federal funds	28.7%	30.2%	58.2%	59.5%
Other state funds	24.3%	23.4%	8.0%	7.8%
Bonds	3.1%	3.0%	0.0%	0.0%

Source: Table prepared by the Congressional Research Service (CRS) using data from the National Association of State Budget Officers, *State Expenditure Report*, Fall 2004.

(*) Estimated (by state budget officers).

Table 2. Share of Total State Budgets by Program Area, Selected State Fiscal Years

	1990	1995	2000	2001	2002	2003	2004(*)
Elementary & Secondary Education	22.9%	21.0%	22.3%	22.4%	21.3%	21.7%	21.5%
Higher Education	12.2%	10.4%	11.4%	11.3%	10.9%	10.8%	10.5%
Public Assistance	5.0%	4.0%	2.4%	2.2%	2.3%	2.2%	2.1%
Medicaid	12.4%	19.8%	19.1%	19.6%	20.7%	21.4%	21.9%
Corrections	3.5%	3.6%	3.8%	3.7%	3.6%	3.5%	3.4%
Transportation	9.8%	9.1%	8.9%	8.9%	8.3%	8.2%	7.9%
All other	34.2%	32.1%	32.0%	32.1%	32.9%	32.2%	32.6%

Source: Table prepared by the Congressional Research Service (CRS) using data from the National Association of State Budget Officers, *State Expenditure Report*, various years.

(*) Estimated (by state budget officers).

Table 3. Share of State-Funded Budgets by Program Area, Selected State Fiscal Years

	1990	1995	2000	2001	2002	2003	2004(*)
Elementary & Secondary Education	26.1%	24.9%	26.4%	26.7%	25.5%	26.2%	25.9%
Higher Education	14.8%	14.2%	13.4%	13.4%	13.1%	13.1%	13.0%
Public Assistance	3.5%	3.0%	1.8%	1.6%	1.5%	1.5%	1.5%
Medicaid	6.8%	11.6%	11.0%	11.3%	12.2%	12.6%	12.7%
Corrections	4.4%	4.9%	5.0%	4.9%	4.7%	4.7%	4.8%
Transportation	9.0%	8.9%	8.8%	8.6%	7.9%	8.0%	7.8%
All other	35.4%	33.4%	33.5%	33.9%	35.0%	34.0%	34.3%

Source: Table prepared by the Congressional Research Service (CRS) using data from the National Association of State Budget Officers, *State Expenditure Report*, various years.

Note: Detail may not add to 100% due to rounding.

(*) Estimated (by state budget officers).

**Table 4. State-Funded Medicaid As A Share of State-Funded Budgets
By State, Selected State Fiscal Years**

State	1990	1995	2000	2001	2002	2003	2004(*)
Alabama	6.2%	7.3%	8.0%	8.5%	9.7%	9.9%	8.2%
Alaska	2.8%	3.9%	N/A	N/A	5.3%	5.3%	3.8%
Arizona	6.2%	7.7%	6.1%	6.4%	8.6%	8.7%	10.0%
Arkansas	4.6%	6.1%	5.9%	6.3%	7.3%	7.3%	7.4%
California	7.2%	11.1%	9.5%	9.5%	12.1%	11.6%	10.9%
Colorado	7.2%	11.2%	10.7%	10.7%	11.8%	11.3%	12.5%
Connecticut	5.5%	9.3%	20.7%	20.6%	19.2%	20.2%	19.8%
Delaware	3.3%	6.1%	5.8%	6.0%	6.6%	7.0%	7.3%
Florida	5.6%	8.9%	9.1%	9.4%	12.6%	13.0%	13.0%
Georgia	5.9%	9.7%	9.3%	12.1%	7.6%	10.3%	10.6%
Hawaii	3.3%	5.9%	4.9%	5.0%	4.8%	4.8%	6.2%
Idaho	3.4%	5.9%	7.7%	8.5%	9.5%	10.1%	9.4%
Illinois	7.9%	16.2%	14.2%	14.5%	14.8%	17.0%	17.8%
Indiana	8.1%	9.2%	9.1%	9.9%	11.6%	11.1%	10.9%
Iowa	4.4%	7.2%	6.9%	7.9%	12.5%	9.7%	8.1%
Kansas	5.1%	5.8%	7.6%	7.9%	8.1%	8.5%	8.2%
Kentucky	4.3%	7.7%	8.3%	8.4%	9.6%	9.1%	8.4%
Louisiana	5.9%	6.2%	9.5%	10.2%	11.5%	10.4%	9.5%
Maine	6.5%	10.0%	12.4%	12.0%	12.5%	13.2%	12.5%
Maryland	6.7%	11.3%	10.7%	10.4%	9.9%	11.2%	12.1%
Massachusetts	9.7%	11.5%	11.7%	11.9%	11.6%	12.4%	12.2%
Michigan	9.3%	10.5%	11.2%	10.9%	10.9%	11.4%	12.9%
Minnesota	8.3%	12.0%	11.5%	11.5%	12.6%	13.0%	12.4%
Mississippi	4.6%	6.9%	7.3%	7.6%	9.6%	8.8%	8.4%
Missouri	5.3%	10.6%	13.4%	14.9%	16.8%	18.3%	17.1%
Montana	3.7%	6.7%	6.7%	6.3%	6.9%	6.1%	6.0%
Nebraska	4.5%	7.3%	8.6%	9.5%	10.2%	9.8%	9.0%
Nevada	N/A	6.6%	9.4%	10.3%	12.3%	14.1%	12.5%
New Hampshire	10.2%	24.3%	16.7%	18.8%	18.6%	18.9%	18.9%
New Jersey	8.6%	15.6%	12.2%	13.8%	13.0%	13.0%	12.9%
New Mexico	2.5%	4.8%	4.8%	5.5%	5.8%	6.3%	6.2%
New York	9.6%	22.2%	12.9%	12.2%	12.9%	15.1%	14.4%
North Carolina	4.8%	4.7%	9.0%	10.0%	11.8%	11.5%	11.1%
North Dakota	5.2%	6.7%	8.4%	8.5%	8.8%	9.1%	8.9%
Ohio	7.0%	20.6%	18.5%	19.7%	21.2%	23.0%	25.2%
Oklahoma	5.0%	6.3%	6.2%	6.9%	7.8%	8.1%	8.2%
Oregon	3.3%	7.6%	6.1%	7.6%	9.0%	9.6%	6.8%
Pennsylvania	8.1%	16.3%	18.4%	19.0%	18.7%	19.1%	19.2%
Rhode Island	10.9%	17.9%	16.9%	16.5%	16.4%	16.1%	15.1%
South Carolina	3.1%	8.1%	8.8%	8.9%	9.9%	9.7%	11.1%
South Dakota	6.3%	9.5%	8.4%	9.4%	6.9%	9.1%	10.2%
Tennessee	7.8%	12.1%	15.1%	17.4%	19.3%	19.7%	20.4%
Texas	6.6%	11.9%	13.2%	11.1%	12.8%	12.6%	13.8%

CRS-5

State	1990	1995	2000	2001	2002	2003	2004(*)
Utah	2.8%	4.3%	4.8%	5.2%	5.7%	5.9%	6.0%
Vermont	6.6%	11.7%	14.1%	12.0%	12.5%	13.9%	13.9%
Virginia	4.7%	7.5%	7.1%	7.2%	9.3%	8.3%	8.3%
Washington	6.0%	9.0%	12.7%	13.3%	13.9%	13.8%	13.8%
West Virginia	4.0%	9.9%	8.2%	8.0%	3.6%	3.3%	3.4%
Wisconsin	6.9%	6.8%	4.9%	4.8%	5.5%	6.0%	8.7%
Wyoming	2.0%	3.5%	5.8%	6.9%	3.3%	3.7%	3.8%
Total	6.8%	11.6%	11.0%	11.3%	12.2%	12.6%	12.7%

Source: Table prepared by the Congressional Research Service (CRS) using data from the National Association of State Budget Officers, *State Expenditure Report*, various years.

(*) Estimated (by state budget officers).

N/A - data not available.