

STATE HOUSE NEWS SERVICE

June 2, 2010

By Jim O'Sullivan
STATE HOUSE NEWS SERVICE

STATE HOUSE, BOSTON, JUNE 2, 2010.....Reliance by the Patrick administration and the Democrat-controlled House and Senate on nearly \$700 million in additional federal health care funds has grown into a riskier proposition, as Congress balks at extending the funding, potentially ripping a major hole in the state's fiscal 2011 budget just as legislative conferees begin to work out differences in their proposals.

If the federal aid, excised by the U.S. House of Representatives last week, is not authorized, state budget writers would likely have to turn to more aggressive cost-cutting or turn again to the dwindling pot of state reserves.

"It's obviously not going to come without a fight. But I still think that it's so important ... At the end of the day, I still think it's going to pass. I just don't think it's going to happen quickly," said House Ways and Means Committee vice-chair Barbara L'Italien.

"I've always been concerned about it," said L'Italien (D-Andover).

Aides to Gov. Deval Patrick have reassured lawmakers for months that the funding was a near certainty, since Patrick included \$608 million from an anticipated six-month extension to the Federal Medicaid Assistance Percentage (FMAP) program in his spending blueprint for the fiscal year that begins July 1. The House followed suit and the Senate ramped its accounting over \$680 million, calculating that the state's unemployment rate would dictate a higher pay-out from Washington.

Budget authors in both chambers have acknowledged that they would likely have to impose deeper spending cuts if the aid does not materialize.

"We'd have to cut that money back out of our budget," L'Italien said. Asked where the state would look to cut, she replied, "That's a good question."

States have been pushing Congress to find another vehicle for the funding, and U.S. House Speaker Nancy Pelosi sounded a note of optimism Tuesday that the House would tackle the Medicaid and unemployed health benefits spending after it returns from recess next week.

Massachusetts House budget chief Charles Murphy told the News Service, "Was it a risk going down that road? Absolutely it was risk. But, again, we feel confident that it's going to come through."

Asked if the Patrick administration were drafting contingency plans in case the funds don't come through, Health and Human Services Secretary JudyAnn Bigby told the News Service, "We're following this very closely."

Bigby said 38 other states could face funding cuts and expressed hope that Congress would approve the funds. "I think they want to do it and they're trying to figure out the cost," she said.

The funding, tied to Medicaid, expires in December, leaving a six-month gap in the end of the state's next fiscal year. The U.S. House last Thursday dropped the extension from the federal jobs bill.

According to the National Conference of State Legislatures, Massachusetts is among 30 states that budgeted for 2010-11 with FMAP money in mind. Only nine states included contingency plans if the cash does not arrive.

In a letter to Gov. Deval Patrick dated Wednesday, Senate Minority Leader Richard Tisei and House Minority Leader Bradley Jones asked for a contingency plan, calling his assumption of the revenues "arguably reasonable, but risky."

"Six months has passed and it no longer appears that Congress will approve this funding by the start of the new fiscal year," Tisei and Jones wrote.

"Should the FMAP extension not materialize, the state budget will be left with a \$700 million gap, and few solutions to fill it," the Republicans said.

Aides to Rep. Edward Markey, the dean of the state's House delegation, were unable to explain immediately the funding cut or the prospects for the one-time federal aid.

-END-

06/02/2010