

# SMHA Budget Reductions Update Summer 2009

**Presentation at the 2009 Summer Commissioners' Meeting**

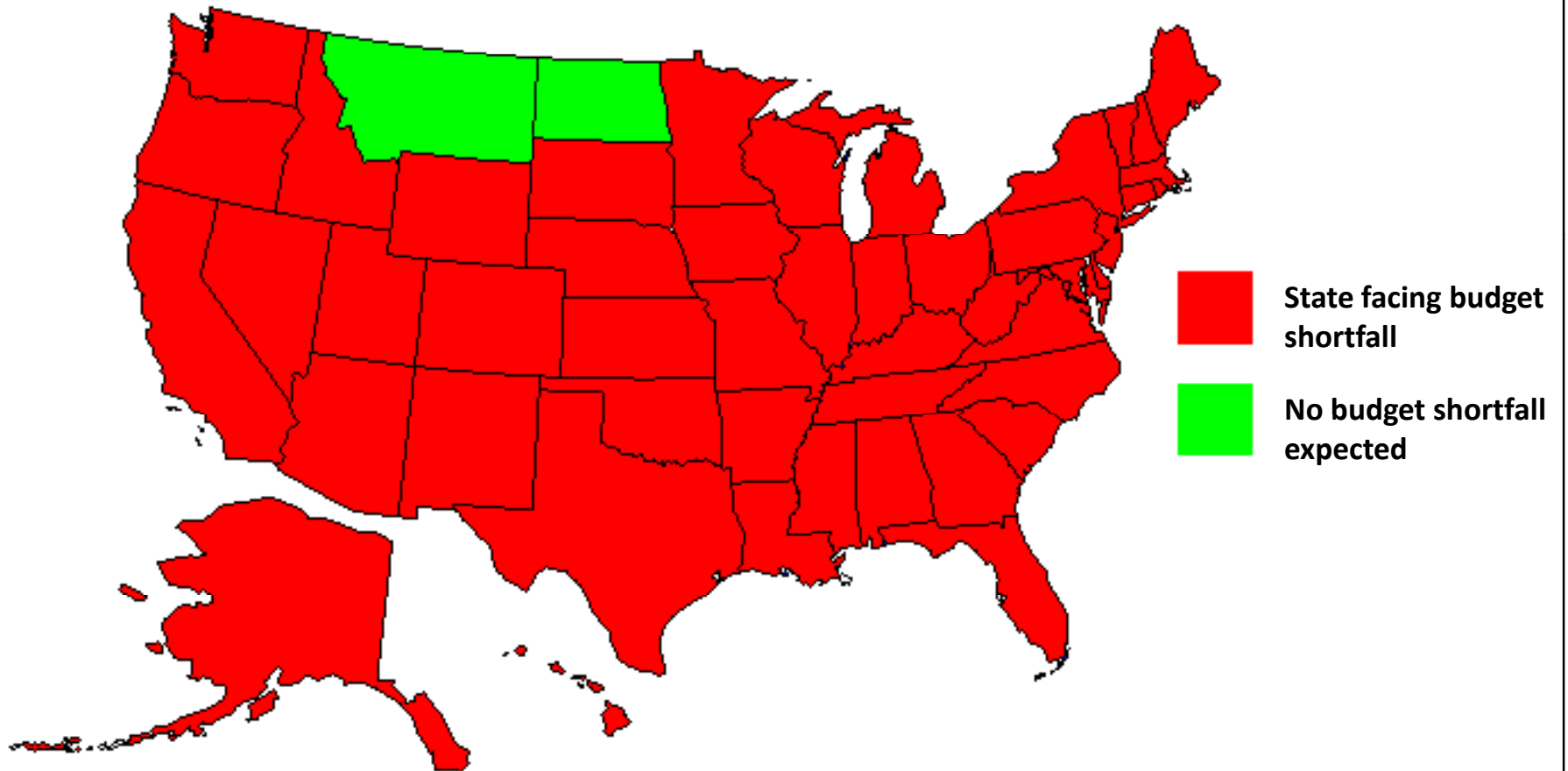
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**July 20, 2009**

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# 48 States Face Budget Shortfalls

(Includes states with shortfalls in FY2010)



Map from the Center on Budget and Policy Priorities: McNichol, E., & Lav, I.J. (2009). State Budget Troubles Worsen.

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# How Bad will it Get?

Total state budget shortfall in each fiscal year, in billions.

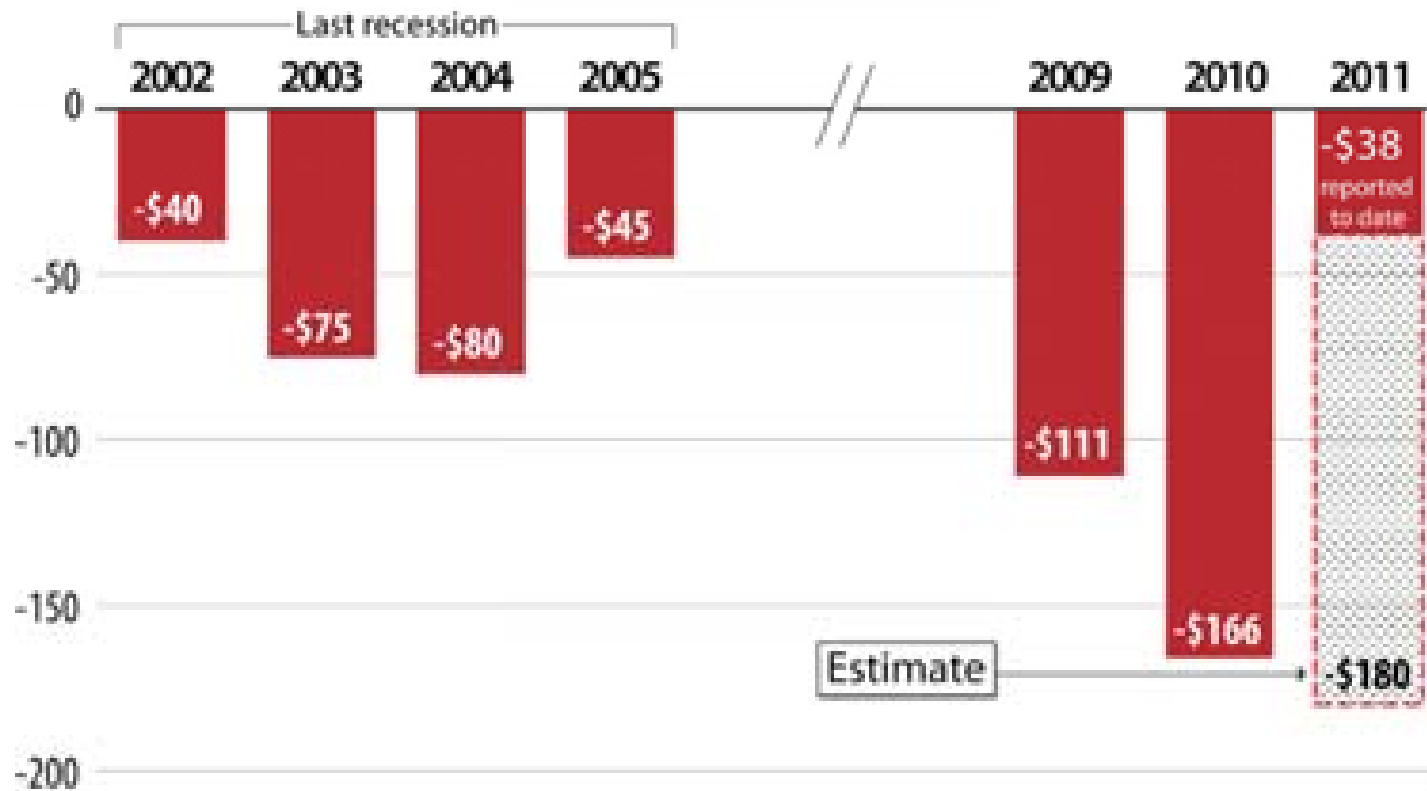


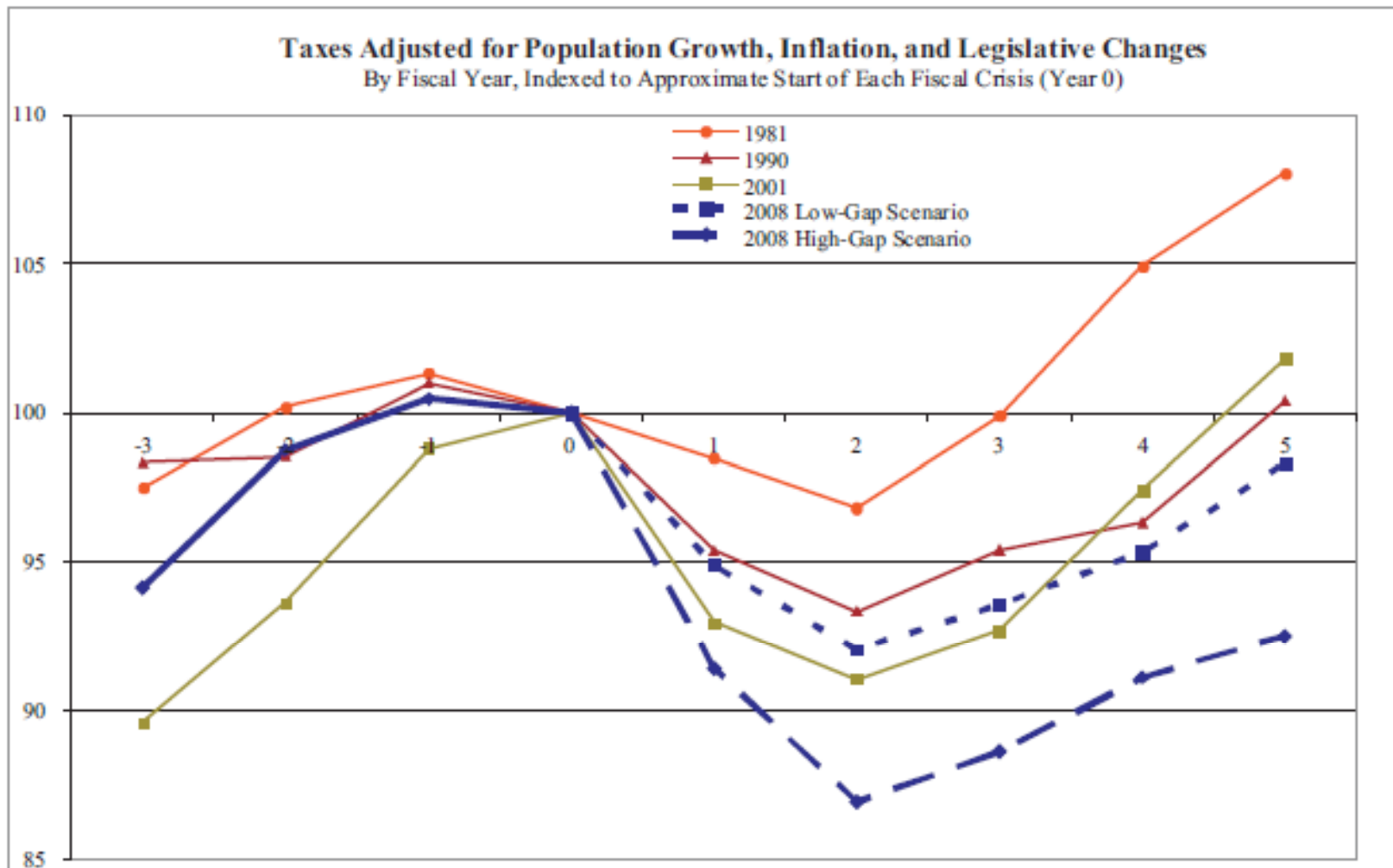
Figure from the Center on Budget and Policy Priorities: McNichol, E., & Lav, I.J. (2009). [State Budget Troubles Worsen](#).

# State Budgets: the Overall Picture

- According to the Center on Budget and Policy Priorities (June 29, 2008):
  - Cumulative state budget gaps are expected to exceed \$350 billion for the period of FY2009 – FY2011.
  - 48 States are facing shortfalls in FY2010 totaling \$166 billion.
  - At least 29 states expect total gaps of \$38 billion alone in 2011.
  - The current recession has a greater impact on state budgets than the previous recession due to high unemployment and lack of revenue from property and income taxes.

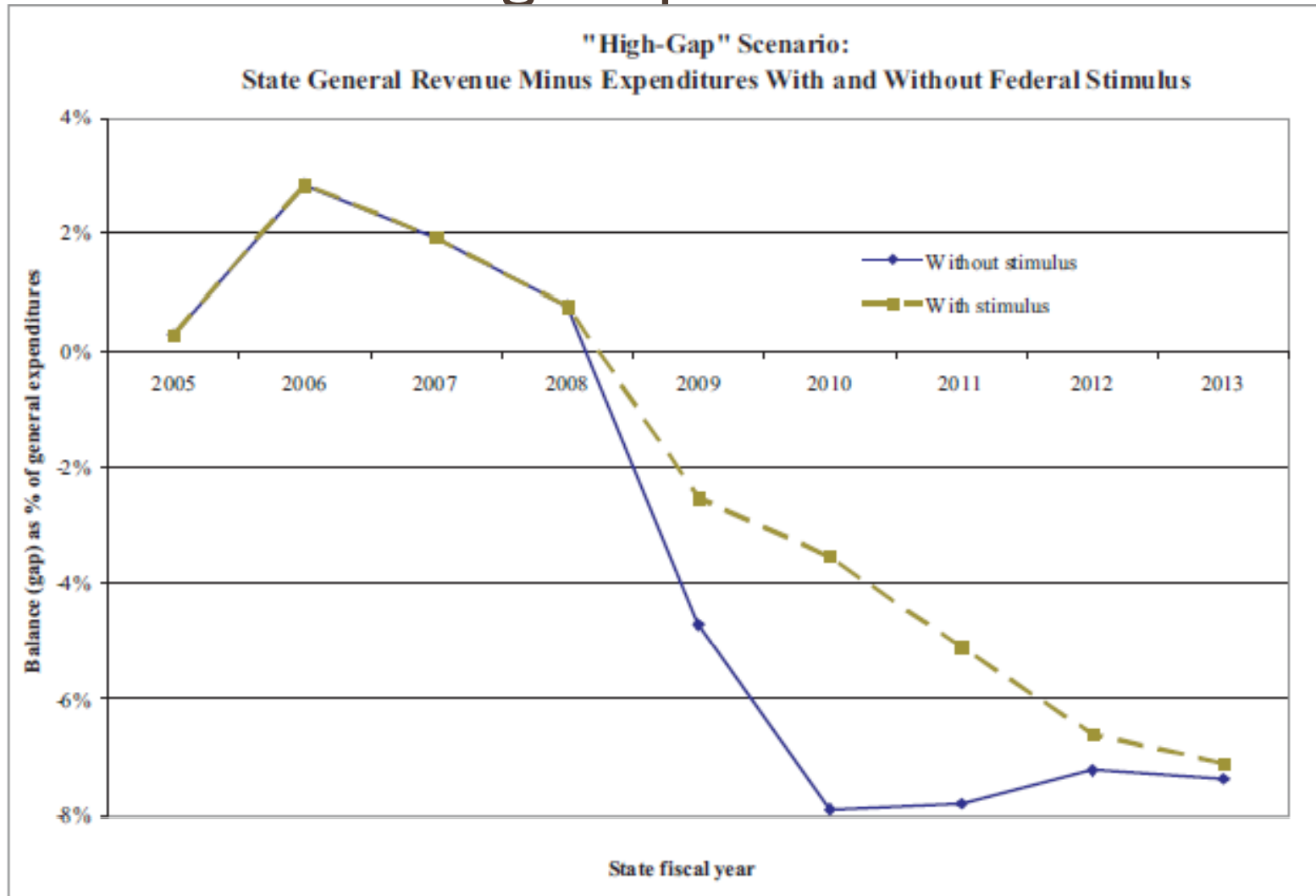
*Report available at: <http://www.cbpp.org/files/9-8-08sfp.pdf>*

# State Tax Revenue Takes Several Years to Recover After a Recession



Source: *What Will Happen to State Budgets When the Money Runs Out?* Donald J. Boyd, Nelson A. Rockefeller Institute of Government, February 19, 2009 [http://rockinst.org/pdf/government\\_finance/2009-02-19-What\\_Will\\_Happen\\_to.pdf](http://rockinst.org/pdf/government_finance/2009-02-19-What_Will_Happen_to.pdf)

# After Stimulus Wanes, Gaps Could Approach 7 Percent of Spending, Or \$120 Billion, Under the “High-Gap” Scenario



Source: *What Will Happen to State Budgets When the Money Runs Out?* Donald J. Boyd, Nelson A. Rockefeller Institute of Government, February 19, 2009, [http://rockinst.org/pdf/government\\_finance/2009-02-19-What\\_Will\\_Happen\\_to.pdf](http://rockinst.org/pdf/government_finance/2009-02-19-What_Will_Happen_to.pdf) NASMHPD Research Institute, Inc.

# “State tax revenues see record drop”

Friday, July 17, 2009

- State tax collections for the first quarter of 2009 showed a drop of 11.7 percent, the sharpest decline in the 46 years for which quarterly data are available.
- After adjusting for inflation, legislative changes, and known anomalies, tax revenue declined in 47 states.
- The personal income tax decline was particularly sharp, an unprecedented 17.5 percent in nominal terms.
- Early figures for April and May of 2009 show an overall decline of nearly 20 percent for total taxes, a further dramatic worsening of fiscal conditions nationwide. Preliminary figures for the state fiscal year 2009 indicate around 8 percent decline in total taxes, 13 percent in personal income taxes, and 5 percent in sales taxes.

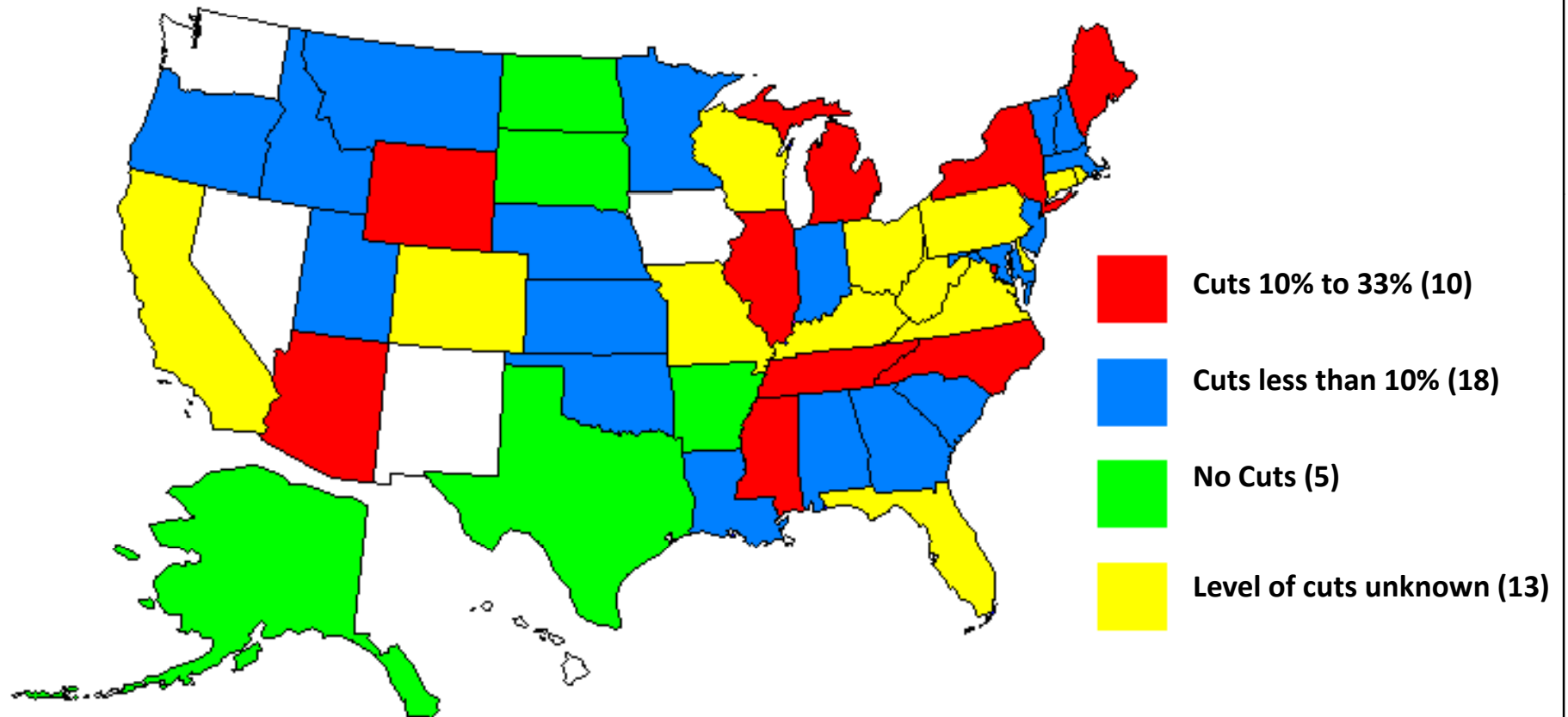
*Source: State Tax Decline in Early 2009 Was the Sharpest on Record*, by Donald J. Boyd and Lucy Dadayan. July 17, 2009,

[http://rockinst.org/pdf/government\\_finance/state\\_revenue\\_report/2009-07-17-SRR\\_76.pdf](http://rockinst.org/pdf/government_finance/state_revenue_report/2009-07-17-SRR_76.pdf)

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# SMHA Budget Cuts: Fiscal Year 2010

## As of June 2009



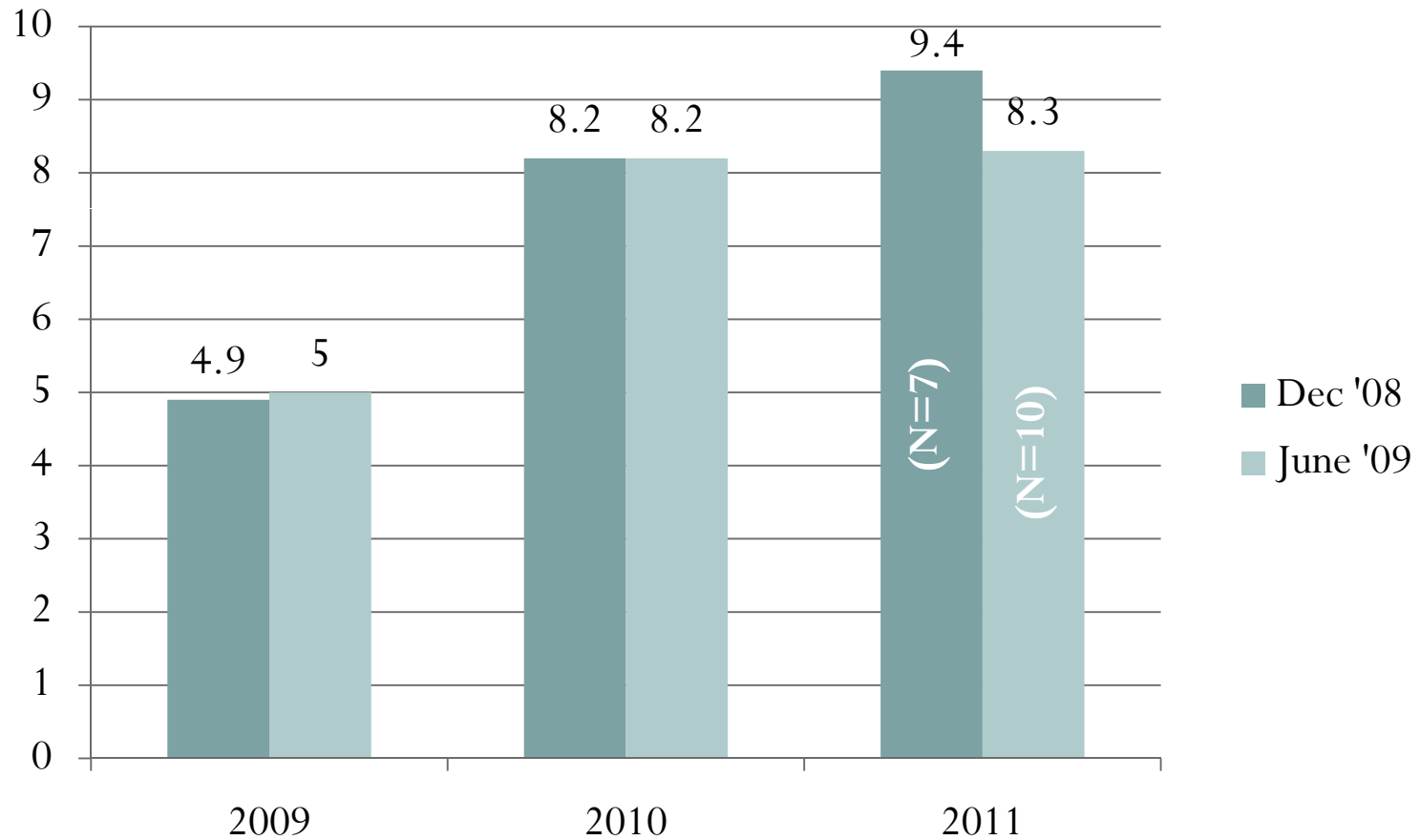
# SMHA Reductions by Fiscal Year

## Number of States with Anticipated Deficits (Fiscal Years '09-'11)

	2009	2010	2011	No Deficit
As of 12/2008	32	32	13	10
As of 6/2009	32	40	22	5

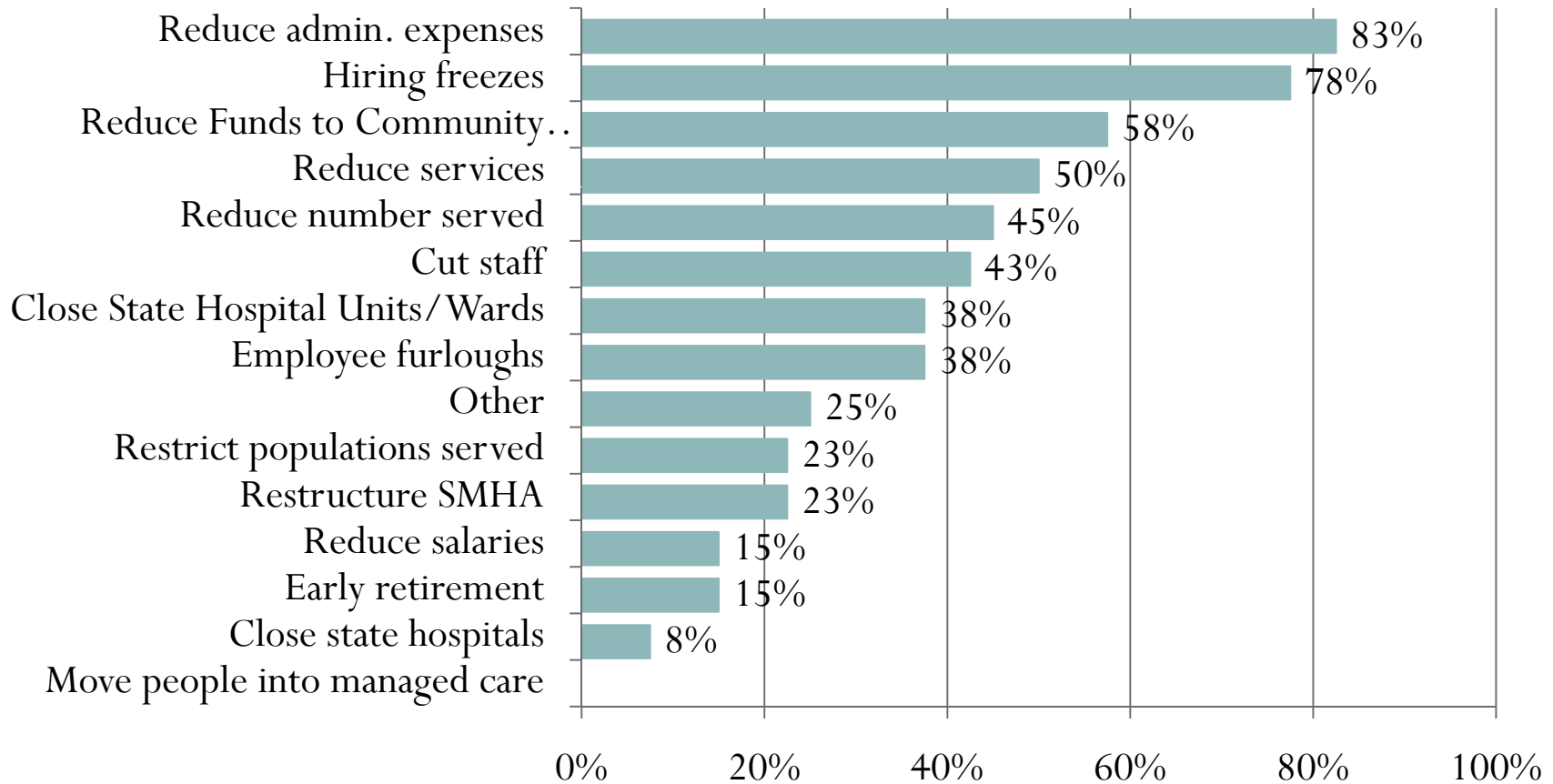
# SMHA Budget Reductions by Fiscal Year

(percentage of total SMHA budget)



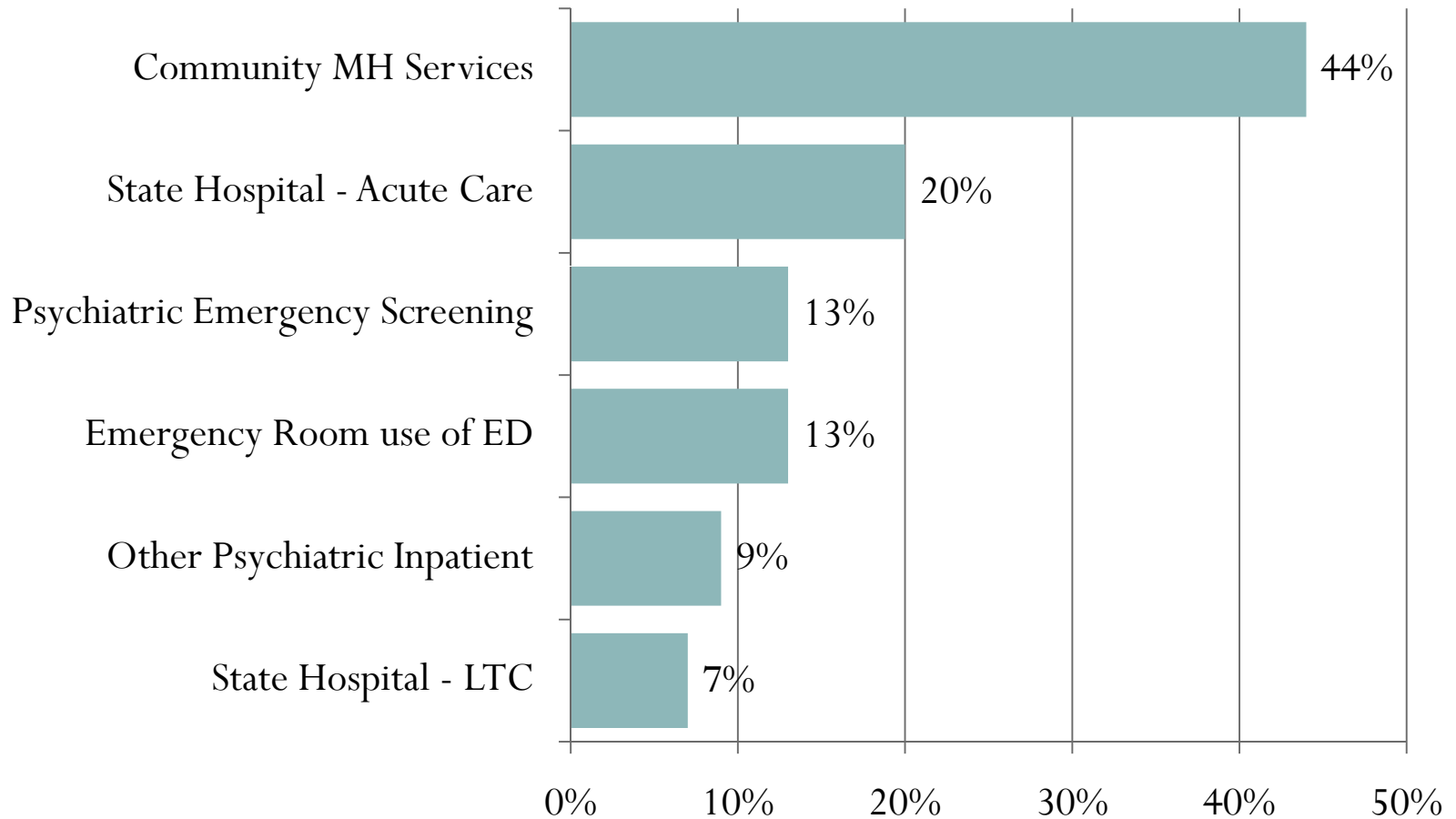
# SMHA Responses to Cuts in Overall SMHA Budget

## Spring 2009 (Percentage of States with Cuts)



# Increased Demand for Services During Recession

Percentage of States Experiencing Increased Demand for Services



# Enhanced FMAP for Medicaid Billings

- 55% of SMHAs indicated that funds from FMAP resulted in reduced cuts to Medicaid-funded mental health programs.
  - 32% of SMHAs responding (8) were considering revising Medicaid eligibility criteria before the ARRA was passed. Three of these States still plan to revise eligibility criteria.
- Only 21% of SMHAs are able to retain increased Medicaid funds as a result of the Enhanced FMAP for Medicaid billings they generate.
  - SMHAs indicated that they are able to keep anywhere between 8% and 100% of the funds they generate.
  - The majority of SMHAs that are unable to retain FMAP funds indicated that the remaining FMAP was applied to the General Fund.

# SMHAs have had Limited Success in Accessing ARRA Stimulus Funds

- 14 States have had success accessing ARRA Stimulus Funds to apply to mental health programs.
- SMHAs have had the most success accessing the following:
  - 9 states are using Homeless Prevention Grants
  - 7 states are using State Grants to Promote Health IT
  - 6 states are using Vocational Rehab and Recovery funds
  - 3 states are using Section 8 Housing funds
- Several states have also had success accessing the State Fiscal Stabilization Funds through the Flexible Block Grant and the Education Block Grant.

# Indigent Uncompensated Care and the Maintenance of Effort (MOE) Requirement

- 53% of SMHAs (24) responding are cutting services to Indigent Consumers without Medicaid
- Mental Health Block Grant MOE Difficulties:
  - 53% of SMHAs (24) responding are having difficulty meeting the MHBG MOE
  - 83% of these SMHAs (20) are planning to request an MOE waiver

# For Addition Information

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