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## Oklahoma Policy Institute

### SPECIAL POINTS OF INTEREST:

- ⇒ Federal policies have a major and far-ranging impact on the fiscal situation of state government.
- ⇒ A whole set of federal policies including unfunded mandates, declining Medicaid contributions, cuts to federal grant programs, and federal restrictions on state taxing capacities, are converging to worsen Oklahoma's budget problems.
- ⇒ There is a need for the elected officials we send to Washington to pay greater attention to the impact that their policy choices have on state budget situations and to encourage policies that reflect a cooperative partnership between our various levels of government.

## Passing the Buck:

### How Federal Policies are Worsening State Budget Problems

By David Blatt, Director of Policy

Federal policies have a major and far-ranging impact on the fiscal situation of state government. In 2006, just under 40 percent of state revenue was collected from taxes, while over 25 percent of state revenue came directly from federal funding (Figure 1). Essential state services such as health care, social services, education, public safety and transportation all rely heavily on funding from the federal government. In addition, federal laws and regulations constrain choices made in the state by requiring or prohibiting certain state policies that can affect state tax revenues and expenditures.

With a state budget that provides flat funding for most agencies for the current fiscal year, federal funding has become even more important. Unfortunately, policies at the federal level are worsening the state's budget situation.

For example, in August, the Oklahoma State Department of Health announced that it is being forced to leave vacant about one-quarter of its budgeted positions for long-term care surveyors who investigate complaints and conduct annual surveys at licensed nursing homes and other long-term care facilities. The Depart-

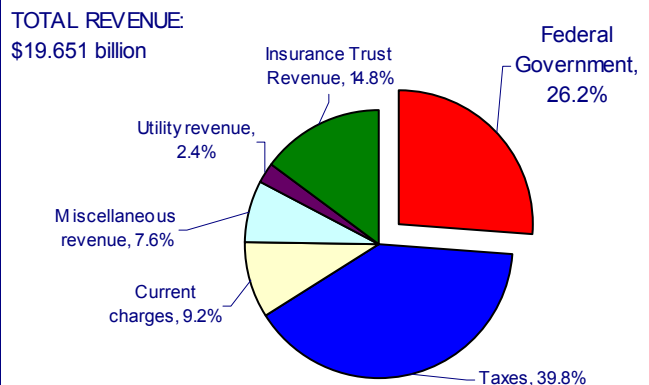
ment is also eliminating screening programs for infectious diseases, leaving positions unfilled for jail inspectors and medical facility licensors, and cutting back community-based public health programs. These service cuts and unfilled positions directly affect the agency's ability to meet its mission of protecting and promoting public health in Oklahoma.<sup>1</sup>

Although many factors are contributing to the Health Department's funding woes, a major cause of the department's budget squeeze is declining federal support. Federal funds constituted almost three out of every five dollars of the Department's budget in FY '08. In the

past year, the Health Department has been left to absorb nearly \$5 million in federal budget cuts. Like most other state agencies, the Health Department received virtually no increase in state appropriations for the current fiscal year.

In the meantime, the Oklahoma Department of Transportation announced in September that a shortfall in the federal Highway Trust Fund forced it to postpone \$80 million in construction and maintenance projects across the state.<sup>2</sup> Although Congress reached agreement on a short-term funding mechanism, it has failed

Figure 1: Oklahoma State Government Revenues by Revenue Source, 2006



Source: U.S. Census Bureau, State and Local Government Finances

over several years to take action to address the trust fund's looming insolvency.<sup>3</sup>

This issue brief explores four broad examples of federal policies that are increasing the pressures on the state budget. These are:

- Unfunded or underfunded federal mandates;
- Declining Medicaid contributions;
- Cuts to federal grant programs and funding streams; and
- Federal policies that restrict state taxing capacities.

Our goal with this brief is to offer those engaged in state budget debates a clearer understanding of the impact that federal policies have on the state and, hopefully, to encourage state-level policymakers and advocates to devote greater attention to educating our federal elected officials on these matters. No one should expect the federal government, saddled with its own burgeoning budget deficit, to solve all the state's budget troubles. However, we should encourage the elected officials we send to Washington to pay greater attention to the impact that their policy choices have on state budget situations and to promote policies that reflect a cooperative partnership between our various levels of government.

## 1. Federal Mandates

States have long worked to draw attention to the problem of unfunded federal mandates, which are federal laws and regulations that impose binding demands and requirements without offering adequate financial support to meet those obligations. While some unfunded mandates result from a failure to anticipate or acknowledge the budgetary impact of federal laws and

regulations on state and local governments, they are often the result of the federal government expanding its scope into new jurisdictions and then, as other priorities take precedence, failing to keep pace with rising costs

Over a dozen years ago, state governments lobbied successfully for passage of the Unfunded Mandate Reform Act, which required Congress to conduct analysis of bills that would incur costs for state and local government and specify from where appropriations to offset these costs would be provided. Still, organizations such as the National Conference of State Legislatures (NCSL) contend that the unfunded mandate problem persists and has a "substantial detrimental impact on states."<sup>4</sup>

While a plethora of federal laws and regulations are cited as examples of unfunded federal mandates, three laws in particular have generated the greatest amount of attention and concern: IDEA, No Child Left Behind and Real ID.

### ⇒ IDEA: The Individuals with Disabilities Education Act

IDEA was passed in 1975 to ensure that all children with disabilities would receive a free and appropriate public education. Congress committed to funding 40 percent of the average per pupil expenditure for every student receiving special education services.<sup>5</sup> However, actual federal funding for special education has fallen perennially short of this commitment, and as the number of students receiving special education services has increased, the gap has grown larger. Currently, according to data compiled by Federal Funds Information for States, federal funding for students in special education is below 20 percent of the average per pupil expenditure.<sup>6</sup>

In Oklahoma, the IDEA funding shortfall in Federal Fiscal Year (FFY)

'07 was \$185.2 million. In that year Oklahoma's IDEA grant of \$138.7 amounted to just 42.8 percent of the amount the state would have received if the program were fully funded.<sup>7</sup> The consequence of this funding shortfall is that school districts are forced to rely on state and local dollars to provide the services to students with special needs required under IDEA. In reality, the quality of education for students with special needs and all students is diminished by the federal failure to meet its commitments under IDEA.

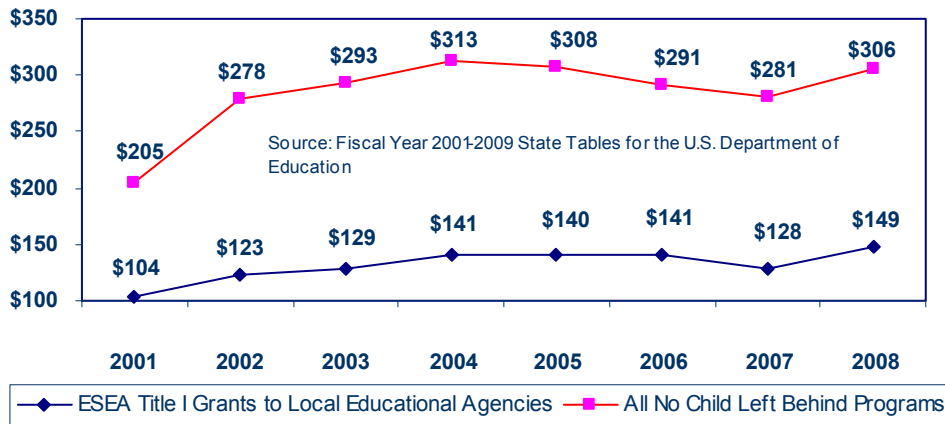
**“(Unfunded mandates)... are often the result of the federal government expanding its scope into new jurisdictions and then, as other priorities take precedence, failing to keep pace with rising costs.”**

### ⇒ NCLB: No Child Left Behind

The No Child Left Behind (NCLB) Act, passed by Congress in 2001, created an array of new standards, requirements, and processes for states to implement in order to raise the educational achievement of students. While federal educational funding did grow substantially in the first years following passage of NCLB, funding levels have remained flat or declined since 2004. In Oklahoma, funding for all programs that constituted the No Child Left Behind Act of 2001 amounted to \$306.3 million in FFY '08, an amount below the federal funding levels of FFY '04 and FFY '05 (Figure 2 on page 3). In FFY '07, federal funding for NCLB nationally was \$23.8 billion, which was \$12 billion short of its authorized level.<sup>8</sup>

Funding represents only one, and not necessarily the most significant,

Fig. 2: Federal Education Funding to Oklahoma, 2001 to 2008; Title I Grants and All No Child Left Behind Programs (in \$ Millions)



criticism of NCLB leveled by states and others, which include concerns about the law's standards and methods of accountability. However, funding is consistently identified among the obstacles to the law's success. According to a 2007 statement from NCSL and the American Association of School Administrators, "because funding for [No Child Left Behind] has never approached either the needed or promised levels, the requirements of the 2001 reauthorization constitute a significant cost shift to states and local school districts."<sup>9</sup> The joint statement urged Congress to increase federal funding while calling on Congress to conduct "a comprehensive study into the costs to states and local districts of complying with the administrative costs of NCLB as well as the costs of meeting the proficiency targets of NCLB."<sup>10</sup>

NCLB is now up for reauthorization and is likely to undergo significant change. Yet, while states may get relief in terms of greater flexibility in setting and pursuing the law's goals, substantial funding increases seem unlikely.

#### ⇒ Real ID

In 2005, Congress passed the Real ID Act, which requires states to issue new drivers' licenses and official identification cards under strict federal standards for verifying an individual's identification. Although states were initially under a May

2008 deadline to reach compliance with Real ID, they can now apply for extensions until 2013. By that date, only identification cards issued in compliance with Real ID requirements will be accepted to board aircrafts.

There are substantial costs to state government associated with implementing Real ID. The law requires every person applying for a new or renewed driver's license to apply in person at a DMV office and show original identity documents, which would then have to be verified. This process is expected to more than double the workload of motor vehicle officers and require more than two million hours of computer programming to meet the law's requirements.<sup>11</sup> The law's price tag to states has been estimated at \$4 billion over 10 years; so far, only 2.5 percent of that amount (\$100 million) has been appropriated in dedicated funding.<sup>12</sup>

Anger directed at the bill's unfunded mandate, along with objections to the encroachment of federal authority and privacy concerns, led the Oklahoma Legislature to pass legislation in 2007 expressing its refusal to comply with Real ID. SB 464 declared that the Real ID Act, "is inimical to the security and well-being of the people of Oklahoma," and, therefore, "the state of Oklahoma shall not

participate in the implementation of the Real ID Act."<sup>13</sup> Oklahoma is one of four states to formally opt-out of the federal law.

## 2. Medicaid Funding

The Medicaid health care program, which is the nation's largest public payer of health care costs, is far and away the single largest source of federal funding to the states. Under Medicaid, the federal government matches state contributions to cover eligible health care expenditures incurred by eligible recipients, primarily low-income children, seniors and persons with disabilities. In Oklahoma, the federal government contributed over \$2.0 billion in Medicaid payments in FY '06, which represented a full 40 percent of total federal grants to Oklahoma for the year.<sup>14</sup>

One of the defining aspects of Medicaid is that it is a redistributive program, designed to shift federal dollars to poorer states. States having lower per capita personal income receive a higher federal Medicaid rate, known as FMAP (Federal Medicaid Assistance Percentage), than do wealthier states. The federal Medicaid match rate in FFY'08 ranges from a minimum of \$1 federal to \$1 state in twelve states to a high of \$3.21 federal to \$1 state for the poorest state, Mississippi.

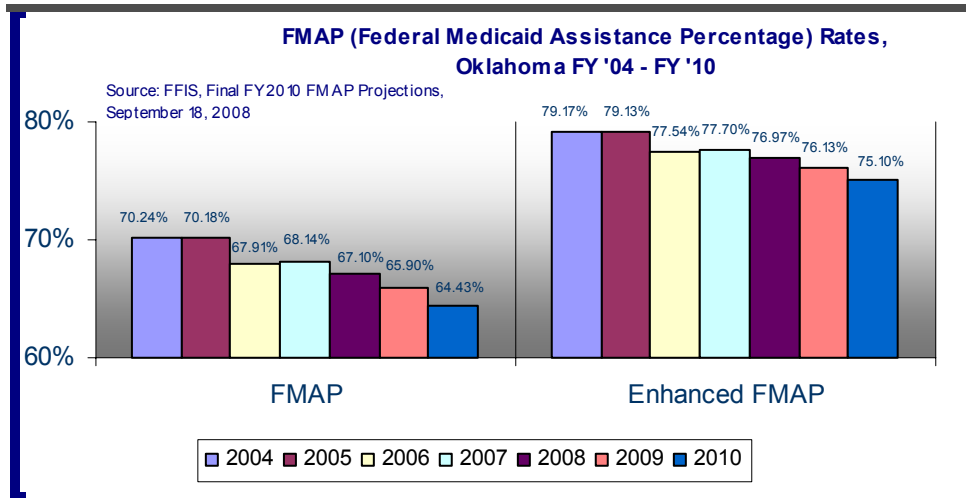
Despite being among the poorer states, Oklahoma has never succeeded in taking full advantage of available federal Medicaid funding. Until recently, state policies that restricted eligibility limits, kept provider reimbursement rates at low levels, and placed caps on covered benefits all served to deprive Oklahoma of federal Medicaid dollars. Even though the state in recent years

has expanded coverage and raised reimbursement rates, Oklahoma remains below the national average in per capita federal Medicaid spending. The federal government spent \$615 per person on Medicaid in FFY '06, which is 21<sup>st</sup> highest among the fifty states, but below the national per capita average of \$642.<sup>15</sup>

However, while Oklahoma has recently pursued policy strategies aimed at expanding Medicaid, the federal government has been contributing a declining share of Medicaid costs. In FY '00, the federal share of total Medicaid expenditures in Oklahoma was 69.4 percent; by FY '07 it had fallen to 66.0 percent.<sup>16</sup> In each of the past five years, the Oklahoma legislature has had to step in to appropriate additional state dollars to substitute for a loss of federal funds and maintain the program at its existing level of operation. As can be seen from Figure 3, the ongoing annual cost of declining federal support has reached \$155 million over five years.

This cost-shifting of Medicaid expenditures from the federal government to Oklahoma has had a number of components:

- **Declining federal FMAP:** The formula that calculates the annual federal Medicaid match rate has worked strongly to Oklahoma's

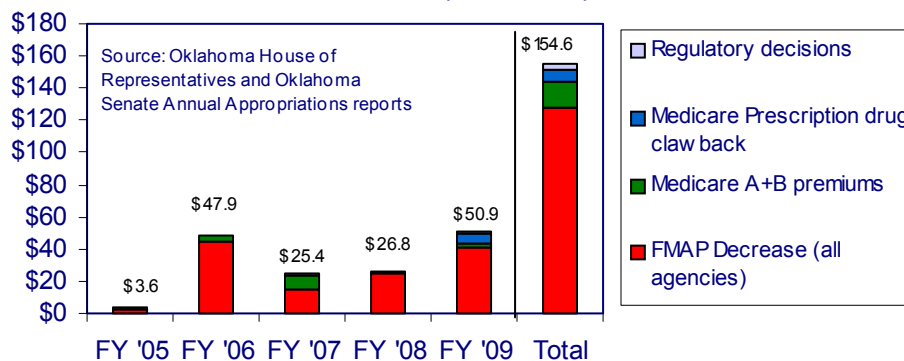


disadvantage in recent years. Oklahoma's personal income has been rising faster than the nation's, leading to five straight years of declining federal matching rates. As shown in Figure 4, Oklahoma's FMAP has fallen from 70.24 percent in FFY '05 to 65.90 percent in FFY '09. When the FMAP declines, the state must substitute additional state appropriations to the budgets of the Oklahoma Health Care Authority, as well as other state agencies (primarily the Department of Human Services, Department of Mental Health and Substance Abuse Services, and University Hospital Authority) that put up the state match for particular Medicaid programs. This drop is responsible for increasing Oklahoma's share of

Medicaid expenditures by \$128 million over five years. In FY '09 alone, the Legislature had to appropriate \$40.9 million to make up for the declining federal match;

- **Medicare premium costs:** Under the Medicare program, states pay the premiums for low-income seniors and persons with disabilities. Annual increases in Medicaid premium costs have required \$15 million in additional state funds over the past five years;
- **Medicare clawback provision:** When Congress approved the new Medicare prescription drug program that began in January 2006, it included a provision, known as "clawback", that requires states to pay back the federal government a portion of the costs of the program. The state payment, which is based on a complex formula, is supposed to phase-down over time. The two-year budget impact of the clawback provision is \$7.6 million.
- **Regulatory decisions:** The Legislature has had to replace lost federal funds as a result of regulatory decisions by the Centers for Medicaid and Medicare Services (CMS) to deny a rate increase for therapeutic foster care (\$1.4 million)

**Figure 3: Additional State Appropriated \$ for Lost Federal Funds, FY '05 - FY '09 (in \$ millions)**



and withdraw matching funds for mental health systems of care efforts (\$2.2 million).

Looking ahead, the forecast is for more of the same. Just as this brief was going to press, FFIS released final FY 2010 FMAP projections revealing a further steep drop in Oklahoma's FMAP from 65.90 percent to 64.43 percent.<sup>17</sup> This 1.47 percentage point drop may translate to a reduction exceeding \$50 million to the state budget in SFY '10 and SFY '11.

Even more threatening is the potential impact of a set of seven regulations adopted by CMS that would deny federal funding for services that have traditionally been funded through Medicaid. The regulations, which include withdrawing support for Graduate Medical Education and limiting coverage of rehabilitative services and targeted case management services, threaten to cost Oklahoma \$487.5 million over five years.<sup>18</sup> Congress passed a moratorium in June 2008 that halted CMS from implementing six of the seven regulations.<sup>19</sup> However, the regulations could reemerge as either legislative or administrative action in the years ahead.

### 3. Federal Grant Programs

The federal government operates hundreds of grant programs to the states in all domains of government, including agriculture, education, health and human services, homeland security, housing, law enforcement and transportation. The largest grant programs are Temporary Assistance to Needy Families (TANF, \$17 billion nationally), Title I – Education (\$12.8 billion) and Special Education (\$10.7 billion). While some grants, such as Head Start or WIC, are committed to specific programs, others, such as the Social Services Block Grant, Child Care and Development Block Grant, and TANF grant, operate as funding

streams which states can use for various purposes and programs.

Federal grants constitute a vital funding source supporting the operation of core programs for many state agencies. However, in recent years, federal grant funding has remained largely frozen as the Administration and Congress have wrestled with the burgeoning federal deficit in a time of war, tax cuts and the new Medicare prescription drug program. Over the five-year period from FFY '02 – FFY '07, federal funding for the 60 largest discretionary federal grants decreased by an average annual rate of -3.16 percent in real (inflation-adjusted) dollars, according to Federal Funds Information for States.<sup>20</sup>

The declining real value of many major federal grants has created a growing challenge for state and local agencies struggling to absorb increased operating expenditures, rising caseloads and new mandates. The following are examples of areas in which federal support has failed to keep pace in real, and sometimes nominal terms (all funding comparisons are from FFIS, The VIP Series, vol. 8, #1, February 2008 unless otherwise cited):

- *Transportation:* The Oklahoma Department of Transportation announced in July that it expects \$172 million less from the federal government in 2009 than the \$500 million the department received last year.<sup>21</sup> Between FFY '05 and FFY '08, Oklahoma's funding for bridge replacement and rehabilitation, interstate maintenance, the national highway system and the surface transportation program all were cut in nominal dollars, although this was partially offset by an increase in highway equity bonus funds.
- *Human Services:* Funding for many social and human service grants

has either remained flat or declined in recent years. Oklahoma's TANF grant has remained unchanged at \$147.6 million for over a decade. Federal funding for the Child Care and Development Block Grant, Social Services Block Grant, Community Services Block Grant, Community Development Block Grant and Substance Abuse Prevention Block Grant collectively totaled \$90.8 million in FFY '08, a decrease of \$2 million (nominal) from FFY '05.

- *Homeland Security:* Federal bioterrorism grants to Oklahoma for programs aimed at helping state and local government and hospitals re-

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spond to bioterrorism and other public health emergencies declined by \$1.37 million between FFY '05 and FFY '08, an 18.5 percent drop.<sup>22</sup>

- *Criminal Justice:* Funding for the federal Justice Assistance Grant, which allows states and local governments to support a broad range of activities to prevent and control crime and to improve the criminal justice system, has been dramatically reduced from \$6.4 million in FFY '05 to just \$1.4 million in FFY '08.
- *Vocational Education:* State grants for vocational education declined \$1.3 million, or 7.4 percent in nominal terms, between FY '05 and FY

'08. Federal funding now constitutes just 12.6 percent of the total budget of the Department of Career and Technical Education, compared to 16.2 percent in SFY '05.<sup>23</sup>

- *Environmental Quality*: EPA funding for the Clean Water and Drinking Water state revolving funds has fallen from \$8.8 million in FFY '05 to \$5.6 million in FFY '08. While Oklahoma's Department of Environmental Quality has attracted additional federal funding for other programs, federal funds as a share of the agency's total budget have declined from 28.7 percent in SFY '05 to 23.7 percent in SFY '08.

These examples do not provide a comprehensive picture of federal grants to the states, and there are certainly examples of programs, notably foster care assistance, the WIC (Women, Infants and Children) nutrition program, and consolidated health centers, among others, which have enjoyed steady funding increases. Overall, however, the pattern for most programs in most years is one of standstill funding, cuts, or increases below the rate of inflation. This has either forced state and local agencies to reduce programs or to rely more heavily on state appropriations and user fees to fund core agency programs.

Although federal grant programs for many state agencies have failed to keep pace with rising costs, the situation is less grim than it might have been. Each of the last several Administration budgets has set its sights on cutting, consolidating, or outright eliminating various grant programs. The President's most recent budget proposal for FFY '09 called for a three percent decline in funding for discretionary programs and proposed eliminating 103 programs while reducing another 47.<sup>24</sup> Even while the Republicans controlled Congress, most of the President's proposals to eliminate or cut programs were resisted.

Regardless of who is the next Presi-

dent, Oklahoma should expect funding for grant programs to be tight due to ongoing budget pressures in Washington. The assessment of Federal Funds Information for States is persuasive:

The outlook for the federal budget deficit is such that grants for state and local government are likely to serve as a balancing item with the federal budget framework; as the most easily controlled category of federal spending, such grants are likely to see only scant increases until a structural change is made to increase federal revenues or reduce entitlement spending.<sup>25</sup>

#### 4. Federal Policies Affecting State Revenues

The federal policies we have examined thus far primarily affect the expenditure side of the ledger by imposing additional spending obligations on the state's budget. At the same time, some federal policies more directly impact the state's fiscal situation by depriving Oklahoma of tax revenues it could otherwise collect. There are two particular areas of federal policy which are dampening state revenue collections:

- *Federal preemption of state and local tax authority*: Congress has enacted several laws that bar states from imposing normal state taxes on certain types of transactions. The most notable example is the Internet Tax Freedom Act, which bars states from taxing the access fees that people pay for their Internet service. This law was first enacted in 1998 and was expanded in 2004; in 2007, Congress voted to extend the law through 2014. The annual revenue impact for Oklahoma of this preemption of state authority was estimated at \$20 million in a 2004 report by the Center on Budget and Policy Priorities.<sup>26</sup> In a similar vein, federal law prohibits state and local governments from taxing airline and bus tick-

ets purchased for interstate travel and from taxing the income of certain out-of-state corporations.<sup>27</sup>

- *The failure of Congress to empower states to collect taxes on remote sales purchased over the Internet or through catalogs*: Two Supreme Court rulings barred states from requiring sales taxes to be remitted when the vendor does not have a physical presence in the state ("nexus"), leaving it as the customer's responsi-

**"The Supreme Court clearly affirmed that Congress could pass a law giving states the option to tax remote sales, thereby increasing equity between Internet sellers and local brick-and-mortars vendors."**

bility to pay the tax directly to the state or local government.<sup>28</sup> At the same time, the Supreme Court clearly affirmed that Congress could pass a law giving states the option to tax remote sales, thereby increasing equity between Internet sellers and local brick-and-mortars vendors. Bills have been introduced annually to this effect - for years, Oklahoma Congressman Ernest Istook was the lead author of this measure - but none has gained passage. States have made various efforts to expand collection of taxes on remote sales, including developing the Streamlined Sales Tax Project, encouraging voluntary payment of use taxes on state tax returns, and pursuing broader definitions of "nexus". However, a great deal of potential revenue remains un-

### Washington, Can You Spare a Couple of Hundred Million?

During the last major economic downturn, which lasted from 2002 to 2004, the federal government stepped in to help states by providing fiscal relief. As part of the 2003 economic stimulus bill, Congress provided \$20 billion in payments to the states, divided between unrestricted grants and enhanced Medicaid matching rates. Oklahoma received \$219 million as its share of the federal funds. These funds had a significant benefit in mitigating the magnitude and impact of budget cuts that Oklahoma had to enact to make it through the downturn.

As the current national decline has affected state budgets in most of the country, state governors, legislatures and advocacy groups have taken up calls for Washington to help states bring their budgets into balance. Proponents argue that while cuts in state spending risk becoming a substantial drag on the economy, state fiscal relief provides a quick and effective economic boost.<sup>1</sup>

The states tried unsuccessfully to include state fiscal relief as part of the \$150 billion federal stimulus package that Congress approved in January 2008. In January, Senator Jay Rockefeller (D., West Virginia) introduced S. 2568, the State Fiscal Relief Act of 2008, that would again provide states a combination of direct grant payments and enhanced Medicaid funds. The bill did not progress beyond the Senate Finance Committee.

If the national economy continues to stumble, renewed calls for state fiscal relief as part of a second federal stimulus package seem likely. However, as one of the states whose economies has held up best, it is not certain that Oklahoma would benefit as greatly from any eventual package as would other states.<sup>2</sup>

#### NOTES

1 Mark Zandi, "Washington Throws the Economy A Rope", Moodys.com at [http://www.economy.com/dismal/article\\_free.asp?cid=10259](http://www.economy.com/dismal/article_free.asp?cid=10259)

2 See Iris J. Lav, Jason Levitis and Liz McNichol, "Economic Data Can Be Used to Target Fiscal Relief Effectively", Center on Budget and Policy Priorities, rev. July 2008 at <http://www.cbpp.org/3-3-08sfp.pdf>

collected. A 2004 study by Donald Bruce and William Fox estimated the revenue loss in state and local taxes to Oklahoma in 2008 due to E-commerce at \$223 to \$349 million, or 2.5 percent to 4.0 percent of total state and local tax revenues.<sup>29</sup>

This past session the Oklahoma Legislature was able to avert additional revenue losses as a result of federal tax policy. A measure that was part of the 2008 economic stimulus package known as "bonus depreciation" allowed corporations to claim an immediate federal tax deduction of up to 50 percent of the cost of new equipment purchases, rather than following the standard accounting approach of depreciating the full cost gradually over the useful life of the equipment. Since Oklahoma bases its taxes on the federal definition of income, the actions of the federal government meant that Oklahoma stood to lose an estimated \$66 million in state tax revenue from this federal measure.<sup>30</sup> Instead, the Legislature voted to "decouple" from the federal provision by requiring companies to calculate their state income tax as if bonus depreciation were not in effect.

### Conclusion

While the booming energy sector is sparing Oklahoma the immediate budget shortfalls that many states are confronting, stand-still funding levels have fallen short of meeting needs at a time of rising costs and growing demands for services.<sup>31</sup> As this brief has shown, a whole range of federal policies are increasing state budgetary problems. In the longer-term, a rapidly aging population will put unavoidable pressures on the state budget for health care and other expenses, creating a large and growing structural budget deficit.<sup>32</sup> Oklahoma faces serious budget challenges on the road ahead.

Given the magnitude of the federal government's budget deficit, it is unreasonable to expect any sharp turn towards increased federal spending on discretionary domestic programs. Washington's habit of imposing

new permanent responsibilities on the states while providing only partial or temporary funding is deeply engrained and unlikely to shift overnight. We must recognize this reality and acknowledge the need for Oklahoma to continue to adequately fund programs that benefit the people of our state, no matter what assistance or challenges are brought about by federal policies.

**" Even if no one should expect radical breakthroughs in the federal-state relationship, federal actions will continue to have a significant impact in shaping the state's fiscal context."**

Even if no one should expect radical breakthroughs in the federal-state relationship, federal actions will continue to have a significant impact in shaping the state's fiscal context. Making sure that federal funding matches federal mandates, ensuring that federal support for Medicaid and domestic discretionary programs keeps pace with costs, and respecting the state's authority to decide what to tax and not tax, should be a central concern for Oklahoma citizens and policymakers in the years ahead.

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## ENDNOTES

<sup>1</sup>“Agency under hiring freeze”, Tulsa World, August 21, 2008, and Oklahoma State Department of Health, Financial Challenges for State Fiscal Year 2009, unpublished document.

<sup>2</sup>“Oklahoma highway projects hit a road-block”, Oklahoman, September 9, 2008.

<sup>3</sup>See FFIS, “Highway Trust Fund Insolvency to be Solved; Payments to States Delayed”, Issue Brief 08-47, September 8, 2008.

<sup>4</sup>Federal Funds Information for States (FFIS), State Policy Reports, vol. 26, Issue 1, January 2008. FFIS is a joint service of the National Governors Association and the National Conference of State Legislatures that reports on the impact of federal budget and tax decisions on state and local governments.

<sup>5</sup>FFIS, “What if the Federal Government Fully Funded IDEA”, Issue Brief 07-32, July 19, 2007.

<sup>6</sup>Ibid.

<sup>7</sup>Ibid.

<sup>8</sup>FFIS, State Policy Reports, Volume 26, Joint Issue 3-4, February 2008.

<sup>9</sup>Joint Statement of the National Conference of State Legislatures and the American Association of School Administrators on ESEA Reauthorization, April 27, 2007.

<sup>10</sup>Ibid.

<sup>11</sup>Ellen Perlman, “Real Nightmare”, Governing, June 2007, pp. 25-31.

<sup>12</sup>FFIS, State Policy Reports, Volume 26, Joint Issue 3-4, February 2008.

<sup>13</sup> [http://qebserver1.lsb.state.ok.us/2007-08bills/SB/sb464\\_enr.rtf](http://qebserver1.lsb.state.ok.us/2007-08bills/SB/sb464_enr.rtf)

<sup>14</sup>FFIS, State Policy Reports, vol. 26, Issue 9, May 2008.

<sup>15</sup>Ibid.

<sup>16</sup>Oklahoma Health Care Authority, SFY '07 Annual Report, p. 28.

<sup>17</sup>FFIS, “Final FY 2010 FMAP Projections”, September 18, 2008.

<sup>18</sup>See the letter to Reps. Henry Waxman and Tom Davis from Mike Fogarty, available at: <http://oversight.house.gov/features/medicaid08/>

<sup>19</sup>The regulation that went forward relating to outpatient hospital facilities is not expected to affect Oklahoma’s Medicaid program.

<sup>20</sup>FFIS, “Discretionary Funding Trends: Fiscal Years 2002-2007”, Budget Brief 07-01, January 2, 2007

<sup>21</sup>ODOT expecting \$172 million less federal funds,” Journal Record, July 15, 2008.

<sup>22</sup>FFIS, “FY 2008 Bioterrorism Awards”, Issue Brief 08-32, June 4, 2008.

<sup>23</sup>Oklahoma State Senate, Appropriations Reports, FY '05 and FY '08.

<sup>24</sup>State Policy Reports, “The Cycle Begins Anew”, Volume 26, Joint Issue, 3-4.

<sup>25</sup>FFIS, State Policy Reports, Vol. 25, Issue 14, July 2007, p. 4.

<sup>26</sup>Iris J. Lav and Andrew Brecher, “Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis”, Center on Budget and Policy Priorities, revised August 18, 2004. See also Michael Mazerov, “Making the “Internet Tax Freedom Act” Permanent Could Lead to a Substantial Revenue Loss for States and Localities”, Center on Budget and Policy Priorities, revised August 27, 2007.

<sup>27</sup>Lav and Brecher; Iris, J. Lav, Elizabeth McNichol and Robert Zahradnik, *Faulty Foundations: State Structural Budget Problems and How to Fix Them*, Center on Budget and Policy Priorities, October 2005, ch. 4

<sup>28</sup>Lav and Brecher, p. 8.

<sup>29</sup>Donald Bruce and William F. Fox, “State and Local Sales Tax Revenue Losses from E-Commerce: Estimates as of July 2004,” State Tax Notes, August 2004.

<sup>30</sup>Nick Johnson, “New Federal Law Could Worsen State Budget Problems,” Center on Budget and Policy Priorities, rev. February 28, 2008.

<sup>31</sup>See Oklahoma Policy Institute, “FY '09 Budget Review”, May 2008.

<sup>32</sup>See Community Action Project, “Speeding Toward a Train Wreck: Experts Sound Alarm over Looming Structural Budget Deficits”, September 2006, at: <http://okpolicy.org/files/strucdeficit.pdf>

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## Better Information, Better Policy

### OUR MISSION

Oklahoma Policy Institute (OK Policy) is committed to advancing policies aimed at alleviating poverty, expanding economic opportunity and promoting fiscal responsibility. To that end, OK Policy conducts objective analysis of state policy issues in order to better position Oklahoma to become a more prosperous, better educated, healthier and increasingly equitable state.

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