



Center for Public Policy Priorities

November 18, 2009

Texas Congressional Delegation
United States Capitol
Washington, D.C.

Dear Senators and Congressmen:

The Center for Public Policy Priorities strongly believes in fiscal responsibility, including paying as you go. As others have said, however, the time to conserve water is not when the house is burning. Without the public spending in the American Recovery and Reinvestment Act (ARRA), our economy would be engulfed in flames. Contrary to what some have suggested, congressional help has been critically important to Texas. We are writing to urge additional steps.

ARRA provided Texas about \$38 billion in federal support through various provisions. For example, ARRA provided the state over \$14 billion to balance its budget for 2010-11, avoiding damage to essential state functions such as health care and public education. ARRA is also providing direct aid to unemployed Texans through an extension of Unemployment Insurance benefits and COBRA subsidies for health insurance, cushioning the blow of job losses.

While Texas would be even worse off without ARRA, Texas continues to suffer. So far this year, Texas has had a larger percentage loss of jobs than New York, New Jersey, Ohio, Pennsylvania, or North Carolina. Texas state sales tax revenue in the first two months of the new state fiscal year starting in September was 12.7 percent less than in the same period a year ago.

Governor Perry and Lt. Governor Dewhurst recently said that state agencies need to slow down their spending to ease pressure on the state budget. While Texas has money in the Rainy Day Fund, it is now likely that Texas will have less than projected and need more than it has to balance the budget without painful cuts or tax increases in 2011.

We urge you to extend four specific provisions of ARRA.

Enhanced FMAP for Medicaid

Texas will receive about \$5.4 billion in extra federal matching funds for Medicaid over the ARRA period of increased FMAP. Without this very substantial help, at a time when more uninsured Texans than ever are seeking assistance, our Legislature would likely have been forced to cut programs, which historically have taken the form of benefit cuts for the elderly and disabled and reduced provider fees for medical care. We urge you to extend the enhanced FMAP to avoid cuts in 2011.

State Fiscal Stabilization Fund

The State Fiscal Stabilization Fund provided the state with two block grants—\$3.25 billion dedicated to education and \$723 million to fund other key services. Some in our congressional delegation have been critical of how the state used the education funds. However the education funds might have best been used, it is important to recognize that the state did use the money to

maintain funding for public education, completely filling in the gap created by a shortfall in revenue from the state's own sources. The state also gave teachers a small pay raise. Without ARRA, the state would have cut spending on public education and teachers would not have gotten the pay raise. (In addition, ARRA provided school districts \$949 million for economically disadvantaged students and more than \$1 billion for students with disabilities. This aid allowed our schools to hire or retain 3,950 teachers, counselors, educational aides, and school nurses.) We urge you to provide additional funding for state fiscal stabilization to avoid cuts to critical state functions such as public education in 2011.

Unemployment Insurance

Texans looking for work and who have exhausted their regular state UI benefits have received \$1.3 billion in additional support because of federal extensions of Unemployment Insurance benefits. These federal funds have generated close to \$3.5 billion in economic activity so far in 2009. To date, more than 300,000 Texans have received either federally funded Emergency Unemployment Compensation or State Extended Benefits. Under the most recent extension approved by Congress, however, the long-term unemployed will only be able to receive benefits through the end of 2009 unless Congress intervenes. While Congress recently authorized 14 extra weeks of unemployment for Texas in HR 3548, Congress has not yet reauthorized Emergency Unemployment Compensation (EUC), which expires at the end of 2009. We urge you to reauthorize EUC.

COBRA

We also urge Congress to extend the COBRA subsidies in ARRA to help unemployed Texans maintain access to health coverage. The COBRA subsidies have been successful in helping Texans bridge their health insurance coverage during the recession. As many as 470,000 Texans may qualify for this assistance. A survey of large business found that the percentage of eligible laid-off workers enrolling in COBRA has doubled since the subsidies took effect. Subsidies expire at the end of this year, but because the economy is still shedding jobs, the assistance is still needed. To help Texans struggling to maintain health coverage after a layoff, we urge you to extend COBRA subsidies: (1) for those currently eligible by at least 6 months; (2) for those laid off on or after January 1, 2010; and (3) for those who lose health coverage because their work hours have been cut.

ARRA has been critical to Texas. Key provisions need to be extended to ensure economic recovery. If we can provide any additional information, please let us know.

Sincerely yours,



F. Scott McCown
Executive Director