

The Honorable Harry Reid  
Majority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Minority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable John Boehner  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Senator Reid, Senator McConnell, Speaker Pelosi, and Representative Boehner:

As you work to develop economic stimulus plans to address the deteriorating economy, we write to urge you to include temporary assistance to states to help avert cuts in health care, education, aid to local governments, and in critical services. Fiscal assistance to states and localities, as a growing number of states confront budget deficits, constitutes an effective stimulus, shoring up budgets while preserving essential services for millions of low- and middle-income families. ***State and local fiscal assistance should be a vital component of any economic stimulus package. We urge you to adopt a provision, based on the successful 2003 legislation that temporarily increases the federal Medicaid match as well as general funding aid to state and local governments.***

When the economy weakens, states primarily cut health insurance programs, education, and aid to local governments to ensure that their budgets remain balanced. Local government revenues are plummeting in many areas, due to falling property tax revenues that reflect the decline in home values. To avert slashing fire, police, and education in response to falling property tax revenues, many local governments are now beseeching their states to help fill the gap. But that puts even greater pressure at the state level on programs like SCHIP and Medicaid.

Therefore, to protect a range a critical services, a new stimulus package should include both an increase in the federal share of Medicaid costs, as it did in 2003, and general aid to states and localities.

- The share of Medicaid paid by the federal government (the FMAP, or federal Medicaid matching percentage) should be increased by a specified number of percentage points. As a condition of receiving the enhanced FMAP, states should be barred from reducing Medicaid eligibility as was the case in 2003. We also urge Congress, as it did in 2003, to ensure that states requiring local jurisdictions to contribute to state Medicaid costs pass on a portion of the enhanced FMAP to such localities.
- States also should be given a grant based on population. Given the housing crisis and the loss of property taxes, it would be important for states receiving assistance to be required to pass a percentage of that grant through to local jurisdictions in the state.

In the last recession, states instituted actions that caused *1 million families and children* to be cut off or denied Medicaid before federal relief belatedly arrived part way through 2003. Unfortunately, some recent federal actions will add to states' and local governments' fiscal distress and heighten their need to consider cutting safety net health care services, beyond the revenue declines and the increased need for services normally experienced in economic downturns.

For example, if they are not put on hold, Medicaid regulations proposed or issued by the Bush Administration since January 2007 would result in approximately \$3.5 billion in cuts in fiscal years 2008 and 2009 in federal funding for state Medicaid programs, and \$12 billion in cuts over five years. Most of these Medicaid cuts represent a shift in costs to state and local governments, rather than any reduction in health care costs. Because of these policies and ongoing fiscal pressures, states and many local governments are facing imminent cuts either to Medicaid or to other social services programs to cover the states' rising share of Medicaid cuts. Congress must act to address these cost-shifting and adverse regulations as quickly as possible.

State and local fiscal relief will help lessen the severity of spending cuts, which also constitutes effective stimulus. In the absence of fiscal relief, a number of states will start cutting their budgets in coming months to bring the budgets back into balance for the fiscal year that ends this June 30, and a much larger number of states will lower the boom on July 1. These state budget cuts and tax increases will remove demand from the economy, deepening the downturn. Fiscal relief can substantially lessen the degree to which that occurs and thereby avert or lessen the further damage to the economy as a result of contractionary state policies.

Therefore, we urge you in the strongest terms possible to again include temporary state and local fiscal relief -- and specifically an increase for a period of time in the FMAP to preserve health care for our most vulnerable citizens. Thank you for your consideration, we work with you to ensure that states receive the timely help that they need.

Sincerely,