

January 24, 2008

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 Leader 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 of 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 30th, and a much larger number of states will lower the boom on July 1st. 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 look forward to working with you to ensure that states receive the timely help that they need.

Sincerely,

AFL-CIO

AFSCME

Action for Children North Carolina

Alabama Arise

American Academy of HIV Medicine

American Dental Education Association

American Federation of Teachers

American Friends Service Committee

American Health Care Association

American Hospital Association

American Network of Community Options and Resources

American Psychiatric Association

AMERIGROUP Corporation

Association of American Medical Colleges

Association of Arizona Food Banks

Association of Community Organizations for Reform Now (ACORN)

Bazon Center for Mental Health Law
B'nai B'rith International
Brain Injury Association of America
Bridgeport Child Advocacy Coalition
California State Association of Counties
Center for Public Policy Priorities (TX)
Children's Defense Fund
Coalition on Human Needs
Community Catalyst
Connecticut Coalition for Justice in Education Funding
County Welfare Directors Association of California
Easter Seals
Families USA
Greater New York Labor-Religion Coalition
Institute for the Puerto Rican/Hispanic Elderly, Inc.
International Association of Fire Fighters
Jewish Board of Family and Children's Services
Jewish Federation of Metropolitan Chicago
Lutheran Services in America
Long Term Care Community Coalition (NY)
Maternity Care Coalition
Medicaid Health Plans of America
Medicaid Matters New York
Mental Health America
Miami-Dade County
Middlesex Coalition for Children (CT)
Minnesota Budget Project
Minnesota Council of Nonprofits
MoveOn.org Political Action
National Association of Councils on Developmental Disabilities
National Association of Counties
National Association of County Behavioral Health and Developmental Disability Directors
National Association of County Human Services Administrators
National Association of Public Hospitals and Health Systems
National Association of State Head Injury Administrators
National Committee to Preserve Social Security and Medicare
National Conference of State Legislatures
National Education Association
National Family Planning & Reproductive Health Association
National Research Center for Women & Families
New York State Child Care Coordinating Council
National Spinal Cord Injury Association
National Women's Law Center
Nebraska Appleseed Center for Law in the Public Interest
New Mexico Voices for Children
New York State Public Employees Federation
North Carolina Justice Center
OMB Watch

Ohio Job and Family Services Directors' Association
PathWaysPA

Planned Parenthood Federation of America

Progressive Leadership Alliance of Nevada

Project Inform

Public Children Services Association of Ohio

RESULTS

Service Employees International Union

Texas KIDS COUNT

The Arc of the U.S.

The Children's Partnership

The Schuyler Center for Analysis and Advocacy

The United Spinal Association

Treatment Access Expansion Project

United Cerebral Palsy

United Jewish Communities

United Steelworkers

Urban Institute

Voices for America's Children

VOR

Wisconsin Council on Children and Families

Wisconsin Counties Association

YWCA USA