



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

January 18, 2008

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State Representative
Delaware
President, NCSL

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William T. Pound
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The Honorable Harry Reid
Majority Leader
United States Senate
S-221, U.S. Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230, U.S. Capitol
Washington, D.C. 20510

The Honorable John Boehner
Minority Leader
United States House of Representatives
H-204, U.S. Capitol
Washington, D.C. 20515

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

As Congress moves to consideration of an economic stimulus package, the National Conference of State Legislatures (NCSL) urges you to keep in mind the interests that the states have in a return to a healthy economy. As you know, 49 states have constitutional requirements to balance their budgets each year. During an economic downturn, the decisions that state legislatures and governors have to make to keep their budgets balanced—cutting spending, raising taxes or both—can have the pro-cyclical effect of deepening and prolonging the slump.

We have attached a list of options that we urge you to consider for inclusion in a stimulus package. They are state-oriented and include two—temporary changes in the Medicaid matching rate and increases in discretionary funds for states—which were included in the Jobs and Growth Tax Relief Reconciliation Act of 2003 and which were enormously helpful to states as they dealt with the effects of the last downturn. Any of the options we have included would ease the fiscal pressures on states and, as a result, would help accelerate the economic recovery.

NCSL's most recent survey of state fiscal conditions indicates that states are facing budget challenges due to the slowing national economy. At least seven states, including Nevada, California and Kentucky, are already facing billions in financial shortfalls in the current fiscal year. More are expected to face serious budget gaps as they progress further into their fiscal years.

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We appreciate your attention to our concerns and recommendations. For additional information and assistance, please contact Michael Bird (Michael.bird@ncsl.org; (202)624-8686) or Garner Girthoffer (garner.girthoffer@ncsl.org; (202) 624-7753) in NCSL's Washington, D.C. office. Thank you for your consideration of these important national issues.

Sincerely,



Representative Donna Stone
Delaware House of Representatives
President, NCSL



Representative Joe Hackney
North Carolina House of Representatives
President-Elect, NCSL



Senator Don Balfour
Georgia Senate
Vice President, NCSL



Senator Leticia Van de Putte
Texas Senate
Immediate Past President, NCSL

Attachment: NCSL Recommendations for an Economic Stimulus Package



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NCSL Recommendations for an Economic Stimulus Package

- **Discretionary Grants to the States:** As each state will likely face different fiscal challenges in FY 2008 and FY 2009, discretionary grants provide states with the flexibility to address fiscal concerns through one-time state grant assistance. In addition, discretionary grants funds help eliminate shortfalls in state-federal partnerships.
- **State Medicaid Assistance:** A freeze or increase in federal matching payments for Medicaid would assist people who lose health care coverage during the economic downturn and complement support provided in the economic stimulus package to extend and increase unemployment benefits.
- **Child Support Enforcement Payments:** Child support payments made by noncustodial parents go directly to meet the basic needs of families and children, so they are quickly recirculated back into the economy. Federal funding is critical to helping these payments be efficiently and consistently collected. Rescinding the Deficit Reduction Act (109-171) provision that prohibits states from using incentive payments to draw down federal funds will assist states with collections of child support payments and provide immediate assistance to working families in a recession. The child support program is also incredibly cost effective— for every dollar spent in government funds, \$4.58 is collected on behalf of working families.
- **Food Stamps Assistance:** Provide a temporary increase of Food Stamp benefits for households already eligible for and receiving such benefits.
- **Employment Benefits:** Provide temporary extension of unemployment benefits to eligible individuals.
- **Delay Implementation of TANF Work Requirements:** Regulations to implement provisions in the Temporary Assistance for Needy Families (TANF) program, as included in the DRA, will force states to focus narrowly on the work effort of current TANF recipients at the expense of families who have left TANF to achieve job stability and get higher paying jobs. Families who have left TANF are particularly vulnerable in an economic downturn. To ensure these families remain self-sufficient, delay implementation of the regulatory changes to the TANF program until Jan. 2009.
- **Sales Tax Fairness and Simplification (S. 34; H.R. 3396):** Grant states the authority to require collections of sales tax on remote sales and provide equity for all retailers. Sales tax simplification would provide \$6.8 billion for businesses and fiscal relief to the states at no expense to the federal government.
- **Federal Tax Investments:** Pursue any federal personal and corporate income tax relief through tax credits, such as accelerating the scheduled increase in the child tax credit, and other changes in federal tax liability, rather than through exclusions or deductions.
- **Capital Projects:** Increase Investment in transportation and waste water treatment