

January 28, 2008

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Chairman Baucus and Ranking Member Grassley:

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 *one 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
Agenda for Children (LA)
Alabama Arise
Alliance for Children and Families
American Academy of HIV Medicine
American Academy of Pediatrics
American Association of Homes and Services for the Aging
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
Arkansas Advocates for Children and Families
Association of American Medical Colleges
Association of Arizona Food Banks
Association of Assistive Technology Act Programs (ATAP)

Association of Community Organizations for Reform Now (ACORN)
Association of Maternal and Child Health Programs
Association of University Centers on Disabilities
Bazelon Center for Mental Health Law
B'nai B'rith International
Brain Injury Association of America
Bridgeport Child Advocacy Coalition
California Budget Project
California State Association of Counties
Campaign for America's Future
Campaign for Working Families
Catholic Charities USA
Center for Public Policy Priorities (TX)
Children's Defense Fund
Children's Dental Health Project
Coalition on Human Needs
Colorado Center on Law and Policy
Colorado Children's Campaign
Community Catalyst
Connecticut Coalition for Justice in Education Funding
Connecticut Health Foundation
Connecticut Voices for Children
Consumers Union
Council for Exceptional Children
County Welfare Directors Association of California
Covering Kentucky Kids and Families
Disability Rights Education and Defense Fund
Easter Seals
Families USA
Family Planning Advocates of New York State
First Focus
Fiscal Policy Institute
Food Research & Action Center
Greater New York Labor-Religion Coalition
HIV Medicine Association
Hispanic Senior Action Council
Hunger Action Network of NYS
IDEA Infant and Toddler Coordinators Association
Institute for the Puerto Rican/Hispanic Elderly, Inc.
International Association of Fire Fighters
JEVS Human Services (PA)
Jewish Board of Family and Children's Services
Jewish Council for Public Affairs
Jewish Federation of Metropolitan Chicago
Lutheran Services in America
Long Term Care Community Coalition (NY)
Maine Center for Economic Policy
Maine Children's Alliance

Maine Equal Justice Partners
Maternity Care Coalition
Medicaid Health Plans of America
Medicaid Matters New York
Mental Health America
Miami-Dade County
Michigan League for Human Services
Middlesex Coalition for Children (CT)
Minnesota Budget Project
Minnesota Council of Nonprofits
Missouri Budget Project
MoveOn.org Political Action
National Association for Home Care and Hospice
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 Council for Community Behavioral Healthcare
National Council of Jewish Women
National Education Association
National Family Planning & Reproductive Health Association
National Research Center for Women & Families
National Respite Coalition
National Spinal Cord Injury Association
National Union of Hospital and Health Care Employees
National Women's Law Center
Nebraska Appleseed Center for Law in the Public Interest
New Mexico Voices for Children
New York AIDS Coalition
New York City Health and Hospitals Corporation
New York State Child Care Coordinating Council
New York State Public Employees Federation
New Yorkers for Fiscal Fairness
North Carolina Justice Center
OMB Watch
Ohio Association of Second Harvest Foodbanks
Ohio Job and Family Services Directors' Association
OWL – The Voice of Midlife and Older Women
PathWaysPA
Pennsylvania Hunger Action Center
Pennsylvania Partnerships for Children
Philadelphia Unemployment Project
Planned Parenthood Federation of America
Progressive Leadership Alliance of Nevada

Project Inform
Public Children Services Association of Ohio
Public Citizens for Children and Youth (PA)
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
Treatment Access Expansion Project
USAction
United Cerebral Palsy
United Jewish Communities
United Spinal Association
United Steelworkers
Urban Institute
Voices for America's Children
Voices for Ohio's Children
VOR
Wisconsin Council on Children and Families
Wisconsin Counties Association
Working for Equality and Economic Liberation (MT)
YWCA USA