

January 28, 2008

**Senator Max Baucus**  
**Chairman, Senate Finance Committee**  
**Finance Committee**  
**United States Senate**  
**Washington, D.C. 20510**  
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**Senator Charles Grassley**  
**Ranking Member, Senate**  
**United States Senate**

Dear Chairman Baucus and Ranking Member Grassley,

We are concerned by recent press reports that the House of Representatives is considering an economic stimulus package that will exclude a number of important priorities to help low-income Americans. We are particularly concerned about growing state budget deficits and strongly urge you to consider including at least \$15 billion in state aid – equally divided between Medicaid and targeted grants to states – in any economic stimulus package considered by the Senate.

Millions of working families depend on the health and education services provided by their state and local governments. However, we know that Medicaid and other social programs are the first in line for cuts in cash-strapped states desperate for revenue. The risk to Medicaid is even greater because the business tax relief that is likely to be included in any stimulus package will decrease state revenues and increase state deficits.

In a recent survey of state fiscal conditions, the National Conference of State Legislatures concludes that states are facing growing budget challenges due to the slowing national economy. **Several states are already facing billions in financial shortfalls in the current fiscal year.** More are expected to face serious budget gaps as this year progresses. We cannot afford to stand by while states cut vital programs that help millions of working families stay afloat.

You will recall that Congress overwhelmingly passed a similar measure to aid states in response to the economic downturn following September 11. The Jobs and Growth Tax Relief Reconciliation Act of 2003, which was signed into law by the President, included \$20 billion in state fiscal relief over 18 months – with \$10 billion going directly to the Federal Medical Assistance Percentage (FMAP) and \$10 billion in targeted grants to states and local governments. Several economic experts have cited aid to states as an effective way to stimulate the economy.

The Congressional Budget Office's January 18 report, entitled *Options for Responding to Short-Term Economic Weakness*, states that "More than half of the states reported that the increased matching rates enabled them to avoid or delay making cuts – or to make smaller cuts – to their Medicaid program." Earlier this week, Mark Zandi, chief economist of Moody's Economy.com, examined the effectiveness of the various

stimulus options that Congress is considering. Dr. Zandi's analysis gives a high rating to temporary state fiscal relief, finding that targeted state aid would generate increased economic activity of \$1.36 for each dollar of cost, because it would lessen state and local government budget cuts that "are sure to become a substantial drag on the economy later this year and into 2009."

As you work to craft an economic stimulus package, we strongly encourage you to include at least \$15 billion in state fiscal relief. We cannot afford to wait. In 2003, by the time the economic stimulus bill passed, states were already in dire fiscal straits. One million low-income people had already been added to the ranks of the uninsured because of substantial state cuts to Medicaid between 2001 and 2003. This occurred in Democratic and Republican states alike. We must act quickly to protect low-income families. We understand that there are a number of meritorious proposals to stimulate the economy, but state fiscal relief is a proven approach that works and works well. It is an approach that has been endorsed by our nation's Governors and health advocates alike.

We look forward to your prompt consideration of this request and are confident that you will act in the best interest of our country.