



October 27, 2008

The Honorable Harry M. Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States 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 Congress develops a new national economic recovery package, we encourage you to assist state and local governments by including a temporary increase in the federal matching rate for Medicaid and additional funds for infrastructure investment.

Recent surveys indicate as many as 27 states face shortfalls of about \$26 billion -- numbers that could double over the next few months as revenues continue to decline. Surveys of local governments show a similar pattern, with property, sales and income taxes down between 3 and 4 percent from last year and the rate of revenue losses accelerating.

During economic downturns, state and local governments are often forced to cut spending and increase taxes to meet balanced budget requirements. These actions can exacerbate the downturn and slow recovery. Already states have made cuts to education, public safety and Medicaid and may be forced to make more as the downturn persists. Providing federal funds directly to state and local governments allows them to reduce cuts and continue services. Most economists agree that this is one of the most effective countercyclical tools the federal government can implement. Even with this assistance, state and local governments will continue to consolidate departments and agencies, streamline services and make government more efficient.

During the last recession, Congress enacted a \$10 billion block grant and also provided \$10 billion to temporarily enhance Federal Medical Assistance Percentages (FMAP) for every state. The Medicaid component provided immediate fiscal relief to states and helped stabilize the economy by preventing cuts to programs important to vulnerable populations.

As Congress prepares to take action, state and local officials recommend that any recovery package include at least a two-year increase in FMAP and additional federal funding for infrastructure. Investing in infrastructure provides job creation, longer-term stability and helps ensure the nation's safety and competitiveness. Since the nation's infrastructure needs are varied, federal investments should include a broad array of ready-to-go projects, including funds for airports, highways, transit, clean water, sewer and schools.

Our members welcome the opportunity to work with you as active partners in restoring the economy. Investments in state and local governments are effective and efficient ways to speed recovery and help those most directly affected by the economic downturn.

Sincerely,



Governor Edward G. Rendell
Chair
National Governors Association



Speaker Joe Hackney
President
National Conference of State Legislatures



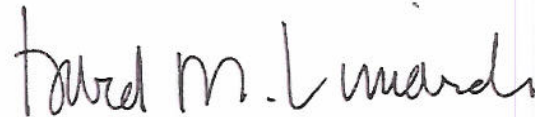
Governor M. Jodi Rell
President
The Council of State Governments



County Supervisor Don Stapley
President
National Association of Counties



Council Member Cynthia McCollum
President
National League of Cities



City Manager David M. Limardi
President
International City/County Management
Association