

**National Conference of State Legislatures  
Council of State Governments  
National Association of Counties  
U.S. Conference of Mayors  
National League of Cities  
International City/County Management Association**

April 21, 2003

The Honorable Charles Grassley  
Chairman, Senate Finance Committee  
United States Senate  
Washington, D.C. 20510

The Honorable Max Baucus  
Ranking Member, Senate Finance Committee  
United States Senate  
Washington, D.C. 20510

**RE: Reconciliation, State and Local Fiscal Assistance**

Dear Senators Grassley and Baucus:

On behalf of state and local officials, we urge you to include no less than \$40 billion in fiscal assistance, split evenly between state and local governments, in reconciliation legislation that the Senate Finance Committee is expected to markup soon.

The nation's economic recovery is essential. We believe a partnership among the federal, state and local governments and the private sector is necessary to expeditiously achieve this recovery. With state and local governments experiencing their worst fiscal conditions since World War II and required to comply with balanced budget requirements, we are not positioned to help stimulate the economy. Instead, state and local governments are reducing workforces, deferring capital projects, cutting programs and imposing fee increases and raising income, sales and property taxes. These activities work against economic recovery and the partnership we feel is critically needed.

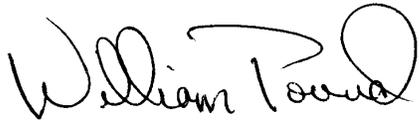
Furthermore, state and local governments continue to fill gaps in unfunded federal mandates and underfunded national expectations. We are appreciative of new homeland security funding provided in the recently passed FY2003 supplemental appropriations bill. We are also hopeful that increased funding for special education and implementation of the No Child Left Behind Act as specified in the recently-passed FY2004 budget resolution will be appropriated later this year. Nonetheless, state and local governments continue to confront a gap of no less than \$22 billion and perhaps as much as \$82 billion in unfunded federal mandates and underfunded national expectations. Additionally, states and localities continue to deal with the excessive inflationary costs of certain state-federal partnerships, such as Medicaid.

There are several examples of how to provide this assistance that are already before the Senate. S.201, which all of our organizations have endorsed, would provide \$40 billion in temporary assistance divided equally between state and local governments. S.138 would provide \$20 billion in temporary increased federal matching assistance payments for Medicaid and the Social Services Block Grant. Finally, the conference agreement on

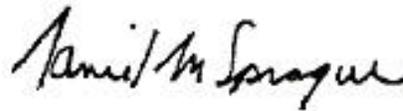
H.Con.Res. 95 includes sense of the Senate language calling for \$30 billion in assistance distributed somewhat like S.138.

We are very pleased with the Senate's past response to and action on our request for fiscal assistance and partnership in economic recovery. We are eager to work with you to accomplish both as the Senate Finance Committee and the full Senate develop reconciliation and economic recovery legislation. Thank you for your consideration of our concerns. Please have your staff contact each of our organizations for assistance and information.

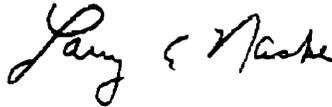
Sincerely,



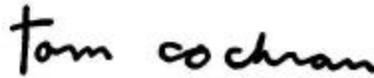
William T. Pound, Executive Director  
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