

**NATIONAL
GOVERNORS
ASSOCIATION**

John Engler
Governor of Michigan
Chairman

Paul E. Patton
Governor of Kentucky
Vice Chairman

Raymond C. Scheppach
Executive Director

November 26, 2001

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The nation's Governors support your negotiations to secure bipartisan action on an economic stimulus program. As you know, the current budget shortfall in states is estimated to be about \$15 billion and is being caused primarily by declining revenue growth and the explosion in the costs of the Medicaid program. As the economy continues to slow, this shortfall is expected to increase to between \$20 billion and \$30 billion. The unprecedented costs of homeland security, as well as other provisions being considered as part of the stimulus package, will add substantially to the growing fiscal crisis. This growing state budget shortfall will continue to be a major drag on economic recovery and will offset a portion of a federal economic stimulus package.

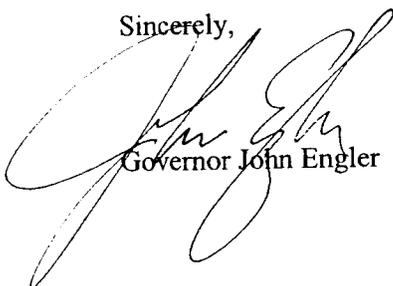
Given this fiscal stress in just about every state, the nation's Governors number one priority in the economic stimulus package is for a temporary increase in the federal medical assistance percentage (FMAP). Our FMAP proposal, which will cost about \$5.5 billion, includes three major provisions:

- A hold harmless provision for any state that would receive a decrease in its FMAP this year;
- An across-the-board one and one-half percent increase in the FMAP for every state; and
- A one and one-half percent increase in the FMAP for states with higher than average unemployment.

From a state perspective, this proposal has major advantages over any other provision being considered for the stimulus package. First, it provides fiscal relief for all states. Second, 100 percent of the funds would be spent over the next year, which is a very strong economic stimulus. Third, it is extremely flexible funding. Fourth, it does not require the federal government or the states to develop new legislation or regulations. All other state-administered programs that are being considered as part of the stimulus package are targeted to specific populations or programs and do little to provide fiscal relief to states.

We appreciate the difficult task that you have in negotiating a final package but we strongly urge you to build on the existing federal-state partnership by including a temporary increase in the FMAP in the final stimulus package. The bottom line is that enactment of a temporary increase in the FMAP would both offset some of the other provisions in the stimulus package that would decrease state revenues and dramatically reduce the drag on the economy of the growing state budget shortfall.

Sincerely,



Governor John Engler



Governor Paul E. Patton

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The Honorable Thomas A. Daschle
Majority Leader
United States Senate
The Capitol, Room S-221
Washington, D.C. 20510

The Honorable Trent Lott
Minority Leader
United States Senate
The Capitol, Room S-230
Washington, D.C. 20510

The Honorable J. Dennis Hastert
Speaker
U.S. House of Representatives
The Capitol, Room H-228
Washington, D.C. 20515

The Honorable Richard A. Gephardt
Minority Leader
U.S. House of Representatives
The Capitol, Room H-204
Washington, D.C. 20515

Dear Senator Daschle, Senator Lott, Speaker Hastert, and Representative Gephardt:

The nation's Governors support your negotiations to secure bipartisan action on an economic stimulus program. As you know, the current budget shortfall in states is estimated to be about \$15 billion and is being caused primarily by declining revenue growth and the explosion in the costs of the Medicaid program. As the economy continues to slow, this shortfall is expected to increase to between \$20 billion and \$30 billion. The unprecedented costs of homeland security, as well as other provisions being considered as part of the stimulus package, will add substantially to the growing fiscal crisis. This growing state budget shortfall will continue to be a major drag on economic recovery and will offset a portion of a federal economic stimulus package.

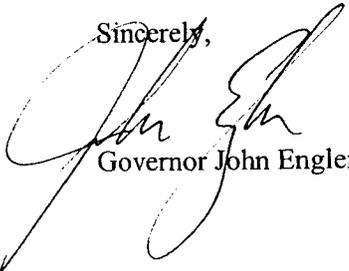
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Hall of the States 444 North Capitol Street Suite 267 Washington, D.C. 20001-1512
Telephone (202) 624-5300 Fax (202) 624-5313 www.nga.org

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November 26, 2001

The Honorable Robert C. Byrd
Chairman
Senate Appropriations Committee
The Capitol, Room S-128
Washington, D.C. 20510

The Honorable Ted Stevens
Ranking Member
Senate Appropriations Committee
The Capitol, Room S-146
Washington, D.C. 20510

The Honorable C.W. (Bill) Young
Chairman
House Appropriations Committee
The Capitol, Room H-218
Washington, D.C. 20515

The Honorable David R. Obey
Ranking Member
House Appropriations Committee
1016 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Byrd, Senator Stevens, Chairman Young, and Representative Obey:

The nation's Governors support your negotiations to secure bipartisan action on an economic stimulus program. As you know, the current budget shortfall in states is estimated to be about \$15 billion and is being caused primarily by declining revenue growth and the explosion in the costs of the Medicaid program. As the economy continues to slow, this shortfall is expected to increase to between \$20 billion and \$30 billion. The unprecedented costs of homeland security, as well as other provisions being considered as part of the stimulus package, will add substantially to the growing fiscal crisis. This growing state budget shortfall will continue to be a major drag on economic recovery and will offset a portion of a federal economic stimulus package.

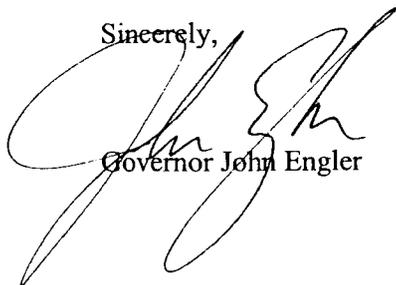
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The Honorable Kent Conrad
Chairman
Senate Budget Committee
SD-634 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Pete V. Domenici
Ranking Member
Senate Budget Committee
SRC-1 Russell Courtyard
Washington, D.C. 20510

The Honorable James Nussle
Chairman
House Budget Committee
309 Cannon House Office Building
Washington, D.C. 20515

The Honorable John M. Spratt, Jr.
Ranking Member
House Budget Committee
222 O'Neill House Office Building
Washington, D.C. 20515

Dear Chairman Conrad, Senator Domenici, Chairman Nussle, and Representative Spratt:

The nation's Governors support your negotiations to secure bipartisan action on an economic stimulus program. As you know, the current budget shortfall in states is estimated to be about \$15 billion and is being caused primarily by declining revenue growth and the explosion in the costs of the Medicaid program. As the economy continues to slow, this shortfall is expected to increase to between \$20 billion and \$30 billion. The unprecedented costs of homeland security, as well as other provisions being considered as part of the stimulus package, will add substantially to the growing fiscal crisis. This growing state budget shortfall will continue to be a major drag on economic recovery and will offset a portion of a federal economic stimulus package.

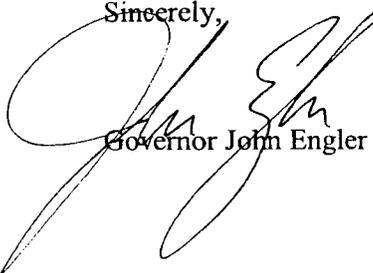
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The Honorable Max Baucus
Chairman
Senate Finance Committee
SD-219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Charles Grassley
Ranking Member
Senate Finance Committee
SD-219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable William M. Thomas
Chairman
House Ways and Means Committee
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Charles B. Rangel
Ranking Member
House Ways and Means Committee
1106 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Baucus, Senator Grassley, Chairman Thomas, and Representative Rangel:

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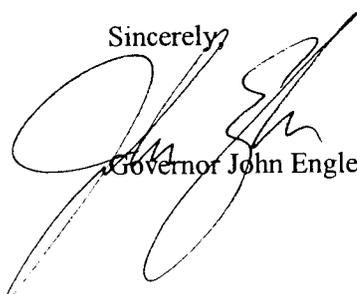
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