



Tim Pawlenty  
Governor of Minnesota  
Chair

Edward G. Rendell  
Governor of Pennsylvania  
Vice Chair

Raymond C. Scheppach  
Executive Director

January 28, 2008

The Honorable Harry 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:

The nation's governors urge you to include state countercyclical funding as part of your legislation to stimulate the economy. This would include \$6 billion in Medicaid assistance by freezing scheduled federal FMAP reductions and increasing all states' FMAP as well as providing \$6 billion in a flexible block grant.

The revenue reductions and Medicaid increases that accompany all economic downturns, in combination with state balanced budget requirements, are forcing states to cut spending as the economy weakens. These actions are procyclical and will make the current downturn both longer and more severe.

States already are experiencing the effects of the slowing economy. The week of January 14, the National Governors Association surveyed all states and found that 18 states reported shortfalls totaling \$14 billion for fiscal year 2008 and 17 states projected shortfalls of \$31 billion for fiscal year 2009.

During the last two recessions, the state fiscal picture continued to deteriorate for two years after the recessions ended. For example, in 2001, the year the last recession ended, 16 states were forced to cut budgets. In each of the next two years, 37 states had to make cuts to meet shortfalls. If the current downturn follows the path of the two previous recessions, 35 to 40 states will face budget cuts in 2009.

In 2003, Congress approved \$20 billion in assistance to states, including \$10 billion in Medicaid and \$10 billion in block grants. The governors' current stimulus proposal is essentially the same, with the exception that it is a total of \$12 billion as opposed to \$20 billion. This proposal can be enacted quickly, as there is precedent and it is timely, temporary and targeted.

Additionally, governors appreciate federal efforts to use tax policy to get additional money into the hands of consumers and businesses to stimulate the economy. When considering tax changes to spur economic growth, governors urge Congress and the Administration to follow the maxim of "Do no harm" by avoiding changes at the federal level that would diminish state tax revenues or force state actions that would undermine the effectiveness of federal efforts.

We look forward to working with you to enact the appropriate stimulus program.

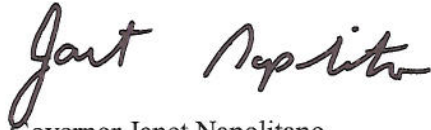
Sincerely,



Governor Tim Pawlenty  
Minnesota



Governor Edward G. Rendell  
Pennsylvania



Governor Janet Napolitano  
Arizona



Governor Mike Beebe  
Arkansas



Governor Arnold Schwarzenegger  
California



Governor Bill Ritter Jr.  
Colorado



Governor M. Jodi Rell  
Connecticut



Governor Ruth Ann Minner  
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Governor Charlie Crist  
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Governor Rod Blagojevich  
Illinois



Governor Chester J. Culver  
Iowa



Governor Kathleen Sebelius  
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Governor Steven L. Beshear  
Kentucky



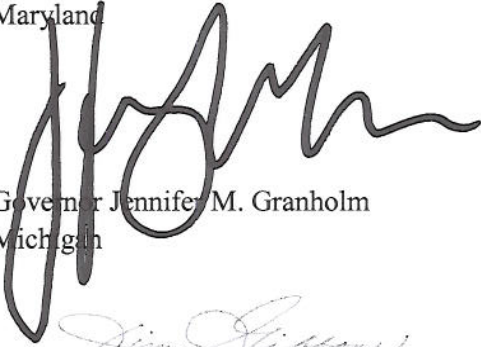
Governor John Baldacci  
Maine



Governor Martin O'Malley  
Maryland



Governor Deval Patrick  
Massachusetts



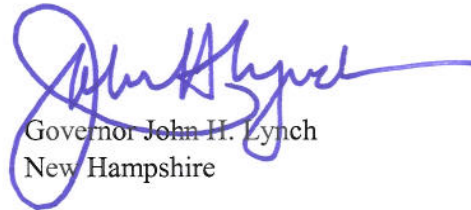
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Governor John H. Lynch  
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Governor Bill Richardson  
New Mexico



Governor Eliot Spitzer  
New York



Governor Michael F. Easley  
North Carolina



Governor John Hoeven  
North Dakota



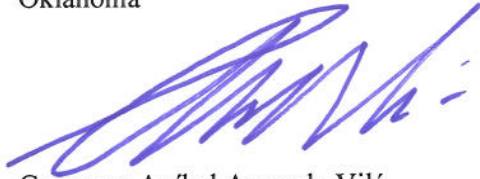
Governor Ted Strickland  
Ohio



Governor Brad Henry  
Oklahoma



Governor Theodore R. Kulongoski  
Oregon



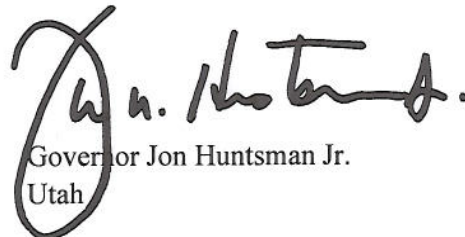
Governor Aníbal Acevedo Vilá  
Puerto Rico



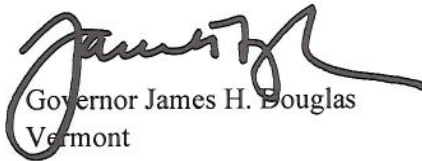
Governor Donald L. Carcieri  
Rhode Island



Governor M. Michael Rounds  
South Dakota



Governor Jon Huntsman Jr.  
Utah



Governor James H. Douglas  
Vermont



Governor Timothy M. Kaine  
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