

December 10, 2009

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

Dear Madam Speaker and Majority Leader Reid:

As you work to develop a jobs bill to address the weak economy, we write to urge you to include fiscal relief for states and local governments in order to strengthen the national economy. Fiscal assistance to states and localities, as most states confront large budget deficits, constitutes an effective economic stimulus that preserves and creates jobs that would otherwise be lost. ***State and local fiscal assistance should be a vital component of any jobs package. We urge you to extend Medicaid assistance and stabilization funding to state and local governments for at least one year, and additional funding for state and local government services.***

Fiscal relief under the American Recovery and Reinvestment Act (ARRA)- also known as the "Recovery Act" has lessened the severity of the recent recession and minimized spending cuts and the number of jobs lost. This federal assistance is allowing states to meet their Medicaid and education obligations without cutting programs more deeply, thereby avoiding the adverse economic effects that would entail. Further, the Congressional Budget Office and economist Mark Zandi have found that a temporary increase in fiscal relief to state and local governments has a very high economic "bang for the buck."

The additional federal Medicaid assistance provided under the Recovery Act is slated to end with a "cliff" on December 31, 2010. By this time, states also will largely have exhausted the Recovery Act's State Fiscal Stabilization Fund, which funds education and other critical government services. States are preparing to cut spending and increase taxes in the coming months to balance their budgets for the upcoming fiscal year that ends on July 1 in all but four states. States will have to impose deep cuts to close an estimated \$260 billion shortfall (net of available ARRA funds) in FYs 2011 and 2012 if Congress doesn't extend relief or phase it out gradually over time. For example, many governors have already announced plans to eliminate public sector jobs, decrease funding to safety-net providers and scale-back Medicaid coverage once Recovery Act funds expire. These state budget cuts will have a ripple effect throughout the economy, and according to economic measures, could result in the loss of 900,000 jobs.

We urge you in the strongest terms possible to extend fiscal relief in the jobs bills currently being considered in Congress. Thank you for your consideration and we look forward to working with you on job preservation and creation in order to ensure a timely economic recovery.

AFL-CIO
AFSCME
AIDS Action Baltimore
AIDS Project Los Angeles
Alliance for Children and Families
American Association of State Colleges and Universities
American Association on Intellectual and Developmental Disabilities (AAIDD)
American Federation of Teachers
American Network of Community Options and Resources
Amerigroup
APSE
Association of Assistive Technology Act Programs (ATAP)
Association of Jewish Aging Services of North America
Association of Jewish Family & Children's Agencies
Bazelon Center for Mental Health Law
Campaign for America's Future
Campus Progress Action
Center on Budget and Policy Priorities
Coalition on Human Needs
Community Access National Network
Community Action Partnership
Council for Exceptional Children
Easter Seals
Every Child Matters Education Fund
Families USA
Family Voices
HIV Medicine Association
International Association of Fire Fighters
International Federation of Professional and Technical Engineers (IFPTE)
Jewish Council for Public Affairs
The Jewish Federations of North America
Medicaid Plans of America
Mental Health America
National Alliance for Mental Illness
National Association of Children's Hospitals
National Association of County Behavioral Health
National Association of State Mental Health Program Directors (NASMHPD)
National Council for Community Behavioral Healthcare
National Council on Independent Living (NCIL)
National Down Syndrome Society (NDSS)
National Education Association
National Policy and Advocacy Council on Homelessness (NPACH)
National Women's Law Center
NISH
Project Inform
Service Employees International Union (SEIU)
The AIDS Institute
The Arc of the United States
The Campaign for College Affordability
The National Association of State Directors of Developmental Disabilities Services (NASDDDS)
United Auto Workers
United Cerebral Palsy
United Neighborhood Centers of America