

Governor Rendell Urges Pennsylvania's Congressional Delegation to Help Pass Enhanced Medicaid Funding

April 21, 2010

The Honorable Arlen Specter

United States Senate

711 Hart Building

Washington, DC 20510

Dear Senator Specter:

I am writing today to urge you to quickly pass HR 4213. I do so because in addition to the critical tax changes provided for in this bill, it includes urgently needed federal assistance for states grappling with severe state budget deficits. In February, 46 of my fellow Governors and I jointly signed a bi-partisan letter urging the passage of legislation to enable critical federal fiscal relief to extend through September 30, 2011.

As you know, while the signs of economic recovery are promising, the number of unemployed still remains unacceptably high. **Pennsylvania's unemployment rate has continued to rise since December 2007 when our rate stood at 4.6%. Last month our rate hit a stunning 9%.** The last time our unemployment hit this high water mark was in 1984.

We all recognize that we too must do our part at the state level to contain state spending in these tough times. Pennsylvania, like most states, took a scalpel to our budget. Last year we cut spending by \$1.75 billion eliminating 142 line items from our budget and reducing almost every one of the remaining 657 budget lines. We have eliminated over 4,500 state positions and cut our fleet and energy costs dramatically. Further cuts will put our citizens at risk, significantly diminish the quality of the life of the most vulnerable and reverse the nationally recognized progress we have made in improving the performance of our public schools. But, our revenues are still lagging. **So far this fiscal year our revenues are more than \$700 million below our extremely conservative revenue projection of zero growth from last fiscal year to this year.** That means we will end this year with a deficit and we will need to significantly reduce our revenue expectations for next year. So in essence, this is more than a billion hit on our budget. **Without this extension of federal fiscal relief, Pennsylvania will be forced not only to cope with a billion less in state revenue, but we will need to address a \$2 billion loss in state and federal revenues combined.** We will have to eliminate public jobs to close this gap and cut public services. As you know, service cuts also mean job cuts at the local government or provider level. **Given this reality, the number of jobs lost as a result of our state deficit is likely to double if this FMAP extension is not enacted.**

In response to the economic recession earlier this decade, in 2003, President George W. Bush proposed and signed a two-year state fiscal relief act into law that provided enhanced FMAP to the states. President Barack Obama also understands that severe state budget crises can result in devastating service cuts to our most vulnerable adults and children, as well as startling levels of layoffs that exacerbate a downward economic spiral. That's why both Presidents proposed and actively supported legislation to provide fiscal relief to states. They did so to shore up the economy, stem job losses and protect the lives of the poorest among us from eroding further in tough times.

HR 4213 provides six additional months of fiscal relief to the states. Some may suggest that this relief is no longer needed because the economy is starting to improve. Nothing could be further from the truth. **The unemployment rate in most states continues to rise.** Like any recession, good news

on the financial markets typically portends a recovery but it will be months before a sustained jobs recovery can take hold. To those who argue that state fiscal relief will worsen the federal deficit, it is important to point out that **without state fiscal relief the federal deficit will worsen because federal revenue collections will suffer as public and private sector employees lose their jobs**. The ripple effect on the economy will mean less consumer spending, further diminishing federal revenue collections from business tax payments.

If the extension of federal fiscal relief is not enacted, most states will have to lay off thousands of workers and make wrenching cuts to public and private sector services. For instance, in Pennsylvania the loss of two quarters of federal fiscal relief in the form of enhanced FMAP would mean a loss of \$850 million. The impacts would be severe in terms of both job loss and the delivery of health and human services:

- Eliminate all state supplemental payments to hospitals, affecting 90% of all of our hospitals, including the 189 hospitals that care for the most indigent (\$67 million), and hospital specialty payments which cover the cost of special care for those who are unable to pay or not insured for such care (\$26 million).
- Reduce by 25% state funding to all 67 counties for child welfare services leaving thousands of children without protection from abuse, as well as cut services for persons with mental retardation and mental health services (\$350 million), affecting services for approximately 162,000 Pennsylvanians.
- Eliminate all state-funded substance abuse services, state-funded homeless services and reduce state-funded social services for poor adults and families by 90% (\$61 million), affecting services for approximately 500,000 Pennsylvanians.
- Cut in half state funding for domestic violence, rape crisis and related services (\$24 million), affecting services for more than 100,000 individuals.
- Cut the rate of reimbursement by 6% paid to doctors, labs and hospitals for Medicaid services, as well as to the professionals caring for the special health care needs of those who are mentally retarded, autistic or very young children who are in need of early intervention service (\$86 million).
- Cut the rate of reimbursement to nursing homes by 18%, effecting tens of thousands of care givers and medical professionals and the care of 49,000, and cut by 10% the payments to home and community care providers who attend to 29,500 additional older and disabled Pennsylvanians (\$211 million).

Timely passage of an extension of the American Recovery and Reinvestment Act's (ARRA) enhanced FMAP is essential to ensuring that this economic recovery takes hold.

Thank you for all your work on behalf of the citizens of Pennsylvania.

Sincerely,

Edward G. Rendell

Governor