

CHRISTINE O. GREGOIRE
Governor



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

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June 7, 2010

Dear Washington State Congressional Delegation:

It is with great concern that I write you regarding the possibility that Congress may fail to enact legislation that extends the Federal Medical Assistance Percentages (FMAP). As you know, extending FMAP will provide desperately needed funding for medical services for low-income families and seniors across the nation. This alone justifies a FMAP extension. There are, however, significant economic reasons to extend this critical program.

First, as you are intimately aware, the Congressional Budget Office reports that temporary FMAP assistance, similar to unemployment insurance benefits, is one of the most effective measures to create and retain jobs and increase demand in the economy. Removing this source of economic stimulus at this critical stage of our fragile economic recovery presents significant risk.

Second, the impact of more than half of the nation's states scrambling to fill budget deficits created by the failure to extend FMAP would pose a risk to our tenuous economic recovery. The National Conference of State Legislatures reports that 30 states – regardless of which party controls the legislature or the state house – have assumed its proportionate share of FMAP revenue in their recently enacted budgets. Such actions were based on the sound premise that the U.S. House of Representatives has twice passed an extension of FMAP and the U.S. Senate once.

For Washington State, we “booked” \$480 million in FMAP funds. If the extension is not realized, the state will not only be unable to provide medical services to thousands of families, but would likely see a loss of thousands of jobs as across the board cuts would be a likely response. If FMAP is not extended, I may be forced to call a special session of the legislature to determine how to deal with a new \$480 million budget deficit. If we act quickly, we would have to cut approximately 6,000 jobs; but if we wait to act until January, we would have to double that number.

As our economic recovery struggles with new challenges, the strength, speed and staying power of the recovery are hanging in the balance. I am very concerned that the literally hundreds of thousands of lay-offs states may be forced to implement if FMAP is not extended will put our fledgling recovery very much at risk. Newly unemployed workers will apply for unemployment insurance, further taxing state and federal budgets; and these newly unemployed workers may well seek other public assistance like Medicaid.



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The U.S. Department of Commerce recently reported that the real Gross Domestic Product (GDP) grew by 3.0% in the first quarter of 2010. If it had not been for the contraction of state and local government spending, the economy would have grown at 3.5% in the first quarter instead of 3.0% – a \$71.5 billion difference. GDP is expected to slow during the second half of 2010 as the impact of the American Recovery and Reinvestment Act diminishes.

Clearly, one of the most important drags on growth comes from the dire fiscal situation facing states. I cannot overemphasize how important I think it is that Congress continue its support of states and local governments to keep from falling into a double-dip recession.

Now is the time to extend FMAP. For the good of our citizens and our states, I ask that you support extending FMAP.

Sincerely,

A handwritten signature in cursive script that reads "Christine".

Christine O. Gregoire
Governor