



November 5, 2008

The Honorable Nancy Pelosi
Speaker of the House
Office of the Speaker
H-232 United States Capitol
Washington, DC 20515

The Honorable Harry Reid
Majority Leader
Office of the Majority Leader
S-321 United States Capitol
Washington, DC 20510

The Honorable Boehner
Minority Leader
Office of the House Republican Leader
H-204 United States Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
Office of the Minority Leaders
S-230 United States Capitol
Washington, DC 20510

Dear Speaker Pelosi, Majority Leader Reid, Minority Leader Boehner, and Minority Leader McConnell:

On behalf of the National Association of Counties (NACo), I strongly urge you to enact an economic stimulus package this month. Today, Main Street America is in economic trouble. America has lost nearly 800,000 jobs in the last nine months. Unemployment is now at 6.1 percent, and is projected to rise to over 7.5 percent next year.

Counties are very much tied into local economies and are in the position to invest stimulus funds quickly. The stimulus package should include financial assistance, ready- to-go infrastructure and economic development projects, and programs that can quickly provide assistance to families and individuals.

Infrastructure and Economic Development

The stimulus package should include substantial funding for infrastructure with the requirement that this funding go to the local governments which own and operate infrastructure. Investing in infrastructure provides job creation, longer-term stability and helps ensure the nation's competitiveness.

Transportation: America's 3068 counties play a major role in the nation's transportation infrastructure. They own 1.8 million miles of roads, which represents 44 percent of the nation's road mileage and 256,000 bridges or 45 percent of the nation's bridges. Any formula adopted for distribution of highway funds must include a provision for distributing a portion of those funds to county and other local governments, something not required in the September 26 House-passed stimulus package. Transit systems and airports, mostly owned by local governments should be the direct recipients of stimulus funds, as was proposed in the earlier stimulus package.

Housing and Economic Development: The stimulus package should include additional funding for the Community Development Block Grant (CDBG) program to create jobs through construction of

infrastructure and public works projects. The flexibility of the CDBG program in providing resources to communities for economic development could be used right now for funding infrastructure projects.

Water Infrastructure: Counties also own and operate wastewater and storm water infrastructure that provide vital economic, public health and environmental benefits to American communities and the national economy and we believe substantial funding should be provided for these important facilities. A substantial and longstanding backlog exists of approved applications for clean water and waste disposal projects in rural communities. The recent Farm Bill provided some funding for this purpose, but the backlog within USDA Rural Development remains. In addition, funding should be released for other critical rural development programs such as essential rural community facilities, distance learning and telemedicine infrastructure grants and business development programs.

Medicaid

NACo strongly supports providing a temporary increase to the Federal Medical Assistance Percentage (FMAP) for Medicaid matching funds while requiring that a portion of the FMAP be passed through to counties contributing to the state share of Medicaid. Such relief should ensure the “pass through” applies to Intergovernmental Transfers (IGTs), Certified Public Expenditures (CPEs) and Medicaid disproportionate share hospital (DSH) payments.

We also urge you to take action to prevent the Centers for Medicare and Medicaid Services (CMS) from negating the stimulus effects and other benefits from a temporary FMAP increase by implementing any regulations that reduce Medicaid payments. One way to achieve this goal would be to place the pending CMS regulation on Outpatient Services under moratorium and to act to block the August 17 Directive on the State Children’s Health Insurance Program (SCHIP).

Financial Measures

A recent NACo survey showed that 71 percent of respondents were concerned about their ability to issue bonds because of current financial conditions and the increasing costs of short and long term borrowing. Tax revenues have fallen and economic growth is at a standstill. And because most local governments must balance their budgets, counties are faced with raising taxes, expending reserve funds, or cutting essential services. There are a number of steps Congress can take that would provide much need assistance to counties, the level of government where immediate results will be produced and seen:

- Raise the bank qualified debt limit from \$10 million to \$30 million, which will allow small issuers to place their issuances directly with banks.
- Require rating agencies to use comparable ratings for all securities. Doing so would better reflect the financial soundness of municipal bonds and lead to lower borrowing costs.
- Extend Treasury and Federal Reserve authority under TARP and the CPFF to ensure that capital markets are open to state and local governments.

Social Services, Job Training and Justice Assistance

Unemployment: We also urge that your next stimulus bill once again include an extension of Unemployment Insurance benefits. The Department of Labor reported a loss of 159,000 jobs in the month of September, the largest decline since 2003. The expansion of benefits will provide much needed assistance to the estimated 1.1 million Americans who will exhaust their unemployment insurance by the end of calendar year 2008.

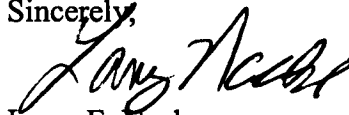
Job Training: Workforce Investment Act programs directly assist those most impacted by the economic downturn by helping workers get the job training they need to return to work. As the unemployment rate continues to rise, demand for WIA services will continue to increase. We should immediately provide assistance directly to the American people through an increase in WIA funding.

Justice: The Byrne Justice Assistance Grant (JAG) program is the only comprehensive federal crime-fighting program, enabling communities to target resources to their most pressing needs and covers the entire spectrum of law enforcement, courts, prevention, and drug treatment. The FY 2008 Omnibus Appropriations bill cut the program by 67 percent. We urge you to provide \$1 billion for JAG.

Child Support: The child support enforcement program generates \$4.58 for every dollar that is collected. The program reaches 25 percent of the nation's children. Most of these children live in low-income families that depend on child support payments to meet their basic household needs. The Deficit Reduction Act (P.L. 109-171) provision that prohibits state and local governments from using incentive payments to leverage federal child support enforcement funds has undercut state and county efforts to increase child support collections for these vulnerable families. NACo urges you to rescind this provision.

Most counties are already experiencing or anticipating budget shortfalls. They are responding to these conditions by budget freezes and cutbacks I urge you to work with President Bush and President-elect Obama to act now on a stimulus package.

Sincerely,



Larry E. Naake
Executive Director