May 11, 2020

The Honorable Angie Craig
The Honorable Tom Emmer
The Honorable Jim Hagedorn
The Honorable Amy Klobuchar
The Honorable Betty McCollum

The Honorable Ilhan Omar
The Honorable Collin Peterson
The Honorable Dean Phillips
The Honorable Tina Smith
The Honorable Pete Stauber

Dear Minnesota Congressional Leaders,

We appreciate that the federal government, in partnership with states, local governments, tribal nations, and nonprofits, is taking action to address the public health crisis and severe economic downturn affecting our state and our communities due to the COVID-19 pandemic.

However, for these efforts to meet the challenges of this moment, we respectfully ask you to take further action to provide additional funding to states to meet Minnesotans’ health, safety, and financial needs. We ask this be provided through two mechanisms:

1. Additional flexible funds to states, and additional flexibility on use of the Coronavirus Relief Fund provided in the CARES Act, and
2. Further increases in the Medicaid matching rate (FMAP) for the duration of the economic downturn.

The undersigned organizations represent a range of interests and activity areas; we come together on this request because of the important role of state funding for essential services in our communities.

**Why this action is needed**

The pressures on state finances from the COVID-19 pandemic and associated economic fallout are mounting and quickly becoming severe. State revenue projections are plummeting as businesses have had to shutter and individuals have faced layoffs: current estimates show a $3.6 billion reduction in estimated state revenues during the current two-year budget cycle. At the same time, these economic conditions are forcing more people to seek support to stay healthy and afford the basics.

Because **states must balance their operating budgets**, in a recession they are caught in a bind: revenues fall at the same time that the needs of their residents grow. When states did not receive sufficient federal assistance in past crises, they responded by laying off teachers and other public employees and cutting other critical public services. These actions can worsen the economy’s downward spiral and, in some cases, cause irreversible harm to families and communities.
Additional flexible funding for states

The Coronavirus Relief Fund, part of the CARES Act, provides $150 billion for states, territories, and localities, $1.9 billion of which will go to the State of Minnesota. But this is nowhere near enough to address the coming storm. **Current estimates are that Minnesota faces a $2.4 billion state budget shortfall for the current biennium,** which ends June 30, 2021. And this only reflects the shortfalls for the two-year state budget passed last year; it doesn’t reflect the costs of responding to the pandemic and economic fallout. Our state will be able to draw on a healthy budget reserve, built responsibly over time, but that reserve will vanish quickly in the face of ongoing revenue shortfalls. Additional fiscal relief for states is needed to prevent these shortfalls from building to a catastrophe.

The need to scale up assistance to states is clear: The Center on Budget and Policy Priorities estimates that the size of state budget shortfalls could **total more than $650 billion over three years**, with the expected shortfall in 2021 being much larger than seen in any year of the Great Recession. That’s just the pressure on existing budgets; those numbers don’t include the additional costs to address the coronavirus.

We respectfully ask that the next round of covid stimulus legislation include substantial additional aid to states, such as through the Coronavirus Relief Fund. In addition, we ask that you reverse current restrictions on existing Coronavirus Relief Fund dollars so that states can use these funds to replace lost funding for essential state services.

Additional Medicaid (FMAP)

Medicaid funding is also a crucial element of state fiscal relief. As you know, states and the federal government share responsibility for funding Medicaid through FMAP, the Federal Medical Assistance Percentage. Because of the significant role that Medicaid plays in state budgets, the federal government has boosted FMAP in past economic downturns to provide fiscal aid to states. **Increasing the FMAP will help ensure Minnesotans have the health care coverage that’s so needed in this pandemic, and also has the additional benefit of protecting other essential state services that Minnesotans count on.**

Medicaid makes up approximately 20 percent of the State of Minnesota’s general fund spending. Increasing the FMAP allows the state to balance health care with other important priorities, including schools, public safety, and other services that strengthen our communities.

Recent Congressional action expanded the FMAP by 6.2 percent through the end of the public health emergency. We thank you for taking this important step, and ask you to build on further. This first step is well below what was provided during the Great Recession, and much less than the 12 percent **requested by the bipartisan National Governors Association.**

Several recent measures, including the FMAP increase, provide some important relief to people and states, but only for the duration of the public health emergency. While the need is acute, **the impacts of the pandemic will continue to reverberate in the economy long after the public health emergency declaration ends.** It is essential that state fiscal relief, including an FMAP boost, continue until the economy has recovered. Otherwise, we risk plunging deeper into an economic crisis.
Our Ask
These are extraordinary times that call on collective action. Thank you for your leadership — we are counting on you and your colleagues to ensure that the next economic stimulus package includes additional aid to states.

If you have any questions, or there is other information we can provide, please contact Betsy Hammer at bhammer@mnbudgetproject.org or 651-757-3065.

Sincerely,

Jon Pratt
Executive Director
Minnesota Council of Nonprofits

Nan Madden
Director
Minnesota Budget Project

on behalf of the following organizations: