

Governors Reiterate Budget Worries, Meet With Bush Cabinet

FINANCE

THE NATION'S governors reiterated a plea Wednesday for the federal government to assume a greater share of Medicaid costs to alleviate escalating economic woes in the states.

"This is a serious concern that we're grappling with," said Republican Michigan Gov. John Engler, vice chairman of the National Governors Association, at a news conference held after the group's executive committee meeting.

The governors met Wednesday with members of the Bush Cabinet, where topics included the states' role in homeland security.

EPA Administrator Whitman, HHS Secretary Thompson and Homeland Security Director Tom Ridge represented the administration in the security discussion. Engler said Ridge emphasized to the governors that terrorism is now a permanent concern in the country.

"The most important thing is that

we have to rebuild the state and local health systems in this country," Engler said, adding that Whitman also was concerned about water supply safety.

Turning to the economic downturn, Engler cited the \$35-40 billion in budget cuts or impending cuts in the states.

The governors are concerned that Medicaid is consuming more than 20 percent of their budgets, he added. Particularly now, "when revenues are off," the states are "struggling," Engler said.

As a solution, the NGA has proposed a temporary increase in the federal share of Medicaid costs. The proposal includes a 1.5 percent increase in the federal share for all states and an additional 1.5 percent for states with higher-than-average unemployment.

The proposal "represents one appropriation in the stimulus package that would be 100 percent disbursed this year," Engler said. "And it comes at a time when it could do some real good."

Democratic Delaware Gov. Ruth Ann Minner said she is "very happy to

see Senate Democrats are talking about our proposal."

Engler said he is "optimistic and hopeful" that the White House will also "find this to their liking." The governors planned to advance their economic arguments in a Wednesday evening meeting with White House representatives.

Addressing proposals for an accelerated depreciation tax measure, Engler called it a good economic strategy. But he noted that a lower federal tax rate results in a lower state rate, which would amount to another \$4-5 billion cost to the states.

"We're sensitive to national tax policies," Engler said. "They have an impact on the states."

Democratic Kentucky Gov. Paul Patton said the accelerated depreciation would cost his state about \$122 million.

"It would take money out of the economy," he said. "It would not be a stimulus."

— BY STEPHANIE CONNER