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Extension of Key State Fiscal Relief Measure Vital to Moving Mississippi Towards Economic Recovery

Over \$95 million for the Education of Mississippi's Children and Workforce Hangs in the Balance

JACKSON – When Congress resumes today, the United States Senate will pick up work on a bill recently passed by the U.S. House of Representatives that includes a number of items to stimulate job growth and to support families experiencing job loss. Noticeably absent from the House Bill is a six month extension of the temporary increase in federal matching funds for state Medicaid (enhanced FMAP) costs made available through the American Recovery and Reinvestment Act.

The extension of enhanced FMAP is critical for moving Mississippi towards economic recovery:

- Recovery Act Funding has preserved nearly 7,000 jobs in Mississippi and prevented much deeper budget and service cuts for K-12 education and health care;
- Mississippi's revenue collections continue to lag as May revenue came in \$51 million below projections - suggesting that a recovery of state finances is not yet underway;
- A federal extension of the enhanced FMAP would bring in a projected \$187 million;
- Of the \$187 million, \$110 million has been appropriated contingent upon the extension of the enhanced FMAP – with over \$95 million for the education of Mississippi's children and workforce.

Opposition to the extension largely stems from misguided fears about the federal deficit:

- The six month extension of enhanced FMAP is temporary and does not significantly add to the long term deficits – which pose the biggest threats to the economy – due mainly to federal tax cuts in the early part of the decade and rising health care costs;
- Along with unemployment insurance benefits, aid to state governments is one of the most effective way to use federal dollars to create demand and preserve jobs;
- While the economy grew by 3% in the first quarter of 2010, the effects of budget cuts at the state and local level stunted its growth.

“With over \$95 million hanging in the balance for the education of Mississippi's children and workforce, Congress needs to include temporary provisions to extend the increased federal match for Medicaid costs, said Ed Sivak, Director of the Mississippi Economic Policy Center. “Misguided opposition revolving around federal deficits threatens jobs in Mississippi and the quality of education that children will receive when school resumes this fall.”

About MEPC

The Mississippi Economic Policy Center is an independent, nonpartisan initiative that undertakes rigorous and timely analysis on issues that affect the economic and social well being of working families and low-wealth Mississippians. MEPC is managed by the Enterprise Corporation of the Delta (ECD), a regional financial institution and community development intermediary dedicated to strengthening communities, building assets and improving lives in economically distressed areas across the Mid South.

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