



## FACT SHEET: *June 7, 2010*

### Extension of Key Federal Stimulus Program Vital to Protect Mississippi's Economic Recovery

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#### Key Takeaway:

As part of the federal fiscal stimulus package, the U.S. Government has provided a temporary increase in the amount of assistance to states to fund their Medicaid programs (referred to as enhanced FMAP).

This program is scheduled to end in **December 2010**. Its temporary extension is vital to Mississippi's economic growth as the state struggles to recover from the recession..

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#### About the Extension:

Legislation under consideration by Congress should extend the program another six months to give states more much needed fiscal relief as they struggle to recover from the recent recession. Extension of the enhanced FMAP by Congress would protect jobs and prevent further cuts to state services.

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#### Benefits of the Extension:

While federal fiscal relief to Mississippi has prevented the loss of many private- and public-sector jobs, state tax revenue in Mississippi continues to lag behind expectations. May revenue collections came in at \$51 million below projections. Premature ending of federal aid (before Mississippi begins to recover tax revenue) will threaten vital state services and cost jobs.

- The extension of enhanced FMAP would free up state funds that otherwise would be used to fund Medicaid programs.
  - In creating the budget for FY 2011, Mississippi legislators created a contingency budget of \$110 million in funds out of a projected \$187 million that would be made available to Mississippi if the enhanced FMAP is extended.
  - According to the contingency budget, many of the funds made available would be used for education. The extension would provide over \$96 million for K-12 and higher education for FY 2011.
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#### Opposition to the Extension:

Some opposition to the extension largely stems from fears about the federal deficit, however this argument is misguided.

- 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.
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#### Conclusion:

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. Misguided opposition revolving around federal deficits threatens jobs in Mississippi and the quality of education that children will receive when school resumes this fall.

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