



PRESS RELEASE

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Increased UI, food stamp benefits would improve economic stimulus package New Mexico likely to see a \$43 million loss in income tax revenues

ALBUQUERQUE—The compromise economic stimulus package agreed on last week by President Bush and Congress is deeply flawed and will not provide adequate momentum to a slowing economy in a timely manner.

That is the conclusion released today by the child advocacy group New Mexico Voices for Children.

The compromise package leaves out some of the most effective ways of stimulating the economy. These methods include:

- Increasing unemployment insurance (or UI) payments. Each dollar in increased UI payments would result in \$1.64 of increased economic activity.
- Increasing food stamp payments. Each dollar in increase food stamp payments would result in \$1.73 of increased economic activity.
- The stimulus package excludes any measures that relieve the pressure that the coming recession will place on state government budgets. The stimulus package provided during the 2001 recession increased the percentage of the Medicaid program paid for by the federal government, but this package fails to do that.

The effective methods have one characteristic in common: they all increase the purchasing power of the lowest-income Americans. These are the consumers most likely to spend all of their increased income.

The two-thirds of the \$150 billion stimulus goes to households in the form of a tax rebate check, which will not reach households until May at best, and possibly in June.

The one-third of the package goes to business in the form of accelerated depreciation, which is a very weak way of providing business with the incentive to invest. Each dollar in business tax cuts would result in only 23 cents of increased economic activity, far less than the activity for the recommended increases in unemployment insurance benefits or food stamps.

In addition, this business investment incentive will cost state governments around the country about \$4 billion, according to the Washington, D.C.-based Center on Budget and Policy Priorities. New Mexico state government's share will be about \$43 million in lost funds because state income tax revenue is linked to federal income tax revenue.

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New Mexico Voices for Children is a nonpartisan, nonprofit organization advocating for policies to improve the health and well-being of New Mexico's children, families and communities.
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