



PRESS RELEASE

March 10, 2008

FOR IMMEDIATE RELEASE

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Report: Impact of economic stimulus package on NM likely negative Revenue shortfalls will aggravate coming recession

ALBUQUERQUE— As state revenue growth slows, the consequences of the federal economic stimulus package will be more and more deeply felt. That is the conclusion of a report, "The Federal Economic Stimulus Package and the New Mexico Impact," released today by the child advocacy group New Mexico Voices for Children.

In the face of already grim state revenue predictions, New Mexico will lose about \$27 million due to the stimulus package's tax breaks for business. As revenues fall, states must either cut spending or raise taxes, both of which aggravate the impact of the recession. A better approach to heading off the recession would have included direct aid to states, such as block grants and increased Medicaid funding.

Direct aid to states is not the only effective form of economic stimulus that the package left out. Extending unemployment insurance (UI) payments and increasing food stamp benefits would have a greater impact because it would improve the purchasing power of the lowest-income Americans. Low-income Americans are more likely than middle- and upper-income earners to spend all of their new income, and increased spending is the point of the stimulus package.

"Congress and the president should have taken a more effective approach with regard to the stimulus package," said Eric Griego, Executive Director for NMVC.

"During the 2001 recession, an increase for programs targeted to working families, such as Medicaid and block grants, did a much better job of putting the country back on track and it didn't undermine the state's ability to fund programs that benefit everyone like health care, education and public safety," added NMVC Research Director and report author Gerry Bradley.

Instead, the stimulus package will send checks out only to households that file income tax returns. Many Americans – seniors and low-income families in particular – do not file returns and are, therefore, likely to be left out. With New Mexico's high percentage of low-

wage earners, the stimulus checks will have much less of a positive impact on the local economy than they will in other states.

The report is attached as a pdf and be accessed online at:

<http://www.nmvoices.org/fiscalpolicyproject.htm>

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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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