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Agreement Needed on Federal Economic Stimulus Package That Protects Missouri Families, State Services and the Economy

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The current economic conditions in the nation are a growing concern for working families across the country, and Missourians are certainly no exception. As the country braces for an economic downturn and potential recession, it is particularly critical for policy makers to understand that more Missourians are at greater risk of being seriously harmed by a recession in 2008 than they were at the time of the 2001 recession.

The most recent U.S. Census data indicate that **11.5 percent of Missourians, or 659,000 individuals, are living in poverty**; a 2 percent increase over the 2001 recession level.¹ 251,859 of these individuals are children. Currently, 18 percent of Missouri children are poor, an increase of more than 2.4 percent since the 2001 recession.

The median income in Missouri is now \$42,841 – approximately \$2,000 lower than it was in 2001. At the same time, the number of uninsured Missourians has risen dramatically since the 2001 recession, increasing by 15 percent in the last year. **Now, 771,682 Missourians are uninsured.**

Missourians are currently facing the double hardship of increased costs to meet their family's basic needs and reduced incomes; a situation made even worse by the downturn in our nation's economy.

Federal Economic Stimulus Package Offers Hope

The U.S. Congress and the President are presently considering an economic stimulus package that could provide much-needed assistance to Missouri's low and middle income families, those most at risk during an economic downturn.

However, there are two critical components that must be included in any comprehensive economic relief proposal for it to meet the needs of all Missourians:

- 1. Any tax rebate included in the proposal must not leave low and middle income working families behind; and**

¹ All poverty, insurance and income numbers come from the United States Census, American Community Survey 2006 Data, released in August 2007

2. The plan must include temporary budgetary aid to states, such as Missouri, who are facing serious budget deficits in the near future, to help avoid harmful budget cuts to important state programs. Funding should include an increased matching rate for state Medicaid Programs and a direct grant based on population.

Package Must Include All Missouri Families

One potential component of the President's economic stimulus plan is a tax rebate that would be provided by temporarily eliminating the 10 percent tax bracket, and reducing the tax rate on the first \$16,000 of income for a married couple to zero.

However, only those with incomes high enough to fall into the 15 percent tax bracket or higher would be eligible for the full amount of the rebate. Many Missouri families would receive little or no rebate under the current proposal. The Missouri Budget Project estimates, based on Census data, that **at least 10 percent of Missouri families, those who live below the poverty line, would not qualify for any tax rebate under this proposed part of an economic stimulus package.**

To be most effective, the economic stimulus package should ensure that low and middle income families are included fully in any tax rebates. A targeted tax rebate for low and middle income Missourians would benefit the families directly, helping to defray the burden of the economic downturn, but would also benefit the local economy most quickly. Economists agree that putting money in the hands of low- and middle-income families will provide the most economic stimulus, given that these households are most likely to quickly spend whatever funds they receive on goods and services in the community.

It is critical that any economic stimulus proposal provide financial assistance for all Missourians – especially those who are suffering most in this difficult economy.

Fiscal Relief Must Protect Vital Services

Missouri is one of 24 states that are projecting budget shortfalls within the next 18 months to 2 years. Missouri's shortfall is expected to be significant: **at minimum, the state will face a \$300 million shortfall in Fiscal Year 2010, which begins in just 18 months.² The shortfall amount could reach as high as \$780 million in FY 2010**, depending on factors including the Fiscal Year 2009 State Budget agreement, and the national economic conditions.

The U.S. Congress and the President have an important opportunity to aid Missouri and other states that are facing similar shortfalls in this economic stimulus package. Their proposal should include funds to protect vital state services, which are critical to providing for families and protecting our economic infrastructure, such as education, health care and transportation funding.

In 2003 the Congress provided a fiscal stimulus package that included the critical funding components of:

² Budget shortfall amounts are Missouri Budget Project estimates.

1. An increase in the federal Medicaid matching percentage (FMAP), with a requirement that states must maintain eligibility to qualify for the funds, and
2. A grant based on population.

These components should be included in the current economic stimulus package to ensure that it most effectively meets the needs of states.

Additionally, services that are directed at low-income families become even more necessary during economic downturns or times of an uncertain economy. **These programs must be protected from funding cuts that could significantly lower the quality of life for Missouri's working families.**

The Missouri Budget Project (MBP) is a statewide, nonprofit fiscal analysis organization. The Mission of the MBP is to advance public policies that improve economic opportunities for all Missourians, particularly low and middle income families, by providing reliable and objective research, analysis and advocacy. Contact us through our website at www.mobudget.org