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Contact: Steve Francisco, federal policy director  
Phone: 651-642-1904 x232, 651-249-3806 mobile  
Email: [steve@mncn.org](mailto:steve@mncn.org)

Nan Madden, Minnesota Budget Project director  
Phone: 651-642-1904 x230, 612-709-6948 mobile  
Email: [nan@mncn.org](mailto:nan@mncn.org)

## Quickest-Acting Measures Left Out of Reported Economic Stimulus Deal

St. Paul, MN – A reported deal between Congressional leaders and the President on an economic stimulus plan falls seriously short of addressing the nation's slowing economy. "It's remarkable that the quickest-acting and most effective tools for economic stimulus were left on the bargaining table," said Steve Francisco, federal policy director for the Minnesota Budget Project. "As a result, it appears that Minnesotans will be waiting until June for tax rebates, when additional stimulus measures could have taken effect more quickly."

**The reported plan does not include additional weeks of Unemployment Insurance (UI) benefits** to laid-off workers, a mainstay of past responses to economic downturns. Peter Orszag, director of the Congressional Budget Office, said in recent testimony to the House Budget Committee that, "Research has shown that the unemployment insurance system is among the most effective dollar-for-dollar economic stabilizers that we have in terms of counterbalancing periods of economic weakness." UI provides stimulus to the economy much more quickly than tax rebates. Each month, more than 200,000 unemployed workers in the U.S. run out of UI benefits before finding new work.

**The reported stimulus plan also does not include a temporary increase in Food Stamps**, which can be provided very quickly to low-income households, including many seniors and persons with disabilities. Mark Zandi, chief economist for Moody's Economy.com, found that a temporary increase in food stamp benefits is the most effective stimulus measure among the options that were considered: it would generate \$1.73 in increased economic activity for each \$1.00 increase in Food Stamps.

**Another critical component not in the plan is federal fiscal relief to states.** At least 24 states, including Minnesota, are projecting budget deficits in FY 2009. As Governor Pawlenty noted in a letter to Congressional leadership on behalf of the National Governors Association, states are being forced to cut spending as the economy weakens, "which will make the current downturn both longer and more severe." Federal fiscal relief to states would have the additional benefit of protecting Minnesotans from cuts in critical services. When Congress provided \$20 billion in fiscal relief to the states in 2003, Minnesota used its fiscal relief in part to avoid reductions in state health care programs.

**It appears that tax rebates will reach more working families**, an important improvement over earlier proposals: The President's proposal would have provided a partial rebate or no rebate at all to 42% of American taxfilers with low or moderate incomes (families of four making less than \$40,950). Evidence shows that low and middle-income people are the most likely to spend any additional resources received quickly.

"The economic stimulus plan developed to date is a start, but it is not complete. Policymakers should not have left behind the most effective tools available to them. It's time to go back to work and craft a plan that has the best chance of stimulating the economy," said Francisco.

*The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, provides independent research, analysis and advocacy on budget and tax issues emphasizing their impact on low- and moderate-income Minnesotans. The Minnesota Council of Nonprofits (MCN) is the statewide association of 1,900 nonprofit organizations. Through its Web site, resource publications, workshops and events, cost-saving programs and advocacy, MCN continually works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector. ([www.mncn.org](http://www.mncn.org))*

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The Minnesota Budget Project is an initiative of the Minnesota Council of Nonprofits.  
2314 University Avenue West, Suite 20, St. Paul, MN 55114 • (651) 642-1904  
[www.mncn.org/bp/](http://www.mncn.org/bp/)