

RECOVERY WATCH **Maryland**

*Fighting for Transparency, Equity, and Accountability
in Maryland's Economic Recovery*

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For Immediate Release

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RECOVERY WATCH MARYLAND WARNS: CONGRESS MUST ACT TO PREVENT DOUBLE-DIP RECESSION

NEW REPORT HIGHLIGHTS NEED FOR EXTENSION OF FEDERAL AID, INCLUDING IMMEDIATE AID TO STATES AND UNEMPLOYED WORKERS

(Baltimore, Md) The advocacy group Recovery Watch Maryland released its June *Monthly Monitor* on Thursday, warning policymakers of the danger to Maryland's economy and important services if federal aid to states is allowed to lapse. A number of key American Recovery and Reinvestment Act (ARRA) provisions expired last week, including emergency unemployment compensation and COBRA subsidies for laid-off workers. Enhanced Medicaid aid to states is set to expire at the end of this year if Congress fails to act. Next week, the United States Senate is set to vote on a six-month extension of these critical supports for workers and the local Maryland economy as part of HR 4213, the "American Jobs and Closing Tax Loopholes Act of 2010."

Unemployment Insurance

Last week's expiration of Emergency Unemployment Compensation (EUC) affected an estimated 1.2 million workers nationwide.¹ Fifteen million Americans are now out of work.² While the House voted late last month to extend the now-expired ARRA unemployment insurance package of EUC for the long-term unemployed, thousands of Maryland workers are currently without a safety net as they wait for the Senate to act. Nationwide, more than 5 million workers rely on EUC,³ including tens of thousands of Marylanders. "Over the past year, nearly 100,000 Marylanders ran out of state UI benefits before they could find work. The ARRA benefit extensions allowed them to stay afloat. Until the economy recovers, these supports are absolutely critical to local families," said Jason Perkins-Cohen of the Job Opportunities Task Force.⁴

Medicaid Cut Puts Maryland At Risk

The failure to extend Medicaid aid to states would create a significant gap in Maryland's FY 2011 state budget. The state budgets enacted by Maryland and at least 30 other states depend on

this aid extension being approved. The extension had been included in bills passed separately by the US Senate and House of Representatives in the winter and spring, but the House of Representatives removed the provision from the bill before recessing last month – eliminating \$24 billion for state fiscal aid in the form of Medicaid assistance.

According to Maryland Budget and Tax Policy Institute Director Neil Bergsman, “Maryland’s budget relies on \$380 million from the enhanced federal Medicaid match provision, which would actually provide \$447 million in FY 2011 to Maryland and \$24 billion to states nationally.⁵ Since states need to maintain balanced budgets, Maryland and other states will need to cut services, increase revenues, or draw down reserves to offset this loss. Cuts will likely affect education and healthcare, because those are the largest portions of state budgets.”

Such cuts would harm students and patients, but would also endanger the US economic recovery as a whole. In May, state and local government employment declined by 22,000 jobs nationally. Overall, the economy added over 400,000 jobs, but most of them were from hiring by the U.S. Census Bureau. In Maryland the state and local governments have shed over 6000 jobs in the last year. “If Congress prematurely terminates aid to state budgets, the resulting cuts will result in more job losses and endanger the economic recovery,” said Matthew Weinstein of Progressive Maryland Education Fund and coordinator of Recovery Watch Maryland. “According to the Congressional Budget Office, this temporary Medicaid assistance is one of the most effective measures to create jobs and increase consumer spending to promote private sector economic recovery.”

Weinstein added, “We need to learn one of the key historical lessons of the 1930s: When FDR listened to deficit hawks and pulled back federal aid prematurely, he got a double-dip depression. Our deficit hawks today need to understand that a double-dip recession would be the greatest obstacle to reducing the deficit.”

Under ARRA, the federal Medicaid matching rate was increased by 6.2 percentage points for all states, and by additional percentage points for states with high unemployment. These temporary increases were enacted in ARRA in February 2009 in response to the increased Medicaid caseloads and decreasing state revenues resulting from the recession. The increase is scheduled to expire on December 31, 2010. HR 4213 should extend these increases for six months, through June 30, 2011.

COBRA Cut Costs Maryland

The House also cut \$7 billion in COBRA subsidies for unemployed workers’ health insurance. Unless the Senate restores this provision, workers laid off after May 31, 2010 will no longer receive the 65% subsidy created by ARRA. Families USA estimates that this will raise the average monthly COBRA premium unemployed Marylanders must pay from \$395 to \$1,129 – almost as much as the state’s average monthly unemployment benefit of \$1,366.⁶ Families USA also estimated that the number of Marylanders losing their insurance last year due to the recession was over 56,000.⁷

Recovery Watch Maryland applauds U.S. Senator Barbara Mikulski, who yesterday signed onto a letter written by Senators Robert Casey (PA) and Sherrod Brown (OH) to Majority Leader

Harry Reid (NV) and Finance Committee Chairman Max Baucus (MT) urging support for an extension of COBRA premium assistance.

New Polling Data

New polling data indicate strong public support for federal action to extend federal aid to the unemployed.⁸ A poll released June 7th by Hart Research Associates found that Americans support extending unemployment benefits and COBRA assistance by margins ranging between two- and three-to-one.

Recovery Watch Maryland's June 2010 Monthly Monitor

Today's *June Monthly Monitor* released by Recovery Watch Maryland also includes information on over \$800 million in aid for education Maryland has received or applied for; an analysis showing that over 2.2 million Marylanders have received tax breaks or benefit increases from the Recovery Act, and an overview of the 6,725 jobs created or retained in Maryland with Recovery Act dollars in January through March.

About Recovery Watch Maryland

Recovery Watch Maryland is a coalition of advocacy and research groups dedicated to promoting the effective, equitable and transparent use of funds from the American Recovery and Reinvestment Act. The members of Recovery Watch Maryland are Casa de Maryland, Job Opportunities Task Force, Maryland Budget and Tax Policy Institute, Progressive Maryland Education Fund, and the Safe and Sound Campaign. More information is available at www.recoverywatchmaryland.org.

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¹ <http://www.nelp.org/page/-/UI/JuneBenefitCutoff.pdf>

² <http://bls.gov/news.release/empsit.nr0.htm>

³ <http://www.dol.gov/opa/media/press/eta/ui/current.htm>

⁴ http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum10/DataSum_2010_1.pdf

⁵ <http://www.familiesusa.org/resources/publications/pending-jobs-bill.pdf>

⁶ <http://www.familiesusa.org/resources/publications/pending-jobs-bill.pdf>

⁷ <http://www.familiesusa.org/assets/pdfs/one-two-punch.pdf>

⁸ <http://www.nelp.org/page/-/UI/NELPSurveyResultsJune2010.pdf>