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*Special Series:* **Economic Recovery Watch**

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# THE ADMINISTRATION'S OCTOBER 30 DATA RELEASE ON JOBS CREATED BY THE ECONOMIC RECOVERY LAW: WHAT IT TOLD US AND WHAT IT DIDN'T

By Michael Leachman

The Obama Administration's October 30 release of data on jobs created and saved by the American Recovery and Reinvestment Act (ARRA), which the Administration and Congress enacted early this year, captured only a portion of the jobs created and saved due to ARRA's limited reporting requirements.

According to the Government Accountability Office, ARRA's reporting system covered only 27 percent of ARRA expenditures through September 30.[1] Most of ARRA's distributed dollars to date have gone directly to individuals (including greater jobless benefits and food stamps) and states (including greater federal support for Medicaid). Although these dollars are likely protecting or creating many jobs, none of the aid for individuals or the Medicaid support are reflected in the October 30 jobs data release.

Moreover, the release did not even capture all of the jobs created by the 27 percent of ARRA funds for which the government reported. Recipients of ARRA grants and loans, for instance, reported on the jobs that they created or retained, but such reporting did not capture the jobs that were indirectly generated by the projects in question, such as by suppliers of goods and services to the projects.

Separate from the October 30 jobs data release, ARRA requires the President's Council of Economic Advisers (CEA) to report each quarter on the law's full impact in protecting or creating jobs. The CEA's next quarterly report, to be released late this year or early next year, will incorporate the jobs data released on October 30. That report will provide a better measure of ARRA's jobs impact than what the Administration reported on October 30.

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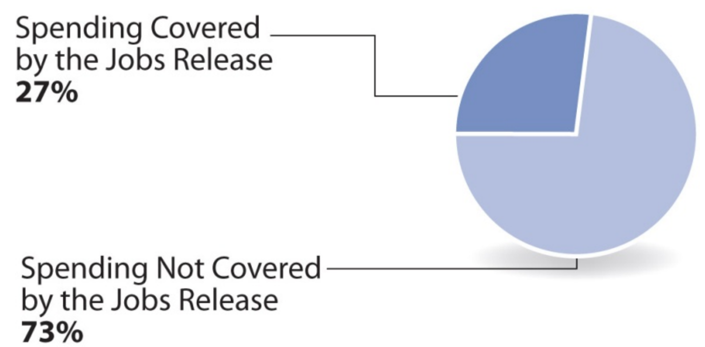
[1] An earlier version of this paper, based on spending estimates by the Congressional Budget Office at the time ARRA was enacted, estimated that ARRA's reporting system covered only about 16 percent of ARRA expenditures through September 30. This new GAO figure of 27 percent is based on actual ARRA spending through September 30. See "Recovery Act: Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention," Government Accountability Office report GAO-10-223, November 2009, http://www.gao.gov/new.items/d10223.pdf

### Most Recovery Act Spending Is Not Included in the October 30 Jobs Data Release

Some 73 percent of the Recovery Act's spending through September 30 is outside of the jobs reporting requirements in the Act. But there is substantial reason to believe that it includes some of the most effective job-creation and job-protection measures, even though it would have been meaningless to mandate that the specific jobs created by these programs be tracked.

**FIGURE 1:**
**Most Recovery Act Spending Is Not Covered by October 30 Jobs Data Release**




Source: Government Accountability Office.

- **Jobs generated by federal aid going directly to individuals will not be reported.** These provisions, totaling more than $30 billion as of the end of August, include a boost in unemployment insurance benefits for laid-off workers and an increase in food stamp benefits for vulnerable families (see Appendix). The tens of millions of individuals receiving these benefits spend them at grocery stores and other businesses, making it easier for these businesses to retain their existing employees or hire more workers. The employees of those businesses consequently have more income than they would have otherwise, allowing them to spend more, which props up the revenue of other businesses. Economist Mark Zandi of Moody's Economy.com estimates that every dollar spent on extending unemployment insurance benefits produces $1.63 in economic activity, and every dollar spent on temporarily increasing food stamp benefits produces $1.73 in economic activity.[2] Although this increased economic activity produces and sustains jobs, the Recovery Act exempts individual recipients of Recovery Act aid from the jobs reporting requirements because it is impractical for individuals to track how their spending affects jobs after it leaves their hands.

- **Jobs generated by additional Medicaid funds to states will not be reported.** As of the end of September, states had spent $31 billion in extra Medicaid support provided through the Recovery Act (see Appendix). According to the Government Accountability Office, states have used these funds in part to pay hospitals, doctors, and others to provide health care to the rising number of families that have lost jobs and income and therefore are eligible for public insurance.[3] As a result, health care providers have more income and hence are more able to

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[2] Mark Zandi, "The Economic Impacts of the American Recovery and Reinvestment Act," January 21, 2009, p. 9.

[3] Government Accountability Office, "RECOVERY ACT Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to be Fully Addressed," September 2009.

sustain or increase the number of doctors, nurses, and other staff they employ. The GAO reports that states have also used the extra Medicaid support to avoid cuts in other areas of state government (such as education and human services) and to minimize tax increases that otherwise would be necessitated by state balanced budget requirements. Such actions have bolstered income for state residents, jobs for state employees, and profits for private firms contracting with the government.

Despite the value of this spending for sustaining and creating jobs, the Recovery Act exempts states from reporting jobs created with the Medicaid funds. The technical reason for this exemption is that generally the Act covers jobs created with "appropriations," and Medicaid is not considered an "appropriation" under federal budget rules. But there is also a practical reason: Medicaid spending occurs through a very large number of individual transactions between states and primarily private sector health care providers. For states to track the jobs produced and sustained in the private sector by these myriad transactions would be impractical and overly burdensome on states.

- **Jobs generated by tax cuts will not be reported.** As of the end of August, Recovery Act tax cuts had delivered about $66 billion to hundreds of millions of individual and business taxpayers. Although taxpayers have saved some of this money, they have also spent much of it at businesses in their communities and other parts of the United States. This spending has produced income for U.S. businesses, allowing these firms to keep current employees and in some cases hire more. But it is impractical to expect individuals and businesses receiving tax breaks to determine the impact of their tax break spending on U.S. jobs. As a result, the Recovery Act exempts recipients of tax breaks from the jobs reporting requirements.

## Even Among Spending Included in the Jobs Report, a Significant Share of Jobs Are Missed

While most recipients of Recovery Act funds this year are exempted from reporting on jobs they created or sustained, some recipients are required to submit quarterly reports. The first quarterly reports were due October 10. The Obama Administration released preliminary data from some of these reports — those submitted by recipients of federal contracts — on October 15. The Administration released the remaining jobs data — those submitted by recipients of grants and loans — on October 30, along with finalized jobs figures for contract recipients.

In their reports, recipients were required to list the number of jobs they created or retained with Recovery Act funds. Recipients of grants and loans were required to list the number of jobs created or retained by direct sub-recipients that helped complete the project.

Despite these requirements, a significant share of jobs generated by these projects was not included in the reports. That is in part because no recipients were required to report on jobs indirectly generated by the project. Hence, no jobs saved or produced by the Recovery Act in firms that serve as suppliers to Recovery Act projects were included, though clearly these suppliers benefited from the Act. In addition, recipients were not required to estimate the number of jobs induced in the economy as a result of the workers on Recovery Act projects spending the wages they received. The Council of Economic Advisers estimates that these "induced" jobs will account for

36 percent of all "job-years" produced by the Recovery Act. The Council defines a "job-year" as one job for one year.

**TABLE 1: ESTIMATED NUMBER OF JOBS CREATED OR RETAINED BY THE RECOVERY ACT, 3RD QUARTER 2009, BY STATE**

| | | | |
|---|---|---|---|
| Alabama | 13,500 | Montana | 2,900 |
| Alaska | 2,200 | Nebraska | 5,600 |
| Arizona | 21,400 | Nevada | 9,100 |
| Arkansas | 8,600 | New Hampshire | 4,000 |
| California | 139,700 | New Jersey | 31,200 |
| Colorado | 16,100 | New Mexico | 5,300 |
| Connecticut | 12,900 | New York | 72,500 |
| Delaware | 3,000 | North Carolina | 31,500 |
| District of Columbia | 4,900 | North Dakota | 2,200 |
| Florida | 55,400 | Ohio | 38,900 |
| Georgia | 30,800 | Oklahoma | 11,800 |
| Hawaii | 4,200 | Oregon | 13,600 |
| Idaho | 4,600 | Pennsylvania | 40,900 |
| Illinois | 50,400 | Rhode Island | 4,100 |
| Indiana | 24,400 | South Carolina | 13,700 |
| Iowa | 10,900 | South Dakota | 2,800 |
| Kansas | 9,100 | Tennessee | 20,000 |
| Kentucky | 13,100 | Texas | 71,900 |
| Louisiana | 12,700 | Utah | 9,500 |
| Maine | 4,800 | Vermont | 2,300 |
| Maryland | 17,400 | Virginia | 24,000 |
| Massachusetts | 27,400 | Washington | 22,600 |
| Michigan | 36,000 | West Virginia | 5,100 |
| Minnesota | 20,100 | Wisconsin | 22,100 |
| Mississippi | 8,300 | Wyoming | 1,800 |
| Missouri | 19,200 | **TOTAL U.S.** | 1,040,000 |

Source: Council of Economic Advisers, "The Economic Impact of the American Recovery and Reinvestment Act of 2009, First Quarterly Report," September 10, 2009, p. 22.

Notes: Figures estimate job impact of all ARRA spending in 3rd quarter based on Council of Economic Advisers' statistical projection of likely path of GDP given the relationship of GDP and employment in 1990-2007. Total U.S. estimate is allocated to states based on average of three methods: state share of non-farm employment, state share of Recovery Act outlays through August, and an estimation based on state shares of particular job sectors. State figures do not add to total U.S. figure due to rounding.

## Comprehensive Estimates of Recovery Act Jobs Are Available

The October 30 jobs data release was a useful source of information about jobs created or retained by the Recovery Act, but estimating the full jobs impact of the Act requires a comprehensive approach. The Recovery Act requires such comprehensive estimates be produced quarterly by the Council of Economic Advisers.

The first of these reports, issued in September, estimates that the Recovery Act created or retained between 600,000 and 1.1 million jobs in the third quarter, based on estimates by the Council, the Congressional Budget Office, and private forecasters including Macroeconomic Advisers and Moody's Economy.com.[4]

The Council says that when it releases its next quarterly report, it will incorporate data from the October 30 jobs data release. In this way, the jobs data release will improve the Council's estimates, but should not be seen as a substitute.

[4] Council of Economic Advisers, "The Economic Impact of the American Recovery and Reinvestment Act of 2009, First Quarterly Report," September 10, 2009, p. 26.

## APPENDIX: RECOVERY ACT OUTLAYS BY STATE THROUGH SEPTEMBER, SELECTED PROVISIONS, IN MILLIONS

| | Extended Unemployment Compensation | Extra $25/Week in Unemployment Benefits | Increased Food Stamps | Extra Medicaid Funds to States |
|---|---|---|---|---|
| Alaska | $10 | $14 | $11 | $68 |
| Alabama | $116 | $77 | $85 | $354 |
| Arkansas | $104 | $55 | $49 | $238 |
| Arizona | $164 | $107 | $109 | $739 |
| California | $2,298 | $910 | $374 | $3,831 |
| Colorado | $213 | $74 | $44 | $278 |
| Connecticut | $241 | $106 | $36 | $506 |
| District of Columbia | $38 | $19 | $13 | $125 |
| Delaware | $37 | $17 | $11 | $126 |
| Florida | $827 | $365 | $268 | $1,792 |
| Georgia | $456 | $178 | $171 | $682 |
| Hawaii | $60 | $20 | $23 | $150 |
| Iowa | $99 | $54 | $36 | $177 |
| Idaho | $65 | $34 | $18 | $110 |
| Illinois | $723 | $317 | $197 | $1,193 |
| Indiana | $462 | $158 | $89 | $558 |
| Kansas | $99 | $51 | $26 | $174 |
| Kentucky | $215 | $82 | $86 | $429 |
| Louisiana | $51 | $43 | $87 | $467 |
| Massachusetts | $533 | $173 | $78 | $1,157 |
| Maryland | $195 | $80 | $59 | $609 |
| Maine | $38 | $21 | $25 | $212 |
| Michigan | $775 | $322 | $178 | $984 |
| Minnesota | $240 | $116 | $42 | $782 |
| Missouri | $224 | $107 | $97 | $625 |
| Mississippi | $69 | $42 | $59 | $288 |
| Montana | $27 | $17 | $12 | $68 |
| North Carolina | $553 | $233 | $142 | $944 |
| North Dakota | $7 | $6 | $7 | $31 |
| Nebraska | $30 | $18 | $16 | $91 |
| New Hampshire | $29 | $18 | $10 | $79 |
| New Jersey | $876 | $259 | $64 | $831 |
| New Mexico | $56 | $28 | $36 | $221 |
| Nevada | $272 | $84 | $26 | $176 |
| New York | $975 | $428 | $346 | $4,083 |
| Ohio | $480 | $248 | $188 | $1,138 |
| Oklahoma | $80 | $43 | $59 | $330 |
| Oregon | $254 | $112 | $75 | $338 |
| Pennsylvania | $862 | $349 | $164 | $1,059 |
| Rhode Island | $81 | $30 | $15 | $193 |
| South Carolina | $224 | $101 | $87 | $369 |
| South Dakota | $4 | $4 | $10 | $48 |
| Tennessee | $232 | $118 | $137 | $617 |
| Texas | $642 | $295 | $364 | $1,981 |
| Utah | $55 | $32 | $24 | $124 |
| Virginia | $172 | $82 | $82 | $569 |
| Vermont | $23 | $15 | $9 | $105 |
| Washington | $311 | $133 | $94 | $630 |
| Wisconsin | $274 | $163 | $59 | $551 |
| West Virginia | $37 | $26 | $34 | $172 |
| Wyoming | $11 | $8 | $3 | $27 |

Source: Recovery.gov