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Special Series: **Economic Recovery Watch**

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STATE-LEVEL DATA SHOW RECOVERY ACT PROTECTING MILLIONS FROM POVERTY

Act Also Saving and Creating Jobs, Boosting Economy

by Arloc Sherman

While the recession is expected to drive states' poverty rates up for 2009, new analysis based on Census data shows that the American Recovery and Reinvestment Act of 2009 (ARRA) is keeping large numbers of Americans out of poverty in states across the country. In addition to boosting economic activity and preserving or creating jobs, the recovery act is softening the recession's impact on poverty by directly lifting family incomes.

The Center's analysis, which covers 36 states and the District of Columbia, examines the effect on poverty of seven ARRA provisions: the expansion of three tax credits for working families, two provisions that strengthen unemployment insurance assistance, a provision that boosts food stamp benefits, and a one-time payment for retirees, veterans, and people with disabilities.[1] Nationally, these provisions are keeping more than 6 million Americans out of poverty and reducing the severity of poverty for 33 million more. (These figures include both people whom ARRA has lifted out of poverty and people whom ARRA has kept from falling into poverty.)

These estimates are conservative. The seven provisions examined cover only about one-fourth of the recovery act's total spending. The remainder of the act contains an array of provisions that also have an effect on poverty either through direct job creation or through increased spending (on areas such as education, health care, and housing) that leads to more consumer demand in the economy, which in turn preserves or creates jobs. The Congressional Budget Office has estimated that the legislation as a whole had increased employment by 600,000 to 1.6 million jobs as of September 2009 and is expected to boost employment by 900,000 to 2.3 million jobs by the fourth quarter of this year.[2]

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[1] As explained below, data were insufficient to estimate the antipoverty impact in the remaining 14 states.

[2] Congressional Budget Office, "Estimated Impact of the American Economic Recovery and Reinvestment Act on Employment and Economic Output as of September 2009," November 2009; and letter from CBO Director Douglas W. Elmendorf to Senator Charles E. Grassley, March 2, 2009.

Moreover, this analysis does not capture the full anti-poverty impact of the seven provisions it examines. It considers the provisions' direct effects on the incomes of the families that receive added income or benefits as a result of these provisions, but not the provisions' additional effects on the economy and private-sector employment. For example, increased jobless benefits or food stamps preserve private-sector jobs in a recession by enabling consumers to continue purchasing goods and services they otherwise could not have afforded. That additional spending, in turn, ripples through the economy, helping stores and companies to stay in business and avoid steeper layoffs and reductions in work hours, and thereby averts larger increases in poverty.

Act Also Reduces Severity of Poverty for Millions of Americans

In addition to keeping more than 6 million Americans out of poverty in 2009, ARRA is reducing the severity of poverty for 33 million additional Americans who are poor by lifting their incomes, typically by more than $700. Due to data limitations, these figures are conservative and underestimate the number of people that the seven ARRA provisions examined here have helped in 2009.

Estimating Antipoverty Impact of Recovery Act Provisions

Congress designed the recovery act to reach a wide spectrum of low-, moderate-, and middle-income Americans. Policymakers took care to include provisions that provide assistance to low-income families, not only because they stand the greatest risk of hardship during downturns but also because of evidence that they are the most likely to spend quickly whatever money they receive, thereby pumping more money back into the economy in a timely manner.

Our analysis considers seven of the act's temporary provisions, totaling $205 billion over five years:

- a new Making Work Pay tax credit of up to $400 for workers ($800 for a couple) earning up to $95,000 ($190,000 for a couple);
- an expanded Child Tax Credit for lower-income working families with children;
- an expanded Earned Income Tax Credit, including increased tax-credit benefits for a working family with three or more children and for married families to lessen the marriage penalty the EITC can otherwise impose;
- additional weeks of emergency unemployment compensation benefits (paid after a worker's 26 weeks of regular state unemployment benefits expire);
- an additional $25 per week for unemployed workers to supplement their unemployment benefits;
- a $250 one-time payment to elderly people and people with disabilities who receive Social Security, SSI, or veterans' benefits; and
- an increase in food stamp benefit levels.

The state-by-state findings presented here build on a Center analysis released in September 2009, which focused on figures for the nation as a whole as well as five large states. Details of the methods used here are described in the appendices of that report.[3]

In brief, the analysis uses Census data to examine how these policy changes will affect family income and poverty status by state. The estimates start with data collected in March 2004, March 2005, and March 2006 through the Census Bureau's Current Population Survey. Data for three years are combined to increase the reliability of the state-by-state estimates.

We make three adjustments to these Census data. First, we correct the tendency of Census and other surveys to undercount receipt of certain public benefits, using the data and methods for making such adjustments that are reflected in the U.S. Department of Health and Human Services' TRIM model.[4] Next, we adjust the data to approximate recent economic and demographic conditions in each state, including labor-market conditions and state population levels in April through June of 2009. Finally, we adjust the food stamp participation data to approximate actual food stamp participation levels by state in May 2009. For each family in the resulting data, we estimate the family's 2009 income with and without the seven recovery act provisions.

The analysis considers a family to be kept out of poverty if its estimated income is below the poverty line *without* the recovery act provisions but above the poverty line *with* the provisions. We use a measure of poverty that adheres to National Academy of Sciences poverty measurement recommendations by including after-tax cash and non-cash income, while subtracting child care and work expenses and out-of-pocket medical expenditures.

We provide estimates for 36 states and the District of Columbia. For the remaining 14 states, our data are insufficient to show reliable results.[5] Given the uncertainty associated with using a sample of the population, we show a range of estimates for each state. This range can be substantial, particularly for states with the smallest survey samples. For example, estimates for Iowa range from 25,000 to 55,000 residents kept out of poverty, with our best estimate falling in the middle (40,000).

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[3] See Arloc Sherman, "Stimulus Keeping 6 Million Americans Out of Poverty in 2009, Estimates Show," Center on Budget and Policy Priorities, September 9, 2009 (appendices). Available at http://www.cbpp.org/files/9-9-09pov2.pdf.

[4] Specifically, we correct the Census data for underreporting of food stamps, TANF, and SSI benefits using the data and methodologies to correct for underreporting that are used in the U.S. Department of Health and Human Services' TRIM model.

[5] For seven of these 14 states, we do not show results because of very small sample size. In addition, we checked to ensure that our predicted state-to-state distribution of ARRA benefits is generally consistent for each state with the actual distribution of benefits paid through October 30, 2009, as reported on the government website, www.recovery.gov. We do not show results for another seven states because we determined that the state's share of benefits in our model differed by more than 10 percent from the state's actual share of the benefits (due to random sampling error, the inability of our model to fully capture some complex program interactions, or other reasons).

TABLE 1
Projected Number of People Lifted Above the Poverty Line by ARRA Benefits, for 36 States and the District of Columbia, 2009

CBPP simulations using National Academy of Sciences poverty definition

	Lower-bound estimate	Best estimate	Upper-bound estimate
U.S. TOTAL	5,945,000	**6,183,000**	6,421,000
Alabama	82,000	**115,000**	148,000
Arizona	117,000	**161,000**	205,000
Arkansas	40,000	**58,000**	76,000
California	743,000	**844,000**	945,000
Colorado	45,000	**70,000**	96,000
Connecticut	35,000	**56,000**	78,000
District of Columbia	8,000	**12,000**	16,000
Florida	356,000	**425,000**	495,000
Georgia	190,000	**244,000**	297,000
Illinois	247,000	**305,000**	364,000
Indiana	98,000	**133,000**	168,000
Iowa	25,000	**40,000**	55,000
Kansas	28,000	**44,000**	60,000
Kentucky	71,000	**102,000**	133,000
Maine	14,000	**22,000**	30,000
Maryland	54,000	**82,000**	110,000
Massachusetts	67,000	**98,000**	128,000
Michigan	167,000	**215,000**	263,000
Minnesota	42,000	**66,000**	91,000
Mississippi	43,000	**63,000**	83,000
Missouri	72,000	**105,000**	138,000
Nebraska	15,000	**24,000**	34,000
Nevada	40,000	**58,000**	76,000
New Jersey	79,000	**111,000**	144,000
New Mexico	38,000	**54,000**	70,000
New York	355,000	**419,000**	483,000
North Carolina	157,000	**206,000**	255,000
North Dakota	7,000	**10,000**	13,000
Ohio	159,000	**204,000**	249,000
Oklahoma	44,000	**64,000**	84,000
Oregon	58,000	**84,000**	111,000
Pennsylvania	149,000	**189,000**	230,000
Tennessee	61,000	**92,000**	124,000
Texas	554,000	**640,000**	727,000
Vermont	3,000	**6,000**	9,000
Virginia	85,000	**120,000**	155,000
Wisconsin	59,000	**86,000**	112,000

For details on the method used to project these figures, see http://www.cbpp.org/files/9-9-09pov2.pdf.
For states not shown, reliable state data are not available.

TABLE 2
Projected Number of Poor People for Whom the Severity of Poverty Has Been Reduced by ARRA Benefits, 2009

CBPP simulations using National Academy of Sciences poverty definition

	Lower-bound estimate	Best estimate	Upper-Bound estimate
Total	32,178,000	**32,680,000**	33,182,000
Alabama	411,000	**472,000**	533,000
Arizona	796,000	**896,000**	996,000
Arkansas	241,000	**280,000**	318,000
California	5,629,000	**5,871,000**	6,113,000
Colorado	401,000	**463,000**	526,000
Connecticut	225,000	**263,000**	300,000
District of Columbia	101,000	**113,000**	125,000
Florida	1,838,000	**1,970,000**	2,103,000
Georgia	950,000	**1,054,000**	1,157,000
Illinois	1,408,000	**1,523,000**	1,638,000
Indiana	461,000	**529,000**	597,000
Iowa	168,000	**201,000**	234,000
Kansas	176,000	**209,000**	242,000
Kentucky	374,000	**431,000**	488,000
Maine	94,000	**110,000**	126,000
Maryland	532,000	**602,000**	672,000
Massachusetts	640,000	**711,000**	783,000
Michigan	903,000	**994,000**	1,084,000
Minnesota	245,000	**293,000**	341,000
Mississippi	336,000	**382,000**	428,000
Missouri	373,000	**435,000**	496,000
Nebraska	95,000	**114,000**	133,000
Nevada	237,000	**273,000**	309,000
New Jersey	724,000	**804,000**	885,000
New Mexico	220,000	**252,000**	284,000
New York	2,280,000	**2,418,000**	2,557,000
North Carolina	908,000	**1,003,000**	1,098,000
North Dakota	33,000	**40,000**	46,000
Ohio	869,000	**959,000**	1,049,000
Oklahoma	253,000	**295,000**	337,000
Oregon	286,000	**335,000**	383,000
Pennsylvania	955,000	**1,048,000**	1,140,000
Tennessee	552,000	**628,000**	704,000
Texas	2,715,000	**2,884,000**	3,053,000
Vermont	30,000	**37,000**	43,000
Virginia	614,000	**693,000**	771,000
Wisconsin	365,000	**422,000**	479,000

For details on the method used to project these figures, see http://www.cbpp.org/files/9-9-09pov2.pdf.
For states not shown, reliable state data are not available.