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JULY 30 DATA RELEASE WILL CAPTURE ONLY A PORTION OF THE JOBS CREATED OR SAVED BY THE RECOVERY ACT

By Michael Leachman

On July 30, the Recovery Accountability and Transparency Board will post on its website, www.recovery.gov, data on jobs funded by the American Recovery and Reinvestment Act (ARRA). This data release will capture only a portion of the jobs created and saved by the Act, due to ARRA's limited reporting requirements.

According to the Council of Economic Advisers, ARRA's reporting system covered only 22 percent of ARRA expenditures through the end of June.[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 hundreds of thousands of jobs, none of the aid for individuals or the Medicaid support are reflected in the July 30 jobs data release.

Moreover, the release will not even capture all of the jobs created by the 22 percent of ARRA funds for which the government reported. Recipients of ARRA grants and loans, for instance, will report on the jobs that they created or retained, but such reporting will not capture the jobs that were indirectly generated by the projects in question, such as by suppliers of goods and services to the projects.

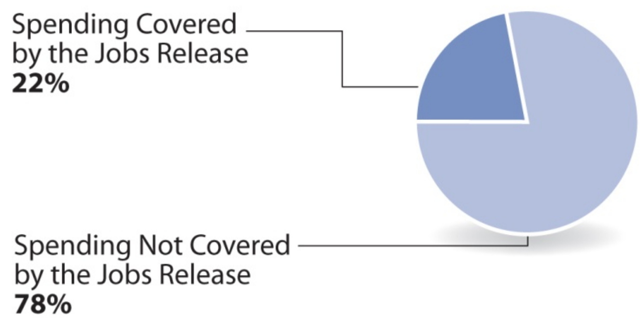
Separate from the July 30 jobs data release, ARRA requires the Council of Economic Advisers (CEA) to report each quarter on the law's full impact in protecting or creating jobs. The CEA's most recent quarterly report, issued on July 14, provides a better measure of ARRA's jobs impact than what the Administration will report on July 30.

[1] Council of Economic Advisers, "The Economic Impact of the American Recovery and Reinvestment Act of 2009," Fourth Quarterly Report, July 14, 2010, p. 29.

Not Included in the July 30 Jobs Data Release

Some 78 percent of the Recovery Act's spending through June 30, 2010 is outside of the jobs reporting requirements in the Act. But there is substantial reason to believe that this 78 percent 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 July 30 Jobs Data Release



Source: Council of Economic Advisers.

- **Jobs generated by federal aid going directly to individuals will not be reported.** These provisions, totaling more than $62 billion as of the end of June, 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 $1.61 in economic activity, and every dollar spent on temporarily increasing food stamp benefits produces $1.74 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 June, states had spent $61 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 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.

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[2] Mark Zandi, "The Impact of the Recovery Act on Economic Growth," Testimony before the Joint Economic Committee, October 29, 2009, p. 3.

[3] Government Accountability Office, "RECOVERY ACT States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability," May 2010.

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 June, Recovery Act tax cuts had delivered about $224 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 are exempted from reporting on jobs , some recipients are required to submit quarterly reports. Data from the fourth quarterly reports will be released July 30, 2010.

Even among projects included in these reports, a significant share of the jobs saved or created by the Recovery Act is missed. 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.

Comprehensive Estimates of Recovery Act Jobs Are Available

The July 30 jobs data release will be 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.

In the most recent of these reports, issued on July 14, 2010, the Council employs two different statistical models to estimate the jobs impact of the Recovery Act as of the second quarter of 2010. The first statistical model concludes the Act saved or created 3.6 million jobs; the other estimates the number at 2.5 million jobs. Both findings are roughly consistent with the Congressional Budget Office's estimate of the Recovery Act's second quarter 2010 jobs impact — 1.4 million to 3.4 million jobs. The CEA's estimates are somewhat higher than the estimates of private forecasters IHS/Global Insight, Macroeconomic Advisers, and Moody's Economy.com, which range from 1.8 million to 2.2 million jobs.[4]

It is impossible to know precisely how many jobs were saved or created by the Recovery Act, but the Council's estimates, along with the estimates of other professional forecasters, support the view that the Recovery Act has saved or created a large number of jobs.

[4] Council of Economic Advisers, "The Economic Impact of the American Recovery and Reinvestment Act of 2009, Fourth Quarterly Report," July 14, 2010, pp. 17-18.

APPENDIX: RECOVERY ACT OUTLAYS BY STATE THROUGH JUNE 2010, SELECTED PROVISIONS, IN MILLIONS				
	Extended Unemployment Compensation	**Extra $25/Week in Unemployment Benefits**	**Increased Food Stamps**	**Extra Medicaid Funds to States**
Alabama	$292	$163	$232	$631
Alaska	$26	$32	$30	$155
Arizona	$456	$251	$301	$1,397
Arkansas	$257	$109	$132	$470
California	$5,114	$1,993	$1,061	$7,351
Colorado	$549	$172	$126	$619
Connecticut	$650	$220	$104	$939
Delaware	$79	$37	$31	$239
District of Columbia	$95	$37	$37	$240
Florida	$2,040	$837	$786	$3,365
Georgia	$1,084	$380	$476	$1,193
Hawaii	$146	$43	$66	$258
Idaho	$142	$66	$53	$206
Illinois	$1,909	$691	$527	$2,223
Indiana	$992	$317	$246	$964
Iowa	$270	$112	$100	$397
Kansas	$274	$108	$75	$339
Kentucky	$442	$169	$229	$782
Louisiana	$144	$101	$242	$1,042
Maine	$93	$43	$68	$397
Maryland	$476	$164	$164	$1,218
Massachusetts	$1,315	$379	$220	$2,175
Michigan	$1,926	$697	$516	$1,814
Minnesota	$662	$238	$118	$1,340
Mississippi	$174	$91	$161	$564
Missouri	$462	$230	$261	$1,134
Montana	$67	$34	$33	$141
Nebraska	$81	$40	$44	$197
Nevada	$583	$186	$75	$322
New Hampshire	$83	$38	$28	$182
New Jersey	$2,153	$586	$188	$1,568
New Mexico	$156	$64	$100	$446
New York	$2,478	$883	$946	$7,726
North Carolina	$1,294	$506	$391	$1,711
North Dakota	$17	$10	$18	$55
Ohio	$1,365	$520	$516	$2,164
Oklahoma	$249	$97	$166	$634
Oregon	$661	$233	$204	$623
Pennyslvania	$2,121	$728	$441	$2,928
Rhode Island	$189	$59	$43	$348
South Carolina	$517	$221	$237	$658
South Dakota	$11	$9	$28	$91
Tennessee	$534	$246	$377	$1,120
Texas	$1,637	$657	$1,008	$4,165
Utah	$169	$70	$68	$201
Vermont	$57	$27	$24	$207
Virginia	$421	$166	$226	$1,103
Washington	$902	$308	$260	$1,228
West Virginia	$103	$53	$94	$341
Wisconsin	$672	$333	$177	$1,074
Wyoming	$39	$19	$9	$73

Source: Recovery.gov