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RECOVERY ACT PROTECTIONS IMPORTANT TO TEXAS CONGRESS SHOULD EXTEND ARRA PROVISIONS

The American Recovery and Reinvestment Act (ARRA) has been critically important in protecting the Texas economy and helping families and communities recover from the recession. In the first quarter of 2010, for example, ARRA programs helped Texas gain an estimated 79,000 jobs; without ARRA, Texas would have lost 126,000 jobs. Recent estimates indicate that as of June 2010, Texas households have received more than \$10.6 billion in benefits from nine key provisions of ARRA: the Making Work Pay, Earned Income, and Child tax credit provisions; Economic Recovery payments; and temporary expansions of Unemployment Insurance, Food Stamp, and COBRA health insurance assistance. These benefits are in addition to other spending and tax credits designed to preserve state and local government services and private-sector jobs. Some of these ARRA provisions have expired or have begun to phase out. Congress needs to extend these important protections so that our economic recovery does not falter. This *Policy Page* provides additional information on how ARRA payments to individuals are helping local Texas communities recover from the economic recession.

COBRA Premium Assistance

ARRA authorized temporary federal subsidies that cover 65 percent of COBRA health insurance premiums for laid-off workers and their dependents for up to 15 months. A recent U.S. [Treasury Department report](#) shows that Texans have benefited from more than \$132 million in COBRA premium subsidies from ARRA through March 2010. This funding has played a key role in helping Texans who have lost jobs during the recession maintain their health insurance. In the fourth quarter of 2009, nearly 59,000 Texas households kept their health insurance with the help of ARRA COBRA subsidies. In all, up to 130,200 Texas households have received COBRA premium assistance in 2009 and the first quarter of 2010.¹ Former employees on COBRA may also cover their spouse and children, so the number of individual Texans receiving COBRA premium assistance through ARRA is higher than the household counts. The ARRA COBRA provision expired on May 31, 2010. Unless Congress extends this emergency benefit, workers laid off as of June 2010 will not receive subsidies. Without help, COBRA premiums are simply unaffordable for most unemployed people, and until health reform is fully implemented in 2014, many families that have lost job-based coverage will have no good alternatives for coverage. In Texas, COBRA premiums for family coverage average \$1,081 per month—78 percent of average Texas unemployment checks.²

Making Work Pay Tax Credit

The Center on Budget and Policy Priorities estimates that through May 2010, \$5.451 billion has reached Texas workers through a refundable tax credit designed to bolster household incomes. The credit is worth up to 6.2 percent of an individual's income with a maximum credit of \$400 for one worker or \$800 for a working married couple, phasing out for taxpayers with modified adjusted gross incomes over \$75,000 annually (\$150,000 for joint filers). This credit is available again for federal Tax Year 2010, and is provided to eligible workers either through adjusted payroll withholding or federal personal income tax refunds. An estimated 9.6 million Texans are expected to benefit from the Making Work Pay Tax Credit.

ARRA also authorized temporary expansions of the Earned Income Tax Credit and the Child Tax Credit. The ARRA changes to these refundable credits are estimated to provide an additional \$1 billion to Texas families for Tax Year 2009, and another \$1 billion for Tax Year 2010.

Economic Recovery Payments

These benefits of \$250 per person have totaled \$839 million for about 3.3 million Texans, according to CBPP estimates. Persons eligible for the one-time payment include retirees, people with a disability, Supplemental Security Income (SSI) recipients who were receiving benefits from the Social Security Administration disabled veterans getting benefits from the U.S. Department of Veterans Affairs, and Railroad Retirement beneficiaries.

ARRA Food Stamp Benefits

CBPP estimates that \$926 million in additional ARRA benefits has been paid to Texas households, allowing them to purchase food and reducing food insecurity. SNAP also benefits our state and local economies, particularly during the recession when unemployment has risen and consumer spending has dropped. Every \$1.00 in SNAP benefits produces \$1.84 in overall economic activity, bringing the total economic benefit of the additional ARRA benefits to \$1.7 billion—money that supports Texas' food retailers, farmers, producers, and our sales tax base. In June 2010, almost 3.6 million Texans were receiving Food Stamps, including 2 million children and 191,000 senior citizens age 65 or over. The average monthly benefit per case was \$314, up 15 percent from the average of \$273 in February 2009 (before the ARRA increase took effect).

Unemployment Insurance

Through ARRA, federally funded unemployment benefits have been provided to over 1 million Texans. ARRA enabled jobless Texans to have access to three distinct federal programs, including:

- Federal Additional Compensation (FAC): additional \$25 per week for each unemployment benefit payment (\$729 million through June 23, 2010);
- Emergency Unemployment Compensation (EUC): additional weeks of federal benefits for individuals who exhausted their regular state unemployment benefits (\$2.0 billion through June 23, 2010);
- Extended Benefits (EB): This program was triggered due to Texas' elevated unemployment rate, typically for individuals who exhausted EUC. (\$406 million through June 23, 2010).

ARRA has provided \$11 million per week in extra unemployment insurance benefits

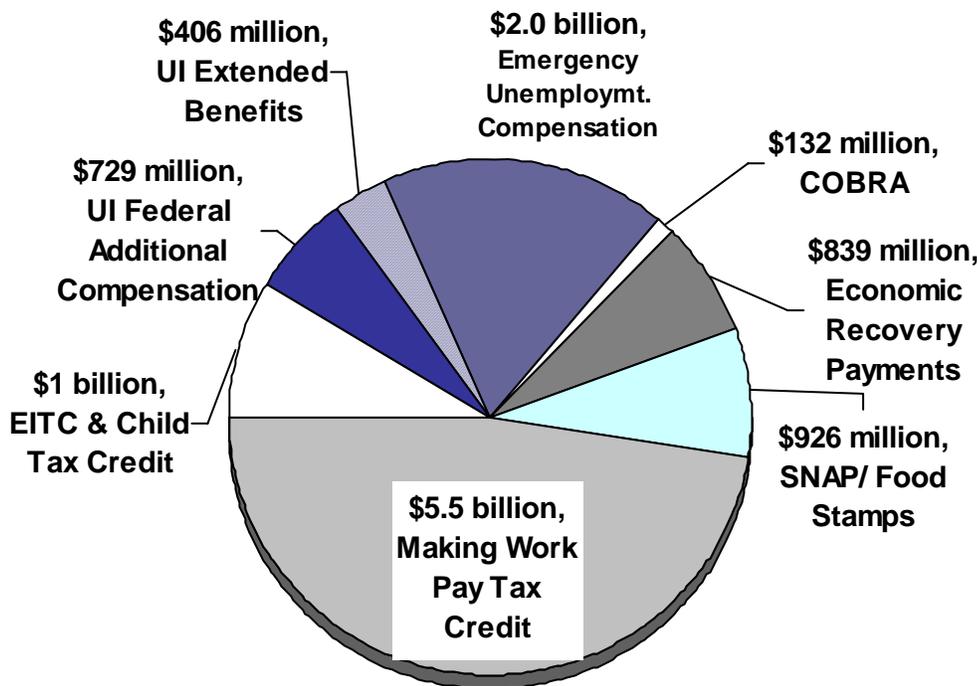
Through FAC, the Recovery Act added \$25 to nearly every weekly unemployment insurance benefit check. Because these dollars get spent quickly and locally, they support not only the families of unemployed workers but also small businesses, grocery store workers, and other key parts of the retail and service economy. Each \$1 in unemployment benefits generates up to \$2 in economic activity, helping to create and preserve jobs, mostly in the private sector. FAC began to phase out June 2.

ARRA has enabled hundreds of thousands of long-term unemployed Texans to make ends meet when their state benefits ran out

Under the Recovery Act, the federal government eventually covered up to 73 weeks of unemployment insurance benefits through Extended Unemployment Compensation (EUC) and Extended Benefits (EB). While EB began to phase out in early May, EUC began phasing out on June 2, and an estimated 20,000-25,000 Texans are expected to lose their benefits every week through July. By July 3 about 114,000 Texans will have lost their benefits due to the suspension of EUC and EB payments, according to the U.S. Department of Labor.³ Their odds for finding work are not good, given the expectation of job

market weakness continuing through at least the remainder of 2010. The termination of EUC also means the federal funds the program has been injecting into Texas communities will dry up before economic recovery is solidly underway.

Estimated Direct Recovery Act (ARRA) Payments to Texans



Conclusion

Congress has repeatedly but unsuccessfully attempted to extend the UI and COBRA provisions of the Recovery Act, along with additional Medicaid aid to states. Without the extension of critical ARRA benefits, a significant loss of spending power could ripple through the state and national economies, increasing the risk of a double-dip recession. Congress needs to extend ARRA supports for Texas workers and families as soon as possible after the July 4th recess to minimize future job losses and improve the chances of economic recovery.

¹ Total households counted include filings from employers for all of 2009 and early (incomplete) filings for the first quarter of 2010. Because some employers file quarterly, some households may be reported, and therefore counted, more than once. U.S. Department of the Treasury, *Interim Report to the Congress on COBRA Premium Assistance*, June 2010. www.treas.gov/offices/tax-policy/library/COBRAInterimReport.pdf

² Families USA, *Expiration of COBRA Subsidy*, December 2009. www.familiesusa.org/assets/pdfs/expiration-of-cobra-subsidy.pdf

³ U.S. Department of Labor, prepared by Staff of the U.S. House Committee on Ways and Means, *Estimated Number of Claimants Losing Unemployment Benefits by July 3, 2010 if Congress Fails to Continue Federal UI Programs*, June 25, 2010. See http://waysandmeans.house.gov/media/pdf/111/UI_Impact_State.pdf

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The Center for Public Policy Priorities is a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans.