

## A ONE-YEAR ANNIVERSARY REPORT ON THE AMERICAN RECOVERY AND REINVESTMENT ACT: HOW ARRA CREATED JOBS IN TEXAS

With the nation experiencing massive job loss through 2008 and 2009, the American Recovery and Reinvestment Act (ARRA) of 2009 had two core purposes: cushion the blow for families losing their jobs while preserving existing jobs and creating new opportunities. The intent of ARRA—largely a two-year initiative—was also to help families with things like extended unemployment insurance benefits while preserving or creating consumer demand for goods and services. In Texas, ARRA restored some of Texans’ lost earned income, preventing further damage to Texas businesses, which depend on customers with money to spend. ARRA had a measurable impact on leveling job loss and stimulating new hiring. This Policy Page provides an overview of ARRA’s impact on employment in Texas, and makes recommendations as Congress considers proposals to create and preserve more jobs.

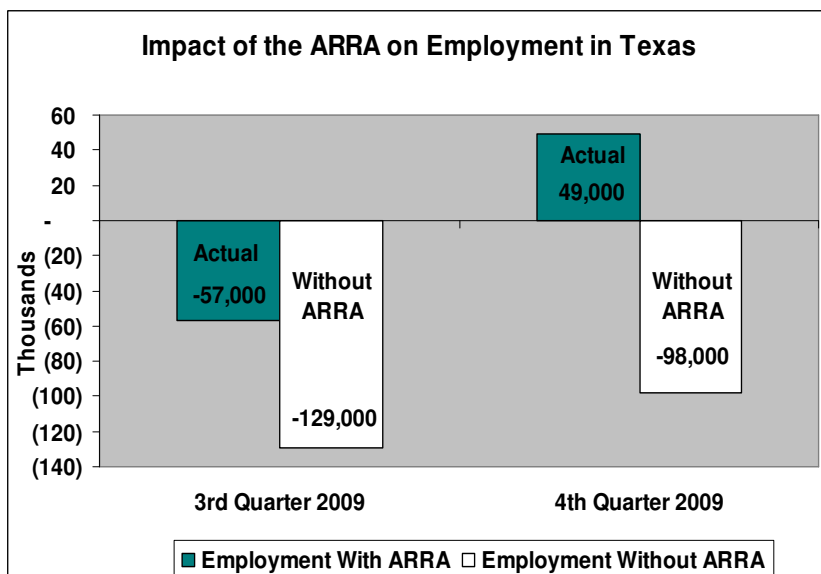
### Gauging the Impact of ARRA on Texas Employment

The Recovery Act has provided relief to everyday Texans in the form of tax credits, unemployment compensation extensions, increased food aid, and funding for specific projects to create jobs and promote economic activity. As a result, many Texas employers have shed fewer jobs and have begun to create net new jobs in some sectors.

During the fourth quarter of 2009, ARRA programs generated an estimated 147,000 jobs in Texas, helping to more than

offset ongoing job losses in various employment sectors. As shown in the graph, without ARRA relief, Texas employers would have shed an overall 98,000 jobs during the final months of last year. The previous quarter shows a narrower differential, but still a substantial impact.<sup>1</sup>

Although the employment outlook for Texas shows slight improvement, other states have leveraged ARRA investments more effectively. Despite having 8 percent of the nation’s workforce, Texas accounted for only 4 percent (48,033) of the more than 1.2 million jobs reported nationally through the end of 2009, according to official state recipient reporting.<sup>2</sup>

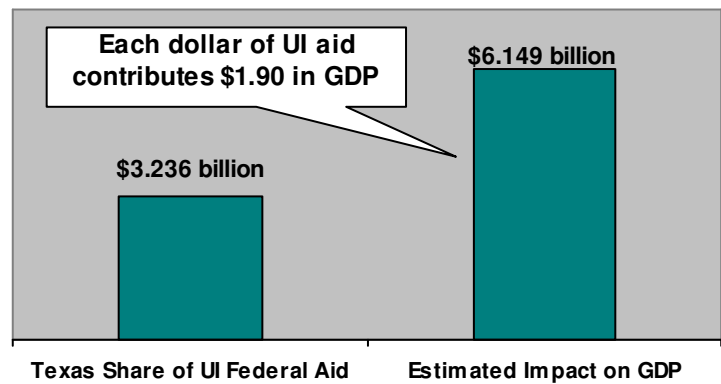


Source: CPPP Analysis, Executive Office of the President, Council of Economic Advisers, September 2009 & January 2010

## ARRA Unemployment Insurance Aid Boosts Job Creation and the Economy

ARRA-related programs have paid more than 900,000 extended unemployment compensation claims since July 2008, generating more than \$6 billion in economic activity in Texas. The federally funded extensions—known as Emergency Unemployment Compensation (EUC) and state Extended Benefits (EB)—have enabled the long-term unemployed to receive up to 73 weeks of additional compensation after exhausting their first 26 weeks of regular UI coverage. Overall, each dollar spent on UI relief to jobless workers is estimated to contribute \$1.90 to GDP growth.<sup>3</sup>

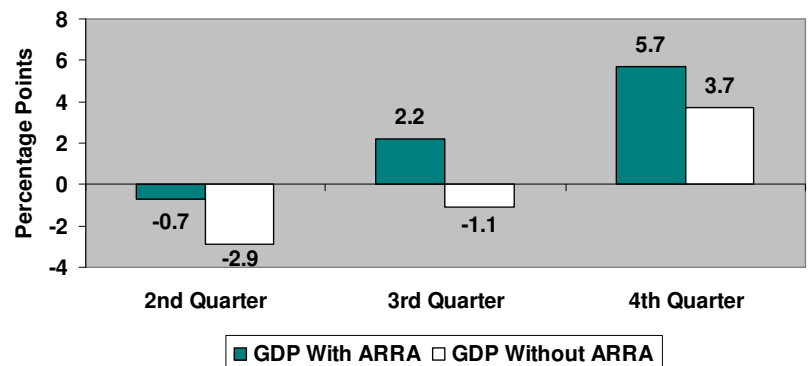
### Texas' Share of Federal Unemployment Insurance Aid under ARRA & Impact on GDP



Source: CPPP Analysis, Executive Office of the President, Council of Economic Advisers, and National Employment Law Center

ARRA provisions such as increased food stamp allocations, homebuyer tax credits, increased unemployment insurance benefits, and expanded tax credits for working Texans have preserved and stimulated demand for goods and services provided by Texas employers. Other targeted ARRA funding has helped to preserve and create employment in key sectors such as highway construction, retail, manufacturing, and home weatherization. A year after passage, cumulative ARRA funding is estimated to have increased GDP growth between 1.4 and 4 percentage points during the last three quarters of 2009.<sup>4</sup>

### Impact of ARRA on U.S. Gross Domestic Product



Source: CPPP Analysis, Executive Office of the President, Council of Economic Advisers, September 2009 and January 2010

## Looking Back: How the Recovery Act Cushioned the Blow of the Recession

ARRA helped to maintain jobs in key employment sectors while creating new jobs in emerging industries. At the time of ARRA's passage in February 2009, the United States was losing nearly 700,000 jobs per month.<sup>5</sup> More than 6.1 million jobless Americans—nearly 40 percent of the unemployed—have been out of work for well over six months during this economic downturn.<sup>6</sup> Although the country has experienced sustained job losses throughout the recession, job losses have declined. For the first time since the recession began, the United States posted monthly job gains, with 4,000 jobs added in November 2009.<sup>7</sup> ARRA investments in the education, energy, transportation, and health sectors have helped businesses retain jobs and extend new employment through new infrastructure projects lightening the impact of the recession. The Congressional Budget Office estimates that nearly 2.4 million more jobs would have been lost if ARRA had not been enacted.

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**ARRA helped sustain economic activity by putting money back into the hands of jobless workers and others to cover their basic needs.** Through sustained support to those most in need, ARRA enabled more Americans to continue spending to cover household expenses, thereby helping businesses to create and preserve jobs through sustained demand for goods and services. ARRA-funded infrastructure projects have both stimulated re-hiring and generated additional income for contractors and employees. ARRA has spurred overall economic activity with \$1.41 generated for each dollar spent on general aid to state governments and \$1.61 generated for each dollar spent on federal UI benefits.<sup>8</sup>

**ARRA kept millions afloat with special safety net programs during hard times.** ARRA has kept 6.2 million Americans out of poverty during the recession through safety net programs such as tax credits for low-income Americans, COBRA health insurance subsidies for those who have lost their jobs, and increases in food stamp benefits, among others. The impact of additional supports has meant that many families who have experienced job losses have been able to cover basic expenses such as paying the rent or mortgage while jobs remain scarce.

### **Recommendations for Next Steps in Job Creation**

**With states facing continued high unemployment, Congress must continue to support job creation and economic growth.** Emergency Unemployment Compensation and all ARRA-related unemployment assistance will expire during the last week of February unless Congress acts soon to extend these programs. If Congress does not extend these federal programs, close to 330,000 Texans will lose access to this important lifeline in June 2010.<sup>9</sup>

**With the economy recovering slowly, Congress must provide additional fiscal relief to states to protect jobs.** State tax collections are down and states face crippling budget shortfalls. ARRA helped balance the 2010-11 Texas state budget by providing increased federal funding for Medicaid and education. Now Texas could face a multi-billion dollar budget shortfall for 2012-2013. Without help from Congress, Texas faces deep budget cuts that will likely hit low- and moderate-income Texans the hardest. When a state cuts its budget, state agencies and local governments have to lay off workers, cut salaries and benefits, and scale back payments to private-sector providers and nonprofits. These businesses, in turn, would have to lay off workers and cut salaries and benefits. With these workers spending less money in the local economy, other businesses suffer as well and are less able to create or preserve jobs. Providing additional fiscal relief to the states is an important step Congress can take to protect and create jobs. To be effective, Congress must act quickly.

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<sup>1</sup> Executive Office of the President Council of Economic Advisers, "The Economic Impact of the American Recovery and Reinvestment Act of 2009, Second Quarterly Report," at [www.whitehouse.gov/assets/documents/CEA\\_ARRA\\_Report\\_Final.pdf](http://www.whitehouse.gov/assets/documents/CEA_ARRA_Report_Final.pdf), accessed January 13, 2010.

<sup>2</sup> *Ibid.*

<sup>3</sup> National Employment Law Project (NELP), "Reauthorizing the Recovery Act's Unemployment Safety Net is the First Priority to Aid Over One Million Workers a Month Who Will Lose Their Jobless Benefits, Create 800,000 Jobs and Promote Economic Recovery," February 2010.

<sup>4</sup> Executive Office of the President Council of Economic Advisers, "The Economic Impact of the American Recovery and Reinvestment Act of 2009, Second Quarterly Report," at [www.whitehouse.gov/assets/documents/CEA\\_ARRA\\_Report\\_Final.pdf](http://www.whitehouse.gov/assets/documents/CEA_ARRA_Report_Final.pdf), accessed January 13, 2010.

<sup>5</sup> Economic Analysis and Research Network (EARN), Job Watch, December 2009.

<sup>6</sup> NELP, February 2010.

<sup>7</sup> EARN, December 2009.

<sup>8</sup> Written Testimony of Mark Zandi, Chief Economist and Cofounder of Moody's Economy.com, "The Impact of the Recovery Act on Economic Growth," before the Joint Economic Committee, October, 29, 2009.

<sup>9</sup> NELP, February 2010.