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New ARRA Data Represents Only a Small Fraction of Initial Spending

Data being released today by the federal government provides valuable information on jobs created by the American Recovery and Reinvestment Act (ARRA), but it is based on only about one-sixth of the ARRA spending that had occurred through September 30, 2009. The new data does not account for the economic activity and jobs either created or preserved by tax cuts, by aid such as increased food stamps or extended unemployment insurance benefits, or by increased state aid for Medicaid.

“The Recovery Act reporting goes beyond anything the federal government has ever done in accounting for public spending and is a tremendous step forward for open government, but it captures just a sliver of the economic impact of the spending,” said Jon Peacock, research director of the Wisconsin Council on Children and Families.

What’s in: The data released today show jobs created or retained by recipients of ARRA grants and loans and jobs related to the education spending from the State Fiscal Stabilization Fund. Those categories of spending represent about 16 percent of the Recovery Act expenditures through September 30. Also, today’s numbers do not reflect the indirect impact of the spending, such as the jobs created by subcontractors or suppliers involved in the funded projects.

What’s left out: About 84 percent of ARRA spending through September 30 is not included in the job reporting requirements. That portion of the spending includes important parts of ARRA that have had a very positive economic impact by preserving or strengthening safety net programs and getting money into the pockets of low-income families and unemployed workers who quickly spend those dollars in the local economy. The following table provides examples of the amounts spent in Wisconsin from parts of ARRA that are not included in today’s numbers.

ARRA Spending in Wisconsin Not Included in the Oct. 30 Data

ARRA spending areas	Wisconsin Spending (through Sept. 30)
Extended unemployment benefits	\$274 million
Extra \$25 per week in unemployment benefits	\$163 million
Increased Food Stamps	\$59 million
Increased federal share of Medicaid spending	\$551 million

The areas of spending that aren’t reflected in today’s data include some of the most cost-effective strategies for reviving the economy. Economist Mark Zandi estimates that

every \$1 spent on unemployment insurance generates \$1.63 in economic activity and each \$1 spent on additional Food Stamps generates \$1.73 in activity.

The new data is expected to be posted on the federal government's ARRA spending website, <http://www.recovery.gov>, some time Friday. Although the new data looks at just a small portion of the Recovery Act spending, the Act requires the Council of Economic Advisors to make comprehensive quarterly estimates about the full impact of ARRA spending on jobs. The report they released in September (see <http://www.whitehouse.gov/administration/eop/cea/Economic-Impact/>) estimated that between 600,000 and 1.1 million jobs were created or retained in the third quarter of this year from the Recovery Act, including an estimated 22,100 jobs in Wisconsin.