



WISCONSIN COUNCIL ON

**children
& families**

Raising Voices to Make Every Kid Count

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**ECONOMIC RECOVERY ACT KEEPING ROUGHLY 86,000 WISCONSIN
RESIDENTS OUT OF POVERTY IN RECESSION
Act Has Boosted Economy, Saved and Created Jobs**

In addition to creating and saving jobs and giving the economy a much needed general shot in the arm, several provisions of the American Recovery and Reinvestment Act of 2009 (ARRA) passed in February are also helping keep about 86,000 Wisconsin residents out of poverty this year, according to a new study from the Center on Budget and Policy Priorities (CBPP), a think tank based in Washington, DC. The number of Wisconsinites the Recovery Act is keeping out of poverty is probably even higher, since the seven provisions covered in the study account for only about a quarter of the Act's total funding.

"The Recovery Act has been incredibly important for Wisconsin's vulnerable families," said Ken Taylor, executive director of the Wisconsin Council on Children and Families (WCCF).

"Thousands of people in the state are getting help making ends meet as they struggle to get through the worst recession in more than half a century."

Expanded Food Stamps, Tax Credits for Workers, Jobless Benefits among Key Provisions

The study examined the Recovery Act's increased food stamp benefits, expansions of the Child Tax Credit and Earned Income Tax Credit, the new Making Work Pay tax credit for workers, additional weeks of jobless benefits for the long-term unemployed, an additional \$25 per week of jobless benefits, and a one-time payment to many elderly people, veterans and people with disabilities.

"Congress agreed to extend the extra unemployment benefits through February, but more needs to be done," said Taylor. "Unemployment is likely to remain high for some time, so Congress must extend these benefits further. And continuing the Act's refundable tax credits next year would help sustain the boost the Act has provided to the economy and working families."

The provisions noted above kept at least 300,000 people out of poverty in each of five populous states — California, Texas, Florida, New York, and Illinois. The effect was dramatic even in much smaller states; for example, in Maine, the provisions kept at least 22,000 people out of poverty, the study estimates. There were insufficient data to examine 14 states.

Other Recovery Act elements, such as funding for health care and child care, are also probably reducing poverty, but researchers currently lack sufficient data to measure their effect.

Recovery Act Also Helping Economy and Jobs

Along with stemming the increase in poverty during the recession, the Recovery Act is also boosting the economy and preserving jobs, the study notes.

“People spend extra food stamps and unemployment benefits quickly and close to home,” said Jon Peacock, director of WCCF’s Wisconsin Budget Project. “This gives an immediate boost to local businesses across Wisconsin, and helps them avoid laying off workers.”

More than stimulus bills passed during previous recessions, the Recovery Act was designed to reach a wide range of low-, moderate-, and middle-income Americans, the report notes. Policymakers included extensive help for low-income families not only because they are at the highest risk of hardship during recessions, but also because they are the most likely to spend the money they receive quickly, pumping it into the economy and providing an instant boost.

CBPP has been able to estimate the amount of funding that has entered Wisconsin via five of the Recovery Act’s provisions through November 20, 2009. The table below shows that those five provisions alone have injected over \$1.6 billion into the state’s economy, creating jobs and helping lift families out of poverty.

Wisconsin’s ARRA Funding for Selected Direct Benefits, through November 20, 2009

| | Wisconsin | U.S. Total |
|--|-----------------------|------------------------|
| Making Work Pay Tax Credit | \$668 million | \$32.86 billion |
| Extended unemployment compensation | \$417 million | \$22.40 billion |
| Additional \$25 per week for unemployed workers | \$201 million | \$7.93 billion |
| Economic recovery payment for the elderly and people with disabilities | \$254 million | \$12.91 billion |
| Food Stamp benefits | \$78 million | \$5.53 billion |
| Total from Five Direct Assistance Provisions | \$1.62 billion | \$81.63 billion |

(Source: Unpublished estimates by the Center on Budget and Policy Priorities)

Study Uses Broader Definition of Poverty

To determine the poverty-fighting impact of the seven provisions, the researchers used a broad poverty measure recommended by the National Academy of Sciences and a wide array of other analysts rather than the government’s official measure of poverty. The official measure considers only a family’s cash income, the report explains, and would therefore miss many of the non-cash benefits provided by the Recovery Act, such as extra food stamps and tax credits.

The report, “State-Level Data Show Recovery Act Protecting Millions from Poverty,” is available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3035>.