News from the Fiscal Policy Institute

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New report from the Center on Budget and Policy Priorities:
http://www.cbpp.org/cms/index.cfm?fa=view&id=3035

Recovery Act Keeping Roughly 419,000 New Yorkers Out of Poverty

Estimates released today by the Center on Budget and Policy Priorities (CBPP) show that the federal recovery act has prevented hundreds of thousands of New Yorkers from living in poverty because of the Great Recession.

The projections by CBPP examine seven provisions of the American Recovery and Reinvestment Act (ARRA) that directly affect individuals: three tax credits for working families, two unemployment insurance expansions, an increase in food stamps, and a one-time payment for retirees, veterans, and people with disabilities. While the Recovery Act is creating jobs, helping close state and local budget gaps, and boosting the broader economy as intended, it is also softening the recession's impact on poverty by directly lifting family incomes.

According to the Fiscal Policy Institute (FPI), which released the CBPP analysis in New York, these seven provisions alone are preventing about 419,000 New Yorkers from living in poverty in 2009. These provisions are also reducing the severity of poverty for an additional 2.4 million New Yorkers.

The CBPP report found that nationally, these seven ARRA provisions are helping prevent more than 6 million Americans from falling below the poverty line and reducing the severity of poverty for 33 million others.

"The Recovery Act has had a substantial impact in moderating the recession's effects in many ways in New York State," noted James Parrott, FPI Deputy Director and Chief Economist. Parrott continued, "Recovery Act funds helped close nearly one third of the state's budget gap earlier this year, and the act has created and will create tens of thousands of jobs directly through such investments as transportation, public housing renovations, and weatherization. Now we

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know that the Recovery Act will prevent, according to conservative estimates, at least 419,000 New Yorkers from living in poverty this year."

The Recovery Act was designed to reach a wide spectrum of low-, moderate-, and middle-income Americans. Policymakers took care to include low-income families not only because they stand the greatest risk of hardship during downturns but also because of evidence that they are the most likely to spend quickly whatever money they receive, thereby pumping more money quickly back into the economy. The CBPP analysis looked at seven of the Act's provisions:

- A new Making Work Pay tax credit of up to $400 for workers ($800 for a couple) earning up to $95,000 (up to $190,000 for a couple),
- An expanded Child Tax Credit for lower-income working families with children,
- An expanded Earned Income Tax Credit, including increased tax-credit benefits for a working family with three or more children and for married families to lessen the marriage penalty the EITC can otherwise impose,
- Additional weeks of emergency unemployment compensation benefits (paid after a workers' 26 weeks of regular state unemployment benefits expire),
- An additional $25 per week for unemployed workers to supplement their unemployment benefits,
- A $250 one-time payment to elderly people, veterans, and people with disabilities who receive Social Security, SSI, or veterans' benefits,
- A 13.6 percent increase in food stamp benefits levels.

CBPP also estimates that five of the seven programs providing benefits directly to individuals and families have meant at least $5.3 billion in payments to New York families through mid- or late-November 2009. (This figure does not include benefits received by New Yorkers through the Child Tax Credit or the Earned Income Tax Credit.)

The poverty-related estimates are conservative in two important ways. First, they do not include the poverty impacts of the majority of the recovery act. This analysis deals with only seven of the act's many provisions, which cover about one fourth of the act's total spending. The remainder of the act bolsters employment and lowers poverty through a combination of direct job creation (for example, in infrastructure and weatherization) and shoring up spending in areas such as for medical services, K-12 education, higher education, and homeless services. Second, this analysis does not capture the full impact of the additional spending by individuals that these seven provisions make possible. Through multiplier effects, this spending, in turn, filters through the economy, helping shops and companies stay in business and avoid steeper layoffs.

The Fiscal Policy Institute (www.fiscalpolicy.org) is a nonpartisan research and education organization that focuses on tax, budget, and economic public policy issues that affect the quality of life and the economic well being of New York State residents.

The Center on Budget and Policy Priorities (www.cbpp.org) is one of the nation's premier policy organizations working at the federal and state levels on fiscal policy and public programs that affect low- and moderate-income families and individuals.

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