

# **The American Recovery and Reinvestment Act of 2009**

## **The Estimated Employment Impact on the State of Oregon**

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## **Overview**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted into law on February 17, 2009. With an expected cost of \$787 billion, the Recovery Act distributes funds through three channels: tax cuts and transfer payments, federal aid to states, and direct federal spending. While a significant share of total spending will occur in 2009, most of the Recovery Act will take effect in 2010 and 2011.

This impact estimate uses federal spending and analysis available through October 1, 2009. The IMPLAN software package<sup>1</sup>, using 2007 data for Oregon (the most current data available), is used to conduct the analysis.

## **Economic Impact of Oregon Recovery Act Funds on Employment**

The employment impact of Recovery Act money in Oregon will positively affect a wide spectrum of industries, including construction, manufacturing, retail and wholesale trade, and professional business services.

Highlights from the analysis include:

- During the 2009-11 biennium, the Recovery Act will support an average of 30,670 jobs each fiscal year. Over half of the estimated impact comes from tax cuts and transfer payments; these programs will take effect quickly. Federal aid to states account for one-third of the impact. Aid to states was front loaded to support deteriorating state budgets in 2009. The remainder of the impact is a result of direct federal spending.
- Recession related jobs losses in the state will offset the approximate 30,000 jobs supported by the Recovery Act in the 2009-11 biennium. The Office of Economic Analysis projects<sup>3</sup> that nonfarm employment growth will turn positive in the second quarter of 2010 but do not expect employment levels to return to pre-recession levels until the second quarter of 2013.
- The federal Recovery Act will support an average of 7,170 jobs each fiscal year for the 2011-13 biennium. Over half of the estimated impact comes from federal aid to states. While the overall level of federal aid to states declines significantly between the two biennial periods, federal aid to states becomes the most important source of employment support in the 2011-13 biennium. Direct federal spending will support one-third of the impact. The employment impact of this category remains essentially unchanged over the two periods. The remainder of the impact is a result of tax cuts and transfer payments. This spending category generates the biggest impact in the first three years of the Recovery Act and significantly tapers off in following years.

Spending Category	Average Number of Jobs Supported per Year	
	2009-11 Biennium	2011-13 Biennium
Tax Cuts & Transfer Payments	17,190	1,410
Federal Aid to States	11,280	3,680
Direct Federal Spending	2,200	2,080
Total	30,670	7,170

### **Caveats and Limitations**

Interpretation of this analysis should occur with an understanding of its caveats and limitations. Uncertainty remains in estimates specifying the distribution of Recovery Act spending over time, the allocation of national spending to Oregon, and details surrounding program implementation.

There are many ways to analyze the impact of the stimulus package on the Oregon economy. Different approaches will yield different results. This analysis uses the IMPLAN software package to estimate the effect of Recovery Act spending in Oregon. Other approaches may produce different results. The job estimates in this analysis may not be comparable to other studies.

The job estimates in this analysis include full-time equivalent, direct and indirect jobs only. The job estimates in the table below represent the expected job impact of the Recovery Act relative to the no stimulus baseline in each two-year period. The impacts are not cumulative. It is not meaningful to add the job impacts from different periods together since the IMPLAN model is static, not dynamic<sup>2</sup>. The job estimates in the table below represent both created and retained jobs; they are not solely job creation numbers.

An analysis of data sources and methods is contained in the Appendix.

## APPENDIX

### Assumptions and Methods

The following tables rely on data and methods from three sources. The Federal Funds Information for States (FFIS) provides detailed estimates of federal aid to Oregon. This information is current through August 2009. For spending data not available through FFIS, Oregon's pro rata share of funding is estimated using data and methods from the Congressional Budget Office (CBO)<sup>4</sup> and the Council of Economic Advisers (CEA)<sup>5</sup>. Oregon's share of the Recovery Act is equal to the state's share of 2008 total covered employment. The timing of Oregon Recovery Act related expenditures is based on national timing estimates provided by the CBO<sup>4</sup>.

### Major American Recovery and Reinvestment Act (Recovery Act) Funding Categories

Spending Category	US Total (billions)	Oregon (billions)*
Tax Cuts & Transfer Payments	\$408.8	\$5.9
Federal Aid to States	\$248.9	\$3.0
Direct Federal Spending	\$129.6	\$1.7
<b>Total</b>	<b>\$787.2</b>	<b>\$10.0</b>

\*Oregon's Recovery Act allocation is equal to Oregon's share of total employment in 2008 when data that is more detailed is not available.

### Tax Cuts & Transfer Payments

This category, the largest of the three, accounts for over half (52%) of the Recovery Act and includes a variety of government transfers, tax cuts, and credits to individuals. Individual tax cuts for middle- and lower-income people make up the largest provision in this category. The CBO<sup>4</sup> provided national totals for tax cut and transfer payment spending. However, this category does not specifically allocate provisions by state. Using the CEA<sup>5</sup> method, Oregon's share is equal to the state's share of total covered employment in 2008.

Major Provision (not a full list of funding)	Oregon (millions)
Make Work Pay Credit, AMT Relief, Renewable Energy Incentives	\$2,730.1
Renewable Energy Credits, Child Credits, Earned Income Tax Credit	\$877.4
Extension and Increase of Emergency Unemployment Benefits	\$499.2
Premium Assistance for COBRA Benefits	\$319.0
WIC, Supplemental Nutrition Assistance Program (SNAP)	\$254.4

### Federal Aid to States

This category captures roughly one-third (32%) of the Recovery Act and includes direct aid to state and local agencies. Health care and education are the largest provisions in this category. Provision spending totals are from data provided by the FFIS. FFIS tracks and reports on federal disbursements of Recovery Act funding to state and local municipalities.

Major Provision (not a full list of funding)	Oregon (millions)
Medicaid	\$1,204.0
Education Fiscal Stabilization	\$466.5
Highways & Bridges	\$333.9
Special Education	\$129.0
General Purpose Fiscal Stabilization	\$103.8

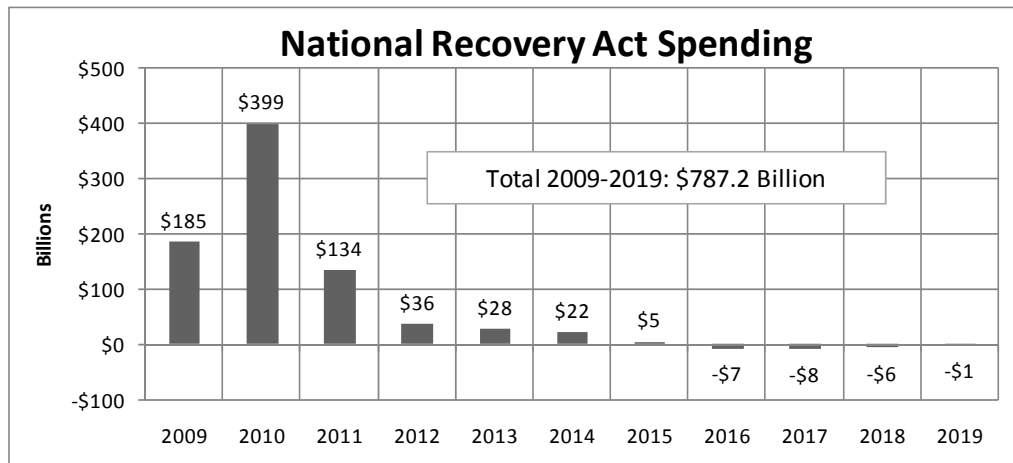
### Direct Federal Spending

This spending category is the smallest of the three, accounting for one-sixth (16%) of the Recovery Act, and includes funds allocated to federal agencies. The major provisions within this category include agencies with a focus on the environment, energy, and health care. The CBO<sup>4</sup> provides direct federal spending totals for the nation. However, within this category, there are no state allocations for specific provisions. As a result, estimates of Oregon’s share of direct federal spending are calculated using the pro rata, CEA<sup>5</sup> method.

Major Provision	Oregon (millions)
Environmental Cleanup, Smart Grid, Energy Efficiency, BPA Borrowing Authority	\$498.5
Health Information Technology Incentives	\$264.9
Children & Family Services, Public Health Services, Prevention & Wellness Fund	\$124.8
National Institutes of Health	\$124.0
General Government Buildings Fund	\$68.7

### Timing of Recovery Act Spending

The CBO<sup>4</sup> provides estimates, by major provision, of total Recovery Act spending over a ten-year period from 2009 to 2019. The graph below illustrates the magnitude of total Recovery Act spending by year. The majority of spending will occur within the next two to three years. The CBO<sup>4</sup> estimates that 91% of total spending will have occurred by the end of 2011. Some tax provisions will expire in 2016. Negative spending totals from 2016 to 2019 reflect a net increase in revenue that reduces total Recovery Act spending in these years by a small amount.



## SOURCES

1. Minnesota IMPLAN Group, Inc., IMPLAN System (2007/2004 data and software), 1725 Tower Drive west, Suite 140, Stillwater, MN 55082, [www.implan.com](http://www.implan.com), 1997.
2. Olson, Doug and Scott Lindall, Micro IMPLAN Users Guide Version 3, Minnesota IMPLAN Group, Inc., 1725 Tower Drive west, Suite 140, Stillwater, MN 55082, [www.implan.com](http://www.implan.com), May 2004.
3. Oregon Department of Administrative Services. Office of Economic Analysis. *Oregon Economic and Revenue Forecast*. Volume 19, No. 3. September 2009. <<http://www.oregon.gov/DAS/OEA/docs/economic/forecast0909.pdf>>
4. Congressional Budget Office. *Estimated Macroeconomic Impacts of the American Recovery and Reinvestment Act of 2009*, letter to the Honorable Charles E. Grassley, March 2, 2009. <[http://www.cbo.gov/ftpdocs/100xx/doc10008/03-02-Macro\\_Effects\\_of\\_ARRA.pdf](http://www.cbo.gov/ftpdocs/100xx/doc10008/03-02-Macro_Effects_of_ARRA.pdf)>
5. Executive Office of the President. Council of Economic Advisers. *Estimating Job Creation by State*. February 23, 2009. <<http://origins.recovery.gov/files/estmethods.pdf>>