



Special Report

DPC

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The Recovery Act at One Year: Creating Jobs and Boosting Our Economy

It is no coincidence that the Great Recession ended just as the stimulus began providing its maximum economic benefit. The stimulus is doing what it was supposed to do: short-circuit the recession and spur recovery.

-Dr. Mark Zandi, before the Senate Joint Economic Committee, [10/29/09](http://www.senate.gov/committees/committeesmain.asp?committee=102)

Today marks the one-year anniversary of the day that President Obama signed the landmark *American Recovery and Reinvestment Act* into law (**P.L. 111-5**). When President Obama took office last January, he inherited an economic crisis unlike any since the Great Depression. After the country suffered through eight years of failed Republican fiscal policies, there was a significant drop in economic growth, unemployment rates were increasing, and lax financial regulation led to the crash of the housing and financial markets.

The Democratic Congress worked with President Obama to ensure the passage of the *Recovery Act*, an extraordinary effort to rescue, rebuild, and strengthen our struggling economy. Already, with almost 40 percent of the dollars yet to be spent, the recovery package has provided for more than one million jobs and the rate of job loss has slowed significantly. Democrats understand, however, that for many American families, the economic recovery simply is not yet a part of their day-to-day reality. Building on the foundation laid by the investments in the *Recovery Act*, Democrats are committed to ensuring that more American families begin to feel the impact of the recovery through increased job opportunities, additional tax cuts, and increased confidence in the continuing growth of our economy.

As we look toward the future, Democrats believe that the *Recovery Act*, combined with the American work ethic and ingenuity, will continue to make a difference for American families and will deliver on its promise to rebuild our economy and get Americans back to work. Democrats will continue to serve as champions for the middle class and those who still believe in the possibilities inherent in the American dream.

Laying the Foundation for Economic Recovery and Growth

A year ago, the economy was in free fall. When President Obama took office in January 2009, GDP and wages were falling, while unemployment and foreclosures were rising. The economy had been shattered by the Republican policies of the Bush Administration and Americans were reeling from the effects of lax regulation and irresponsible spending.

According to the National Bureau of Economic Research, the recession began in December 2007 and payroll employment has declined every month since the end of 2007. [National Bureau of Economic Research, [12/11/08](#)] Fortunately, Democrats were able to lay a foundation for economic recovery and growth to combat the recession by passing the *Recovery Act* to invest in the long-term prosperity of America. Economist Nariman Behravesh believes that the *Recovery Act* “prevented things from getting much worse than they otherwise would have been.” [New York Times, [2/16/10](#)]

Today, our economy is growing. When President Obama took office, GDP was declining at a rate of 5.4 percent. According to economist Alan Blinder, by the second quarter of 2009, the *Recovery Act* had “already had a notable impact” adding about 2 ½ percentage points to the annualized GDP growth rate. [Washington Post, [8/11/09](#)] By the fourth quarter of 2009, GDP had increased at an astonishing rate of 5.7 percent. [Bureau of Economic Analysis, accessed [2/16/10](#)] This is the largest gain in GDP in six years.

The Council of Economic Advisors believes that the *Recovery Act* “added between 2 and 3 percentage points to real GDP growth in the second quarter of 2009; between 3 and 4 percentage points in the third quarter; and between 1 ½ and 3 percentage points in the fourth quarter” of 2009. [Council of Economic Advisors, [1/13/10](#)] Mark Zandi, the Chief economist at Moody’s economy.com has concluded that, without the *Recovery Act*, “GDP would still be negative.” [New York Times, [11/20/09](#)] The *Recovery Act* has spurred economic development, increased consumer spending, and is building confidence for businesses and American families.

The *Recovery Act* has created more than 2 million jobs. According to the Congressional Budget Office, the *Recovery Act* had already created as many as 2.4 million jobs by the end of 2009. [Office of the Vice President, [2/2010](#)] The Council of Economic Advisors has estimated that the *Recovery Act* has created about 2 million jobs. [Council of Economic Advisors, [1/13/10](#)] These estimates indicate that the *Recovery Act* has been a success in meeting the goal of spurring job creation and strengthening and stabilizing our fragile economy. Certain sectors have experienced important growth. In January, “manufacturers hired more workers for the first time in three years, expanded hours, and boosted pay, which may lift consumer spending and sustain growth.” [Bloomberg, [2/5/10](#)]

The *Recovery Act* has slowed job loss. Every month of President Bush’s last year in office was marked with job losses. In January 2009, when President Obama took office, more than 740,000 jobs were lost in that month alone. Since the implementation of the *Recovery Act*, monthly job loss has significantly slowed. In January 2010, just twelve months since President Obama assumed office, monthly job loss was down to approximately 20,000 and the unemployment rate fell to 9.7 percent, the first step in transforming monthly job losses into monthly job gains. [Bureau of Labor Statistics, [2/5/10](#)]

The Recovery Act: Benefits for Hard-working Americans and Their Communities

Family and Business Recovery

Boosting household resources for 95 percent of families. Stimulus payments of \$250 were sent out to more than 54 million seniors and up to 95 percent of working households saw their take-home pay increase because of the Making Work Pay tax credit. In addition,

unemployed individuals began collecting an extra \$25 a week in unemployment benefits and paying 65 percent less for COBRA health insurance, which translates into as much as hundreds of dollars in savings each month for a family of four. And, families qualifying for the Supplemental Nutrition Assistance Program (formerly known as food stamps) have seen their benefit amount increase by over 13 percent. For a household of four, that is an \$80 per month increase in the family budget for providing nutritious meals.

Providing tax cuts and incentives targeted at middle-and lower-income families for a direct boost to after-tax income. Tax cuts included expansions to the earned Income Tax Credit (EITC) that will help low- and middle-income married couples and families with children; expansions to the Child Tax Credit (CTC) that will enable lower-income families to take advantage of the credit; the American Opportunity Tax Credit, which expands tax credits for college education, and offers the credits to a wider range of families; and temporary tax cuts designed to boost the economy and help middle-class families, including a tax credit for first-time homebuyers and a deduction for car purchases.

Facilitating tax refunds for small businesses. For families that rely on their small business income to support themselves, the Internal Revenue Service announced that small businesses with deductions exceeding their income in 2008 can use a new net operating loss tax provision to get a refund of taxes paid in prior years. Now, thanks to the *Recovery Act*, eligible small businesses with large losses in 2008 have been able to benefit fully from those losses now, rather waiting until claiming them on future tax returns. [IRS, [3/16/2009](#)]

Awarding Advanced Energy Manufacturing Tax Credits. In January, President Obama announced the awarding of \$2.3 billion in Advanced Energy Manufacturing Tax Credits for 183 projects in 43 states. The \$2.3 billion for advanced energy manufacturing facilities will generate more than 17,000 jobs. This investment will be matched by as much as \$5.4 billion in private sector funding likely supporting up to 41,000 additional jobs. These *Recovery Act* tax credits were extremely popular as the program was oversubscribed by a ratio of more than 3 to 1.

Small Business Recovery

The Small Business Administration received \$730 million in the *Recovery Act* to help unlock the small business lending market and get capital flowing again to America's small businesses. Due to the success of these programs, the SBA received an additional \$125 million to continue some *Recovery Act* programs through February.

Supporting more than \$20 billion in *Recovery Act* loans to small businesses. As of February 12, 2010, SBA has supported more than \$20.6 billion in ARRA-funded small business lending with the approval of \$15.3 billion in loans since February 17. From February 17, 2009 to January 29, 2010, weekly SBA loan dollar volumes have risen 87 percent in the two largest lending programs, compared to the weekly average before passage.

More lenders making loans. From February 17, 2009 to February 12, 2010, more than 1,100 lenders who had not made a loan since at least 2007 have come back to SBA's programs. This means more than 1,100 new points of access for small businesses needing capital.

Supporting a diversity of businesses. A significant share of loans funded by the *Recovery Act* has gone to rural (24 percent), minority-owned (21 percent), women-owned (19 percent), and veteran-owned (8 percent) businesses.

Winning *Recovery Act* contracts. As of February 12, 2010, 29.2 percent of federal *Recovery Act* contract dollars, totaling \$6 billion, had gone to small businesses, which currently is above the small business set-aside target of 23 percent.

[Community Recovery](#)

Driving economic development in our communities. The Department of Commerce is putting \$150 million of *Recovery Act* funding to work today with funding for 68 projects in 37 states—and just as importantly, it will create a cycle of investment, innovation, and job creation for tomorrow. These funds are creating high-skill, high-wage jobs, and attracting private investment. In the first quarter of Fiscal Year 2010 alone, the Economic Development Agency has leveraged \$792 million in private investment—a return of more than nine to one.

Improving homes in urban America. The *Recovery Act* provided housing loans and capital funding to build or renovate homes in urban America to save, stabilize, and invest in some of our most critical housing situations across America. The Department of Housing and Urban Development has been aggressive in its goals for this program and has rehabbed or developed 143,422 units across three HUD programs, substantially higher than its original targets.

[Infrastructure Recovery](#)

Funding highway projects. According to the American Association of State Highway and Transportation Officials, the *Recovery Act* as of January 29, 2010, is responsible for the completion of 2,140 highway projects with 7,050 projects labeled as under contract or ready to proceed and 11,100 projects having won federal approval to proceed. The *Recovery Act* had also provided funding for the improvement, construction, or replacement of 1,125 bridges and 21,400 miles of pavement that were either improved, resurfaced, or widened. [AASHTO, [2/2010](#)]

Supporting transit projects. According to the American Association of State Highway and Transportation Officials, the *Recovery Act* as of February 4, 2010, had obligated \$7.23 billion of its funding to over 700 projects and another 220 project applications worth \$1.07 billion were under review. The *Recovery Act* had also provided funding for the purchase of 7,450 buses and 1,637 bus shelters. [AASHTO, [2/2010](#)]

Creating and sustaining jobs. According to the American Association of State Highway and Transportation Officials, the *Recovery Act* has created or sustained 280,000 direct, on project jobs. Additionally, the total employment (direct, in-direct, induced) from these transportation projects has reached almost 890,000 jobs. [AASHTO, [2/2010](#)]

Providing state and local governments much needed access to capital. The Build America Bond (BAB) Program has given state and local governments much needed access to capital by allowing them to issue taxable debt while receiving a payment from the Department of Treasury for 35 percent of the interest cost. The program has allowed issuers to attract new investors such as pension funds and foreign investors who typically do not buy tax-exempt

municipal debt. Because of the availability of BABs, local governments have been able to accelerate much needed projects such as school construction and water upgrades. From the program's inception on April 3, 2009 until January 31st, 2010, over \$70.8 billion of BABs have been issued by 47 states in 834 separate issues representing roughly 19.2 percent of municipal bond market issuances.

Energy, Innovation, and Science Recovery

Supporting renewable electricity generation—2009 to 2012. According to an analysis by the Energy Information Administration, the *Recovery Act* will result in a “significant expansion in the use of renewable fuels for electricity generation, particularly in the near-term.” In 2010, the EIA projects renewable electricity generation will reach more than 56,000 megawatts, approximately 69,000 in 2011 and more than 85,000 in 2012. This represents an increase of approximately 41,000 megawatts of renewable electricity or a 93 percent over the four year period. In comparison, if the *Recovery Act* had not been passed by Congress and signed into law by President Obama, then it would be much more difficult to move away from the dirty fuels of the past as renewable electricity generation would have increased by only 5,500 megawatts or just 12 percent over the four year period. [EIA, [4/2009](#)]

Lowering household utility bills. The analysis by the EIA shows that the *Recovery Act* will result in lower household energy bills and allow people to save money for a more prosperous future. Between 2009 and 2030, annual household utility expenditures are projected to be \$64 (real 2007 dollars) less than they would have been if the *Recovery Act* had not been enacted into law. The impact of the *Recovery Act* on household energy bills is also projected to be most pronounced between 2011 and 2013. In sum, the legislation is projected to provide a \$32 billion decrease in total non-renewable energy expenditures (residential, commercial, industrial, transportation). [EIA, [4/2009](#)]

Facilitating high speed rail. In January, President Obama announced that the awarding of \$8 billion included in the *Recovery Act* for high speed rail. The bulk of the awards were dedicated to new, large-scale high-speed rail programs that will develop a high-speed rail corridor between some of the nation's major cities. In total, 31 states and the District of Columbia will receive awards which will reduce traffic congestion, reduce transportation emissions, and create jobs for individuals that plan, construct, upgrade, and operate rail networks.

Building the infrastructure of the 21st Century. The Department of Commerce awarded six infrastructure grants (GA, ME, NY, SD, NC, MI) for a total of \$180.7 million that will result in increased access to broadband for more than 3,000 schools, libraries, hospitals and public safety entities. This represents nearly 4,400 miles of additional middle mile broadband fiber deployed to for unserved and underserved areas, including economically disadvantaged areas.

Military Facility Recovery

Improving the quality of life for our troops and their families. The vast majority - \$6.6 billion of the \$7.4 billion – of *Recovery Act* funding provided to the Department of Defense (DoD) has been dedicated to military construction and facilities improvement projects, reaching military installations in all 34 states and facilities across the country. In the first year of implementation, the DoD has started nearly 3,000 construction and improvement projects

at more than 350 military facilities nationwide, with nearly 1,000 projects completed. It has invested \$240 million in funds towards the construction of 22 child development centers; prioritized support programs for wounded warriors, including two warrior transition complexes; and helped to fund a temporary expansion of the Homeowner's Assistance Program (HAP) benefits for private home sale losses of both DoD military and civilian personnel.

The *Recovery Act* has also provided increased investments in the DoD's important energy research and efficiency programs so that the DoD can continue to lead the way in the national effort to achieve greater energy independence. In effect, this funding is working to increase the quality of life for our troops and their families at the same time that it is stimulating local economies across the country and helping to lay the foundation for long-term economic growth.

Veterans' Facilities and Services Recovery

Improving Veteran Medical Centers across 45 states. The Department of Veterans Affairs (VA) is investing \$1 billion in *Recovery Act* funding to make over 940 medical infrastructure improvements to enhance the safety, security, and energy efficiency of VA facilities nationwide. Projects at VA Medical Centers include renovations to inpatient and outpatient care units; the expansion and modernization of Traumatic Brain Injury, Rehabilitation, Intensive Care, and Vascular Surgery units; and the expansion and modernization of outpatient pharmacies.

Funding major renovation and modernization of State Veteran Homes. VA received \$150 million in *Recovery Act* funding to provide financial assistance to states to construct and acquire nursing home, domiciliary and adult day health care facilities for veterans. First year accomplishments included funding 29 projects in 18 states for the renovation of State Veteran Homes to create new and modern facilities to house our nation's veterans. These homes provide a total of nearly 7,000 beds for our nation's veterans.

Improving the appearance and condition of numerous VA national cemeteries. VA maintains the highest standards for the nation's cemeteries. *Recovery Act* funding directly supported this important VA commitment to preserve and memorialize our veterans' service to our nation. VA has spent \$18 million in *Recovery Act* funding to raise, realign, and clean approximately 326,000 head stones and markers, as well as to repair 48,000 sunken graves at VA national cemeteries.

Hiring and training of nearly 2,300 claims specialists to assist in processing of veteran disability claims. Through *Recovery Act* funding, VA created over 2,293 temporary claims processor jobs across the country enabling more than 900,000 claims to be processed since the act went into effect. These workers expedited development of veterans' disability claims, supported the increased workloads associated with the *Post-9/11 GI Bill*, and performed certain administrative activities so that other VA employees stayed focused on completing more complex claims.

State Fiscal Recovery

Assisting states in meeting Americans' health care needs. The *Recovery Act* provided every state with a temporary increase in its Federal Medical Assistance Percentage, the portion

of each Medicaid dollar that the federal government contributes. By increasing the FMAP, states are able to decrease their own funds dedicated to Medicaid during the recession, providing states with the fiscal support they need to meet the health care needs of low-income and vulnerable Americans. The Department of Health and Human Services reports that, as of January 29, 2010, states have drawn down more than \$44 billion in FMAP funding, and more the \$54 billion has been obligated to states.

Assisting the long-term unemployed. More than 6.3 million individuals have been out of work for more than six months. Worse, since the start of the recession in December 2007, the number of long-term unemployed (those jobless for 27 weeks or more) has risen by 5 million. [Bureau of Labor Statistics, [2/5/10](#)] The *Recovery Act* has provided over \$49 billion in benefits to millions of unemployed workers. These benefits directly help individuals struggling to provide for their families by replacing part of their wages. The Department of Labor has also provided \$2.8 billion to 32 states for Unemployment Insurance Modernization incentive payments. This has increased the share of unemployed individuals receiving benefits to the highest level in 30 years.

Filling state budget shortfalls in education. When applying for State Fiscal Stabilization Funds, states were required to indicate the portion of their Fiscal Year 2009 and 2010 education budget shortfall that the funding it sought would fill. This state-reported information shows that the *Recovery Act* filled nearly 100 percent of Fiscal Year 2009 education budget gaps and a significant portion of Fiscal Year 2010 shortfalls. States received a total of \$34 billion in State Fiscal Stabilization Funds.

[Education Recovery](#)

Since the *Recovery Act* was signed into law one year ago, the Department of Education has obligated more than \$37 billion in State Fiscal Stabilization Funds to provide states with the emergency relief necessary to address urgent education needs. An additional \$22.2 billion was allocated through formula programs to assist low-income and special needs students through Title I and IDEA. More than \$30 billion in *Recovery Act* funds will be awarded in the coming months.

Sustaining over 300,000 education jobs. According to data submitted by states and others who received *Recovery Act* funds, more than 300,000 education jobs, such as teachers, principals, librarians and counselors, were created or saved through *Recovery Act* funding.

Preventing and reducing tuition increases throughout the Nation. While States were not required to explain how they used funds for higher education, the Department of Education, using a July 2009 Government Accountability Office report and public statements from Governors and higher education officials, found that twenty-two states used State Fiscal Stabilization Funds to prevent or reduce tuition increases that otherwise would have been unavoidable in the current economic climate.

Advancing education reform. Through the \$4.5 billion Race to the Top (RTT) grant competition, the *Recovery Act* laid the groundwork for reforms to improve our children's education. The RTT grant program and all education funding available through the *Recovery Act* is focused on four priorities for education reform: 1) common academic standards and assessments; 2) teacher and leader effectiveness; 3) statewide data systems to inform

instruction; and 4) turning around low-performing schools. The Center on Education Policy recently conducted a survey in which 42 states participated and found that 30 states are focused on teacher effectiveness through retraining and professional development; 42 are maintaining yearly test scores of individual students as part of their State longitudinal data systems; 35 are creating assessments aligned with new academic standards; and 29 are improving educator recruitment, professional development and placement in low-performing schools. [Center on Education Policy, [12/2009](#)]

Strengthening the health care safety net, improving the health care system

In addition to obligating more than \$54 billion in federal funding for State Medicaid programs, which provides states with fiscal relief while maintaining health care benefits for Americans and expanding access to those who need it during this difficult economic time, the *Recovery Act* is also strengthening the broader health care safety net and supporting health care research and technology.

Providing access to care at Federally Qualified Health Centers. The *Recovery Act* provided funds to assist more than 1,100 health centers in 50 States and eight Territories in serving nearly 1.6 million new patients, including more than 920,000 uninsured patients. These Health Centers provide comprehensive, quality and affordable primary and preventive health care services for medically underserved individuals across the country.

Investing in research. As of February 1, 2010, the *Recovery Act* has allowed the National Institutes of Health to fund 13,680 research projects at universities and research institutions in all 50 states. This funding supports innovative projects in biomedical research and to accelerate critical breakthroughs through applied research on cutting-edge technologies.

Improving health care through better use of technology. Recently, the Departments of Health and Human Services and Labor announced nearly \$1 billion in grants to advance the adoption and meaningful use of health information technology and train workers for the health care jobs of the future. Meaningful use of electronic health records has the potential to improve the quality and efficiency of health care for all Americans. The *Recovery Act* also includes incentive payments for the adoption of health information technology by health care providers.