



BUILDING BETTER LIVES

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Economic Recovery Act Keeping Roughly 305,000 Illinoisans Out of Poverty

Act Has Boosted Economy, Saved and Created Jobs

Along with boosting the economy and saving and creating jobs, seven provisions of the American Recovery and Reinvestment Act of 2009 (ARRA) passed in February also are protecting approximately 300,000 Illinoisans from living in poverty this year, according to a new study from the Washington, DC-based Center on Budget and Policy Priorities. The Recovery Act as a whole is likely keeping many more Illinoisans out of poverty, since these seven provisions account for only about one-fourth of the act's total funding.

"The people of Illinois have suffered the effects of the worst recession in decades. Since January of 2008, more than 400,000 Illinois jobs have disappeared and the state's unemployment rate is at the highest mark in 26 years," said Kathy Ryg, President of [Voices for Illinois Children](http://www.voicesforillinoischildren.org). "The Recovery Act has helped struggling families by saving and creating jobs and reducing state cuts to vital public services like education and health care."

Act Includes Expanded Food Stamps, Tax Credits for Workers, Jobless Benefits

The study looked at the Recovery Act's increase in food stamp benefits, expansions of the Child Tax Credit and Earned Income Tax Credit, its new Making Work Pay tax credit for workers, two forms of help for unemployed workers (extra weeks of jobless benefits for the long-term unemployed and an additional \$25 per week of jobless benefits) and its one-time payment to many elderly people, veterans, and people with disabilities.

"To continue our efforts to aid families and help the economy recover, Congress and the Administration must work with states to create jobs and counter the recession," said Ryg. "Congress should extend key Recovery Act provisions such as its refundable tax credits and fiscal relief for states that help struggling Illinois children, families and communities weather the end of the recession and emerge in a stronger workforce."

Researchers lacked the data to examine other Recovery Act elements that are likely fighting poverty as well, such as funding for health care and child care.

In five populous states — California, Texas, Florida, New York and Illinois — the above seven provisions kept at least 300,000 people in each state out of poverty. Even in a smaller state like Maine, the provisions kept at least 22,000 people out of poverty, the study estimates. (There were insufficient data to examine 14 states.)

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.

More than stimulus bills passed in earlier 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 stand the greatest risk of hardship during recessions but also because they are the most likely to spend quickly whatever money they receive, thereby pumping it into the economy.

The analysis included only the initial effect of the ARRA provisions on lifting family income, not the indirect effect on poverty that they have by shoring up declining levels of consumer spending and private-sector employment.

Study Uses Broader Definition of Poverty

To determine the poverty-fighting impact of the seven provisions, the researchers used a broad poverty measure, which the National Academy of Sciences has recommended and a wide array of analysts favor, rather than the government's official measure of poverty. The official measure considers only a family's cash income, the report explains. Thus it would miss many of the Recovery Act provisions that provide non-cash benefits, such as extra food stamps or 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>.

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Voices for Illinois Children is a statewide, nonprofit, nonpartisan policy and advocacy organization that champions the full development of every child in Illinois to assure the future well-being of everyone in the state. We work with families, communities and policymakers on multiple issues to help children from birth to adulthood reach their fullest potential.

Voices for Illinois Children is member of the State Fiscal Analysis Initiative (SFAI) of the Center on Budget and Policy Priorities. SFAI partners share a commitment to rigorous policy analysis, responsible budget and tax policies and a particular focus on the needs of low- and moderate-income families. The organizations broaden the debate on budget and tax policy through public education and the encouragement of civic engagement on these issues.