

Reducing Poverty: Direct Assistance Provisions of the American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (ARRA) has played an important role in boosting the economy, generating and saving jobs, and helping states reduce budget cuts to save essential programs. But another important, yet often overlooked, effect of ARRA has been to help reduce poverty and keep struggling individuals and families afloat during these difficult economic times. In fact, ARRA includes a number of provisions that provide direct assistance to individuals and families to weather the hardships brought about by the recession. The [Center on Budget and Policy Priorities](#) (CBPP) estimates that these provisions have helped to lift 98,000 Massachusetts residents above the poverty line, while alleviating the severity of poverty for nearly all the state's residents currently in poverty.¹ Nationally, CBPP estimates that 6.2 million people were raised above the poverty line while poverty was alleviated for 32.7 million people.

This fact sheet examines spending in the Commonwealth on five of these key provisions: Unemployment Insurance \$25 increase, Unemployment Insurance 9-week extension, SNAP (Food Stamps) increase, \$250 one-time Economic Recovery Payments, and the Making Work Pay tax credit.² In sum, these provisions have benefited Massachusetts residents with over \$2.3 billion in assistance. These tax credits and forms of cash assistance are an essential safety net for individuals and families experiencing the loss of income. They not only provide immediate funds to cover families' daily expenses, but also help to keep money flowing through the economy. Measures that help low-income people are also among the most effective at boosting the economy – these are the individuals who are most likely to spend money quickly, causing ripple effects through the economy.³

Federal & State Spending on ARRA Direct Assistance Provisions

Spending as of 12.11.09, unless otherwise noted

Spent Nationally	Spent in MA
SNAP (Food Stamp) Increase	
\$6.7 billion	\$115.4 million
Unemployment Insurance Increase	
\$8.7 billion	\$233.7 million
Unemployment Insurance Extension	
\$25.4 billion	\$918.5 million
Economic Recovery Payments	
\$12.9 billion	\$289.3 million
"Making Work Pay" Tax Credit (as of Nov. 20)	
\$35.3 billion	\$780.6 million
TOTAL	
\$89 billion	\$2.3 billion

INCREASE & EXTENSION OF UNEMPLOYMENT BENEFITS

ARRA allocates funds both for increasing unemployment benefits by \$25 per week and for extending unemployment benefits for a longer period of time. \$233.7 million has been spent in Massachusetts on the

¹ Center on Budget and Policy Priorities. "State-Level Data Show Recovery Act Protecting Millions From Poverty." December 17, 2009.

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3035>.

² The estimates by the Center on Budget and Policy Priorities also take into account the expanded Earned Income Tax and Child Tax Credits. Reliable estimates at the state-level were not available for this fact sheet.

³ Center on Budget and Policy Priorities. "Relief for States and Struggling Families Provides Substantial Boost to Employment." November 20, 2009.

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3007>.

weekly increase, and \$918.5 million has been spent on extending unemployment insurance by nine weeks.⁴ Both of these provisions were set to expire at the end of 2009, however Congress recently voted to extend unemployment insurance further until the end of February 2010.

INCREASE IN SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM – SNAP (FOOD STAMPS)

ARRA allocates \$20 billion nationally for increasing SNAP benefits by 13.6 percent. \$115.4 million has been spent thus far in Massachusetts.⁵ SNAP provides essential aid to low-income individuals and families for meeting their nutritional needs, particularly when there is a loss of income. This increase in SNAP is estimated to phase out over the next five years.

ONE-TIME ECONOMIC RECOVERY PAYMENTS

ARRA designated \$14.2 billion for \$250 one-time Economic Recovery Payments for retirees and recipients of Social Security Insurance. An estimated 1.2 million people will benefit from these payments in Massachusetts, totaling \$289.3 million.⁶ These payments were distributed by the Social Security Administration by the end of May 2009.

“MAKING WORK PAY” TAX CREDIT

This is the largest of the tax reductions included in ARRA, which provides a credit of up to \$400 for individuals and \$800 for married taxpayers filing joint returns. This credit is in effect for tax years 2009 and 2010. It is estimated that Massachusetts taxpayers have already benefitted from this tax credit for a total of \$780.6 million.⁷

⁴ U.S. Department of Labor. December 11, 2009 Weekly Report.

http://www.recovery.gov/Transparency/agency/reporting/agency_reporting2.aspx?agency_code=16&dt=12/11/2009.

⁵ U.S. Department of Agriculture. December 11, 2009 Weekly Report.

http://www.recovery.gov/Transparency/agency/reporting/agency_reporting2.aspx?agency_code=12&dt=12/11/2009.

⁶ Figure obtained from the Social Security Administration.

⁷ Estimated using figures obtained from the Office of Tax Analysis. <http://www.recovery.gov/News/featured/Pages/TaxReliefOct2009.aspx>.