

February 9, 2009

Congress Should Agree on an Economic Recovery Bill That Creates the Most Jobs and Helps the Most People

The nation lost 600,000 jobs in January alone. The economic recovery plan that Congress sends to the President should do the most possible to save or create jobs. ***But the Senate bill would create up to 650,000 fewer jobs than the House legislation¹***, because it provides less direct aid to families, aid to states, and investments in future prosperity.

Many economists agree that providing income to low-income people, federal aid to states and localities, and investments in infrastructure produce or save the most jobs. The House bill provides more funding in these areas.

These measures have multiple benefits. In addition to saving jobs, they:

- alleviate hardships that threaten health, child development, and family stability;
- invest in education so this generation and the next can contribute to the nation's future growth in a way that will be broadly shared; and
- build renewable energy sources and other investments in sustainable prosperity.

Tax cuts received by upper-income people or corporations are far less effective.

According to economist Mark Zandi of Moody's Economy.Com, corporate tax breaks generate only 30 cents in economic activity for every dollar spent. Aid to low-income people or to states and the investments described above generate between approximately \$1.20 and \$1.80 for every dollar spent. The Senate bill added costly tax cut provisions such as reducing the "bite" of the Alternative Minimum Tax and a new homeowner credit that will primarily benefit people with upper-middle or higher incomes; tax analysts rate these as ineffective at spurring economic growth.

As House and Senate leaders work towards an agreement on the final economic recovery legislation, they should include items that have the multiple benefits outlined above. We urge House and Senate conferees to include these provisions:

- ***Provide as much direct aid as possible to low-income families, for example:***
 - ***Child Tax Credit, House version:*** The House phases in the Credit for low-earning families with children starting with their first dollar of earnings;

¹ Economic Policy Institute estimates that the Senate approach costs 650,000 jobs, http://www.epi.org/analysis_and_opinion/entry/stimulus_drifting_into_bad_ideas/; the Center for American Progress estimates the loss at between 430,000 and 538,000 jobs, http://www.americanprogress.org/issues/2009/02/senate_cuts.html

the Senate excludes families with less than \$8,100 in earnings. **Why it matters:** a family working full time at the minimum wage (\$14,500) with two children would receive a credit of \$900 under current law; under the House bill, they will receive the full \$2,000 credit (\$1,000 per child); under the Senate bill, they would get \$960. Low-income families receiving this kind of help will be able to purchase food, clothing for their children, make car repairs, and pay their bills. Those expenditures will help businesses in their communities, which in turn will be able to hire (or avoid lay-offs) and increase orders from their suppliers.

- **Low Income Home Energy Assistance Program (LIHEAP), House version:** The House provides \$1 billion; the Senate provides no increase.
 - **Health coverage for the uninsured, House version:** The House provides \$36.8 billion in a one-year subsidy of 65% of the cost of continuing in an unemployed person's group insurance plan (COBRA insurance), as well as a separate \$8.9 billion in Medicaid coverage for low-income jobless people who have lost their health coverage. The Senate provides a 50% COBRA subsidy (\$20 billion), and no Medicaid coverage for the lowest-income jobless people.
 - **Nutrition aid:** The *House bill* provides \$20 billion for the Supplemental Nutrition Assistance Program (SNAP; formerly food stamps); the Senate provides \$16.6 billion. In addition, the House makes \$726 million available for suppers for low-income children in afterschool programs, which is not provided in the Senate bill. The *Senate* adds \$500 million for Women, Infants and Children (WIC) nutrition, which is not included in the House bill. All these provisions deserve to be in the final bill.
- **Invest in education and other state/local services, for example:**
 - **State Fiscal Stabilization Fund, House version:** The House provides \$79 billion to prevent cuts in education and other services, plus \$15 billion in incentive grants to states for educational improvements. The Senate only provides \$39 billion in the Stabilization Fund plus \$7.5 billion for incentive grants. **The Senate's \$39 billion would mean up to 291,000 fewer jobs** than under the House plan.
 - **School renovation, House version:** \$16 billion funded by the House would create **100,000 to 150,000 jobs**. The Senate eliminates this funding and fails to create these jobs.
 - **Head Start/Early Head Start, House version:** The House provides \$2.1 billion in new funding for Head Start; the Senate provides \$1.05 billion. The House version will serve 110,000 additional children and create about 50,000 jobs. The Senate estimates its funding will instead serve 66,000 additional children.
 - **Invest in community needs, for example:**
 - **Social Services Block Grant, Senate version:** The Senate provides \$400 million to help states and nonprofits provide services to low-income families hit hard by the recession. The House does not add SSBG funds.

- **Low-Income housing, House version:** Overall, the Senate bill provides \$4.7 billion less for federal low-income housing programs than the House bill. The House includes \$4.2 billion for the Neighborhood Stabilization Program, for purchase and rehabilitation of foreclosed properties by local and state governments; the Senate did not provide any additional funding for this program. Similarly, the House provides \$1.5 billion for the HOME program, to rehab and construct low-income housing; the Senate provides \$225 million.
- **Community Services Block Grant, House version:** The House provides \$1 billion to provide home energy, emergency food, child care, and much other assistance, estimated to serve additional 11 million low-income individuals. The Senate provides \$200 million.
- **Community Development Block Grant, House version:** \$1 billion to support community agencies, infrastructure funds for local governments, prevent foreclosures, etc. Not funded in Senate bill.
- **Neighborhood Stabilization Program, House version:** \$4.19 billion for local governments and states to purchase and rehab foreclosed properties. The Senate bill includes \$2.25 billion for this purpose.

These are not the only differences in the bills, but they illustrate opportunities to target funds to provide the most effective boost to the economy while at the same time protecting people from the severe hardships the recession is inflicting. The Obama proposals to invest in renewable energy and health information technology are other examples of initiatives that will create jobs while increasing our future productivity. The Senate bill as amended reduces the funding for these programs, and jobs will be lost as a result.

Congressional negotiators should include items from the House or Senate bills that do the most to create or save jobs, protect people, and invest in our future. They should do it quickly – the situation is growing more urgent.