

Did A Handful of States Mistakenly Depress the National ARRA Job Total?

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It was expected that the job numbers in the latest round of Recovery Act recipient reporting that just [came out](#) would diverge from those of the previous quarter. That's because the Office of Management and Budget changed the job-counting procedure that contract and grant recipients were supposed to follow.

What's puzzling, however, is that the job totals for different states are veering in different directions. My colleagues Thomas Cafcas and Leigh McIlvaine and I looked at the numbers and found that some states have reported substantial increases in ARRA-funded employment while others have posted significant declines. Idaho and Alabama nearly doubled their job tally; New Hampshire, Washington and Illinois were down more than 50 percent. Texas and Alabama added nearly 9,000 jobs each to their number; California dropped by nearly 40,000.

Here are the biggest changes in absolute numbers, with percentage changes displayed as well:

Decreases

California: down 39,170 (-36%)

Washington: down 20,104 (-58%)

Illinois: down 13,074 (-53%)

Arizona: down 5,472 (-45%)

Increases

Alabama: up 8,987 (+184%)

Texas: up 8,888 (+45%)

Ohio: 7,610 (+45%)

Kentucky: 6,475 (+154%)

To try to make sense of these contradictory trends, we examined the grants and contracts in each of the states that contributed the most to the job totals.

In all eight states above, the change is almost entirely attributable to downward or upward movement in the job numbers associated with one type of grant: the State Fiscal Stabilization Fund (SFSF). The \$54 billion SFSF -- one of the largest components of the Recovery Act -- is designed to shore up state budgets by providing additional federal funds, primarily for education but also for other kinds of public services.

In California, the employment impact of the SFSF was said to have dropped from 71,619 jobs in the previous reporting period to 38,924 in the last quarter of 2009. The difference of 32,695 represents more than 80 percent of the overall decline in the state's job numbers.

In Washington the SFSF drop was 20,498, which is more than the total state job decline (there were increases in other categories). In Illinois and Arizona the SFSF declines were also larger than the state total.

At the same time, higher SFSF job numbers account for nearly all of the *increases* in the state ARRA job totals in Alabama, Ohio and Kentucky. In Texas the SFSF job number went up by more than 12,000 but it was offset somewhat by declines in other categories.

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So what is one to make of these disparate SFSF impacts?

In the case of California, a majority of the SFSF drop comes from the non-education portion of the fund. It appears that the state used a \$1 billion grant to pay the salaries of correctional officers but after that money ran out it turned to other non-ARRA sources to pay the officers. The 18,229 correctional jobs that were previously listed as being saved by ARRA were then zeroed out.

California also reported that the education portion of the SFSF accounted for about 14,000 fewer jobs in the October-December quarter than during the previous reporting period. There were also declines in ARRA-funded education jobs amounting to about 20,500 in Washington, 8,700 in Illinois, and 5,500 in Arizona.

At the same time, there were increases of about 12,300 education jobs in Texas, 4,400 in Kentucky, 4,150 in Alabama, and 3,900 in Ohio.

The increases appear to reflect the fact that the states involved had not yet put the federal money to work in the previous quarter (or had only just begun), so there were few or no jobs to report. That makes sense, but why should some states be reporting substantial declines in ARRA-funded education jobs?

Those states are out of line with the rest of the country. If we exclude the four states with the big declines, the rest of the country saw an *increase* of 33,819 jobs associated with SFSF education funds.

In the case of California, the reason may have been that the data in the first reporting period were overestimated and were adjusted downward for the last quarter. The need for a revision was [widely discussed](#) in recent months and was alluded to in a [press release](#) issued by the state's Recovery Task Force on Saturday.

We have seen no public indication that a deliberate downward revision was responsible for the other big job drops in Washington, Illinois and Arizona. Officials in those states should clarify the reasons for the declines, so we can be sure they do not stem from a misunderstanding of the new job-counting procedures.

If there are not good reasons for those decreases, then the national ARRA job numbers are actually a bit higher than the 599,000 prominently featured on Recovery.gov.

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