

Las Vegas Sun

Not a cure-all, but stimulus money helped Nevada

By [Michael Mishak](#) ([contact](#))

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The federal stimulus may not have created many jobs in Nevada, but it did keep tens of thousands of people from sliding into poverty, according to a new study.

The left-leaning [Center on Budget and Policy Priorities](#) estimates that provisions in the [American Recovery and Reinvestment Act](#), including tax credits and extended unemployment benefits, kept 58,000 Nevadans from falling below the poverty line this year.

The Washington think tank said the stimulus softened the economic blow for 6 million people nationwide.

Center analysts labeled the estimates conservative because the report examines seven provisions that cover just one-fourth of the bill's \$787 billion.

Nevada economists said the study provides a clarifying moment in the economic debate as both political parties gear up for next year's midterm elections.

Republicans have billed the federal stimulus package as a boondoggle, attacking Democrats for failing to create jobs in the face of continued unemployment.

Democrats and their allies, including the [Progressive Leadership Alliance of Nevada](#), herald the legislation as crucial in a state with a strained social safety net.

(According to the state, Nevada has received more than \$2.1 billion in federal money and created or preserved nearly 4,500 jobs.)

Experts say Democrats and the Obama administration oversold the jobs component of the stimulus but maintain the legislation provided crucial assistance to lower-income families. Moreover, states relied on federal stimulus dollars to cope with falling revenue and mounting deficits, which otherwise could have led to cuts in social services or government-employee layoffs.

"The whole thing that was called stimulus really wasn't stimulus," said Bill Robinson, a UNLV economist. "That said, (the package) is incredibly important, maybe more important here. We got hit harder than just about anywhere else. All those things that help people keep their houses and keep their kids fed are important. As bad as things are, you'd hate to think where we'd be if we didn't receive this money."

The center's report focused on seven stimulus provisions:

- Extended unemployment benefits
- Expanded food stamp benefits

- A new “Making Work Pay” tax credit of up to \$400 for workers (\$800 for couples) earning up to \$95,000 (\$190,000 for couples)
- Expanded Child Tax Credit for lower-income families
- Expanded the Earned Income Tax Credit
- An additional \$25 per week for unemployed workers to supplement unemployment benefits
- A \$250 one-time payment to the elderly and disabled who receive Social Security or veterans’ benefits

UNR economist Elliot Parker said the package appropriately targeted those on the lower end of the economic scale because “they are more likely to lose their jobs, more likely to have lost their house, and least likely to have enough savings to tide them over.”

The center notes a stimulus effect, saying lower-income people are more likely to spend money quickly, thus pumping money back into the economy.

Chris Edwards, director of tax and budget policy at the right-leaning [Cato Institute](#), criticized the claimed stimulus benefits.

“Of course, the beneficiaries of any government subsidy are better off because of the subsidy,” he said. “But the government ultimately has to get that money from somewhere else, and those people are taxpayers now or taxpayers in the future. It’s a zero-sum game.”

Edwards, an economist, said certain measures, such as extending unemployment assistance, have negative effects on the economy because the unemployed “become less willing to go out and find a job.”

Jobs, however, are hard to come by. According to the [Bureau of Labor Statistics](#), roughly six people are competing for every job opening.

States — and Nevada in particular — would have faced much tougher budget decisions without the infusion of federal dollars, Parker said.

“It’s as if the states kept on digging a hole while the feds were trying to put the dirt back in,” he said.

During this year’s legislative session, state lawmakers leaned heavily on the stimulus, along with budget cuts and tax increases, to balance its budget. The state budget office projects Nevada will get \$1.1 billion more in federal funding for the current budget than it did in the previous budget cycle — money that is being used to help pay Medicaid benefits, education funding and general government.

This month, a joint report from the [National Association of State Budget Officers](#) and the [National Governors Association](#) said states have cut \$55.6 billion from budgets in the current fiscal year — but still face deficits totaling \$14.8 billion.

Overall, general-fund spending is expected to decline 5.4 percent, the sharpest drop since the groups began collecting data in 1979. At the same time, states have enacted tax and fee increases expected to raise \$23.9 billion, the largest recorded hike.

Nationally, states filled between 30 percent and 40 percent of their budget gaps with federal stimulus money.

In Nevada, the federal money that was included in the stimulus also increases the size of the projected deficit in 2011, when the Legislature next meets. Without the federal money and with tax increases

passed last session set to expire, the state is facing a hole projected at \$2.5 billion. Gov. Jim Gibbons has called on state agencies to prepare for as much as 10 percent in additional cuts.

“This is a Great Depression in Nevada. There is no other way to put it,” Robinson said. “We started gaming as a way to cushion the last Great Depression. There is nothing to put in now. We live with what we’ve got.”

Sun reporter David McGrath Schwartz contributed to this story.

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