

**Initial Assessment of the Impact on the Illinois  
Economy of:  
2009 Federal Stimulus Package and  
Illinois House Bill 210**

Analysis prepared by the  
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## Summary Evaluation

The impacts estimated here are the gross impacts on the state of Illinois of the Federal Stimulus Package and Illinois House Bill 210.

- Only the parts of the **Federal Stimulus Package** that would generate new jobs – rather than retaining existing jobs – were considered. The \$2.5 billion designated for Illinois would generate 33,000 jobs directly and, through the ripple effect, 65,700 jobs in total.
- **Illinois House Bill 210** includes expenditures of \$7.6 billion, about \$1 billion of which would be “pass through” funds from the Federal Stimulus Package. About 74,100 jobs would be generated directly and 182,500 jobs in total.
- Since these expenditures would be made over two to three years, the annual job creation would be around 22,000 for the Federal Stimulus impact and 61,000 from Illinois House Bill 210. If the “double-counting” generated by the pass-through of Federal funds in the Illinois House Bill was removed, the impact would be reduced by about 12%. Hence, the estimated **annual impact** for each of the anticipated three years of expenditures would be:
  - Federal Stimulus Packages    21,000 jobs
  - Illinois House Bill 210        53,000 jobs
  - **Total Impact**                    **74,000 jobs**

The impacts do not take into account the “opportunity cost” of similar levels of funding being allocated to a different portfolio of investments or with a more dramatic option of cutting federal or state spending and making the same level of funds available in the form of tax cuts.

To put these impacts in perspective, at the present time, employment in Illinois is more than 230,000 fewer jobs than recorded in November 2000. In the period 2000-2008, Illinois has had only one year in which net employment growth was greater than 60,000. Hence, if the jobs associated with these programs materialize, the impact on the state’s economy will be profound. Obviously, the expectation is that the joint impact of the federal and state stimuli will generate a further response in the form of additional private-sector investment and job creation in hopes that the recovery will be sustained beyond the 2 or 3 years of the public sector investments. Note also that many of these jobs may be held by the same person for each of the three years.

## **1. Introduction**

This brief report provides some preliminary assessment of the impact of the 2009 Federal Stimulus Package and House Bill 210 on the Illinois economy. Several provisions of both pieces of legislation make it difficult to assign allocations to particular categories and sectors in the Illinois economy. Further, parts of the Federal program will replace or shore up existing programs and thus will prevent further job erosion rather than create additional jobs. The Obama administration has been careful to point out that the jobs associated with this program are for those retained as well as those that will be new. In this report, attention is focused only on the new job creation.

House Bill 210 also includes some expenditures that are generated from the Federal Stimulus Package; these have been retained in the analysis that has been undertaken to provide consistency with the earmarks in the Bill. Hence, some of the jobs associated with the Federal program will also be included in the state program and thus the two totals should not be summed to obtain a grand total.

The impacts were obtained by entering the major categories of expenditures into the Illinois Regional Econometric Input-Output Model that has been developed and maintained by the Regional Economics Applications Laboratory for over 15 years.

For both programs, the impacts were estimated as though all expenditures were made in one year; this is not likely to happen. In all probability, the expenditures will be spread out over two or three years.

The next section describes the results of the Federal Stimulus Package on the Illinois economy while the third section focuses on the impacts of Bill 210.

## 2. Federal Stimulus Impact on Illinois

The accompanying tables record the impact of Federal Stimulus funds that have been proposed for expenditure in Illinois and that represent initiatives that would expand economic activity rather than replace programs that might have been scheduled for reduction or even elimination. The direct allocations and their assignment to major sectors of the economy are shown in Table 1.

**Table 1:** Allocations by Major Sector

<b>Program</b>	<b>Allocation</b>
Highways	\$945,433,000
Transit	\$430,055,000
Weatherization	\$145,200,000
School construction	\$806,450,000
Public housing	\$222,617,000
<b>Total</b>	<b>\$2,549,755,000</b>

**Table 2:** Economic Impact of Part of the House 2009 Stimulus Bill on Illinois that Represents New Activity

<b>Output (million \$)</b>		<b>Income (million \$)</b>		<b>Employment (thousand jobs)</b>	
Resources	53.77	Resources	22.32	Resources	1.04
Construction	1,873.86	Construction	761.85	Construction	15.97
Non-durables	949.60	Non-durables	139.32	Non-durables	2.14
Durables	1,127.94	Durables	229.62	Durables	3.61
TCU	815.39	TCU	365.65	TCU	13.81
Trade	556.28	Trade	185.78	Trade	4.93
FIRE	723.75	FIRE	189.89	FIRE	3.87
Services	1,938.47	Services	739.89	Services	19.62
Government	65.14	Government	37.48	Government	0.72
<b>Total</b>	<b>8,104.19</b>	<b>Total</b>	<b>2,671.80</b>	<b>Total</b>	<b>65.70</b>
Direct	2,549.75	Direct	1,149.94	Direct	33.03
Indirect	5,554.43	Indirect	1,521.86	Indirect	32.67
(Multiplier)	(3.18)	(Multiplier)	(2.32)	(Multiplier)	(1.99)

## **Impact Highlights**

- About 40% of the jobs would be found in the construction and transportation sectors; the initial impacts would generate about 33,000 jobs and through the multiplier or ripple effect a total of almost 67,000 would be created.
- Associated with these jobs would be wage and salary income of \$2.6 billion and total production in the state would be stimulated by \$8.1 billion.
- Recall again that these impacts are only for those programs judged to be providing new activities within the state; the Obama administration has released estimates that in excess of 145,000 jobs would be retained or created by the total stimulus expenditures in Illinois. In an era of declining job numbers, job retention is clearly an important component of the recovery strategy; however, to provide comparison with the state initiative, only “new” activity creation was considered.

### 3. Impact of the State Capital Program

Table 3 shows the direct allocation of the proposed expenditure categories in Illinois House Bill 210. Some of these allocations include Federal contributions that were part of the stimulus package described in Section 2. However, for completeness, they were retained to provide an overall assessment of the state program.

**Table 3:** House Bill 210 Direct Allocations by Sector

<b>Category</b>	<b>Amount</b>
Transportation	\$4.145 billion
Health care and	\$0.160 billion
Economic	\$1.060 billion
Hospital	\$1.765 billion
Education	\$0.477 billion
<b>Total</b>	<b>\$7.607 billion</b>

**Table 4:** Impacts of the House Bill on the Illinois Economy

<b>Output (million \$)</b>		<b>Income (million \$)</b>		<b>Employment (thousand jobs)</b>	
Resources	159.96	Resources	65.78	Resources	3.07
Construction	5,627.52	Construction	2,287.98	Construction	47.95
Non-durables	2,922.83	Non-durables	432.77	Non-durables	6.59
Durables	3,572.80	Durables	720.45	Durables	11.23
TCU	1,150.61	TCU	297.41	TCU	4.76
Trade	1,666.84	Trade	555.33	Trade	14.61
FIRE	2,082.74	FIRE	540.89	FIRE	11.14
Services	7,005.86	Services	3,217.84	Services	81.06
Government	186.27	Government	108.68	Government	2.07
<b>Total</b>	<b>24,375.41</b>	<b>Total</b>	<b>8,227.12</b>	<b>Total</b>	<b>182.48</b>
Direct	7,607.00	Direct	3,326.73	Direct	74.14
Indirect	16,768.41	Indirect	4,900.39	Indirect	108.34
(Multiplier)	(3.20)	(Multiplier)	(2.47)	(Multiplier)	(2.46)

## **Impact Highlights**

- The primary beneficiary of the spending program will be the services sector (that includes social services, hospitals and associated health-related programs); over 40% of the jobs will be generated in this sector.
- The other primary beneficiary will be the construction sector. Together, these two sectors account for 127,000 of the 182,000 jobs estimated to be generated by this Bill.
- The total number of jobs created would be associated with wage and salary income in excess of \$8.2 billion and total production of \$24.3 billion. Given the greater focus of the state's programs on a variety of health service delivery options, a greater share of the jobs will be found in the services section than is the case for the Federal impact.