

Minority Report

The American Recovery and Reinvestment Act of 2009

Committee on Transportation and Infrastructure

Recovery Act: 120-Day Progress
Report for Transportation Programs

June 25, 2009

\$64.1 BILLION FOR TRANSPORTATION AND INFRASTRUCTURE INVESTMENT

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) (the “Recovery Act”) appropriated \$64.1 billion for infrastructure investment to enhance the safety, security, and efficiency of our highway, transit, rail, aviation, environmental, flood control, inland waterways, public buildings, and maritime transportation infrastructure. As of June 25, 2009, the Obama Administration has not reported a specific number of jobs created or saved from transportation and infrastructure programs listed below. Further, the Administration has not distinguished between jobs “saved” and jobs “created.” At this time, Department of Transportation (“DOT”) is working with the White House Council of Economic Advisors in developing a jobs counting and reporting methodology that is understandable and implementable.

TRANSPORTATION

The Recovery Act provided a total of \$48.1 billion to be administered by DOT. As of May 29th, the DOT has announced \$47.5 billion in funding and obligated more than \$15.7 billion. The DOT has reported it has outlaid \$369 million, as of their June 23, 2009, weekly report.¹

Highways and Bridges:

The Federal Highway Administration (FHWA) received \$27.5 billion from the Recovery Act. This amount included funds for: Federal-aid Highway formula (\$26.8 billion), Indian Reservation Roads (\$310 million), National Park Roads (\$170 million), Forest Roads (\$60 million), Refuge Roads (\$10 million), Ferry Boats and Ferry Terminal facilities (\$60 million), On-the-Job Training (\$20 million), and Disadvantaged Business Enterprise bonding assistance (\$20 million). FHWA complied with the Recovery Act and apportioned the funds to the States within 21 day.

As of June 5, 2009, FHWA has authorized 4,101 projects in all 50 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Island for a total of \$13.6 billion. This represents 51% of total funds available.

According to DOT, as of June 23, 2009, the total amount outlaid to the States is: \$191,556,882.

Transit:

The Federal Transit Administration (FTA) received \$8.4 billion to fund transit programs, including funds for Transit Urban and Rural formula (\$6.8 billion), Transit Greenhouse Gas and Energy Reduction program (\$100 million), Fixed Guideway Modernization formula (\$750 million), and New Starts grants (\$750 million).

¹ http://www.dot.gov/recovery/2009/06/23/weekly/DOT_Weekly_06232009.xls.

FTA appointed to the States the Transit Capital Assistance formula funds and Fixed Guideway Infrastructure Investment funds within the statutory mandated timeframe of 21 days. As of June 5, 2009, FTA is ready to obligate 98 grants pending final OST clearance with a value of \$1.1 billion. FTA has awarded 39 grants for a total obligation to date of \$530 million in Recovery Act funds. As of June 5, 2009, FTA received \$36.7 million in “flexed fund” transfers from FHWA. These funds were received from FHWA as States and local authorities have chosen to transfer their federal Recovery Act highway funds to FTA for transit projects in their respective locale. To date, three states (\$16.1 million) and five metropolitan areas (\$20.6 million) have opted to take advantage of the “flexible funding” provisions.

According to DOT, as of June 23, the total amount outlaid to transit agencies is: \$148,089,963.

Rail:

The Federal Railroad Administration received \$9.3 billion in Recovery Act funds. This money includes High-speed Rail and Intercity Passenger Rail grants (\$8 billion), Amtrak Capital grants (\$850 million), and Amtrak Safety and Security grants (\$450 million).

All rail guidance was issued by the statutory deadline of June 17, 2009. On June 4, 2009, FRA approved nine Amtrak Recovery Act projects totaling \$78.2 million. FRA has no approved approximately \$1 billion worth of Amtrak projects in total.

According to DOT, as of June 23, the total amount outlaid is: \$23,132,060.

Surface Transportation:

The Office of the Secretary of Transportation (OST) received \$1.5 billion in Discretionary Grants for Capital Investments in Surface Transportation Infrastructure. DOT published the grant criteria within 90 days of enactment and grant recipients had to be State or local government or transit agencies.

On June 17, 2009, OST published supplemental Federal Register notice revisiting certain provision of the Discretionary Grant project in response to public comments. OST plans to use these grants for multi-modal and port projects.

Aviation:

The Federal Aviation Administration (FAA) received \$1.3 billion in Recovery Act funds, including Airport Improvement Program (\$1.1 billion) and Federal Aviation Administration Facilities and Equipment (\$200 million).

As of June 5, 2009, all FAA funds have been apportioned and FAA has announced all but \$5 million of the \$1.1 billion Recovery Act funding for airport grant projects. These allocations represent approximately 323 projects, of which three (totaling \$4.1 million) are awaiting DOT processing to Congress.

According to DOT, as of June 23, the total amount outlaid is: \$6,773,464.

INFRASTRUCTURE

During the June 25th hearing, the Committee will not hear testimony about the non-transportation Recovery Act progress. Below is a brief update on their progress:

EPA:

The EPA received \$5.26 billion from the Recovery Act to fund the following programs: Clean Water State Revolving Fund loans and grants (\$4 billion), Superfund cleanups (\$600 million), Brownfield's grants (\$100 million), Watershed and Flood Prevention Operations (\$290 million), Watershed Rehabilitation Program (\$50 million), and International Boundary and Water Commission (\$220 million). Of the \$4.4 billion that has been made available, \$11.5 million has been paid out to EPA grantees.

U.S. Army Corps of Engineers:

The U.S. Army Corps of Engineers was appropriated \$4.6 billion for the following programs: Construction (\$2 billion), Operation and Maintenance (\$2.075 billion), Mississippi Rivers and Tributaries (\$375 million), Formerly Utilized Sites Remedial Action Program (\$100 million), Investigations (\$25 million), and Regulatory Program (\$25 million). Of this amount, \$17 million has been paid out.

Federal Buildings (General Services Administration or GSA):

Of the \$5.575 billion GSA was appropriated, to be used for High-Performance Green Federal buildings (\$4.5 billion), repair, alteration, and construction of Federal buildings and courthouses (\$750 million) and border stations and land ports of entry (\$300 million), and Smithsonian Institution (\$25 million), \$537 million has been made available and \$2.7 million has been paid out.

Economic Development Administration (EDA):

Of the \$150 million appropriated to the EDA, for programs including Economic Adjustment grants (\$50 million) and Regional Economic Development Commissions (up to \$50 million), \$12.5 million has been obligated to grantees.

Federal Emergency Management Administration (FEMA):

Of the \$210 million appropriated to FEMA, including programs for Firefighter Assistance grants to construct non-Federal fire stations, \$2.7 million has been paid out to FEMA grantees.

Coast Guard:

The Coast Guard was appropriated \$240 million in the Recovery Act for Bridge Alterations (\$142 million) and construction of shore facilities and aid-to-navigation facilities and repair of vessels (\$98 million). Thus far, \$7.4 million has been obligated.

Maritime Administration (MARAD):

MARAD was appropriated \$100 million in the Recovery Act and must obligate the money within 180. As of today, MARAD is reviewing 454 applications and hopes to complete this review by mid-July.

Job Creation and the Economy

According to the Majority staff of the Committee on Transportation and Infrastructure, the \$64.1 billion of Federal infrastructure investment will create or sustain more than 1.8 million jobs and \$323 billion of economic activity. Each \$1 billion of Federal funds invested in infrastructure creates or sustain approximately 34,779 jobs and \$6.2 billion in economic activity.² As of the Majority's June 15, 2009, Report, only about 21,000 direct jobs were created or saved.³

As of June 25, 2009, the Obama Administration has not reported a specific number of jobs created or saved from transportation and infrastructure programs listed below. Further, the Administration has not distinguished between jobs "saved" and jobs "created." At this time, Department of Transportation ("DOT") is working with the White House Council of Economic Advisors in developing a jobs counting and reporting methodology that is understandable and implementable. The current formula used to predict job created or saved is \$92,000 appropriated dollars = 1 full time (40 hours), for one year job.

The economy has shed 1.6 million jobs since the stimulus was signed in February. That total has far overshadowed White House announcements estimating the effort has saved 150,000 jobs, a figure that is so vague it can never be verified. A White House report said it bases job projections on increases in the gross domestic product that result from stimulus spending: Every 1 percent increase translates to 1 million new jobs.

By this point, according to earlier White House economic models, the nation's unemployment rate should be on the decline. The forecasts White House advisers used to drum up support for the plan projected today's unemployment rate would be about 8 percent.⁴ Instead, it sits at 9.4 percent, the highest in more than 25 years. The next jobs report will be released July 2, and unemployment nationally is expected to move into double digits. As of May 29, just over 100 days since Obama signed the bill into law, only about 6% of the \$787 billion in funds had been spent.⁵

At this point, the largest share of stimulus spending has gone to states in the form of Medicaid grants. In the next phase of the stimulus plan, the White House said, the emphasis will be on helping families cope with the recession and underwriting construction projects that are ready to go. Priorities include creating 125,000 summer youth jobs. The Administration is counting these summer jobs created by the Labor Department as part time. By their accounting, two part time jobs equal one "full time equivalent." This accounting allows the Administration to inflate the number of new jobs created.

² <http://transportation.house.gov/Media/file/ARRA/Recovery%20Act%206-23-09%20Report.pdf>.

³

<http://transportation.house.gov/Media/file/ARRA/Recovery%20Act%20Funds%20by%20State%20and%20Program%20as%20of%20May%2031%202009.pdf>.

⁴ "Obama Faces Stimulus Doubts," Los Angeles Times, June 9, 2009

⁵ "As Jobs Vanish, Obama Pledges More," St. Paul Pioneer Press, June 9, 2009

The nation's unemployment rate is expected to keep climbing into 2010. Acknowledging that the jobless rate is going to climb over 10 percent, President Obama said Tuesday he's not satisfied with the progress his administration has made on the economy. He defended his recovery package but said the aid must get out faster.⁶

Some analysts say the rate could rise as high as 11 percent by the next summer before it starts to decline. The highest rate since World War II was 10.8 percent at the end of 1982.

Just yesterday, the Fed noted that the stimulus spending will contribute to a “gradual” return of economic growth. The pace of progress is clearly not as was billed by the Administration.

Red Tape

Construction employment declined in most metropolitan areas from April 2008 to April 2009.

The Associated General Contractors of America said the data shows a need for the federal government to move quickly with the stimulus money.

The largest declines in construction employment were in Redding, Calif., 31.6 percent; Pascagoula, Miss., 38.8 percent; Tucson, Ariz., 29.2 percent; and Reno-Sparks, Nev., 29.1 percent.

There is concern in the construction community that the Buy American provision of the American Recovery and Reinvestment Act of 2009 is driving up the cost of some construction projects and delaying others.⁷

Congress Daily reported on June 24, 2009 that members of the New Democrat Coalition have urged OMB Director Orszag to soften the Buy American language in stimulus-related final regulations. According to the article, ten Democrats wrote last Friday “that state and municipal governments should be subject to the same international procurement agreements that apply to the federal government. Doing so could head off a potential move by Canadian municipalities to stop buying U.S. products, which could cost U.S. water infrastructure manufacturers \$2 billion a year.” According to the report, the lawmakers said trade barriers would negate any benefits from the stimulus, and that strong trade with partners such as Canada, Mexico and the European Union would allow for a faster recovery.

⁶ “Economy Prompts Obama to Spend Stimulus,” The Star Ledger (Newark, NJ), June 9, 2009

⁷ “Buy America Could Cost Billions and Wipe Out Jobs: Canada and U.S. Business Leaders,” Canadian Press, June 11, 2009