

Learning From the 2009 Recovery Act:

Fewer jobs



More jobs



Lessons and recommendations
for future infrastructure stimulus



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Lessons from the previous stimulus and recommendations for the future

Between 2009 and 2010, the American Reinvestment and Recovery Act (ARRA, commonly known as “the stimulus”) gave states \$26 billion in flexible dollars to spend on surface transportation capital projects and \$8.4 billion in funding for public transportation capital projects. Because the purpose was to create jobs, the funds came with the requirement that states report how they spent that money, and how many jobs they created with it.



The United States now needs another stimulus. A COVID-19 recession is all but certain. Additional spending will almost certainly follow the CARES Act approved by Congress in late March. While there are enormous needs for relief and support all across the economy, the president and many congressional leaders have indicated that they want infrastructure to be a major part of some future stimulus bill. **If Congress wants to use infrastructure spending to create jobs and support recovery, we should learn from the previous stimulus.**

This report reviews broad lessons from transportation spending in the last stimulus, especially how that spending was used to varying degrees of success to create jobs and support short- and long-term recovery. The lessons here are drawn from Smart Growth America’s close analysis of the 2009-2010 stimulus spending which used state-reported documentation of how they spent ARRA money, and how many jobs their stimulus-funded projects created.¹ We also use economic models based on broad economic data, but most of the lessons are drawn from ARRA-specific data. Because lessons do little good if we don’t learn from them, we offer recommendations for using any future infrastructure stimulus to produce the desired results.

This is not a comprehensive list of lessons. Smart Growth America and Transportation for America invite those who implemented Recovery Act programs or experienced the impacts of the programs locally to share with us the lessons you learned.

¹ Recent Lessons from the Stimulus: Transportation Funding and Job Creation. Smart Growth America, February 2011. <https://smartgrowthamerica.org/resources/recent-lessons-from-the-stimulus-transportation-funding-and-job-creation/>.

Lesson 1: Some classes of transportation projects create substantially more jobs than others

1. An ARRA dollar spent on public transportation produced 70 percent more job hours than an ARRA dollar spent on highways.
2. Each mode showed clear differences in jobs produced per dollar in ARRA: Transit preventive maintenance had by far the highest direct job-per-dollar result, followed by rail car purchase and rehabilitation, transit infrastructure, and bus purchase and rehabilitation.

ARRA jobs reporting did not distinguish between road construction and repair as the source, but a wide variety of other research consistently finds that on average, road repair produces 16 percent more jobs per dollar than new road construction.² This makes sense considering the fact that new roadways and roadway expansions usually require right-of-way acquisition, which creates very few jobs (and no construction jobs), as well as more planning and environmental review, which also creates just a few jobs.

Overall, ARRA was meant to create jobs, yet that was not how we targeted or governed spending.

Recommendation 1: To create the most jobs per dollar, invest in transit and maintenance.

Lesson 2: Public transit spending creates jobs fastest

120 days after ARRA was signed into law, each dollar of available transit funding had been spent about 1.5 times faster than highway funding. At 10 months after signature, ARRA investments in public transportation produced almost twice as many jobs per dollar as investments in roads.³

Operating money for transit typically produces the most jobs per dollar, because it is essentially all labor, and it can be implemented immediately by preventing layoffs. Yet states or urbanized areas over 200,000 in population were prohibited from spending any stimulus funds on transit operations. Nearly half a year into ARRA, Congress gave these recipients the flexibility to use up to 10 percent of their transit capital funds on operating costs. But largely because so much of the money had already been committed by that point, only about 17 percent of recipients used that flexibility, spending just 2.2 percent of Recovery Act transit capital assistance funds on operating expenses.⁴ Because of this limited spending, this analysis could not fully compare transit operations funding to other categories for job creation.

Because Congress decided to limit transit agencies to capital spending in ARRA, lawmakers both slowed recovery and created additional costs, leading to bizarre outcomes like agencies having money to buy new buses they couldn't afford to operate.

Recommendation 2: Create the maximum number of jobs by investing in transit expansion and improvement, and provide emergency funding to stabilize operations and help transit agencies avoid layoffs, service cuts and fare increases.

On this front, the CARES Act is already a significant improvement to the approach in ARRA. The CARES Act included \$25 billion for transit, explicitly intended for operations. TransitCenter estimates a national operations

² Though ARRA reporting did not distinguish between road construction and repair for job creation, recipients were required to report how much they spent on new capacity vs. repair. State DOTs lumped all road projects together when reporting jobs. Several states chose to report transit hours in more detail, allowing us to distinguish between jobs created by new transit and transit repair.

³ What We Learned From the Stimulus. Smart Growth America, January 2010. <https://smartgrowthamerica.org/resources/what-we-learned-from-the-stimulus/>

⁴ Federal Transit Administration Pub. L. No. 111-32, §1202, 123 Stat. 1859, 1908 (2009).

shortfall of \$28-38 billion annually to cover existing service.⁵ If a new stimulus provides funding only for additional capital, expansions will come with operations costs that local economies will be unlikely to afford as they emerge from a recession.

In addition to investing in transit expansions and improvements to create the most jobs, the next stimulus must also continue the approach of the CARES Act to stabilize operations and help transit agencies avoid layoffs, service cuts and fare increases. Our economic and social recovery relies on everyone reaching jobs and necessities—including those not regularly using a car to get around. Millions will need transit service to survive through the crisis, and we'll need transit service for the economy to bounce back quickly afterward. That requires operations funding.

Lesson 3: When given total flexibility, states did not spend money on projects that create the most jobs, fastest

With states spending just 1.7 percent of their funds on transit, the category that produces the most jobs, states clearly did not maximize the job creation possibilities of their ARRA funds. But even within their road spending, states made decisions that failed to maximize job creation. A third of all flexible spending went to the least effective category for creating jobs: new road construction.

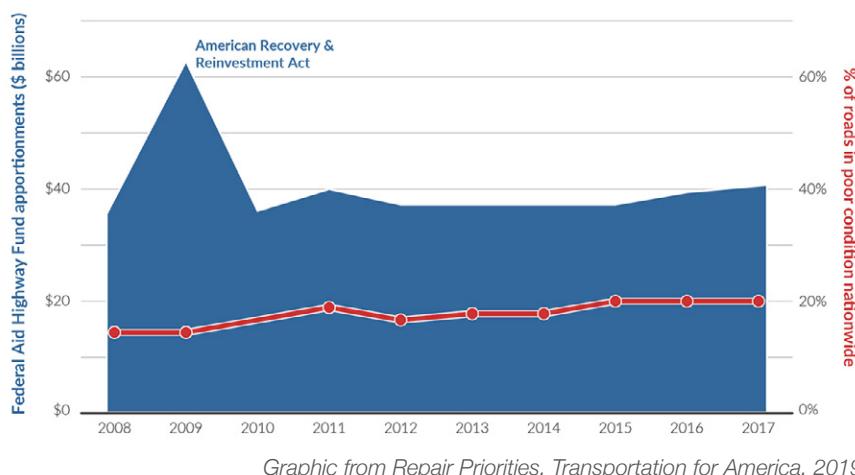
On the positive side, eight states spent 100 percent of their road money on repair projects. Sixteen states spent 90 percent or more on road repair. On the other hand, 11 states spent less than half of their ARRA road money on repair projects.⁶ (See table on p.5)

Lesson 4: When given total flexibility, many states did not spend money to repair crumbling roads

Even given the goal of creating jobs quickly, it may be that states had pressing road repair needs that required spending on roads rather than transit. But many did not prioritize repair, choosing instead new construction, despite the never-ending calls for more infrastructure money to repair our “crumbling roads and bridges.”

For example, 21 percent of New Mexico’s lane miles were in “poor” condition when ARRA was signed. Yet given flexible funds, New Mexico spent the vast majority of those funds on new roads, rather than fixing its deteriorating system, and eight years later, the percentage of roads in poor condition had grown to 31 percent.

Percentage of roads in poor condition vs. federal appropriations



Graphic from Repair Priorities, Transportation for America, 2019.

⁵ “Estimated Financial Impact of COVID-19 on U.S. Transit Agencies: \$26-\$40 Billion Annually.” TransitCenter, retrieved on April 1, 2020. <https://transitcenter.org/estimated-financial-impact-of-covid-19-on-u-s-transit-agencies-26-38-billion-annually/>

⁶ The eight states that spent 100 percent on repair were Connecticut, the District of Columbia, Maine, New Jersey, North Dakota, Rhode Island, South Dakota, and Vermont. All of the other state data in this paragraph can be found on page 9 of Recent Lessons from the Stimulus: Transportation Funding and Job Creation. Smart Growth America, February 2011. <https://smartgrowthamerica.org/resources/recent-lessons-from-the-stimulus-transportation-funding-and-job-creation/>.

11 states spent less than half of their flexible ARRA money on repair

State	Percent of ARRA road money spent on repair	Percent of roads in poor condition (2009)	Percent of roads in poor condition (2017)
Arizona	48%	8%	19%
Tennessee	46%	6%	5%
Virginia	46%	3%	10%
Hawaii	45%	38%	42%
New Mexico	45%	21%	31%
Louisiana	40%	25%	25%
Texas	27%	8%	11%
Kentucky	26%	2%	10%
Florida	23%	3%	8%
Arkansas	19%	18%	9%
Kansas	19%	9%	10%

Recommendation 3: Dedicate funding toward rebuilding crumbling infrastructure and hold states accountable for doing it.

These projects create more jobs per dollar and will leave our country in better shape when we are done.



Every roadway repair project is also an opportunity to identify safety issues, particularly for our most vulnerable users, and make improvements. Especially in more developed urban and suburban areas but also in rural towns, roadways are often built for speed in contexts where speed is not only inappropriate, but deadly. At a time when the number of people killed while walking and biking are skyrocketing, we need to analyze whether roadways in areas surrounded by homes and businesses should be built for speed or for safety.

A safety analysis should be part of every road repair project because to rebuild an unsafe environment is irresponsible and callous. If the roadway is currently too unsafe for people to dare use it or where people are currently being killed, it should be redesigned when it is rebuilt.

We'll never be able to build a sustainable economic recovery without helping everyone get back on their feet. Requiring every member of society to buy a car just to participate in the economy because they can't safely cross the streets near their home or job is a recipe for a slow recovery.

Lesson 5: Congress got stuck in old, irrelevant programs and rules

Decision making in an emergency is hard for everyone, including Congress. In an attempt to do things quickly, Congress defaulted to existing programs or rules put in place decades ago that were not well tailored to the tasks at hand.

One of those was choosing not to fund transit operations. This is in spite of the fact that it produces the most jobs per dollar. By failing to make this investment, some agencies were forced to make cuts so deep that it took them years to recover to pre-recession service levels. An entire bus system was eliminated in Atlanta's Clayton County. Millions were left stranded, delaying a full recovery. We also missed the chance to reimagine how transit is delivered by redesigning and updating bus routes. Today we could use operations funding to consider use of microtransit and other new technology that could make transit more efficient.

Another old rule that was needlessly followed was how the dollars were divided, with 80 percent going toward roads, and 20 percent toward transit. But this division came from a 1982 political compromise over the use of **gas tax** revenues—a user fee paid by drivers. **Not a single dime of Recovery Act dollars came from gas tax user fees.** The bill's full cost came from deficit spending paid for with **general fund revenues.** Why honor an arbitrary split meant to govern specific user fees sourced from drivers if it was in fact tax money sourced from all taxpayers, taken from the general fund? There may be reasons to fund both highway and transit projects, but doing it just because that's how we have divided up gas tax dollars for 40 years is not one of those reasons.

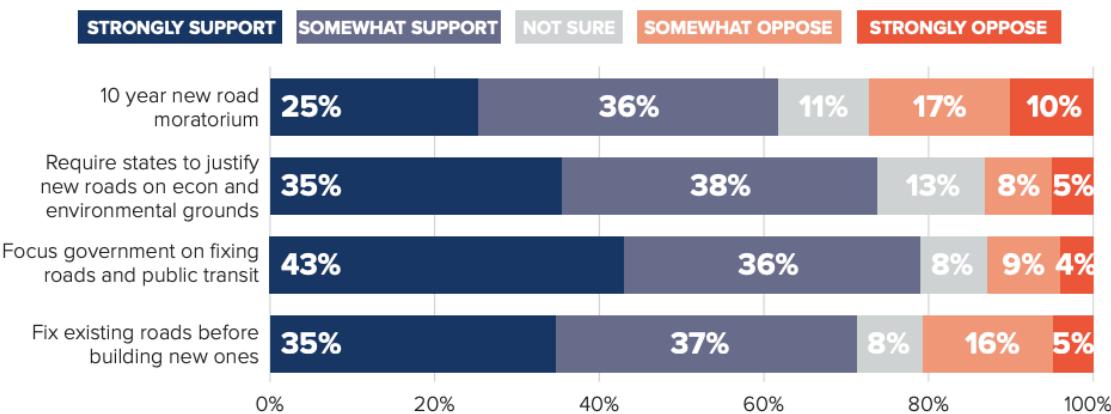
Congress did break with tradition in one way in ARRA by creating the TIGER program, now called BUILD. This program was not based on dividing money by a predetermined formula, but by funding projects that addressed federal priorities, including stimulating the economy and creating jobs. This program put a larger portion of funding into transit and was able to fund multimodal projects and projects of regional and national significance due to its flexibility.

Recommendation 4: Any future stimulus should abandon old habits that don't apply, like the 80-20 split that governs gas tax revenues. Congress should instead adopt "job creation and recovery" as the primary goal and then fund programs that fulfill that priority.

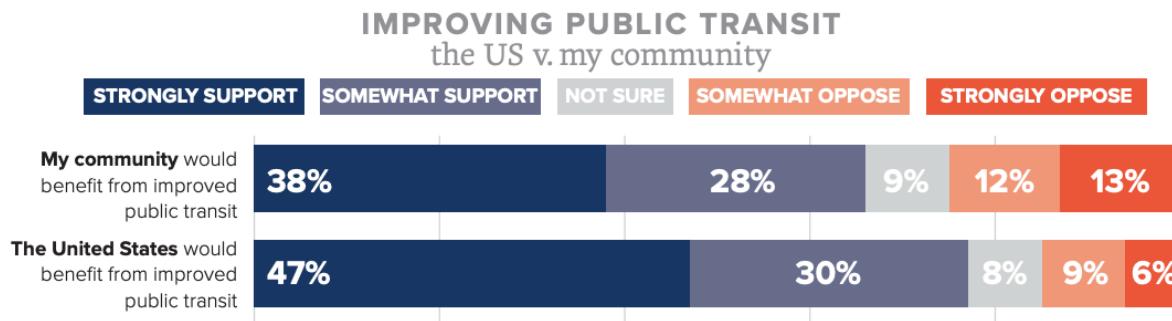
Lesson 6: States did not spend money on public priorities

The project types proven to create the most jobs are also the priorities that would have risen to the top if Congress solicited public input about where to direct the infrastructure spending. This was true in 2009-11, and is true now.

A November 2019 national poll (both graphics on this page) found strong support for prioritizing repair road projects before building new roads, with just 3 percent separating Democrats, Independents and Republicans—and 61 percent supporting an outright moratorium on new roads for 10 years as a means of reorienting toward repairing infrastructure.⁷



That same poll also found that voters from across the political spectrum and from urban, suburban, and rural areas overwhelmingly believe more transit would benefit the country.



As the results in lessons 1-4 show, this is not how most states spent most ARRA funds.

Recommendation 5: As Congress chooses which types of spending to fund in any stimulus, it should be guided by public desires for roads and transit in good repair, and more transportation choices.

⁷ YouGov Blue survey of 1,029 U.S. voters from November 27, 2019 through November 29, 2019. Polling results released in “Voters Want a Better Transit System for America,” by TransitCenter, Data for Progress, Transportation for America, the Ian L. McHarg Center for Urbanism and Ecology, and the Socio-Spatial Climate Collaborative. <http://t4america.org/maps-tools/the-green-new-deal-for-transportation/>

Recommendation 6: Institute better guidance and oversight to help accomplish our goals.

Transparency and oversight is the best way to ensure taxpayers get the promised results. Ten years ago, states did not start spending their ARRA funds until the U.S. Department of Transportation (USDOT) started ranking the speed of their spending. If Congress wants to produce results with transportation spending of any kind, Congress should:

- Develop and reinforce guidance to states, MPOs, and transit operators that transportation funds are widely flexible.
- Make job creation calculations a feature of any stimulus, and then consider making it a permanent feature of the nation's surface transportation program, consistent with the Secretary's and the administration's commitment to performance-based investing.

Have USDOT and the modal administrations:

- Put out guidance for calculating jobs created per dollar.
- Collect and report jobs data on all projects funded with stimulus dollars to Congress and post online.
- Rank projects and states on jobs created per dollar, report to Congress and post online.

Conclusion

The CARES Act addressed enormous, immediate needs across the country by providing emergency support for transit operations. When the time comes from Congress to move from emergency stabilization measures to the next phase of stimulus, we can and should benefit from the lessons we learned from the last stimulus.

Some of the lessons are straightforward: some kinds of spending create more jobs, faster, than others.

Other lessons might not be as immediately obvious: limiting spending to capital only creates future costs, and slows the speed of economic recovery.

Finally, we learned that to get the results we want and need, we should direct federal dollars to the types of projects that create what we need. In the face of unprecedented unemployment, that means projects which:

- Create the most jobs, fastest.
- Connect people to as much economic opportunity as possible.

That means public transit—especially operations and repair—and road repair.





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