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# Issue Brief

Institute for Illinois' Fiscal Sustainability  
at The Civic Federation

January 16, 2009

## The 2009 Federal Economic Stimulus Package and Proposed Federal Infrastructure Spending in Illinois

### The Obama Economic Stimulus Plan

President-elect Barack Obama along with Congressional leaders have made it clear that passing an economic recovery bill worth between \$700 billion and \$900 billion, now known as the American Recovery and Reinvestment Act (ARRP), will be at the top of the federal legislative agenda once the new administration takes office. Mr. Obama has stated he intends to dedicate a large portion of the ARRP funding to infrastructure projects in order to create jobs quickly. Thus funding for these projects will target ready-to-go construction, meaning those which can break ground within 60 to 120 days from receiving funds and would spend the overlays within the next two fiscal years. Mr. Obama has also stated that the stimulus bill will employ rigorous oversight and that any funds not expediently and effectively used to create jobs in the short term will be lost.<sup>1</sup>

### Draft ARRP Legislation

The bill was introduced with title and summary only in the Senate as the American Recovery and Reinvestment Act of 2009 on January 6, 2009 by Senate Majority Leader Harry Reid, D-Nev., and cosponsored by 16 other senate Democrats including Dick Durbin the senior Senator from Illinois. The House Democratic Steering and Policy Committee held its first meeting on the proposed bill on January 7, 2009 to discuss the following framework for the legislation but these details are still under negotiation and are subject to change. Even with the high level of urgency undertaken, the earliest an ARRP bill is expected to clear both houses of Congress and be signed into law by the President is February 12, 2009.

- There are six proposed spending categories in the ARRP legislation including tax relief, social welfare, education, health care, infrastructure modernization and environmental innovation programs.
- The federal stimulus package aims to reinvest the equivalent of **5 to 6 % of the national GDP** in order to reverse current contracting economic trends by the fourth quarter of 2010.
- Total infrastructure spending in ARRP has not been officially released but economists have estimated it will total **between \$150 billion and \$225 billion** over the next two fiscal cycles. These estimates are largely based on a 2004 Congressional Budget Office report that stated an increased infrastructure investment of \$184.8 billion would be “economically justifiable,” and a separate report from the American Association of Civil Engineers that estimated a need for \$1.6 trillion investment over the next 5 years to address critical maintenance for the nation’s transportation systems. This proposed infrastructure spending range also takes into account employment goals of the bill.

- ARRP intends to create **3 to 4 million jobs nationally**, mostly in the private sector, over the next two years to reverse the increasing unemployment rates that could reach depression level highs of **11.2 % by 2011** if no action is taken to reverse the trend.<sup>2</sup> The President-elect has called for a ban on any earmarking of appropriations in the forthcoming ARRP Bill.

### **Federal Infrastructure Stimulus in Illinois**

Job creation is a critical need in Illinois where the unemployment rate grew to **7.3 % in December** according to the Illinois Department of Employment. It has been reported that the state is also home to three of the top ten unemployed medium to small sized cities in the country (Harvey – 45 %, East St. Louis – 20 % and Dolton – 20%).

- Gov. Rod Blagojevich has reportedly presented a list to the Obama transition team of \$2.37 billion in “shovel-ready” projects that would create 94,000 jobs in Illinois. The Civic Federation is **concerned** that **less than half** of the projects seeking ARRP funding have been publicized by the governor’s office in two short lists of road and bridge repairs totaling only \$1 billion. Public education projects, environmental projects and other transportation projects could also qualify for ARRP funding. **No explanation** of how projects were chosen, the state of planning or prioritization accompanied the limited list of Illinois’ ARRP requests that were made public. The estimated costs for the individual projects were also omitted from the list.
- Chicago Mayor Richard M. Daley has made his intent clear to present a separate list of projects for ARRP investment to President-elect Obama but has not yet released any details of the city’s plan.

### **Civic Federation Position**

The Civic Federation **supports** a federal infrastructure plan that aims to create jobs immediately as a countercyclical economic measure to combat recessionary trends while also ensuring that on-going infrastructure needs are met across the nation. We are **concerned**, however, that Illinois was not only unprepared for the current economic downturn, but that the state is also ill-equipped to participate in the process of securing the federal infrastructure funds from the ARRP bill for Illinois.

- The Civic Federation **agrees** that paying for long overdue and in some situations critical delayed maintenance to the state’s road, bridge and transportation infrastructure is a good use of one-time federal stimulus assistance. However, Illinois lacks a transparent capital planning document that could be used to demonstrate to the federal government as to why these infrastructure dollars should be spent on particular Illinois projects.
- We believe the critical need for infrastructure spending in Illinois likely exceeds the \$2.37 billion requested by the governor’s office. In 2007 the Illinois Department of Transportation reported the state needed to spend **\$10.875 billion on roads and bridges** between 2008 and 2013 to keep the state system from falling in to further disrepair.<sup>3</sup> The RTA has also stated it needs an addition **\$10 billion (including \$8 billion for CTA) to return rail infrastructure** to its prescribed “state of good repair.” The Illinois Works capital spending bill, proposed by the governor’s office last year but never passed by the legislature, called for an addition **\$4.1**

**billion in spending on public education facilities.** However, for lack of a comprehensive capital plan, it is unknown how many of these would be considered ready-to-go or critical enough to compete for ARRP funding.

- We **support** the City of Chicago's plan to increase the state's share of ARRP funding in Illinois' largest metropolitan area. However we **urge** Mayor Daley and his administration to undertake transparent public process of choosing and prioritizing the city's list of projects submitted for ARRP.
- The annual federal highway and transportation funding for Illinois currently allocates 3.6 % of the total national funding for highway surface transportation and 6.3 % of the total urban transportation funding.<sup>4</sup> Without publicizing a more detailed list of projects tied to a comprehensive capital planning bill, we are **concerned** that Illinois will not achieve this proportional funding level in ARRP infrastructure spending. Already **12 states** have published Web sites with both detailed lists of projects seeking ARRP funds, many include CIP documents explaining the state of planning, prioritization process and potential economic benefits of projects.<sup>5</sup> Illinois is not among these states.

In order to compete for new federal funding through the ARRP legislation it is essential that Illinois engage in the first step of a comprehensive capital planning process by pursuing a transparent needs-based assessment of all ready-to-go projects in the state in order to not miss out on much needed funding for jobs and renewed public resources for the residents of our state. This process should be well documented and all materials explaining the total costs, status and priority of each project should be made available online for public review and input.

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<sup>1</sup> Remarks of President-elect Barack Obama, "Radio Address on the Economy." December 6, 2008. [http://change.gov/newsroom/entry/the\\_key\\_parts\\_of\\_the\\_jobs\\_plan/](http://change.gov/newsroom/entry/the_key_parts_of_the_jobs_plan/)

<sup>2</sup> Dr. Mark Zandi, Chief Economist, Moody's Economy.com, The Economic Impact of \$750 billion fiscal Stimulus Plan, House Democratic Steering and Policy Committee Forum, Jan. 7, 2009.

<sup>3</sup> Illinois Department of Transportation, "Special Report: System Preservation and Maintenance," amended December 2007.

<sup>4</sup> Apportionment of federal funds administered by the federal highway administration with the problematic distribution of equity bonus and RABA Funds for fiscal year 2007, table available at: <http://www.fhwa.dot.gov/policy/ohim/hs06/pdf/fa4.pdf>

<sup>5</sup> American Association of State Highway and Transportation Officials, State Examples of Economic Recovery Projects Ready to Go, Jan. 8, 2009. <http://cms.transportation.org/?siteid=99&pageid=2962>