

Economic Considerations for Transportation Projects Selected for the American Recovery and Reinvestment Act of 2009 (ARRA)

The Maine Department of Transportation (MaineDOT) used a number of criteria in evaluating projects to be included for funding in the ARRA. In general, selected projects had to be “shovel-ready,” essentially meaning that all or nearly all the preliminary evaluations, studies, and other project-development criteria were completed, and the projects lacked only construction funding to begin. However, the overall purpose of the ARRA is to stimulate economic recovery through the creation of jobs on a widespread basis, especially in the areas of the United States where the economic downturn has been substantial.

The ARRA (http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf) requires

“[t]hat in selecting projects to be carried out with funds apportioned under this heading, priority shall be given to projects that are projected for completion within a 3-year time frame, and are located in economically distressed areas as defined by section 301 of the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3161).”(Page 92)

Economically distressed areas are determined using three criteria, only one of which needs to be met for designation. ([http://frwebgate.access.gpo.gov/cgi-bin/usc.cgi?ACTION=RETRIEVE&FILE=\\$\\$xa\\$\\$busc42.wais&start=30919898&SIZE=4337&TYPE=TEXT](http://frwebgate.access.gpo.gov/cgi-bin/usc.cgi?ACTION=RETRIEVE&FILE=$$xa$$busc42.wais&start=30919898&SIZE=4337&TYPE=TEXT)). The three criteria are:

- low per capita income defined as 80% or less of the national average; or
- unemployment rate above the national average defined as an unemployment rate that is 1% above the national average for the most recent 24-month period for which data are available; or
- unemployment or economic-adjustment problems defined as an area that the (U.S.) Secretary (of Health and Human Services) determines has experienced or is about to experience a special need arising from actual or threatened severe unemployment or economic-adjustment problems resulting from severe short-term or long-term changes in economic conditions.

For purposes of its analysis, MaineDOT was limited to the comparative evaluations of the per capita income and the unemployment rate, since no areas have been designated by the Secretary of Health and Human Services.

For comparing per capita income, MaineDOT evaluated regional economic data from the U.S. Department of Commerce Bureau of Economic Analysis (BEA). Much of the most recent data at BEA is aggregated to the county level. When compared to the national per capita income, eight Maine counties did not meet the definition in this category, exceeding the “80% of national per capita income” criterion. This was somewhat surprising based on knowledge of conditions

within large areas of these counties. Drilling down into the data and looking at the community as the geopolitical entity to be used in the comparison led to data contained in the U.S. Census for 2000, the most recent document detailing per capita income at the community-based level¹. Emerging from that analysis was the realization that using the aggregated county-level data resulted in a false positive due to results being skewed by a few areas of wealth that pull the county per capita income above the threshold level, or 80% of national per capita income.

A good example of this problem is Hancock County. Using aggregated, county-level data from 2005, per capita income in the U.S. was \$34,586 and \$30,422 in Hancock County, resulting in a per capita income of 87.9%, far above the 80% threshold. Using community-level data, half of the Hancock County communities were above the threshold and half were below the threshold. Clearly, these findings support widely held perceptions of economic conditions and disparities between the communities in Hancock County.

The unemployment data was not very significant in this round of assessing projects, simply because nearly all of the “shovel-ready” projects on the list were able to meet the “economically distressed” criteria using per capita income data. However, the data are readily available for further evaluation if other projects become eligible under this or similar funding programs requiring consideration of these criteria. Should that become the case and unemployment data needed, there are two data sets available from the Center for Workforce Research and Information at the Maine Department of Labor that should be considered.

(<http://198.182.162.220/analyzer/saintro.asp?cat=LAB&session=labforce&time=&geo=>)

First, Minor Civil Division data provides unemployment information specific to each municipality, irrespective of other political subdivisions. Second, Labor Market Area data provides unemployment information for a larger, more aggregated area, typically comprised of “service center” communities and their surrounding communities. The available unemployment data for either of these political subdivisions is only a month old and can be easily compared to the U.S. unemployment information. Both data sets should be compared relative to the projects under consideration to determine which will provide the greatest benefit.

The federal regulations cited earlier in this paper also address “Political boundaries of areas,” but do not restrict evaluation to any one specific political subdivision. Thus, the evaluator is free to use large subdivisions, such as state, county or congressional districts, or smaller subdivisions such as labor market areas, minor civil divisions, and even voting districts. There seems to be no restriction. However, results are more credible if a consistent set of data are used throughout the evaluation rather than achieving a result by mixing and matching data. MaineDOT used data from the U.S. Census for 2000, rather than more recent aggregated data, since it more realistically represented economic conditions throughout the state.

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William Chamberlain of the Center for Workforce Research and Information at the Maine Department of Labor was asked to provide the most recent data available at the community level on per capita income. The 2000 Census was the reference document as the latest source for that data.