



Setting the Record Straight:
Associated Press Conclusions in Jan. 11, 2010 Report
"Road Projects Don't Help Unemployment"
Based on Incomplete Understanding of Market Conditions

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The Associated Press (AP) gets an "Incomplete" grade overall on its January 11 article, "Road Projects Don't Help Unemployment," and an "F" on presentation for potentially, if unknowingly, misleading policy makers and the general public. That obviously occurred as the "Wall Street Journal" referenced the AP "conclusion" in a January 12 opinion piece.

The AP reported that it looked at the correlation between American Recovery and Reinvestment Act (ARRA)—"stimulus"—funds put toward transportation projects over the past 10 months in some specific local areas and the local unemployment figures over this time frame. It concluded "a surge in spending on roads and bridges... has had no effect on local unemployment and only barely helped the beleaguered construction industry."

If only it were that simple.

Unfortunately, as most economists and business people know, many factors go into employment decisions, among the most basic, a firm's existing capacity to take on new work and the potential, or reality, of obtaining new work to pay personnel and overhead.

The truth is ARRA funding—as ARTBA members and economists have testified to Congress—has been the lifeline that has, thus far, kept much of the industry afloat during the economic downturn. To understand and appreciate this impact, however, one must understand what drives the transportation construction market and look at more than two sets of data points.

Public investment finances about 95 percent of all transportation capital investments—construction projects—each year in the U.S. And normally, between 40 and 45 percent of that investment comes from the federal government, the remaining half from state and local governments.

So what happened with these funding sources during the past year? Well, the federal government, through the core federal highway and transit aid program to the states and the ARRA funds delivered record-level transportation funding to state and local governments.

At the same time, however, ARTBA's analysis of state contract award data for highway and bridge projects through last November shows that for a variety of reasons 25 states either put fewer highway and bridge construction projects out for work in 2009 compared to 2008, or invested less money overall in highway and bridge construction projects last year than they did in 2008.

The conclusion to be drawn from this is obvious. Many states, suffering from lower tax collections precipitated by the economic downturn and struggling to meet balanced budget requirements, delayed or cut their own funding for transportation improvements.

Which brings us full circle on the AP "conclusion."

No one can seriously dispute that public investments in transportation infrastructure create and sustain jobs. The U.S. Federal Highway Administration (FHWA) estimates that every \$1 billion of investment supports nearly 28,000 jobs. But you don't create new jobs unless firms are already at full capacity, the investment going into the marketplace is significant, and, most importantly, that the new funding is additive to a consistent baseline level of investment. The AP story fails to recognize these fundamental market realities and chooses to try to view stimulus funds in a vacuum that does not exist in the real world.

While ARRA is "blowing up the balloon of job creation," state and local transportation funding cuts and delays in many areas of the nation are putting holes in it.

And to truly trigger substantial and sustained job growth in the transportation construction sector and its related equipment manufacturing and supply industries, you need sustained and predictable funding over multiple years. That's why it is so important that Congress pass a six-year surface transportation investment bill during 2010.

As James Van Buren, vice president and chief operating officer of New Enterprise Stone & Lime Company, a Pennsylvania-based road contractor and materials firm, told Congress December 10: "The transportation components of the recovery act are a true success story. The economic downturn has had a substantial, adverse impact on our company—our sales dropped significantly from 2007-2008. Without the recovery act's transportation investments, our markets would have continued their freefall this year."

Thanks to ARRA, overall investment in highway, bridge and transit projects was up 12 percent through November 2009 and the market should continue to be stable, if not grow slightly—absent additional state and local funding cuts—through this year.

That means hundreds of thousands of Americans were able to hold jobs over the past 10 months that otherwise would have been lost and many more were created where market conditions made them possible.

If you are in one of those families or affected companies or agencies, that's an impact—a very positive one!

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