

ARRA and Metropolitan Policy: A Preliminary Assessment



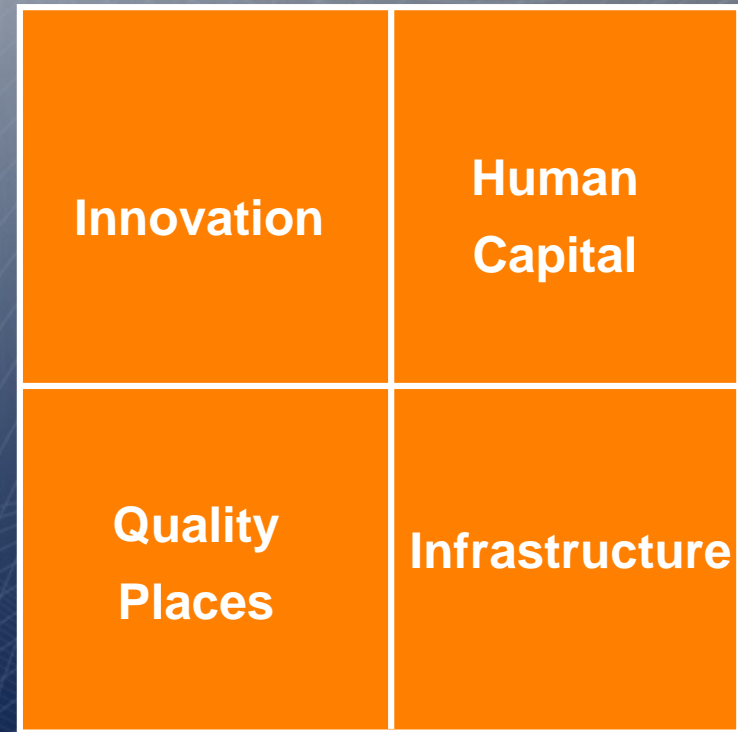
Overview

- I Why do metro areas matter to economic recovery and prosperity?
- II What is ARRA, and how well does it empower cities and metro areas?
- III How are other metro areas beginning to respond with regional action and creativity?
- IV What are the opportunities for NNIP partners?

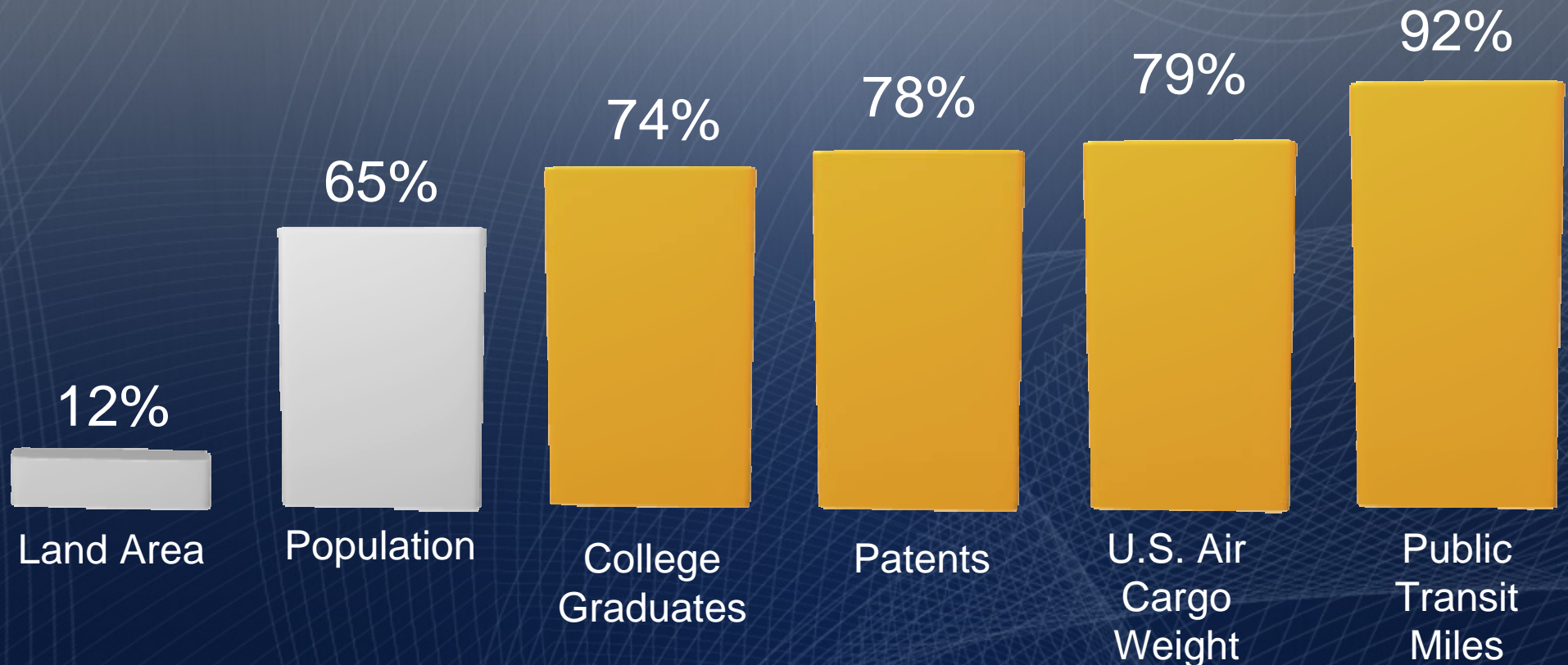


Long-run economic growth depends on investment in the drivers of prosperity

To prosper, the U.S. must leverage four key assets



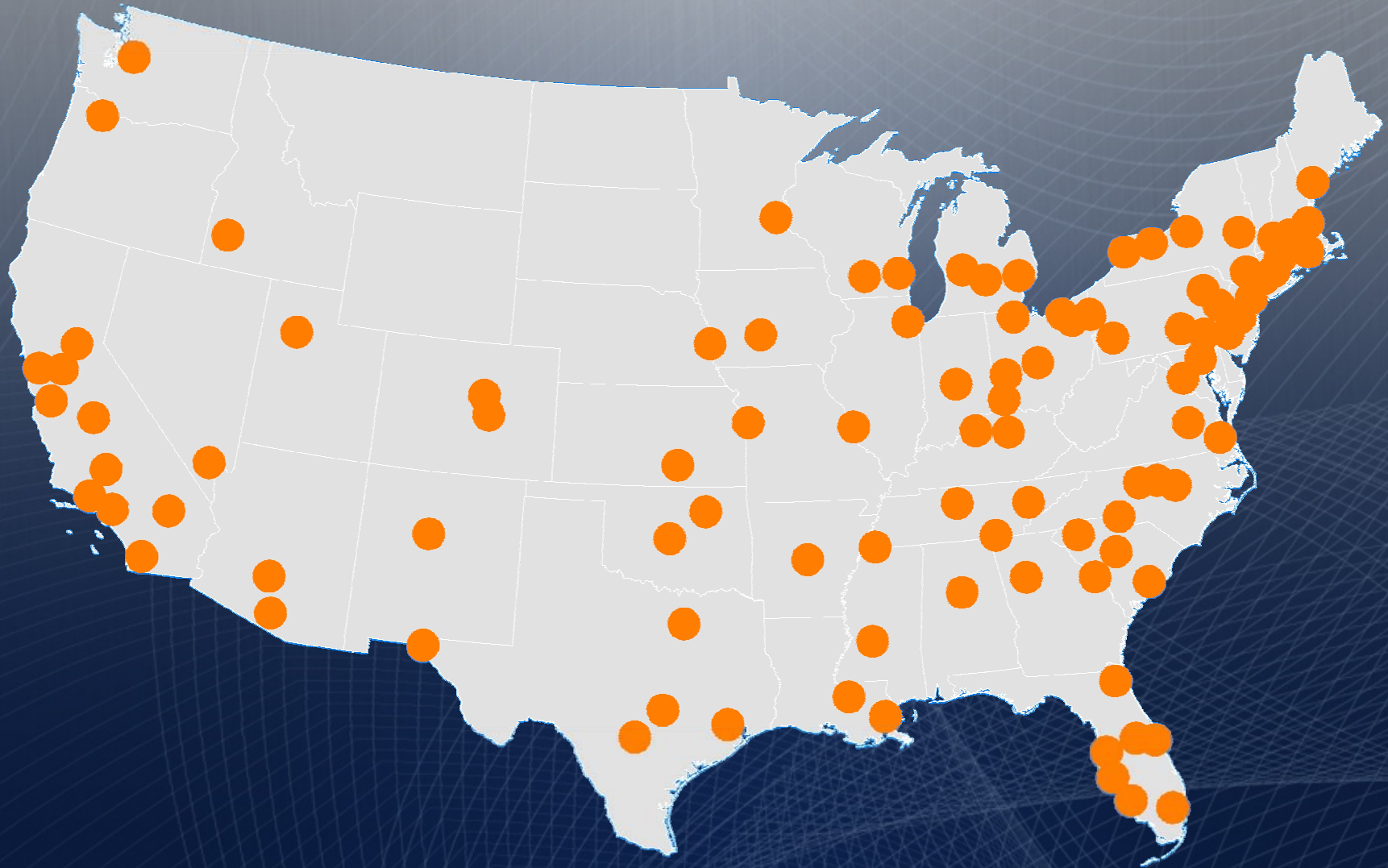
Our country's 100 largest metro areas hold the bulk of the assets of the U.S. economy



Source: Brookings analysis of U.S. Census Bureau, BLS, and, BEA data



These metro areas collectively generate 75% of U.S. GDP, and will drive our economic recovery



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ARRA was conceived to respond to a different crisis—one of the worst economic contractions since the Great Depression

As it was signed in February:

- The nation's unemployment rate hit 8.1 percent
- GDP was announced to have fallen more than 6 percent in the fourth quarter of 2008
- Job losses had exceeded 600,000 for the third consecutive month



From the very beginning, an insistence on swift action characterized the debate



“If we do not act boldly and swiftly, a bad situation could become dramatically worse.”

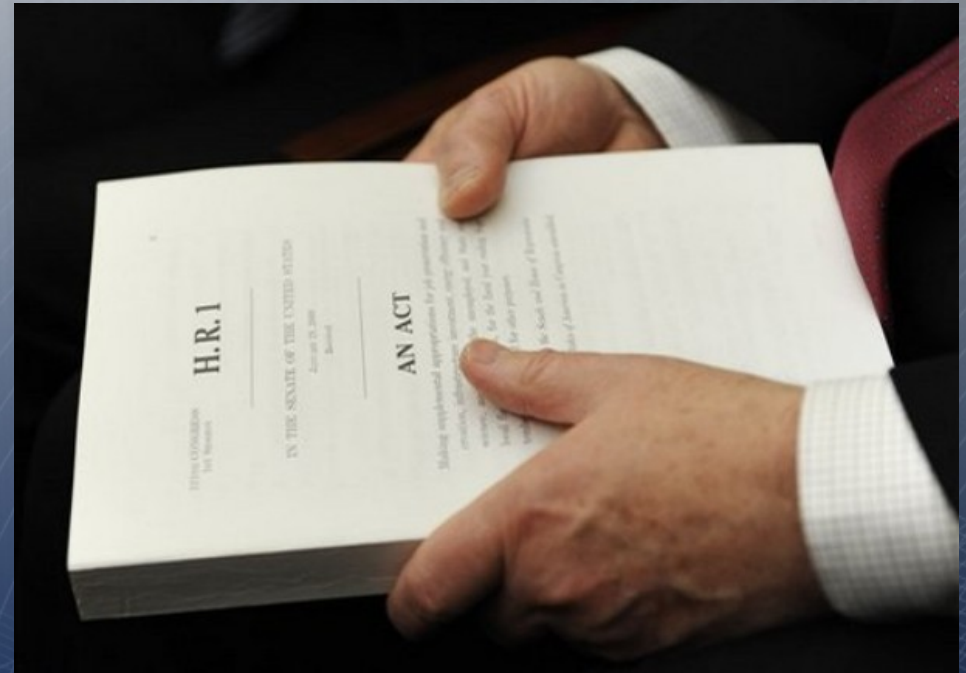
-President Obama, January 24, 2009

So what does ARRA look like?

Over 400 pages

\$787 billion

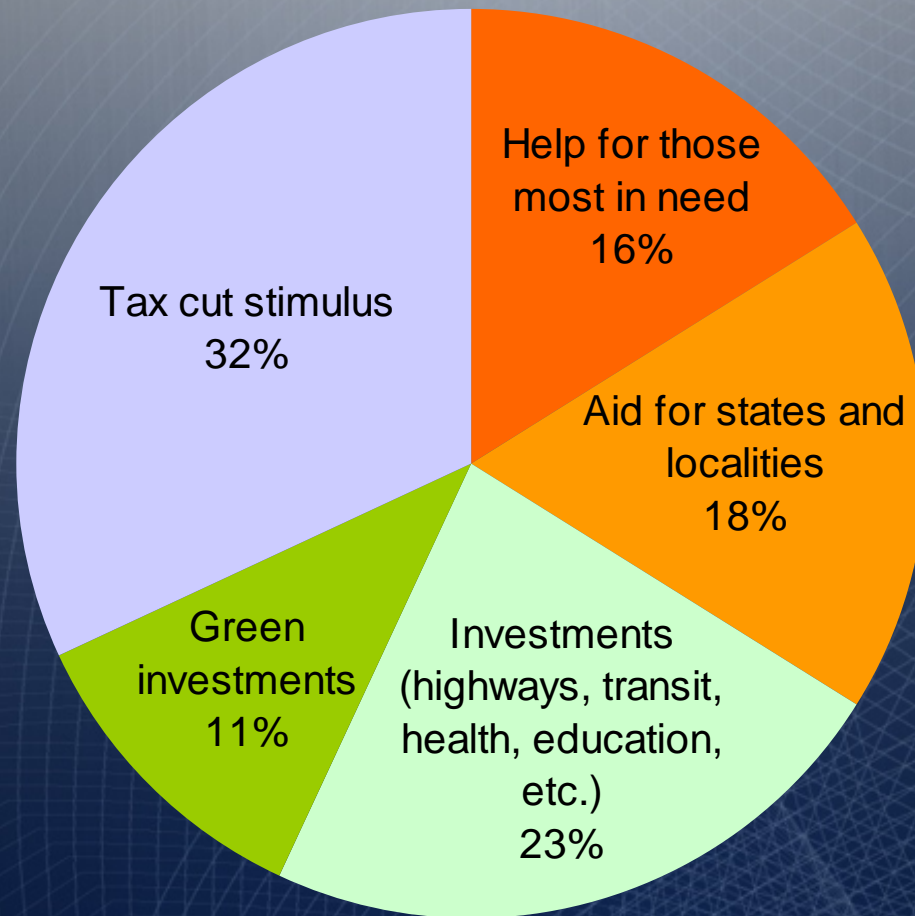
Approximately 350
individual spending or tax
provisions



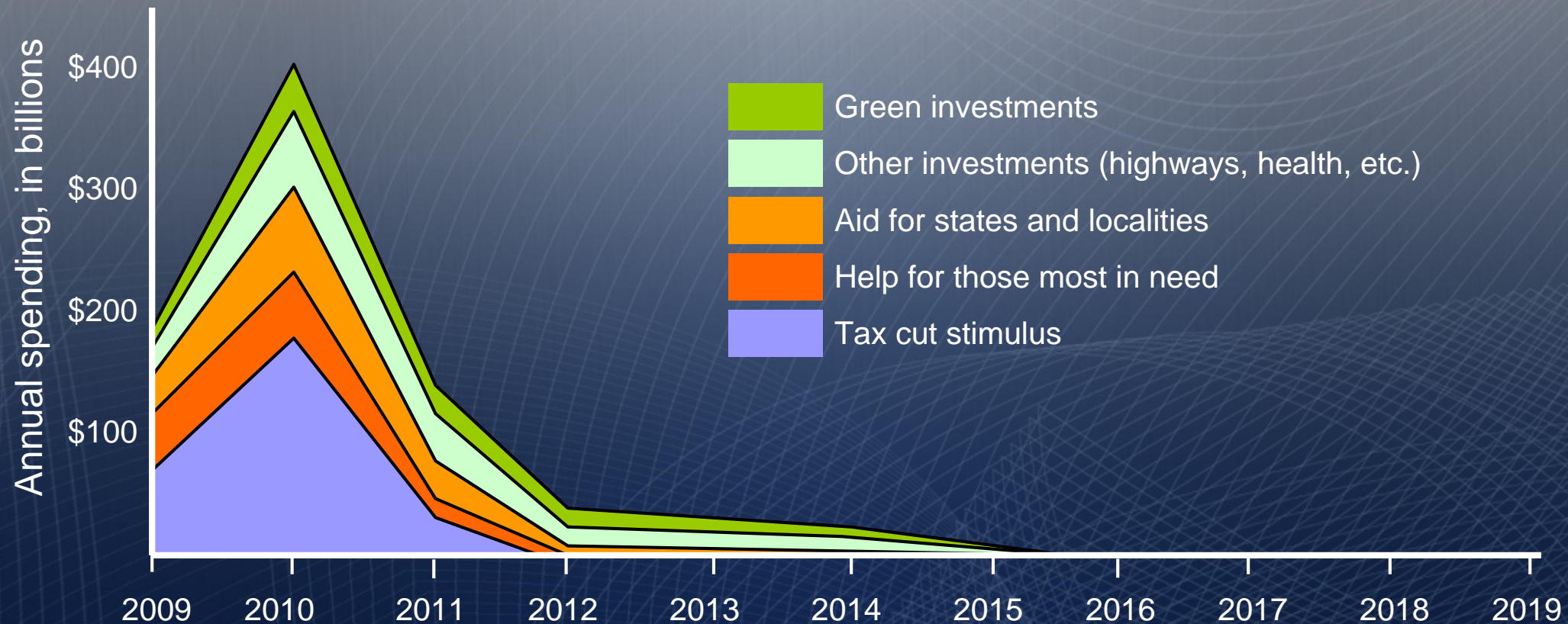
An Act

Making supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization, for the fiscal year ending September 30, 2009, and for other purposes.

ARRA balances tax cuts, investments, and aid



A substantial portion of the stimulus funds must be spent within the next two years



In short, ARRA is a broad spending package—not transformational reform

*“[The stimulus plan] emphasizes **traditional** aggregate demand stimulus over more sophisticated possibilities...”*

-Chair of the CEA Christina Romer, February 27, 2009



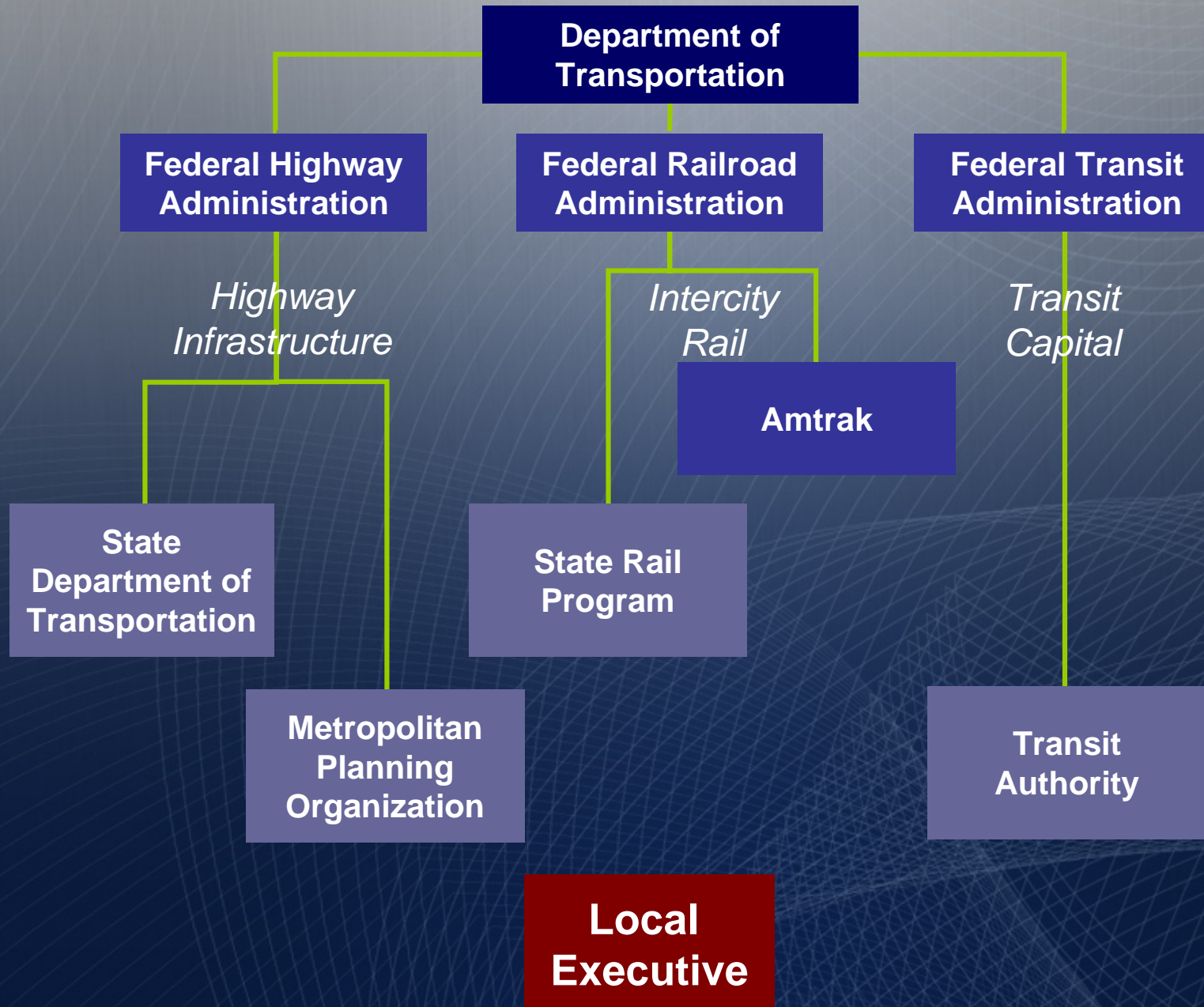
It's not surprising that ARRA is in some respects disappointing from a metro perspective

Its origins in the regular congressional budget process (operating at warp speed) mean that its programs largely epitomize business-as-usual:

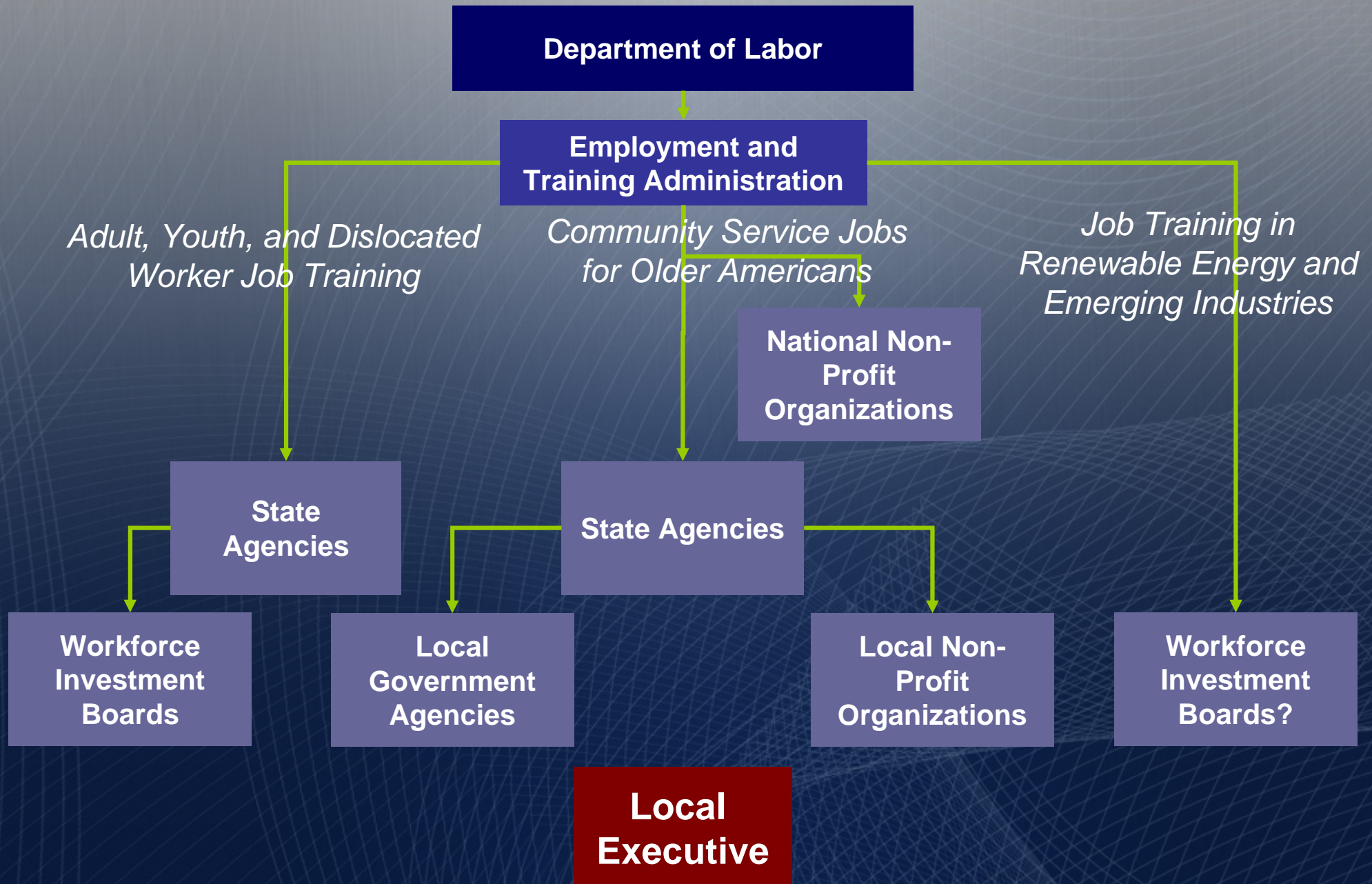
- Inherent anti-urban bias
- Narrow definition of accountability
- Categorically siloed programs
- Proliferation of recipients



Especially troublesome will be the typical mix of siloed money flows and rifts between key actors



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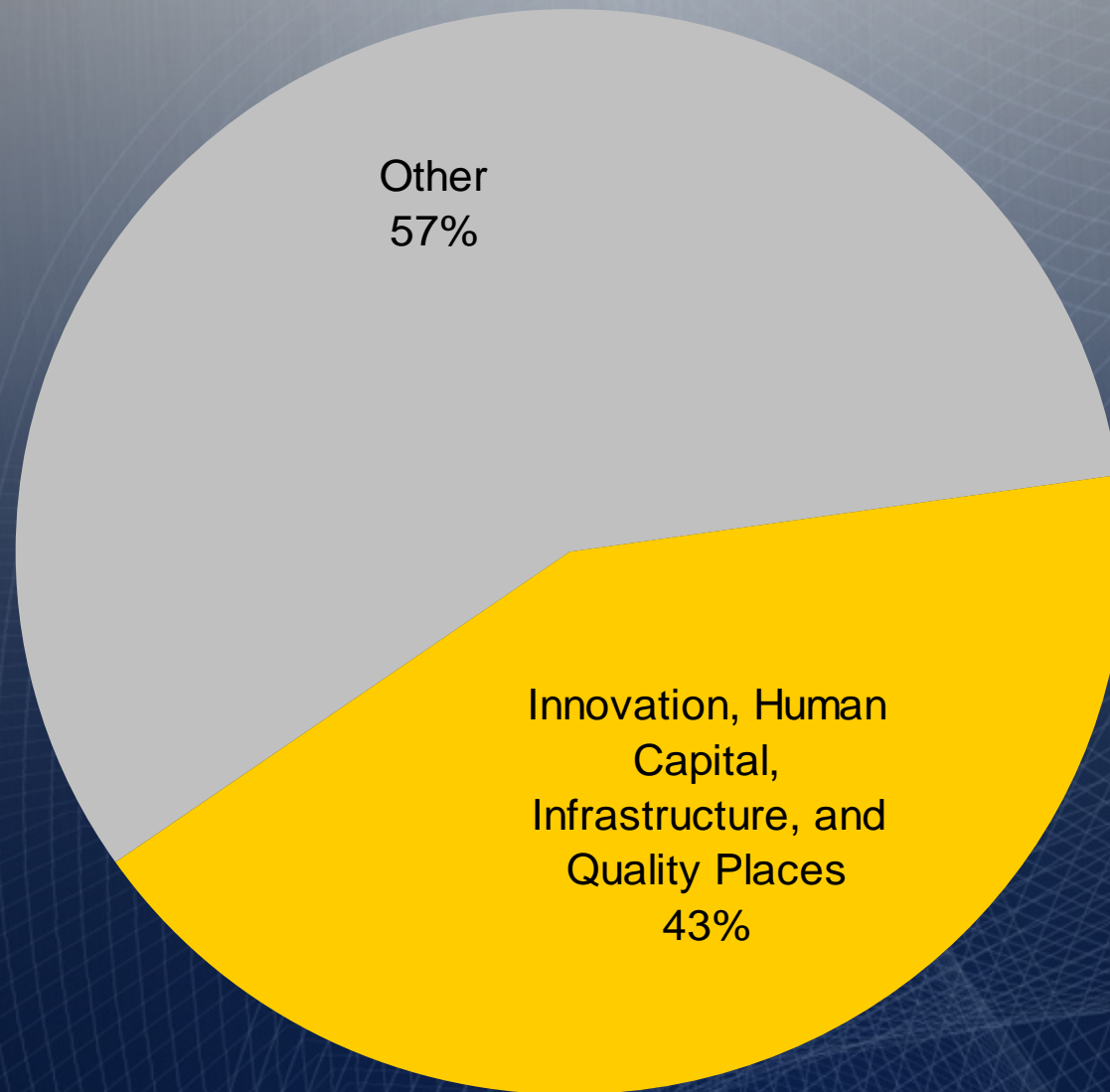


And yet, ARRA also invests substantially in *what matters*

- Directs hundreds of billions of dollars toward bolstering the economy's key assets
- Provides impetus for metropolitan collaboration and policy coordination in some areas
- Moves toward transformative implementation in a few areas



About \$335 billion out of \$787 billion is directed toward the key assets that drive long-run prosperity



Notable investment categories include:

- \$50 billion in federal research and development (R&D) funding critical to **innovation** activities in local universities, labs, health complexes, and research centers
- \$125 billion in direct funding for education and **human capital** cultivation, including billions in funds for incentives to states and \$650 million to support innovative approaches in struggling school districts
- \$126 billion in spending on transportation, energy grid, water-sewer, and other **infrastructure**
- \$34 billion to support energy retrofits of buildings, community development, inner-city business development, and transit—things that contribute to the creation of **sustainable, quality places** in metropolitan America

Other provisions provide an impetus for metropolitan collaboration and policy coordination

- \$750 million for **connecting worker training to high-growth and emerging industries** could spur regional approaches to worker training that may bolster regional industry cluster growth
- \$1.5 billion in competitive grants for **major transportation projects**, which could provide opportunities to link transportation, housing, energy, and environmental programs
- \$3.2 billion in **Energy Efficiency and Conservation Block Grants** could be used for metropolitan strategies to reduce driving and conserve energy in other coordinated ways
- \$2 billion in competitive grants for **Neighborhood Stabilization** that may support consortia of nonprofits serving multi-jurisdictional areas hit hard by housing crisis

And finally, some elements of ARRA move toward transformative implementation

- An effort by DOE and HUD to leverage some \$16 billion in ARRA funds for **energy-efficiency retrofits** could spark a private retrofit market
- The Education Department's "Race to the Top Fund" contains \$5 billion for **competitive grants** to stimulate reform and "game-changing" innovations in K-12 education
- Key **transparency provisions**, despite their limitations, have the potential to reveal as never before how Washington delivers funds and how states allocate them

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California/Bay Area: Strong state/metro partnership with regional plan driven by regional business group

California Business, Transportation and Housing Agency

- Working with 12 regions across the state to distribute and maximize the impact of ARRA funds
- Their goal is to “ensure the federal stimulus funds will achieve the highest economic impact”
- Each region must create a Regional Economic Recovery Work Plan that supports economic recovery by:
 1. *Leveraging resources*
 2. *Expediting infrastructure spending*
 3. *Supporting the growth of business and innovation*
 4. *Promoting workforce development*
 5. *Enhancing environmental quality*

California/Bay Area: Strong state/metro partnership with regional plan driven by regional business group

The Bay Area Council Economic Institute

- The Bay Area Council Economic Institute was locally chosen to develop the Bay Area region's economic recovery plan (9 counties)
- Their plan is due on June 1st, and projects must fulfill certain criteria in order to be included in this plan:
 1. *Align with regional priorities (21st century infrastructure; affordable housing; workforce development; water security/availability; science and innovation; and environmental sustainability)*
 2. *Near-term job creation (3-6 months)*
 3. *Potential to generate long-term growth with high return on investment*
 4. *Likelihood to create jobs that are sustainable in the longer-term*
 5. *Align with state priorities*

Kansas City: A forward-thinking Council of Governments

The Mid-America Regional Council (MARC)

- In absence of state leadership, MARC is articulating regional policy priorities (bi-state, 9 counties, 120 municipalities)
- MARC is currently developing an ARRA implementation strategy at regional level:
 1. *Coordinating local implementation of grants and link up multi-jurisdictionally when possible (weatherization; job training; and neighborhood stabilization)*
 2. *Conceptualizing support for regional projects (public health and health information sharing; regional traffic management system)*
 3. *Aligning regional resources to a targeted neighborhood of high distress yet major assets*



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Some ARRA provisions can directly fund data systems

Education: Statewide Data Systems

- Grants to states to enable longitudinal tracking of students K12 to post-secondary
- \$250 million

Justice: Byrne Competitive Grants

- Grants to states and local communities to, *inter alia*, expand comprehensive community-based, data-driven models
- \$225 million

View others at www.grants.gov



Other competitive opportunities will require analysis that NNIP partners could provide

Education: What Works and Innovation

- Grants to partnerships of school districts and nonprofits to help close achievement gaps
- \$650 million



Housing: NSP2

- Grants to state & local governments and nonprofits to stabilize neighborhoods damaged by foreclosure and abandonment
- \$1.93 billion



Health & Human Services: Head Start

- Grants to expand enrollment in current federally-funded Head Start agencies
- \$102 million



Documenting the impacts of ARRA-related spending

Data on “impacts” via www.recovery.gov will be limited to “jobs created;” but many spending areas may lend themselves to neighborhood-level impact analysis:

Education

- \$ per student, enrollment, achievement

Housing

- occupancy, sales, property values

Energy

- utility expenditures

Child Care

- children served, school readiness

Infrastructure

- broadband availability, take-up



Full report on ARRA available on the Brookings website

Metro Potential in ARRA: An Early Assessment of the American Recovery and Reinvestment Act

www.brookings.edu/metro

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**Metro Potential in ARRA:
An Early Assessment of the American Recovery and
Reinvestment Act**

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