Blueprint for American Prosperity
Unleashing the Potential of a Metropolitan Nation

Metro Potential in ARRA:

An Early Assessment of the American Recovery and Reinvestment Act

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EXECUTIVE SUMMARY

America's national economic crisis is also a metropolitan crisis, because metropolitan areas are the true engines of the national economy.

Home to 65 percent of the U.S. population, the largest 100 metropolitan areas alone account for three-quarters of the nation's gross domestic product (GDP), as notes the Metropolitan Policy Program at Brookings' *Blueprint for American Prosperity* initiative. Strictly speaking, there is no single U.S. economy, but rather a tightly linked network of metropolitan economies.

And that is why it matters intensely how well efforts to revive the nation's economy—including the American Recovery and Reinvestment Act (ARRA)—empower metropolitan leaders to marshal their given resources to boost prosperity.

To produce real prosperity local leaders require rich stocks of the fundamental "drivers" of productive growth—key innovation inputs, cutting-edge infrastructure, abundant human capital, and quality places. But metropolitan actors also need the discretion and power to aggregate, link, and coordinate those drivers to maximize their impact.

Therefore, it is a matter of both national and local concern to consider how ARRA, aka the "stimulus" package, will affect U.S. metropolitan areas, and to assess how easily—or not—its multiple funding flows may be utilized to bolster metro efforts to get the economy moving.

This report probes those questions by providing an initial overview of the intent, approach, and content of ARRA from the point of view of metropolitan America.

From that perspective, this policy paper finds that ARRA usefully directs billions of dollars towards significant investments in the four key drivers of prosperity that concentrate in metropolitan areas. At the same time, the paper concludes that ARRA does very little to actively support metropolitan leaders' efforts to bundle and align ARRA resources to foster local and national recovery. This lack of attention means that the burden of optimizing ARRA's implementation falls squarely on states, which control significant amounts of ARRA funding, and local and regional actors, who will have a number of opportunities to craft coordinated approaches to implementing the law and sparking recovery.

Along these lines, the report finds that:

1. **The need for fast action created a bias towards "business-as-usual" delivery systems in the crafting of ARRA, and that limits the extent to which the recovery act actively supports creative metropolitan-area implementation.** ARRA, which became law in February 2009, was assembled as the nation's unemployment rate exceeded 8 percent, and job losses exceeded 600,000 a month. Thus, the need to intervene quickly led the package's designers to channel ARRA's huge flow of funds largely through existing federal-state-local mechanisms, subject to existing laws and guidelines. Because current federal policy is generally neutral or hostile towards action at a metropolitan scale, ARRA is also. As a result, ARRA inhibits metropolitan creativity in implementation in three ways. First, it assigns a dominant role to states—which have an uneven record on metropolitan issues. Second, the package treats most of its investment streams as separate and distinct, and sends them to multiple actors at different levels of state-regional-local authority, which will complicate creative efforts at the metropolitan level to "put it all together" in service of integrated solutions. And third, ARRA's welcome emphasis on transparency tilts too much toward curbing waste, fraud, and abuse and too little on establishing a clear, sensible focus on measuring outcomes.

2. **And yet, despite its flaws, ARRA delivers to metropolitan areas critical investments in what matters.** In this respect, we estimate that nearly 43 percent—roughly $335 billion—of the total stimulus appropriation supports the main drivers of prosperity: innovation, human capital, infrastructure, and quality places. These investments include:

- ***For innovation:*** $50 billion for federal research, development, and deployment (RD&D) to spur new breakthroughs out of universities, lab, health complexes, and research centers. Of this $18–20 billion will support tax breaks and bonds to accelerate the market adoption of new clean energy technologies

- ***For human capital****:* $125 billion in funding and tax measures to improve schools, raise the level of educational attainment, close achievement gaps, and upgrade workforce skills. In many respect this spending will provide a backstop against inevitable state budget cuts

- ***For infrastructure:*** $126 billion in spending on transportation (including high-speed rail), energy grid, water-sewer, and other areas that influence metros' built environments. Some $53 billion of this—the largest single share of funds in ARRA—will flow to transportation infrastructure, largely through the standard Surface Transportation Program (STP) distribution formula

- ***For sustainable, quality place-making:*** $34 billion for efforts in energy efficiency, affordable housing, neighborhood stabilization, and local economic development. These important investments in housing, neighborhoods, environmental programs, and community development—if deployed wisely—will help stabilize and enhance metropolitan places

3. **In addition, ARRA holds out significant opportunities for creative metro leaders to engage in coordinated, regionalized problem solving.** The more metro leaders can link and align the various resources ARRA provides the greater will be the impact of the recovery package. In this connection, notwithstanding its limitations, the recovery act provides important chances to link resources and even for transformative governance.
   - **ARRA provides, on the first point, a number of avenues for coordinating its various funding streams at a metropolitan level, particularly in new competitive grant programs.** A few of the relevant provisions include:
     - ***The Advanced Research Projects Agency-Energy (ARPA-E):*** A $400 million appropriation for cutting-edge energy R&D will require collaboration among private firms, universities, labs, and research institutes that could seed the sort of cross-institutional partnerships that facilitate continued, regional innovation and economic growth
     - ***Worker training in high-growth and emerging industries:*** *A* $750 million appropriation for connecting workforce development to competitive industry sectors could spur regional approaches to supporting high-value clusters, especially around energy efficiency and renewable energy
     - ***Multimodal transportation****:* Some $1.5 billion will fund competitive grants to support nationally, regionally, or metro-significant projects that may facilitate linking transportation, housing, energy, and environmental concerns
     - ***Energy Efficiency and Conservation Block Grants:*** ARRA provides $3.2 billion in tremendously flexible grants that could motivate metro-scale strategies for reducing fossil fuel emissions and promoting energy efficiency in transportation, building, and other sectors
     - ***The Neighborhood Stabilization Program:*** Two billion dollars is available to address the secondary, community impacts of the foreclosure crisis and may lead to metro-wide partnerships between state and local governments, nonprofits, and private entities
   - **Some elements of ARRA, moreover, truly do represent the sort of transformative policymaking that can strengthen all levels of governance and kindle truly metropolitan action.** In many of these areas, region-based actors will enjoy significant latitude to work together through cooperative support systems, regional projects, regional plans to guide investments, project selection criteria, and project prioritization to weave disparate funding flows together into a more coherent intervention in the prosperity of their regions and nation. For example:
     - ***On energy retrofits***: An effort by the Departments of Energy and Housing and Urban Development to leverage some $16 billion in ARRA funds could spark a major private retrofit market in U.S. regions. This effort could benefit metros in two ways. First, it will contribute to the emergence of an industry that could provide jobs and spark the economy in some of the

oldest swaths of metropolitan areas (where most older, energy-inefficient housing stock is located). And second, the initiative will strike a blow for integrated policymaking by stepping beyond the sort of silo-driven policy that so often frustrates metropolitan innovation

- ***On education innovation:*** A $650 million Department of Education competitive grant program to local school districts, or partnerships between local districts and non-profit organizations, could stimulate the expansion of high-performance charter management organizations and increase the local supply of highly effective teachers to staff those and other high-needs schools

- ***On accountability:*** Transparency provisions, despite the limitations noted above, have the potential to reveal in new ways the myriad channels through which the federal government delivers funds, and the biases in how states allocate them. Such information could be the foundation of a call for new, metropolitan-oriented federal delivery systems

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In short, ARRA provides many important new resources to state, local, and metro leaders' efforts to assemble the key drivers of regional prosperity, but it only somewhat advances attempts to recast how such inputs might best be bundled and aligned to serve the nation's and metropolitan areas' long-term recovery. At the same time, ARRA does make some genuine efforts to foster high-quality governance and integrated implementation. Hopefully, future federal policymaking (such as the FY2010 budget process, forthcoming energy legislation, and the transportation bill reauthorization) will build on ARRA's tentative efforts and really grapple with how to ensure that local and federal resources will be optimally linked and aligned in specific metropolitan places.

In the meantime, creative players at the local, metro, and state levels should move aggressively to do what they can to link and align siloed programs for the good of the nation.

About the Metropolitan Policy Program at the Brookings Institution

Created in 1996, the Brookings Institution's Metropolitan Policy Program provides decision makers with cutting-edge research and policy ideas for improving the health and prosperity of cities and metropolitan areas including their component cities, suburbs, and rural areas. To learn more visit: www.brookings.edu/metro

The Blueprint for American Prosperity

The *Blueprint for American Prosperity* is a multi-year initiative to promote an economic agenda for the nation that builds on the assets and centrality of America's metropolitan areas. Grounded in empirical research and analysis, the Blueprint offers an integrated policy agenda and specific federal reforms designed to give metropolitan areas the tools they need to generate economically productive growth, to build a strong and diverse middle class, and to grow in environmentally sustainable ways. Learn more at www.blueprintprosperity.org

The Metropolitan Policy Program Leadership Council

The *Blueprint* initiative is supported and informed by a network of leaders who strive every day to create the kind of healthy and vibrant communities that form the foundation of the U.S. economy. The Metropolitan Policy Program Leadership Council—a bipartisan network of individual, corporate, and philanthropic investors—comes from a broad array of metropolitan areas around the nation. Council members provide us financial support but, more importantly, are true intellectual and strategic partners in the *Blueprint*. While many of these leaders act globally, they retain a commitment to the vitality of their local and regional communities, a rare blend that makes their engagement even more valuable. To learn more about the members of our Leadership Council, please visit www.blueprintprosperity.org

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For More Information

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