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ECONOMIC STUDY SHOWS: U.S. METROPOLITAN AREAS SHORTCHANGED IN STIMULUS INFRASTRUCTURE SPENDING

Providence, RI -- The nation's major metropolitan areas have been short-changed in the receipt of federal stimulus funds for transportation infrastructure administered by governors and state highway departments, according to a preliminary report issued today by the U.S. Conference of Mayors. The first phase of funding allocations will be completed on June 30.

Miami Mayor Manny Diaz, President of the U.S. Conference of Mayors said, "This report indicates that the national economy will only recover when our metro areas recover. Yet in allocating stimulus transportation funds, states continue to underfund the very metros that drive the nation's economy."

Prepared by IHS Global Insight, Inc, the report analyzes the largest single source of infrastructure spending in the American Recovery and Reinvestment Act of 2009—the $18.62 billion in surface transportation funds apportioned to the states under program categories administered by the Federal Highway Administration.

State governments have certified surface transportation projects totaling $18.26 billion as of June 3, 2009. While the nation's largest 85 metro areas account for 73% of the nation's gross domestic product, they garnered only 48.3%, or $8.8 billion, of these funds. These same metros contain 63% of the nation's population. By these measures (share of economy and population), metros areas received significantly less funds than they deserve given their dominant role in the national economy and in their respective state economies.

The report also finds that state governments do not allocate funds effectively to reduce congestion costs in the economy. The largest 85 metro areas account for 86.6% of traffic congestion costs, but receive again only 48.3% of state-approved funding. This gap results in a $7.1 billion shortfall that could be used to fund metro projects that relieve traffic congestion and reduce costs to travelers and local economies.

For example, the three most congested areas in the U.S.—Los Angeles, New York, and Chicago— account for 26.5% of the nation's congestion costs, but receive only 6.3% of federal surface transportation funds allocated by the states, thus far.

"Our nation's metro economies rank high among world economies, but we are saddled with an outdated federal and state transportation system that prevents us from meeting the nations' needs," said Conference of Mayors CEO and Executive Director Tom Cochran.

"Mayors stand ready to work with the Administration and Congress to pass new federal legislation that puts metro areas and cities at the center of how transportation dollars will be spent."

Underinvestment in metro transportation applies to freight transportation as well. The current stimulus allocation invests an average of $1.15 cents per freight ton across the country, while the top 85 metros receive an average of just $0.75 per ton.

Metro areas are also short-changed in stimulus spending relative to the value of metro area exports. The report finds that average transportation allocations for the top 85 metros equal $10.32 per thousand dollars of metro-based exports, while for the entire U.S. the allocation averages $26.56 per thousand dollars of exports.

Among the reports other findings —

-- Metro area unemployment levels will exceed 10% next year; 85% of the job losses during the recession will occur in the nation's 363 metro areas.

-- 94% of the nation's economic growth over the next 20 years will occur in its metro areas.

-- In Ohio, Cleveland and Cincinnati, combined, account for 40% of the State of Ohio's economy, yet receive less than 5% of what was allocated to their state. Similarly, Indianapolis generates 39% of Indiana's economic activity, and receives only 4% of available ARRA funds to the state.

-- Phoenix, Denver, Portland, Omaha, Memphis, Dallas, and Seattle are also seen to be seriously under-funded by their respective state, relative to their contribution to Gross State Product.

-- The Los Angeles metro area, by far, endured the heaviest burden from congestion the average traveler lost 72 hours in traffic and wasted 57 gallons of fuel. Congestion costs totaled $9.3 billion in Los Angeles in 2005, or 12% of its total urban area costs, which averages out to $1,369 per traveler. An additional $2.02 billion dollars would bring Los Angeles' funding to its 11.9% share of total congestion costs.

The report concludes that to optimize the national economic benefits of ARRA-funded surface transportation investments, states and federal decision makers should increase funding to metro areas due their high levels of economic output, traffic congestion, and volume of freight transport and exports.

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