

Report on: Economic Recovery Plan

Texas Transportation Commission Meeting

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Report Presented by

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Introduction

For the record, my name is John Barton and I am the Assistant Executive Director for Engineering Operations. As you all are certainly aware, congress and President Obama are currently developing a plan to stimulate our nation's faltering economy through the enactment of a stimulus package referred to as the American Recovery and Reinvestment Program. A main component of this program will provide investments in our nation's infrastructure. Today I will be providing a brief report to the Commission on the activities TxDOT and our transportation planning partners are taking to prepare Texas to implement the transportation components of this program and our efforts to develop strategies and plans to respond to this recovery and reinvestment program in a

manner that provides immediate and long-term economic benefits for the state.

The Bill

As it stands today, the House passed their version of the bill yesterday while the Senate spent Tuesday marking up their version. A brief analysis of the two existing versions of the bill indicates the final version may contain the following funding levels and restrictions. **Please keep in mind that these numbers will change and are only approximations of what is being considered.**

The total funding for highways and bridges is set at approximately \$30 billion nationwide in the House version, and \$27 billion in the Senate version. Funding for Transit is set at approximately \$9 billion in the House version and \$8.4 billion in the Senate version. Aviation is funded at \$3 billion in the House version and \$1.1 billion in the Senate's. Rail improvements for passenger rail would receive \$300 million in the House's bill and \$250 million in the Senate's. The Senate

version also includes \$5.5 billion for discretionary grants by the Secretary of Transportation for projects that will have a significant impact on the nation, a metropolitan area, or a region.

Focusing now on the allocation for highways and bridges, Texas' share would be approximately \$2.5 Billion under the House version, \$2.2 Billion in the Senate version, although the Senate's version also allows the opportunity to award other projects on a discretionary basis. I will talk more about that in a minute. Both bills contain project delivery and implementation provisions, including "use it or lose it" requirements. 50% of the funding must be obligated within 90 days in House version of the bill while the Senate version allows up to 180 days. These provisions are perhaps the most controversial of the proposals thus far and if they remain in the final version of the bill that is enacted, they will require rapid response and action on the part of TxDOT, MPOs and the commission to avoid losing funding from the "use it or lose it" provisions. The remaining 50% of the funding would be required to be

obligated by August 2010 in the House version and within 12 months in the Senate version of the bill, and states and MPOs are directed to give priority to selecting projects that can be completely constructed within 3 years of enactment.

Under the House version of the bill, 55% of the funding would be allocated to the state to be used statewide at the commission's discretion. The remaining 45% of the funding would be distributed to the urbanized areas of the state based on population. This in effect will provide a sub-allocation to the Metropolitan Planning Organization to be used on projects at their discretion. 10% of this funding must be spent on non traditional projects (Enhancement projects such as bike trails, landscaping, visitor centers, etc.) The remaining 90% would be further sub-allocated with 62.5% being distributed based on the population of the urbanized areas and 37.5% being re-allocated to the state to be used at the commission's discretion.

The senate version of the bill divided the funding with 60% going to the state to be

used at the commission's discretion and 40% being distributed to the urbanized areas based on population. There are no set asides in the senate version, but 5% of the total funding must be used on air quality improvement projects. I will provide a more detailed description of the House version of the funding distribution in a few moments.

The governors of each state will be required to certify that their state's Economic Recovery and Reinvestment Funds have been distributed equitably and fairly across the state under both versions of the bill. There currently is no definition of these terms in the bills. The House version of the bill also requires that priority be given to projects located within economically distressed areas. The definition of economically distressed is defined in existing federal statute, but due to the current state of the economy across Texas and the nation, this provision most likely does not exclude any project or area from being eligible for funding. States must also maintain their current levels of funding commitments from state resources for highway and bridge projects. In other words,

states can not use stimulus funds to replace planned state funds to reduce the state's existing commitments. Texas will not have any problems with this requirement.

A key provision of both versions of the bill is the reporting requirements to ensure accountability and transparency for the manner in which these funds are used. Some of the information that may be required to be reported includes the projects funded through this program, the status of the projects as they are constructed, and the number of jobs created and/or sustained by each project. This information would be reported to the USDOT and posted on a website to be created for this purpose.

It is also possible that states will be required to report on the use and implementation of "green" technologies and materials used as a result of program.

Texas' Numbers

Now I would like to walk you through the specifics on the potential funding Texas may receive for under the House version of the bill

to give you a sense of the magnitude of the program. As I mentioned earlier, Texas will receive approximately \$2.4 billion for highway and bridge projects. This \$2.4 billion would be further sub-allocated with 45%, or \$1.089 billion being distributed to the state's urban areas based on population and 55%, or \$1.331 billion being allocated to the state to be used at the commission's discretion. Ten percent, or \$108.9 million, of the \$1.089 billion allocation to the urban areas must be spent on enhancement projects, leaving approximately \$980 million in this sub-allocation. This sub-allocation is further divided with 62.5%, or \$612.7 million being distributed across the state based on population, and 37.5%, or \$367.6 million being returned to the state to be used at the commission's discretion.

The \$612.7 million sub-allocation is distributed based on population to four groups: Large MPOs or urbanized areas larger than 200,000 population, Small MPOs or urbanized areas between 50,000 and 200,000 population, small urbanized areas between 5,000 and 50,000 population, and rural

areas less than 5000 population. This results in \$357.5 million being distributed to Texas' eight large MPOs, \$66.5 million being distributed to Texas' 17 small MPOs, and a total of \$188.8 million being distributed to non-MPO areas across the state. Using these funding splits we have also calculated the breakdown of how much funding would be directed to each MPO and non-MPO area based on the 2000 census data for Texas.

Texas' Plan – Our Approach

As the potential for an economic recovery plan began to take shape late last year, a great deal of attention was focused on how Texas was preparing to respond if the opportunity became a reality. TxDOT's early response to national surveys indicated that we could deliver more than \$6 billion of projects within 180 days. Similar to most state's, our response was based heavily on our ability to deliver many pavement and bridge preservation, maintenance and rehabilitation type projects. As this information was reviewed by our state's elected officials, our transportation planning

entities, and by our own commission members we were challenged to work cooperatively with our industry partners to identify and develop ways of expanding the potential to include more projects with longer lasting impacts to the state's economy in our stimulus package. Working with our MPOs, transit providers, toll entities and elected officials we have collaborated to develop a unified approach to identifying and prioritizing projects for Texas. Simply stated, we want to identify and prioritize projects that put Texans to work now, and that provide long-term benefits to the communities they serve. I must thank leaders like Senator Kirk Watson and the commission for moving us in this direction and encouraging us to take advantage of this collaboration to create the best of all possible plans for Texas. To identify the universe of all eligible candidate projects we asked our MPOs, transit authorities, toll entities, FHWA partners and local TxDOT staff to work together to identify projects that would be ready to go to contract now, including those that will provide long lasting benefits to the

community. From this exercise our transportation industry has identified projects valued at more than \$15 billion of construction costs that meet the requirements of the stimulus program as it is currently defined. Approximately \$9 billion worth of these projects are for new construction or expansion projects that will provide significant congestion relief and expanded economic opportunities. This industry collaboration has positioned Texas to take full advantage of the economic recovery and reinvestment program to the maximum benefit to our state. We continue to work together to further refine and define our plan and will do so until a final bill is enacted and the recovery plan is fully implemented. The challenge will be how to select the projects that will ultimately be funded from this long list of possibilities.

Texas' Plan – The Projects

TxDOT's twenty five district engineers, led by a strike team created by David Casteel consisting of Randy Hopmann, Bob Ratcliff, Lauren Guarduno, Bryan Wood, Lonnie

Gregorcyk and Tim Powers were tasked with working with their local leaders and entities to develop a list of projects for their regions that met the anticipated conditions of the economic stimulus program. The district engineers were also asked to identify those projects that they believe, with a very high degree of certainty, can be delivered and “ready to go” to contract between February 2009 through August 2009. These projects are above and beyond their currently funded projects planned for the remainder of this fiscal year. “Ready to go” is defined as projects that are environmentally cleared for construction, have their designs complete and have sufficient amounts of right of way secured to allow construction to begin.

Through this exercise these partners identified more than 1400 projects requiring \$7.9 in economic stimulus funding, but that could deliver more than \$12.2 billion worth of construction. Many of the MPOs continue to refine their project lists. We will continue to work with our MPOs and other transportation partners to evaluate and prioritize projects for this program to ensure that we have created

the best possible list of projects for consideration during the limited remaining time available to us.

Texas' Plan – The Benefits

The primary purpose of the American Recovery and Reinvestment program is to create and sustain jobs. Some are questioning whether or not investments in transportation infrastructure projects will provide an immediate benefit to our economy. A quick analysis of the level jobs that would be created from a \$2.5 billion investment in transportation infrastructure in Texas based on the types of projects we anticipate pursuing with this program reveals that more than 23,000 direct jobs and more than 69,000 total jobs would be created through this program. We would also be making monthly payments to contractors of approximately \$75 million during the peak of this program, and the vast majority of the investment would be paid out within three years.

Conclusion

As we continue to prepare for this unique opportunity there are a few main points I believe we should all remember. First, the needs Texas has for investments in transportation infrastructure far out weigh the resources that this program will be able to provide. Second, Texas is prepared and will deliver a program that uses every dollar sent to us regardless of the conditions that may be placed on the use of these funds. Third, our industry is prepared to move quickly to respond to the program once it is finalized. And finally, TxDOT and our local partners have and continue to work together to rise to this challenge in a cooperative and effective manner and we await direction from the commission on the path forward you would like for us to take. This concludes my report to you this morning. I will be glad to answer any questions you may have.