U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

James L. Oberstar
Chairman

David Heymsfeld, Chief of Staff
Ward W. McCarragher, Chief Counsel

John L. Mica
Ranking Republican Member

James W. Coon II, Republican Chief of Staff

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The Honorable Barack Obama
President of the United States
The White House
Washington, D.C. 20500

Dear President Obama:

For consideration at the White House Forum on Jobs and Economic Growth that you will host tomorrow, we write to emphasize the need to increase investment provided by highway and transit formula programs as a way to create and sustain family-wage jobs, contribute to our nation's long-term economic growth, and help the United States recover from the worst recession since the Great Depression.

The American Recovery and Reinvestment Act (P.L. 111-5) (Recovery Act) has already resulted in almost 7,900 highway and transit projects breaking ground all across the nation. These projects have created or sustained more than 210,000 direct, on-project jobs, as well as hundreds of thousands of indirect jobs in the past nine months. Beyond the funds provided by the Recovery Act, additional highway and transit projects totaling more than $62 billion are ready to go to construction in the next few months. To offset the continued rise in construction unemployment, the collapse of the private construction market, and State budget crises that limit States' ability to finance highway and transit projects, we must act now to provide additional investments for ready-to-go highway and transit projects.

CONSTRUCTION INDUSTRY OUTLOOK

Job creation legislation should target the construction industry. As of October 2009, the national unemployment rate in construction was 18.7 percent. This level is the highest unemployment rate of any industrial sector. Since the recession began in December 2007, this sector has lost nearly 1.6 million jobs.

These job losses, along with the collapse of the private construction market, reinforce the need for continued public investment in our nation's infrastructure. During an October 1, 2009 hearing of the Committee on Transportation and Infrastructure on Recovery Act implementation, we learned that construction investment from the private sector in our economy continues to decline. Mr. Charles Gallagher, President of Gallagher Asphalt Corporation, testified that, although historically his company has received one-half of its work from the private sector and one-half of its work from the public sector, 98.5 percent of his current business is public sector work. Mr. Gallagher stated that private sector investment, "literally has just dried up and blown away." The Transportation Construction Coalition further reported that 63 percent of transportation contractors have laid off employees in 2009 and 44 percent indicated they plan to lay off employees in 2010.

State reports on planned spending for transportation projects also reveal the real danger that many States will be unable to move forward with their own infrastructure programs or find matching funds for Federal transportation programs. According to the December 2009 Fiscal Survey of States conducted by the National Governors Association and the National Association of State Budget Officers, 30 States reduced their State funding for transportation investment in fiscal year 2009 or plan to cut these investments in fiscal year 2010. Although the Recovery Act provided a much-needed boost to States, this bleak outlook underscores the necessity for increased Federal investment in highway and transit projects to create good, family-wage jobs as quickly as possible, while, at the same time, improving our deteriorating infrastructure and laying the foundation for future economic growth.

RECOVERY ACT IMPLEMENTATION

The successful implementation of the Recovery Act highway and transit investments adds force to the calls for additional infrastructure investment. The U.S. Department of Transportation (DOT), States, metropolitan regions, and public transit agencies have quickly put Americans back to work in family-wage, construction jobs because of the large number of ready-to-go projects. Under the Recovery Act, highway and transit funds are distributed to States, metropolitan regions, and public transit agencies by existing statutory formulas, which enable funds to be distributed and invested quickly and efficiently.

The results of these investments speak for themselves: of the $34.3 billion provided for highway and transit formula programs under the Recovery Act, $24.5 billion, or 71 percent, has been put out to bid on 10,329 projects, as of October 31, 2009. Within this total, 8,871 projects (totaling $20.2 billion) are under contract. Across the nation, work has begun on 7,886 projects totaling $18.6 billion – that is more than one-half of the total available highway and transit formula funds.[1]

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[1] Since enactment of the Recovery Act, the Committee on Transportation and Infrastructure has conducted vigorous oversight by requesting and receiving transparency and accountability information from States, metropolitan planning organizations, and public transit agencies on their use of infrastructure formula funds. The Committee has also held nine Recovery Act oversight hearings.

Monitoring the percentage of apportioned funds associated with projects out to bid, under contract, and underway helps us measure the Recovery Act's progress. Critics of the Recovery Act focus exclusively on the amount of outlays of Federal transportation funds. This approach does not provide a good sense of Recovery Act progress because transportation programs primarily operate through reimbursement. For example, States seek reimbursement for their expenditures on Federal-aid highway projects after construction is underway. Therefore, Federal outlays come months after jobs are created and necessary infrastructure projects are underway.

These 7,886 highway and transit projects have created or sustained more than 210,000 direct, on-project jobs, as of October 31, 2009. Total employment from these projects, which includes direct, indirect, and induced jobs, reaches nearly 630,000 jobs.

Direct job creation from highway and transit projects has resulted in payroll expenditures exceeding $1.1 billion. Using this data, the Committee calculates that $179 million in unemployment checks have been avoided as a result of this direct job creation. Furthermore, these direct jobs have caused nearly $230 million to be paid in Federal taxes. Please see the enclosure for background information on this data.

ADDITIONAL READY-TO-GO PROJECTS

Additional funding for highway and transit projects will immediately create and sustain needed employment. The value of shovel-ready projects exceeds $62 billion.

According to a December 1, 2009 American Association of State Highway and Transportation Officials (AASHTO) survey of State Departments of Transportation, there are 7,497 ready-to-go highway and bridge projects, totaling $47.3 billion.[2] Furthermore, according to a December 2009 American Public Transportation Association (APTA) survey, there are more than $15 billion of ready-to-go transit projects.[3]

Although the AASHTO survey includes all projects for which funds can be "obligated" within 120 days, AASHTO believes that, if job creation legislation is enacted by January 1, most of these projects will have workers on job sites by early spring 2010. A review of Recovery Act data indicates that after States obligate Recovery Act highway funds, States quickly request bids for and award construction contracts. For example, approximately 90 days after enactment of the Recovery Act, States had obligated $13.5 billion to highway projects. Of this amount, 85 percent ($11.4 billion) had been put out to bid, and 39 percent ($5.2 billion) was under contract within that timeframe. Given the experience gained under the Recovery Act, this process will likely progress even more quickly under any new legislation.

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[2] The AASHTO survey assumes January 1, 2010 as the date of enactment for job creation legislation. AASHTO defines "ready-to-go" projects as projects that can be obligated within 120 days of the date of enactment.

[3] APTA defines "ready-to-go" projects as projects that can be implemented within 90 days.

The Recovery Act was just an initial step toward creating jobs and livable communities. We look forward to working with you to transform our nation's transportation systems and build upon the job opportunities created by the Recovery Act.

Sincerely,

James L. Oberstar

James L. Oberstar, M.C.
Chairman

Pete DeFazio

Peter A. DeFazio, M.C.
Chairman
Subcommittee on Highways
and Transit

Enclosure

Information on Transparency and Accountability Information

The 7,886 highway and transit projects financed by the Recovery Act have created or sustained more than 210,000 direct, on-project jobs, as of October 31, 2009. Total employment from these projects, which includes direct, indirect, and induced jobs, reaches nearly 630,000 jobs. Direct job creation from highway and transit projects has resulted in payroll expenditures exceeding $1.1 billion. Using this data, the Committee calculates that $179 million in unemployment checks have been avoided as a result of this direct job creation. Furthermore, these direct jobs have caused nearly $230 million to be paid in Federal taxes.

Direct Jobs: Direct jobs are charged directly to the project, and include workers employed to build a facility or upgrade equipment on-site.

Consistent with DOT's reporting requirements, the number of direct jobs is based on direct, on-project full-time-equivalent (FTE) job months. One person working full time or two people working one-half time for one month represents one FTE job month. FTE job months are calculated by dividing cumulative job hours created or sustained by 173 hours (40 hours per week times 52 weeks divided by 12 months = 173 hours). The Committee collected job hours directly from States and public transit agencies.

Indirect Jobs: These jobs are not charged directly to the project but are embedded in materials costs. Indirect jobs include positions at companies that produce construction materials such as steel, sand, gravel, and asphalt, and manufacture equipment including new transit buses.

Induced Jobs: These jobs describe positions that are created or sustained when employees spend their increased incomes on goods and services (e.g., restaurant employee who serves lunches to workers).

Total Employment: Total employment includes direct, indirect, and induced jobs.

To calculate total employment, the Committee assumed that an expenditure of $7,667 creates one FTE job month ($92,000 creates one FTE job year). The multiplier is based upon the Council of Economic Advisers' guidance.

Note: Given that total employment is based on expenditures (also known as outlays), and expenditures lag behind direct job reports because these programs operate as reimbursement programs, the figure for total employment reflects the employment picture months prior.

Value of Unemployment Checks Avoided: The value of unemployment checks avoided is determined by multiplying FTE direct job months created or sustained by the average monthly unemployment benefits paid ($1,448.33) times the percentage of unemployed workers collecting unemployment benefits (58.6 percent). The Congressional Research Service (CRS) provided the Committee with this information.

Federal Taxes Paid: The value of Federal taxes paid is calculated by multiplying the direct jobs payroll by the average total federal tax rate (20.45 percent) (the sum of the average tax rate with respect to adjusted gross income (12.8 percent) and average social insurance payments (7.65 percent) for the 2008 tax year). CRS provided the Committee with this information.