Setting the Record Straight

Transit, Fixing Roads and Bridges Offer Greatest Job Gains

With renewal of the nation's surface transportation law (TEA-21) targeted as a top legislative priority for early 2004, much of the public debate has focused on the bill's job creation potential. Greater investment in the nation's transportation facilities as a way to stimulate job growth has captured the attention of many policy-makers who express concerns about a jobless economic recovery and the need for larger public capital commitments to accelerate employment growth. Though the surface transportation bill covers a broad range of transportation needs, most of the discussion has centered on the benefits of building new highways. This *decoder* confirms that public transportation investments and fixing existing bridges and roads can create more jobs per dollar invested, while yielding other benefits such as promoting more transportation choice and even reducing taxpayers' future tax liabilities by making sure the infrastructure we've already paid for stays in good repair.

Investments in road and bridge repair create 9 percent more jobs per dollar than building new roads or bridges. Public transportation spending creates 19 percent more jobs.

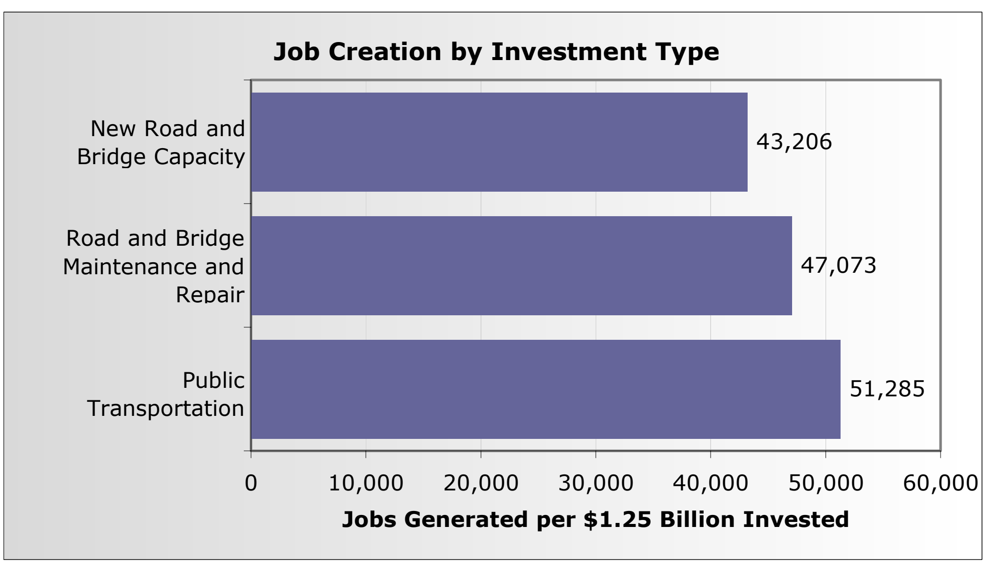
Transportation Investments as Economic Boosters

Investing in our nation's transportation infrastructure is a well-established policy option for jump-starting the economy and boosting employment. In fact, Congress chose to use transportation spending to get the economy moving during the economic recessions of the early-1960s, the late-1960s, the mid-1970s, and the early-1980s. Government investment in transportation can be especially effective as an economic booster because it targets the industries – heavy construction, building materials, and durable goods manufacturing – hit hardest by an economic downturn. And transportation investments are felt beyond just those industries. In all, more than 80 percent of the 430 job sectors in the U.S. benefit from transportation spending. And with many states facing enormous budget deficits, federal spending may help counter cut-backs in state-level spending, including state transportation spending cuts.

However, the effectiveness of transportation investments as employment boosters depends on what type of project or program the funds are spent on. Different project types require more labor than others and so the job creation potential varies widely across investment types. This decoder sets the record straight on transportation spending and job creation, and finds that investing in a balanced transportation system rather than a new roads-only system will help get more Americans get back to work.

Road and Bridge Investments – Fix It First Policies Employ More Americans

In order to assess the employment impact of different types of road and bridge investments, the Federal Highway Administration (FHWA) worked with Boston University and Battelle



Memorial Institute to create JOBMOD, an economic model that allows the user to evaluate more than a dozen different transportation project types. The widely reported figure, that $1 billion in federal transportation investments creates 47,500 jobs throughout the economy in the first year, assumes a 20 percent state match, and spreads the total amount – $1.25 billion – across each of 13 different project types.

Using the JOBMOD software, STPP found that maintenance and repair projects generate more jobs than new road or bridge capacity projects. Road and bridge repair and maintenance projects, such as resurfacing, rehabilitation, minor widening, and bridge rehabilitation or replacement – projects typically funded out of the Interstate Maintenance (IM), Surface Transportation Program (STP), and Bridge Program – create an average of just over 47,000 jobs for every $1.25 billion invested. In contrast, $1.25 billion spent on new road or bridge capacity projects – funded in large part through the National Highway System Program (NHS), non-dedicated Minimum Guarantee Program, and Bridge Program – generates just over 43,200 jobs, once expenditures on right-of-way purchase are excluded.*

An interesting finding of STPP's analysis using JOBMOD is that "environment-related" transportation projects, which include wetland mitigation, noise barrier construction, and air quality programs, generate the highest number of jobs – 51,200 for every $1.25 billion spent. Safety projects also have significant potential as job-creators, employing nearly 48,300 people for every $1.25 billion spent. On average, $1.25 billion spent on safety, traffic, and environment-related transportation projects employs nearly 49,800 people.

Public Transportation's Role in Job Creation

Like FHWA, the American Public Transportation Association (APTA) worked with researchers to develop a model by which they could evaluate the employment benefits of public transportation investments. The parameters of the model are very similar to FHWA's JOBMOD, except that with APTA's model, land acquisition *is* accounted for. Because APTA's model is based on 1998 figures while FHWA's model uses 2000 numbers, it was necessary to update the APTA model's figures with Employment Cost Index data to take into account wage rate inflation.

These adjusted figures reveal that investments in public transportation produce almost nine percent more jobs per dollar spent than road and bridge repair and maintenance projects, and nearly *19* percent more jobs than new road or bridge projects. For every $1.25 billion spent on public transportation projects (assuming half of the funds are spent on new capital projects and half are spent on operations), nearly 51,300 people are employed.

Balanced Investment Means More Jobs and Other Benefits

STPP's analysis reveals that balanced investments in the nation's transportation system can help more Americans get back to work – not to mention benefits such as increased access to jobs and other destinations and reduced family transportation expenditures. The policy directions embedded in any final TEA-21 renewal plan and the investment choices it supports or encourages by its state and local partners will influence how much employment growth the nation realizes. If the renewal of TEA-21 is to be effective as a jobs bill, lawmakers should seek a bill that promotes greater transportation choice.

*The JOBMOD model overstates the job-creation potential of new capacity projects (assigning just over 48,000 jobs per $1.25 billion spent on new capacity projects) because it fails to take into account the considerable portion of those investments that must be spent on purchasing land for the right-of-way when new roads or bridges are built, or existing roads are widened significantly. According to a new report from the labor group Good Jobs First, an average of ten percent of new capacity project costs is dedicated toward land purchases. And because these land purchases represent a transfer of funds and do not create jobs, the amount spent on land purchase, estimated at $125 million of the $1.25 billion total expenditures, must be excluded from this analysis.

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Public data query of Bureau of Labor Statistics, *Employment Cost Index.*

For further information, see:

http://www.transact.org
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