

STIMULUS UPDATE #2:

INFRASTRUCTURE PROJECTS HELP BUILD OKLAHOMA'S ECONOMY

Eight percent of the federal stimulus bill, or \$63 billion, is designated for infrastructure spending. Oklahoma's share, over \$700 million, will be used for transportation and water resources projects. Infrastructure spending is an effective stimulus tool because it makes up for past neglect, creates jobs, and reduces future costs. Highway projects, mainly for resurfacing state highways, are the largest projects. Highway projects emphasize major maintenance, while high-speed rail and water resources programs invest in expanding infrastructure and the economy.

I. INFRASTRUCTURE AND THE STIMULUS: OVERVIEW

Infrastructure—transportations systems, water and other utilities—is the underlying framework for a community, state or nation. Adequate infrastructure supports individual and community prosperity by:

- helping people move from home to school, work, and leisure activities;
- allowing for movement of goods and services; and
- improving public health through distribution of clean water and disposal of sewage and solid waste.

The American Recovery and Reinvestment Act (ARRA, or the stimulus bill) was passed in February 2009 to help lift the nation out of a severe economic downturn. Infrastructure is an appropriate tool for stimulus spending because:

- our nation has long under-invested in infrastructure,
- infrastructure creates many short-term jobs,
- it reduces future maintenance and replacement costs, and
- better infrastructure contributes to long-term economic growth.

Infrastructure makes up \$63 billion (8 percent) of the \$787 billion ARRA spending. This update provides an overview of the transportation and water resources elements in ARRA and how they are being used in Oklahoma.

Figure 1 shows the governments and agencies that determine which projects to fund. The Oklahoma Department of Transportation has the greatest ARRA infrastructure funding responsibility, with other programs divided among other state agencies as well as the federal and local governments.

Figure 2 summarizes the status of infrastructure programs in Oklahoma. Highway and bridge projects make up most of the state's allocation, federal obligations, and spending—about \$40 million so far. "Oklahoma share" is the amount that will be spent

Figure 1: Infrastructure Project Allocations by Agency

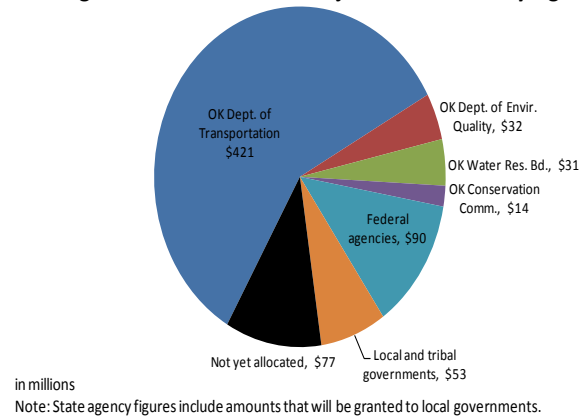
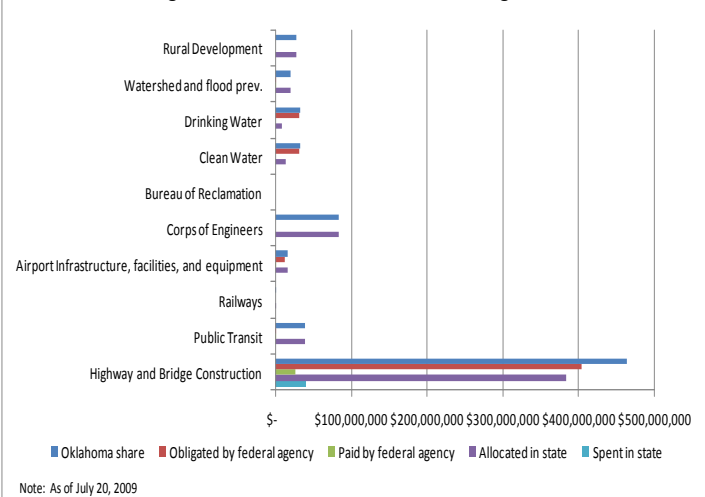


Figure 2: Status of Infrastructure Programs



in Oklahoma, as announced by federal agencies. "Obligated by federal agency" means the state has met major program requirements and the agency has set money aside. "Paid by federal agency" means money has been sent to the state or other grantee. "Allocated in state" means funds have been set aside for specific projects. "Spent in state" means funds have been paid for completed work.

II. TRANSPORTATION PROGRAMS

The \$47.5 billion in transportation projects make up approximately three-fourths of ARRA infrastructure spending nationally. Approximately \$521 million in ARRA transportation funding has been allocated for Oklahoma. Table 1 summarizes the four major transportation programs, including a program summary; how state and local governments qualify for funds; Oklahoma's status and how it compares nationally; and how funds are being used in Oklahoma. Detailed information at the national level is available from the U.S. Department of Transportation at <http://www.dot.gov/recovery/>. State updates and project lists are at <http://www.okladot.state.ok.us/recovery/index.htm>.

In general, Oklahoma's ARRA transportation programs emphasize major maintenance and rehabilitation of highways, bridges, buses, and airport facilities in order to meet ARRA's requirement to spend quickly and to be spread funds across the state. They can benefit the state both through providing construction jobs and through reducing future construction and maintenance costs.

Table 1—ARRA Transportation Program Description and Status Report

Program funding (US/Oklahoma, in millions) and overview	Qualifying for funds	Is the money being spent?	How is the money being spent?
<p>Highway and Bridge Construction (\$29,000/\$465)</p> <p>\$27.5 billion is for highway and bridge construction projects, allocated on a formula basis. Some funding must be set aside for sub-state areas and for transportation enhancement projects.</p> <p>\$1.5 billion is for competitive grants that may fund either highway or transit projects.</p>	<p>States must maintain effort in state spending but no state match is required. Priority for projects that can be completed in 3 years and in economically distressed areas.</p> <p>Funds may be reallocated to other states if not obligated in the first year.</p>	<p>The Oklahoma Department of Transportation (ODOT) has \$382 million, or 82 percent of its allocation, under contract as of July 1, 2009. Oklahoma is among the leading states in federal obligations and spending in this program.</p>	<p>State highways have been allocated \$327 million in ARRA funds. Major projects include I-244 reconstruction in Tulsa and resurfacing of I-35 and I-40. Other funds are allocated to the Tulsa and OKC metro areas (\$30 million) and county roads (\$27 million).</p>
<p>Public transit (\$8,400/\$39)</p> <p>\$6.7 billion in formula grants to purchase buses and equipment needed to increase public transportation and improve transit facilities. Separate funds are for large urban, small urban, and rural areas. No state or local match is required.</p> <p>\$1.7 billion in discretionary grants for new rail systems and greenhouse gas reduction efforts.</p>	<p>States will be required to obligate 50 percent of funds within 180 days and all funds within one year, with unobligated funds withdrawn for redistribution. Funds must be spent by September 30, 2015.</p>	<p>Urban area funds go directly to 4 transit systems. Rural area funds go to ODOT, which has allocated \$17 million for 18 bus systems and intercity bus travel. Oklahoma is not completing federal requirements as fast as many states in this program.</p>	<p>Urban systems plan to purchase 65-70 replacement vehicles and improve maintenance and compressed natural gas (CNG) fueling facilities. Rural areas will purchase 261 buses and vans.</p>
<p>Rail (\$9,300/<\$1)</p> <p>\$8 billion is competitive funding for the intercity rail and the high speed rail corridor program, with funding limited to 10 corridors identified by the U.S. Department of Transportation. Funds require a 20 percent state or local match.</p> <p>\$1.3 billion is for Amtrak capital improvements.</p>	<p>Grants for intercity rail are for ready-to-go improvements to existing systems. Later applications for high-speed rail will be awarded based on public benefit, minimizing risk, and timeliness. Amtrak allocates funds among its projects.</p>	<p>Oklahoma is part of a designated high speed rail corridor and has filed a pre-application on schedule.</p>	<p>The high-speed rail application has not been completed but funds likely would be used for environmental and cost-benefit analysis. Amtrak will spend \$144,000 on accessibility improvements at five Oklahoma stations.</p>
<p>Airports (\$1,300/\$16)</p> <p>\$1.1 billion is for discretionary grants to airports, with priority given to those projects that can be completed within two years. No match is required.</p> <p>\$200 million is to make improvements to Federal Aviation Administration facilities, equipment, and systems.</p>	<p>Projects that can be completed by February 17, 2011 receive priority. Funds may not supplant other federal airport grants.</p>	<p>Oklahoma projects have been approved. Oklahoma is allocating funds at the same pace as other states and is spending faster than some.</p>	<p>Runway rehabilitation, lighting, and safety projects will be undertaken at five airports at a total cost of \$16.3 million. FAA will replace air-conditioning at three traffic control towers.</p>

III. WATER RESOURCE PROGRAMS

The \$15.6 billion in water resource projects makes up approximately one-fourth of ARRA infrastructure spending nationally. Approximately \$175 million in ARRA water funding has been allocated for Oklahoma and more may be forthcoming. Table 2 summarizes the major programs. Table 2 omits \$1 billion in U.S. Bureau of Reclamation funding, none of which has been allocated to Oklahoma. Additional information is available at <http://www.recovery.gov/?q=content/rebuilding-infrastructure>. State programs and projects may be found at <http://www.deq.state.ok.us/>.

The ARRA water resources projects differ from transportation projects by requiring more local funding, and by taking longer to select and construct, as many of the projects are more complicated than resurfacing highways and replacing buses.

Table 2—ARRA Water Resource Program Description and Status Report

Program funding (US/Oklahoma, in millions) and overview	Qualifying for funds	Is the money being spent?	How is the money being spent?
U.S. Army Corps of Engineers (\$4,600/\$83) Funds go to the U. S. Army Corps of Engineers (USACE) for improvements to civil works such as lakes and dams. Programs include \$2.1 billion for facility operation and maintenance and \$2.0 billion for construction, as well as funding for Mississippi River and tributary projects.	USACE allocates funds and contracts directly. Projects are selected for speed of construction, job impact, and ability to use contract and temporary labor.	USACE has allocated \$83 million to 28 Oklahoma projects. Further allocations are possible. It appears Oklahoma projects are on similar schedules with other states.	25 operations and maintenance projects emphasize spillway repairs and guardrails, while construction projects are restoring habitats. The Kerr-McClellan Waterway is the largest project.
Clean Water (\$4,000/\$33) Funds are allocated by formula to states to make grants and loans to cities and counties to improve wastewater systems (\$3.9 billion). Twenty percent must be used for "green projects" and additional funds are granted directly to Indian tribes. No state match is required.	States should give priority to projects that can begin construction by June, 2009 or risk loss of funds. States must submit intended use plans and applications.	The Oklahoma Department of Environmental Quality and Water Resources Board grant up to 30 percent of project cost. Oklahoma's progress is similar to other states.	12 projects totaling \$82 million have been approved, with \$12 million in ARRA grants. Largest projects are in Moore and Oklahoma City. Five Indian projects totaling \$1.3 million are also approved.
Rural Development (\$3,700/\$28) \$3.7 billion is allocated to the U.S. Department of Agriculture (USDA) for discretionary grants and loans for water and waste disposal improvements in communities of less than 10,000 population. Most projects require local grantees to repay loans.	Projects that are ready to commence receive preference. Most funding is for loans, but grants may be made to keep user charges reasonable.	Oklahoma projects have received a very small part (\$28 million) of the \$ 1.1 billion allocated so far by USDA. Additional Oklahoma projects are likely.	7 Oklahoma projects have been included, the largest being for the McCurtain County Rural Water District #6.
Drinking Water (\$2,000/\$33) Funds are granted by formula to states to make grants and loans to cities, counties, and rural water districts to improve drinking water systems (\$1.95 billion). Twenty percent must be used for "green projects" and \$50 million is available to Indian tribes. No state match is required.	States should give priority to projects that can begin construction by June, 2009. Priority is for projects that serve communities that cannot repay a loan.	The Oklahoma Department of Environmental Quality and Water Resources Board award ARRA grants of up to 30 percent of project cost. Oklahoma's progress is similar to other states.	Five projects totaling \$40 million have been approved. \$7 million of the funds is from ARRA grants. Large projects are in Washington County, Norman, and Bartlesville. Six Indian projects have been approved for \$1.08 million.
Watershed/Flood Prevention (\$340/\$20) ARRA provides \$340 million to the U.S. Department of Agriculture's Natural Resources Conservation Service. Discretionary grants are offered for rehabilitating dams and watersheds, watershed operations (new construction), and purchasing easements to reduce flooding impacts. ARRA pays 65 percent of project cost.	Local sponsors apply for funding and state agencies review projects according to federal guidelines, which require that projects reduce flood and erosion damage, conserve land and water, and have positive economic benefits.	Oklahoma has received more rehabilitation project money than any other state. Oklahoma is among the first states to receive funds for other project types as well.	Dam rehabilitation includes large projects on Sallisaw Creek and Cottonwood Creek. Other funds will purchase flood easements on two creeks and construct three new dam projects.

STIMULUS RESOURCES

OK Policy stimulus updates each cover a different policy area or stimulus issue. See our web page, <http://www.okpolicy.org/stimulus>.

Federal stimulus information is available at <http://www.recovery.gov>

View state information at <http://www.recovery.ok.gov>

This update was prepared by Paul Shinn, Consultant. Contact Paul at: pshinn@okpolicy.org.