

Analysis of Recovery Act Reports: Is Texas Meeting Its Own Needs?

Texas Impact, November 2009

In looking at the initial reports detailing Recovery Act spending, two key questions to ask are whether Texas has been able to direct its expenditures towards areas facing economic distress and whether the reports themselves are reliable and sufficient.

Texas Impact finds unsatisfactory answers to both of those questions, meaning the state may need new reporting requirements and a strengthened commitment to targeting Recovery Act funds towards distressed areas.

Recovery Act Progress Statewide

We already knew the American Recovery and Reinvestment Act helped Texas legislators close a multi-billion-dollar budget gap and provided Texans with tax breaks, unemployment benefits, and increased food stamp payments during these tough economic times. With the historic release of Recovery Act spending reports on October 30th, we further learned that 19,572 jobs had been created or saved in Texas due to \$10,679,918,184 worth of grants, contracts and loans awarded as of September 30th. Most of those projects are in the early stages or have yet to begin, so a lot of work remains as Texas implements the Recovery Act. For example, less than one percent of the State's \$324 million allocation for the Weatherization Assistance Program has been transferred to contractors so they can begin work, meaning there are many more jobs yet to be created.

Many of the projects that have begun are already showing benefits. Potentially the most interesting set of data involves the 5,752 jobs reported by entities receiving US Department of Labor funds. These entities include local workforce boards around the state as well as other local employment projects and agencies, and they may offer the most information about green jobs creation to date. For example, in Austin some of the funds have gone to an American Youthworks project that doubled the number of youth working and receiving training in green building through their national model YouthBuild program.

Spending in Economically Distressed Areas

Concerns about the geographical distribution of Recovery Act funds in Texas have existed since the Legislature and state agencies began allocating them. In March, national and state legislators admonished the Texas Department of Transportation (TXDOT) after Amadeo Saenz, TXDOT's Executive Director, told state legislators that the agency did not take into account whether areas were economically distressed when deciding where to allocate Recovery Act funds, a violation of stipulations in the law.

Texas Impact decided to analyze the reports to find out if Recovery Act funds are reaching the areas that need it the most. We looked at four Metropolitan Statistical Areas (MSAs) that have unemployment rates that far exceed that of the state as a whole. Those areas are: the McAllen-Edinburg-Mission MSA [11.6 percent unemployment rate among one of the fastest-growing populations in the country], Brownsville-Harlingen [10.8 percent unemployment], Beaumont-Port Arthur [10.8 percent unemployment], and El Paso [9.8 percent unemployment]. Each area has in the last year seen larger unemployment increases than the state average despite having higher starting points. These MSAs also have notably high rates of poverty even during normal economic conditions, with those rates being especially high among children. The chart below displays these statistics.

	Unemployment Rate [Change in last year]	% below poverty	% below poverty—under 18
McAllen-Edinburg-Mission:	11.6 [3.8]	35.2	46.0
Brownsville-Harlingen:	10.8 [3.5]	34.7	45.8
Beaumont-Port Arthur:	10.8 [3.8]	15.4	24.7
El Paso:	9.8 [3.3]	25.5	45.8
Texas:	8.3 [3.1]	15.8	22.5
Nation:	10.2 [3.6]	13.2	11.6

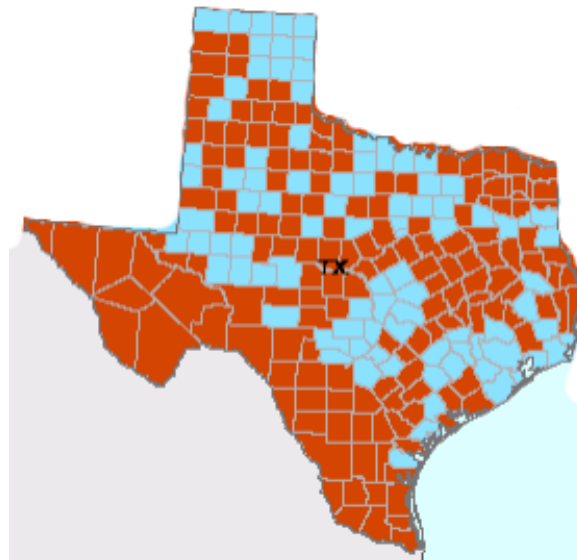
Note: Poverty data is from the most recent ACS 1-year estimates.

Not only have the four MSAs in question not received extra considerations due to their need, their shares have been even smaller than their populations would dictate. By the metrics of jobs, projects, and funds, it is clear that the State has not made a sufficient effort to direct Recovery Act funds to the areas that are being hit hardest by the current recession.

	Population	# of ARRA Projects	Amount Awarded	Jobs
McAllen-Edinburg-Mission:	726,604	165	\$216,296,181	154.72
Brownsville-Harlingen:	392,736	87	100,905,775	131.75
Beaumont-Port Arthur:	378,255	104	74,620,322	203.93
El Paso:	742,062	135	186,426,133	233.31
TOTAL:	2,239,657	491	\$578,248,411	723.71
% of Texas Total	9.21%	7.9%	5.4%	3.7%

Note: Recovery Act data is from initial quarterly reports posted on Recovery.gov.

Though these four areas have more than nine percent of the state’s population, they encompass just under eight percent of the Recovery Act projects undertaken so far. In turn, those projects account for less than six percent of the total funds awarded throughout the state so far and less than four percent of the jobs created or saved. Other states have made concerted efforts to direct Recovery Act funds to “economically distressed” areas. For example, Policy Matters Ohio has found that “[t]he most distressed Ohio counties received the lion’s share of ARRA funding”, and the state of Washington has reported that 67 percent of their Recovery Act funds have gone to economically distressed areas. In Texas, the economically distressed areas are in red in the map below.



As we mentioned above, Texas has yet to obligate much of its Recovery Act allotment, so there may be opportunities to rectify the situation. The remaining state-level decisions rest with state agencies at this point, but legislative direction and performance measures could influence the process.

Data Integrity and Utility

The reports are a milestone in transparent and accountable government, but are they reliable, and are they measuring the right criteria? Our preliminary analysis raises some concerns about the quality and scope of the data.

The reports certainly give us an unprecedented look into where federal expenditures are going and what effects they are having in our communities. In many ways, though, they fail to measure progress on some of the Recovery Act's key priorities. For instance, while billions of dollars will be invested in energy efficiency and renewable energy generation, there are no measures in place to track how many megawatts are conserved or carbon emissions avoided as a direct result of these Recovery Act initiatives. Job creation and retention is the goal receiving the most attention at present, yet there is no data to tell us the wage and benefit levels of Recovery Act jobs and no way to know who is getting them.

These and other metrics could lend insight into whether the Recovery Act is meeting its stated goal to "assist those most impacted by the recession." The geographic distribution we have illustrated above is only one way to measure the effect, or lack thereof, that the Recovery Act is having on these populations. Requiring states to keep track of how many projects are carried out by historically underutilized businesses would be one way to measure the effect on minority populations, which have largely been more adversely affected by the recession.

As for the reliability of the data, we are confident that they provide a realistic picture of the impact so far, but the results are far from perfect. Though the reports were vetted by the Office of Management and Budget (OMB) with assistance from other federal agencies before being released to the public, many errors and inconsistencies remain. For one, there are 62 projects in the Texas data that are listed as being performed in other states. Those projects total more than \$33 million, and some explanation as to why they are among the Texas data is necessary. Furthermore, while there have been media reports of possible overcounting of job creation, many questionable numbers in the reports show that undercounting may be more likely. For example, one TXDOT project in the South Texas city of Vidor received almost \$17 million and is listed as being more than 50 percent completed, yet it has supposedly created or saved zero jobs.

If public interest groups and policymakers are to make decisions based on the reports released through Recovery.gov, they must be able to have confidence in the accuracy of the data. Therefore, we would like to see a clear description of the quality assurance and verification processes implemented by OMB. This information would allow groups to assure supporters and critics that the data is reliable.