American Recovery and Reinvestment Act and its Effect in Utah

American Society for Professional Administrators - Utah Chapter

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At this month’s American Society for Professional Administrators (ASPA) Luncheon, Utah State Planning Coordinator Mike Mower and Juliette Tennert, Chief Economist of Governor’s Office of Planning and Budget, discussed the impacts of the 2009 American Recovery and Reinvestment Act (ARRA) on Utah.

Mr. Mower described the historical context for government spending on projects meant to stimulate the economy. The Erie Canal in Upstate New York, one of the country’s first great stimulus projects, was considered a success for economic growth and the establishment of towns along the canal throughout the region. Mr. Mower drew attention to the fact that, like any government-funded economic stimulus, there were opponents who were against spending government funds on a project that had no benefit to them and may in fact have increased competition for some outside of the region.

In Utah, the Great Depression brought about considerable need for assistance from the federal government, as the state had the fourth highest unemployment rate in the nation, with an economy heavily dependent on agriculture and mining. Many Works Progress Administration (WPA) and Civilian Conservation Corps (CCC) projects can still be seen throughout Utah, including National Park trails and some public buildings, such as the Helper City Hall and Monroe City Library. The goal of President Roosevelt and the New Deal supporters in Congress was to spread wealth throughout the states so Americans had the opportunity to earn some money to sustain themselves.

Using similar rationale, President Obama and the U.S. Congress passed the American Recovery and Reinvestment Act in February of 2009 with the goal that federal funds distributed through the states would reduce unemployment and encourage investment and consumer spending. The Utah Legislative General Session was coming to a close at the time, leaving Utah legislators with the delicate job of estimating what federal funds would be available to help backfill gaps in the state budget. The majority of the $1.8 billion in stimulus funds received by Utah was allocated by the federal government, leaving little room for state discretion. $480 million of this money was one-time discretionary funding that could be used to plug budget gaps, with the remainder being dedicated to federal programs within the state or shovel-ready projects. President Obama said his goal was to direct money to shovel-ready projects in as transparent a way as possible, and Utah was well-positioned to take advantage of the money, with a number of such projects ready immediately when the federal funding was announced.

Ms. Tennert described trends in the state’s economy over the last several years and went into detail on the impacts of ARRA funds in Utah. Looking at employment in Utah and throughout the country, the state experienced a much greater growth in jobs between 2003 and 2007 than did the country on average. Utah began losing jobs in 2007 and saw a more severe decline in 2008. The state’s job decline was similar to that of the nation, with a contraction of around 6%. However, because Utah had previously experienced such strong job growth, it is in a better position to recover from job losses than the country as a whole.

Although the economic impacts of ARRA are difficult to specifically quantify, Ms. Tennert said the Act was helpful in getting money to the states, retaining employment, and reinforcing investor confidence. Utah did not experience great job gains from ARRA, but Ms. Tennert said it was effective in retaining jobs. Though the recovery has been slow, nearly all industries in the state are again growing, and even those that are not yet experiencing growth have seen a considerably slower decline. ARRA moneys also mitigated funding to public education and higher education in Utah. Both
public education and higher education experienced budget decreases, but at a much less dramatic scale than would have been necessary without the additional federal dollars. Around $1.5 billion in ARRA funds were distributed to Utahns through a number tax benefits including the Making Work Pay and Homebuyers Tax Credit. Finally, $90 million in discretionary funds were invested in projects expected to bring significant financial benefits to the state, such as an increased motion picture incentive and the Utah Science Technology and Research Initiative, projects that brought in higher than predicted returns on investment.

In 2011, some revenue growth is expected in Utah and a slow recovery from the recession should help to ease some of the budget pressures. Going into this fiscal year budget, rainy day funds, tobacco tax dollars, budget cuts, and some funding shifts will be needed to address budget limitations, but Ms. Tennert said ARRA was greatly useful in helping fill gaps in the budget when it was needed most.

More information on the American Recovery and Reinvestment Act in Utah can be found at www.recovery.utah.gov.

The American Society for Public Administration (ASPA) is the nation's most respected organization representing all forums in the public service arena. The mission of ASPA includes:

- advancing the art, science, teaching, and practice of public and nonprofit administration;
- promoting the value of joining and elevating the public service profession;
- building bridges among all who pursue public purposes;
- providing networking and professional development opportunities;
- and achieving innovative solutions to the challenges of governance.

The Utah Chapter hosts monthly luncheons featuring a wide range of speakers and panels covering interesting and timely topics. Our next luncheon, the ASPA Annual Legislative Preview, is on January 13, 2010 at noon.

Please visit our website at www.cppa.utah.edu/aspa for more information and to make a reservation.