

# ***POLICY BRIEF***

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## **The Stimulus in Allegheny County: The Seen and the Unseen**

The American Reinvestment and Recovery Act—better known as the stimulus package—will inject \$377 million into Allegheny County for transportation, community improvements, and education among other uses. A substantial share of these funds will be delivered through existing Federal formulas and for projects that are “shovel ready.”

Pennsylvania and local governments are working to ensure the spending is transparent. There is a state Oversight Commission and the Auditor General’s office will be responsible for auditing projects, although to be sure the audits will be after the fact. Allegheny County has created a website detailing projects receiving the funds while several newspaper articles have provided additional details on the recipients of the money and the purposes of the funding. The table below pulls together the available information as of the end of April.

**Stimulus Funding for Allegheny County**

<b>Project Type</b>	<b>\$ Amount</b>	<b>% of Total</b>	<b>Recipient</b>	<b>Purpose</b>
Roads and Bridges	\$102 m	27%	PennDot	Road Improvements
Transit	\$61 m	16%	PAT	North Shore Connector
Airports	\$12 m	3%	ACAA	Runway improvements
Energy	\$12 m	3%	County, City	Weatherization
Housing Authorities	\$38 m	10%	ACHA, PHA	Improvements
Veterans Health Care	\$11.5 m	3%	VA	Improvements
Community Improvements	\$37 m	10%	Various	CDBG, Workforce, Police
Schools	\$103 m	27%	Various	Title I, Educational Improvements
<b>Total</b>	<b>\$377 m</b>	<b>100%</b>		

The funding for roads and bridges (Route 28, Ft. Duquesne Bridge, and U.S. 22/30) and schools account for over half of the stimulus money in the County. The largest allotment, on a dollar basis, is the \$61 million for the North Shore Connector. On a per person basis the stimulus amounts to \$314 per Allegheny County resident.

This is the “seen” part of the equation Henry Hazlitt, in his *Economics in One Lesson*, said it is important to look “not merely at the immediate but the longer effects of any act or policy...tracing the consequences of that policy not merely for one group but for all groups”. Thinking about the impact of the stimulus requires uncovering the “unseen” effects.

And looking at the stimulus at a local level instead of a national one presents a different calculation on effects as well. The benefit of the stimulus is supposed to be concentrated (an infusion of \$377 million of “free” money) while the costs (repaying the debt) are spread across the nation as a whole. This is much like the arguments that surrounded the pre-stimulus injection of transportation money to pay for the Connector project. Surely the County’s labor market data and sales tax collections will be a signal of whether the stimulus is having a positive or measurable impact. But it is important to think about the possible unintended consequences of the stimulus money.

One such unseen consequence of the additional money going to the North Shore Connector is the millions of dollars in other transportation projects that will not get done because the money is being spent to cover cost overruns for the Connector. Another unfortunate consequence is the reinforcement of the belief among government planners and politicians that failure to project costs honestly poses no threat to their jobs, which means they will continue to do more of it.

Other things to consider with regard to unforeseen outcomes:

- **How can the local construction market not get overtaxed?** Locally, construction workers would certainly be seen to be benefiting with road projects, construction improvements at Housing Authority properties, Veterans’ Hospitals, and at the two airports in the County. But this would certainly place strains on the type of expertise and labor needed to complete these construction projects and the materials needed for the projects.
- **Is the stimulus money a supplement or a swap?** And what about the possibility that local officials might have had money committed to the projects before the stimulus and now want to pull those sources out in favor of the Federal money? It could happen and would likely either diminish the overall impact of the project or just result in an increase in government spending. Consider the quote of the Mayor from a February 21 newspaper article on the stimulus. Noting that Pittsburgh and other cities around the nation might want to see increased policing money, the article noted “...Federal funds would offset some of the \$68 million the city expects to spend on policing, letting him shift some local money to other needs”. While the City could certainly free up some money to put toward its long-term obligations it would be only temporary in nature.
- **What are the schools going to do with their open-ended funds?** A document from the state of Pennsylvania on their stimulus website notes that “school districts will make the decision on how to use 95% of [a \$2.56 billion pool]”. We

already know that public education is a growth industry in southwestern Pennsylvania and, as we noted in a previous *Policy Brief (Volume 9, Number 15)*, the money could be used for longer school days, longer school years, full-day kindergarten, etc. all of which would require more and better paid teachers. That seems unnecessary in an industry that is very powerful and is ready to pounce on the latest innovations in Pennsylvania. Building any increase into a permanent funding cycle would inevitably lead to more tax increases, a very unwelcome event in Allegheny County.

Again, all that is known at this point is what the money is targeted toward. Its longer term effects, either intended or unintended, will not be known for certain for some time if ever.

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