

Davis Remarks At GSA Briefing on Chicago Recovery Act Projects

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As economist Dean Baker has calculated, the bursting of the housing bubble led to a falloff in annual construction (residential and non-residential) spending of more than \$600 billion. The loss of \$6 trillion in housing wealth led to a loss of close to \$400 billion in consumption demand as homeowners were no longer able to access the equity in their homes.. That gives a combined loss in demand of more than \$1 trillion. And that has resulted in a really bad recession. For most Americans this is the worst economic times they have ever seen.

The American Recovery Act provided for \$787 billion in public spending make up some of that loss in demand and to soften the blow to American families (as opposed to the TARP where the money went to shore up the financial system via the banks, which have continued to hold back on lending despite the aid). The Recovery funds were designated to be paid out over a period of several years.

The Recovery Act payments were divided into rough thirds: \$288 billion in tax rebates to families of which about \$99 billion has already been paid out. \$224 billion in the form of things like unemployment benefits and health benefits of which about \$123 billion has already been paid out. \$275 billion in grants, contracts and loans designed to directly save or create jobs. About \$95 billion of this has already been paid out.

By the one year anniversary of the Recovery Act approximately 2 million jobs were created or saved thanks to the Act's impact on hiring in the private sector, by local and state governments and by non-profits. This estimate comes from the non-partisan Congressional Budget Office and has been corroborated by the analysis of the Council of Economic Advisers.

According to reports filed by recipients of the stimulus funds 608,317 were created in the US in the last three months of 2009. Illinois has already been awarded \$6.9 billion in recovery funds and has already been paid \$2.9 billion. In the 4th quarter of 2009 12,147 jobs were

reported created by recipients of these dollars. Many projects are just now getting underway, and will be creating jobs throughout 2010 and beyond. The projects being announced today ranging from \$500,000 to over \$100 million dollars are examples of dollars being put to work by putting America back to work. These are not make-work jobs, but jobs which will result in tangible assets which will continue to serve the American people for decades to come.

For example: Illinois is scheduled to receive more than \$3 billion in aid to education. Our state is also eligible to receive more than \$2 billion from another portion of ARRA, called the State Fiscal Stabilization Fund, which is intended to prevent reductions in critical education funds for elementary and secondary education as well as public institutions of higher education. These funds will flow through the state's primary funding formulae, General State Aid. The majority of the funds will be budgeted and used in 2009-10, with a small portion to be obligated in 2010-2011.

Using Recovery Act funds the state's network of Community Action Agencies is expected to weatherize 22,000 homes before July 2010, more than tripling the 7,000 homes weatherized last year. In addition to creating jobs and providing a long-term cost savings to families, weatherization efforts actually create healthier homes, sometimes even life-saving.

Because the bursting of the housing bubble was at the center of the economic crisis construction jobs have taken an especially hard hit. These have traditionally been the type of jobs which have sustained the middle class. Recovery Act funds are providing the means to jump start this sector again. Last week Governor Quinn announced a \$12.84 billion highway improvement program for FY 2011-2016. The program will get \$7.3 billion in federal funds, \$4.8 billion in state funds \$660 million in local funds. The six-year highway improvement program includes \$10.1 billion for improvements to the state highway system with \$2.7 billion available for local roads and will provide funding to maintain 4,739 miles of highways and replace or rehabilitate 763 bridges.

Other focus points for construction dollars include:

- * Transforming to a Clean Energy Economy (in IL includes biofuel, wind, clean coal, batteries)

- * Jump-starting High-Speed Rail (IL will be a hub for high speed rail)

- * Advancing Use of Health Information Technology, Training Workers for Health Jobs of the Future (because of number of hospitals in 7th district this will have significant impact)

- * Building a Smarter, More Reliable Energy Grid (key to wind power for Illinois)

- * Expanding Broadband Access

This money has been dispersed with unprecedented transparency. Anyone can go to Recovery.gov on the Internet and see where the dollars have gone. If you enter your zip code you can see projects in your neighborhood which have been awarded funds.