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MEMORANDUM

To: CMAP Stakeholders and Partners

Date: January 27, 2009

From: CMAP Staff

Re: Infrastructure Project Selection for Economic Recovery Plan

The federal economic recovery plan is meant to spur short-term economic activity and support long-term economic growth. CMAP expects that, for practical reasons, the funding will be allocated either through existing programs such as Community Development Block Grants, or using the distribution formula and project eligibility of existing programs, such as the Surface Transportation Program. It is also expected that there will be more eligible projects than available money, meaning that projects must be prioritized in some way.

While most of the existing programs have project selection processes, to align them with the economic recovery plan, CMAP believes that these existing processes should be supplemented with additional criteria based on the recovery plan's goals. Please note that these criteria are meant to apply only to the infrastructure investments in the economic recovery plan. Our initial proposals for infrastructure investment criteria include:

- *Project readiness.* The current legislation requires 50 percent of the recovery plan funding to be obligated within 150 days. Unspent funding will be reallocated to other areas of the U.S. This places a very high priority on project readiness, and CMAP believes it is the single most important criterion for selecting projects. (For the other 50 percent of funds that are required to be spent within 18 months, readiness is still important, but it does not stand alone as the overriding criterion.)

- *Short-term job creation.* The immediate purpose of the recovery plan is to stimulate the economy by creating jobs. The current legislation requires recipients of recovery plan funds to calculate and report the number of jobs created. CMAP proposes establishing some standard assumptions concerning the job creation impacts of different types of projects per dollar invested, rather than attempting to calculate jobs created for each individual project.
- *Long-term economic growth, measured by Gross Regional Product (GRP).* One of the stated goals of the recovery plan is to support long-term economic growth. While there are numerous options for measuring this, CMAP proposes the use of GRP, which is equivalent to Gross Domestic Product (GDP) but for a smaller geography. For most projects, particularly smaller or programmatic ones, CMAP recommends the development of standard assumptions concerning GRP impacts per dollar invested. However, for larger projects, we recommend individual evaluations of their contributions to GRP.
- *Reduction in energy consumption.* The current legislation includes specific actions to address energy, referring to energy consumption reductions as an overarching goal of the recovery plan. Even projects outside the energy sector can and should be evaluated to determine their impacts on energy consumption.
- *Cost effectiveness of federal investment.* The benefits listed above (job creation, GRP increases, and energy use reduction) should be weighed against the amount of federal recovery plan funds requested for the project. For example, if all other criteria were equal between two projects, the one that requires less funding should be given priority.

As noted above, CMAP recommends that these criteria be used to supplement those that are generally used for project selection within each program. They are meant to directly address and respond to the stated intents of the economic recovery plan, and to ensure that our region derives the most short- and long-term benefit. As a next step, CMAP will begin discussing these proposed criteria with the organizations that are likely to manage project selection for each funding program.

Comments from partner agencies and organizations on these proposed criteria are requested by Monday, February 9. Organizations expected to have project selection responsibility will be contacted directly by CMAP before then for more specific discussions.