

Testimony of Frank Manzo IV
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Before the Committee of the Whole
Illinois General Assembly

On Transportation Funding and the Potential Impact of an IDOT Shutdown

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Introduction

Good afternoon, Mr. Chairman and Members of the Committee. My name is Frank Manzo IV and I am the Policy Director of the Illinois Economic Policy Institute, or ILEPI. ILEPI is nonprofit research organization that provides candid and dynamic analyses on subjects affecting the Illinois economy, specializing in the construction industry. ILEPI focuses on “high-road economic development” policies that promote quality jobs, productive investment, and good governance.

My testimony today addresses three key points. First, I discuss research on the economic impact of investing in public infrastructure. Second, I contend that both economists and corporate executives strongly support infrastructure investment. Finally, I present results from an ILEPI report released on June 21, 2017 regarding the consequences of an Illinois Department of Transportation (IDOT) shutdown. I have included the report with my testimony. I conclude by noting that an IDOT shutdown is not only preventable, but that the money is already available and that Illinois voters have spoken loudly and clearly that infrastructure improvements are more important than the partisan politics exercised since January 2015.

Economic Studies Find that Infrastructure Investment Grows the Economy

Economic research and simulations reveal that physical infrastructure investment enhances economic growth and increases employment. In a review of academic studies, Professor Ronald Fisher of Michigan State University (1997) found that highway spending had positive impacts in 10 of 15 studies (or 67 percent). One 2014 study of developed countries found that a person is more likely to work when his or her country provides public services that make working easier, such as “child care, elderly care, *and* transportation” (Kleven, 2014). Additionally, research from Moody’s Analytics has found that, for every dollar increase in infrastructure spending, the U.S. economy improves by \$1.57 (Zandi, 2010). This is a larger economic impact than nearly all other policy changes aimed at stimulating the economy, such as cutting taxes. The significant fiscal “bang for the buck” of investing in infrastructure has led the Chicago-based, bipartisan Center for Tax and Budget Accountability to estimate that a \$6 billion “transportation/infrastructure program... would generate about \$9.4 billion” and create nearly 100,000 jobs in Illinois (Martire et al., 2009).

A report that I recently co-authored with Professor Robert Bruno at the University of Illinois at Urbana-Champaign corroborates the conclusion that infrastructure investments improve economic outcomes. In an analysis of 24 different policies and phenomena, we find that four public policies directly support employment: improving the share of the population with a bachelor’s degree, increasing the number of three and four year olds in early childhood education programs, improving highways and bridges, and reducing the average travel time commuting to work (Bruno & Manzo, 2015). Highway spending and reducing commute times statistically increase the working-age employment rate by improving worker-to-firm connectivity.

Economists and Corporate Executives Say Infrastructure Investment Supports Growth

Last year, ILEPI conducted anonymous surveys of 110 economics professors and public policy professors at accredited university programs in Illinois. Results from the questionnaire showed that economics and policy academics in Illinois are strong supporters of infrastructure investment. Fully 96 percent support the government investing in roads, bridges, and public transportation infrastructure. Specifically, 79 percent think Illinois should *increase* transportation infrastructure investment – not put it on hold – and 67 percent say that increasing investment in highways and bridges and in public transit systems improves the state’s employment rate and grows the Illinois economy (Manzo, 2016).

An important contributor to a state’s economic growth is the number of businesses opening up or locating in the state. *Area Development* annually surveys approximately 200 corporate executives about the most important factors in their firm location decisions. Over the five most recent surveys, the top factor has been highway accessibility, with about 90 percent of respondents saying that it is an important factor. The availability of skilled labor is a close second place (*Area Development*, 2017). Consistently – whether in surveys of economists or corporate executives – experts report that physical capital development is an effective public policy at growing the economy. An IDOT shutdown would have the opposite effect, making highways less accessible and hurting business growth.

An IDOT Shutdown Would Cost 23,000 Jobs and Shrink the Illinois Economy

On June 21, 2017, ILEPI released *IDOT Shutdown*, a study forecasting economic and transportation consequences of a potential shutdown (Craighead & Manzo, 2017). Our report focuses on the \$2.2 billion in planned road and bridge improvements in fiscal year 2018. Most basically, it can be expected that additional costs will be incurred by the state as a result of contractors being required to stop an ongoing construction project and restart at an undetermined later date. It is difficult to quantify this cost, but the change orders will be substantial.

More significantly, though, is the impact the shutdown would have on construction workers and the state’s economy. The loss of \$2.2 billion in state infrastructure investment would cause a loss of 23,000 jobs, including more than 13,000 middle-class construction workers who would lose their jobs. These construction workers generally earn incomes of \$59,000 per year. Job losses associated with the IDOT shutdown would reduce state and local tax revenues by \$115 million annually while increasing unemployment insurance costs by as much as \$155 million over the next year. A protracted IDOT shutdown would shrink net, long-run economic activity by \$1.8 billion in Illinois and cause a \$3.6 billion drop in total business sales in the state over one year, hurting sectors ranging from engineering firms to restaurants and retail stores (Craighead & Manzo, 2017).

Finally, infrastructure projects are designed to alleviate congestion, address safety issues, and complete important maintenance. An IDOT shutdown would lead to increased commute times and would subject the public to unsafe travel conditions. For example, the \$158 million Jane Byrne Circle Interchange in Chicago would be delayed with an IDOT shutdown, as would \$12 million for resurfacing and bridge repairs right here in Springfield (Craighead & Manzo, 2017).

Holding IDOT Projects Hostage as Part of the Budget Impasse is Bad Public Policy

The impending IDOT shutdown is not due to lack of available funds or lack of public support. The majority of funding for these projects comes from federal aid. Additionally, the state

and local portions are generated from motor fuel taxes, vehicle registration fees, and related revenue sources. This funding is restricted to transportation and is protected by the Safe Roads Amendment to the Illinois Constitution that was passed by 79 percent of Illinois voters in November 2016. The funding is already available; it just needs to be appropriated.

Illinois voters have spoken loudly and clearly: infrastructure improvements are more important than the divisive partisan politics exercised in the state since the Governor assumed office in January 2015. The research, economists, and corporate executives all conclude that infrastructure investment and highway spending boost the economy. Thousands of workers, millions of travelers, and billions of dollars would be negatively affected if IDOT projects are held hostage as part of the state budget impasse. If commonsense action is not taken, Illinois residents will suffer.

The Illinois Economic Policy Institute urges elected officials in the state to prevent an IDOT shutdown. I thank you for allowing me the opportunity to submit my testimony.

Sources

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