

# Alliance for Metropolitan Stability

## Minnesota's Transportation

### Stimulus Spending:

Increasing Equity or  
Exacerbating Disparities?



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## Introduction

When it passed in February 2009, the American Recovery and Reinvestment Act (ARRA) was a beacon of hope for many low-income communities and communities of color. An important guiding principle for ARRA states that funds should be used to assist those most impacted by the recession.

Communities of color, which have historically borne the greatest unemployment burden, saw the stimulus bill as an opportunity to challenge the status quo in how public investments are allocated to communities around our nation. People of color clearly number among the populations most impacted by the current recession. Unemployment rates are significantly higher for African-Americans (15.7 percent), Native Americans (13.6 percent) and Latinos (13.1 percent) than for whites (9.5 percent).<sup>1</sup>

The impact of the recession is even more severe if underemployment rates are taken into consideration – people who are unable to find full-time work and are working part-time hours or have stopped looking for work. The national underemployment rate is 17 percent, yet it rises to 25.1 percent for Latinos and 23.8 percent for African Americans.<sup>2</sup>

The inability to find work affects communities of color well beyond the obvious effects on family income -- it can also result in families being underinsured, a decrease in personal savings levels and insufficient retirement planning. These long-term issues will affect communities of color well beyond our current recovery plan.

So how have we done so far? With nearly a year of implementation behind us, people are raising questions about how much of the stimulus funding actually reached communities of color. There has been a particular interest in how stimulus funds were spent on infrastructure projects – rebuilding our nation’s roads, bridges and transit systems. This is because a significant portion of the stimulus funding went to those projects, but also because infrastructure projects are relatively high-paying and accessible to low-income people and people of color.

In this paper, we examine how stimulus funds were spent on transportation infrastructure investments in Minnesota. Did people of color receive their fair share of transportation stimulus funding? Or did our state fall short in meeting the recovery act’s goal to benefit the people most impacted by the recession?

## Principles of the Recovery Act

**The American Recovery and Reinvestment Act directs the federal government and grantees to use funds to achieve five overall purposes, including:**

- 1) preserving and creating jobs and promoting economic recovery**
- 2) providing investments needed to increase economic efficiency by spurring technological advances in science and health**
- 3) stabilizing state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases**
- 4) helping those most impacted by the recession, and**
- 5) investing in transportation, environmental protection, and other infrastructure that will provide long-term**

## Transportation infrastructure received a lion's share of resources

It is not surprising that investments in our national transportation system – the roads, bridges and transit systems that connect us all -- received significant ARRA funding.

Infrastructure investments have historically been successful job generators, from the early development of our national railroad network to the dramatic expansion of the national highway system.

The Council of Economic Advisers estimates that total employment (both direct and indirect jobs) increases by one job-year for every \$92,000 in direct government spending (a job-year simply means that one job will be created for the duration of one year).<sup>3</sup> Nearly \$50 billion was allocated to build and repair roads and bridges, and improve transit, railways and ports, which should have created more than 543,000 jobs.

**Due to expediency requirements, there were serious concerns about *who* would get the transportation construction jobs funded by ARRA and *how* those decisions would be made.**

Transportation stimulus funds were primarily distributed to state departments of transportation and metropolitan planning organizations. One of the key criteria for project selection was expediency: “shovel-ready” became a regular part of our vernacular, a term meant to indicate that an investment in an infrastructure project could create jobs quickly. Agencies were expected to commit 50 percent of the stimulus funding they received within 120 days of the passage of the ARRA. Due to these expediency requirements, there were serious concerns about *who* would

**Table 1. Proportion of the Population Employed in the Construction Industry, 2008**

	Women	Men
<b>White</b>	8.7	81.5
<b>African American</b>	.6	4.9
<b>Hispanic*</b>	.9	23.7
<b>Asian</b>	.2	1.4
<b>Total</b>	<b>9.7</b>	<b>90.3</b>

\*Hispanic people may be of any race. Source: Women of Color Policy Network.

get the transportation construction jobs funded by ARRA and *how* those decisions would be made.

In particular, the emphasis on spending that much money so quickly led many analysts to believe that communities of color would be left behind. They feared that smaller, minority-owned contractors would not be able to respond and bid as quickly on contracts compared to larger contractors.

Additionally, despite the relative accessibility of construction jobs, women and people of color have historically been underrepresented in the construction industry. The Bureau of Labor Statistics reports that of the nearly 11 million jobs in the construction industry, only 9.7 percent are held by women, 4.9 percent by African Americans and 1.4 percent by Asians, trailing well behind the total percentage of the population these groups make up. And while Hispanic men are well represented, they are among the lowest-paid workers in the construction field.<sup>4</sup>

## Why worry about equity in Minnesota’s transportation stimulus spending?

Minnesota received nearly \$600 million for its transportation infrastructure projects: \$502 million for road and highway projects and \$94 million for transit.<sup>5</sup> The Minnesota Department of Transportation (MnDOT) received the bulk of the stimulus money, while \$151 million went to counties and cities across the state.

Despite all the promise for the ARRA to result in family-supporting construction jobs for communities of color in Minnesota, equity advocates were immediately concerned about how the stimulus funding would be spent because of MnDOT’s consistent failure to meet its annual goals for hiring people of color.

**Table 2: MnDOT Minority Hiring Performance 1992-2008**

Year	Percent People of Color Hired
1992	5.0
1993	5.5
1994	7.1
1995	6.4
1996	5.8
1997	8.5
1998	6.2
1999	6.2
2000	5.7
2001	6.9
2002	7.3
2003	6.1
2004	6.4
2005	6.6
2006	7.1
2007	6.9
2008	6.4
<b>Average</b>	<b>6.5</b>

MnDOT has a long history of falling short of its workforce development goals for both women and people of color. In fact, according to available data, the agency has never met its 11 percent goal for hiring people of color in the Twin Cities region. The percentage of persons of color working on metro-area construction projects has hovered around 6.5 percent since 1992, despite a growing population of color in the region.<sup>6</sup>

MnDOT has put 17 programs in place to rectify this problem, but has yet to improve its performance. The problem is that companies that win contracts aren’t actually required to meet workforce development goals, so long as they make “good faith efforts” to meet them. Contractors must provide proof that they went through the motions of specific recruiting efforts, but they are not held accountable for whether or not they actually achieve hiring goals.

This practice allows MnDOT to continue awarding huge sums of taxpayer money to private firms that consistently fail to meet workforce development goals, while remaining in compliance with state and federal law. The result is that Minnesota’s construction workforce remains largely dominated by white males.

### How many jobs were created?

Early on, MnDOT touted that the stimulus funds for roads and highways alone could mean as many as 13,500 jobs for Minnesota. By August 2009, MnDOT had lowered its projection to 5,400 jobs.<sup>7</sup>

While job projections can vary wildly, MnDOT's minority hiring goals are set. The agency's hiring goal for people of color in the Twin Cities region is 11 percent, and more than 50 percent of the ARRA transportation funding was earmarked for metro-area projects. A simple calculation shows that communities of color should have benefitted from 594 construction jobs from the ARRA.

Yet almost a year after ARRA was signed into law, it is still unclear either how many jobs have been generated or how many people of color have been hired. MnDOT's reporting of jobs created and saved reflects the confusion and controversy surrounding ARRA funds in general. As of June 2009, MnDOT reported 2,130 jobs created. This was followed by a report in August 2009 of 3,448 jobs resulting from 210 road and bridge projects.<sup>8</sup> Yet at the time of print of this report, the MnDOT web site shows only 1,068 full-time equivalent jobs were created. The mismatch apparently stems from counting the number of full-time jobs created versus the number of people employed from the stimulus funding.

### Who received the jobs?

While it is important to accurately report the actual number of jobs resulting from the stimulus money, determining who got the jobs is just as critical.

While the ARRA itself does not clearly stipulate that employment reports must include demographics, both federal and Minnesota laws require contractors to report information on the race and gender of their workforce.

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One of the disappointing revelations from our efforts to track transportation stimulus spending in Minnesota is that MnDOT is not systematically tracking minority and women hir-

ing. The information on who is getting the jobs, especially the percentage of minority and women workers, has been difficult to obtain.

MnDOT's Data Practices Office reports that demographic information on projects funded by stimulus dollars is not available and will not be available in the immediate future. According to Sue Stein, the agency's data practices coordinator, "federal reports required for ARRA jobs do not include a breakdown for those jobs by race, gender or trade."<sup>9</sup>

The only available workforce report by race is a "snapshot" report, annually produced to report on the demographics of the MnDOT workforce for federally funded projects. This report shows MnDOT's workforce demographics during the final week of July, which is the busiest period of the highway construction season.

## Transportation Stimulus Jobs in Minnesota

**Table 3: Minnesota Summary of Employment Data for all Federal-Aid Highway Construction Projects for Month Ending 7/25/2009**

Job Categories	Total Employees	Total Minorities	Percent minorities
Officials	0	0	0 %
Supervisors	52	0	0 %
Foremen/women	85	2	2.3 %
Clerical	7	1	14.3 %
Equipment Operators	538	23	4.3 %
Mechanics	15	0	0 %
Truck drivers	347	17	4.9 %
Ironworkers	56	5	8.9 %
Carpenters	112	10	8.9 %
Cement masons	65	8	12.3 %
Electricians	35	0	0 %
Pipefitters	18	1	5.5 %
Painters	15	0	0 %
Laborers, semi-skilled	20	0	0 %
Laborers, unskilled	508	47	9.3 %
<b>Total</b>	<b>1,873</b>	<b>114</b>	<b>6.1 %</b>

The data in Table 3 reflects the figures from the July 2009 snapshot report, which would include projects funded through ARRA. Of the 1,873 jobs reported for that period, only 114 jobs went to persons of color. That amounts to 6.1 percent of the total workforce, a far cry from the 11 percent minority hiring goal the agency set for itself.

That result is even more alarming, considering that the Twin Cities' population of color is now estimated to exceed 28 percent of the total population.<sup>10</sup> That means that nearly a third of the region's population is suffering from higher unemployment rates than the national average,

but no more than 6.1 percent of our transportation stimulus money benefitted those communities.

What is equally disturbing is MnDOT's grossly inadequate reporting, especially when it comes to a large influx of funds like the stimulus money. The news that there is no ongoing reporting available for minority and women hiring on ARRA funding raises serious questions about whether stimulus funds are being used to benefit all communities in Minnesota.

## Recommendations

Indeed, there are significant concerns about whether the transportation stimulus money resulted in an equitable recovery. Based on the available data, it appears that Minnesota has failed to meet ARRA guidelines for benefiting communities most impacted by the economic downturn. Those communities that have suffered the worst losses in jobs and personal assets have been left behind by the use of federal recovery funds for our state transportation infrastructure.

**Government investments can and should help lift people out of poverty.**

But there is still hope. We believe that with continued oversight and organizing by the community, we can bring more attention to the shortcomings in MnDOT's transparency and accountability. We recommend:

- 1) **Better reporting.** MnDOT should be required to provide more regular workforce demographic reports.
- 2) **More transparency.** MnDOT should provide regular reports to the legislative Transportation Oversight Committee on progress toward workforce development goals. Community partners should be notified when that information is publicly available.
- 3) **Public accountability.** MnDOT must hold contractors that do not meet workforce development goals accountable. Corrective action must be consistent and swift, and future projects should not be awarded to non-compliant contractors.

Most importantly, we believe our state agencies need true leadership and commitment to diversifying its workforce. Without leadership from the governor all the way down to the individuals responsible for monitoring compliance, our state's "good faith efforts" will continue to leave communities of color behind.

Our leaders and public servants are responsible to our communities. We must continue to join together and raise our voices to let them know we expect more from our investments. We believe government investments can and should help lift people out of poverty. Our workforce development goals are modest, and our experience with recent individual projects demonstrates that women and minority hiring goals can be met when there's a strong commitment and effort by the lead public agency. By meeting these goals, we can ensure that our economic recovery will include everyone.

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## Transportation Stimulus Spending in Minnesota: Advancing Equity or Exacerbating Disparities?

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*The Alliance for Metropolitan Stability advances racial, economic and environmental justice in the way growth and development occurs in the Twin Cities region.*

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