

ARRA UPDATE

MAY 2009 EXPENDITURES & ECONOMIC DATA

Purpose

The purpose of this report is to provide the ARRA subcommittee with an update regarding implementation of the American Recovery and Reinvestment Act. This includes expenditures to date, implementation issue raised and condition of specific economic indicators. Additional information may be added as implementation progresses.

Overview of Governor’s Report

The Governor’s Office recently released a summary of ARRA related expenditures on recovery.mt.gov. Related expenditures include HB 645, HB 6, HB 7, statutory appropriations and competitive grants certified by budget amendment. The report indicates that \$60.3 million of \$1.4 billion has been spent, or 4 percent. A majority of the expenditures have been made by the Department of Public Health and Human Services for Medicaid match and by the Department of Labor and Industries for unemployment compensation. Figure 1 summarizes the expenditures reported by the Governor. Note that there are no expenditures recorded in the areas of water/environment, public safety and energy/weatherization

The Governor’s report included minimal data on contractors, job retention or creation and project start and completion dates. Due to timing, it is possible that this information was not available or there was nothing to report. As implementation continues, these items may be more readily available.

Figure 1			
ARRA Expenditures in MT as of May 31,2009			
Project Category	Appropriated	Expenditures	%
Health & Human Services	\$486,884,348	\$47,626,521	9.78%
Education	\$299,647,139	\$4,065	0.00%
Transportation/Infrastructure	\$298,463,235	\$58,827	0.02%
Workforce	\$229,149,147	\$12,649,301	5.52%
Water/Environment	\$56,980,537	\$0	0.00%
Energy/Weatherization	\$50,126,274	\$0	0.00%
All other	\$16,420,704	\$14,226	0.09%
Public Safety	\$9,542,705	\$0	0.00%
Total	\$1,447,214,089	\$60,352,940	4.17%

The difficulty with the Governor’s report is it is difficult to manipulate. The 343 page report is formatted as a PDF file and can only be searched by key words. There is not an option to use the report as a searchable database. Without access to the raw data, it is difficult to analyze expenditures in any particular category or geographic area. A request has been made to the Office of Budget and Program Planning for access to the raw data for this purpose.

Implementation Issues

The Legislative Fiscal Division has fielded a number of calls regarding the implementation of stimulus funds. This has included minor items such as inquiries regarding the timing of the release of funds to more significant issues regarding hiring of contractors or implementation of a revolving loan fund. Two items to note include:

1. Weatherization funds that are passed through the Human Resource Development Councils (HRDC) may not necessarily translate to new jobs on the ground. It has been reported and verified that the HRDC can utilize current contractors and staff to meet the needs without expanding to other entities. In fact, a home owner does not have control over who will enter their home to perform energy audit work or perform the related work. These funds are managed by the Department of Public Health and Human Services.

- The purpose of creating the wood products revolving loan program was to provide short term reduced rate financing to businesses within the wood products industry in order to maintain these entities through the recession until such time that the price for wood and wood by products returns to normal levels. The Department of Commerce recently loaned the Missoula Area Economic Development Corporation (MAEDC) \$1.0 million at 1 percent for the purpose of loaning the funds to the wood products industry. Further research into this issue is being conducted by staff of the fiscal division and the environmental policy office.

Economic Conditions

The overarching goal for ARRA is to provide funds to stimulate the economy. To assure that this is being achieved, reporting regarding the use of funds is required at both the state and federal levels. However, these requirements do not include the monitoring of economic data to determine if a positive impact is being made on the economy. In order to determine total impact of ARRA, there are four general labor related economic indicators that can be reviewed and tracked on a routine basis to assure that the labor market, and then the economy are responding.¹ All market data used in this report was obtained through www.ourfactyourfuture.org; a website managed by the Department of Labor and Industry.

Figure 2
Job Count Data

	# of Jobs in thousands	Change from Previous Month
May-09	438.8	(1.1)
April-09	439.9	0.9
March-09	439.0	(2.7)
February-09	441.7	(2.9)
January-09	444.6	(0.1)
December-08	444.7	0.8

	# of Jobs in thousands	Change from Previous Year
May-08	447.2	(8.40)

Job Count Data

Job count data provides a snapshot of the change in total jobs within Montana on a monthly as well as annual basis. This data can demonstrate whether total job counts are increasing or decreasing. With the investment of \$1.4 billion and the ARRA funds flowing through federal agencies into Montana, one could hypothesize that the total job count in Montana would begin to rise as projects are implemented. Figure 2 provides the job count data for the last six months as well as a one year comparison. For the six month period ending May 31, 2009, the total job count for Montana has decreased by 5,900 jobs. Total job count from a year ago is down by 8,400 jobs.

Industry Employment by Super Sector

Job count data is also available by super sector data. Jobs are counted and categorized into 11 specific sectors through the Current Employment Statistics (CES) program. This monthly count of persons on non-farm payrolls (including employees on paid sick leave, paid holiday, or paid vacation) who work or receive pay for any part of the week that includes the 12th of the month. It is a count of jobs by place of work, not people. This data narrows the total job count changes into a specific area. Since ARRA relies heavily on the rehabilitation or creation of infrastructure, the number employed in the construction industry should change.

¹ It should be noted that the correlation between ARRA and these indicators are anecdotal. Intense statistical research would need to be accomplished to make a correlated link to ARRA spending. However, if ARRA is to do what it was intended to do, all of these indicators should show some change over time

Figure 3 summarizes the change in employment between May 2008 and 2009. Job growth occurred in natural resources and mining, government, and education and health services, while a decline was reported in all other areas. The total job count is down by 8,400, the same as reported in Figure 2.

Unemployment Rate

One major indicator of the work force is the unemployment rate. This data is derived from surveys and unemployment claims recorded during the monthly reference week, which is usually the week including the 12th day of each month. In order to be considered unemployed an individual must have had no employment during the reference week, been available for work, and have made an effort to find employment for four weeks leading up to the reference week.

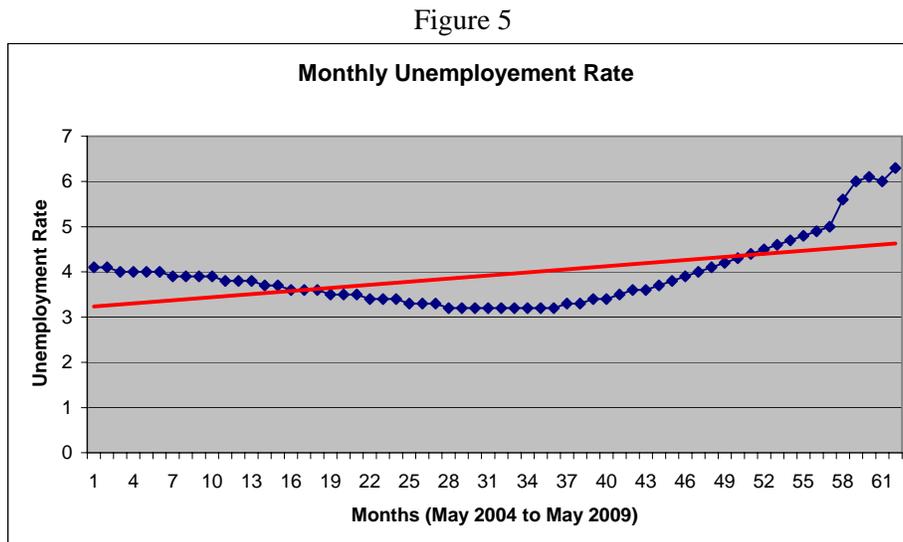
	2009 May (P)	2008 May	Difference
Natural Resources & Mining	8.2	8.1	0.1
Construction	24.9	30.0	-5.1
Manufacturing	19.3	20.3	-1
Trade, Transportation, Utilities	89.6	92.3	-2.7
Information	7.3	7.6	-0.3
Financial Activities	21.7	21.9	-0.2
Professional & Business Services	39.1	41.2	-2.1
Education & Health Services	62	60.7	1.3
Leisure & Hospitality	58.8	59.3	-0.5
Other Services	17.2	17.5	-0.3
Total Government	<u>90.7</u>	<u>88.3</u>	<u>2.4</u>
Total Non-Agricultural	<u>438.8</u>	<u>447.2</u>	<u>-8.4</u>

	Change from Previous Month	
May-09	6.3	0.3
April-09	6.0	(0.1)
March-09	6.1	0.1
February-09	6.0	0.4
January-09	5.6	0.6
December-08	5.0	0.1
	Change from Previous Year	
May-08	4.3	2.0

*Seasonal adjustment removes the effects of events that follow a more or less regular pattern each year. These adjustments make it easier to observe the cyclical and other nonseasonal movements in a data series.

If the ARRA creates jobs as intended, the unemployment rate for Montana should decline. This decline can be tracked through the monthly rates as well as change in the slope of the five year trend line. Figure 4 illustrates the change in unemployment over the last six months and from the last year. The current seasonally adjusted unemployment rate for May 2009 is 6.3 percent, a 0.3 percent decline from the previous month. The unemployment rate compared to one year ago is up 2.0 percent.

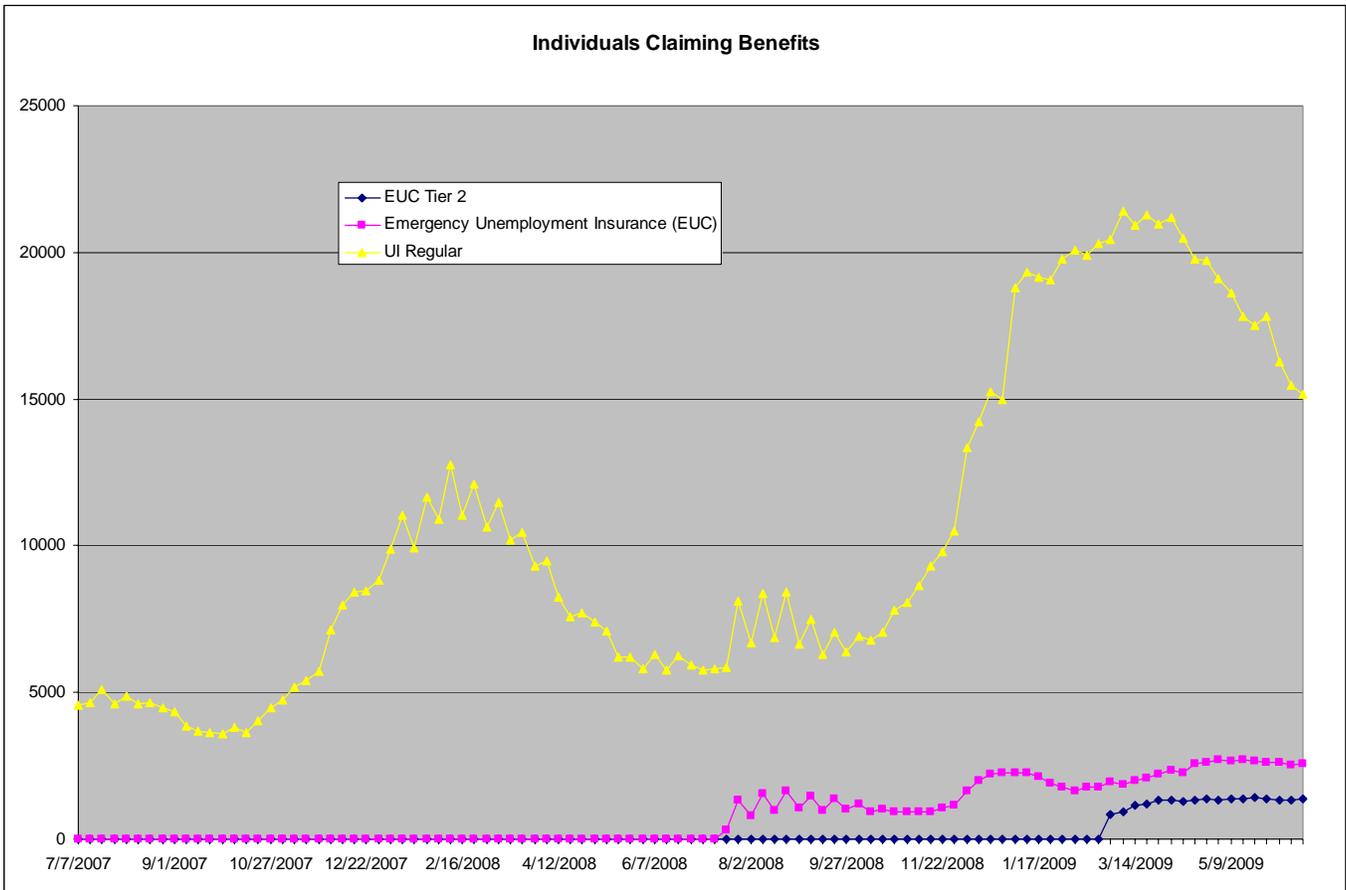
Figure 5 illustrates and trends five years worth of monthly unemployment data. The data shows a significant spike in the unemployment rate in December 2008. This spike has increased the slope of the unemployment trend line. As unemployment declines, the slope of the trend line would flatten out.



Unemployment Claim Data

Unemployment claim data will provide insight into how many individuals are receiving unemployment compensation and whether extended benefits made available from ARRA are being utilized. A decline in the number of claims would indicate that fewer individuals are receiving benefits. Those individuals would either have become employed or have exhausted the 33 weeks, including extensions, of unemployment available to them. If the number of individuals receiving benefits decline, jobs increase and the unemployment rate falls, it could be assumed that more individuals are employed.

Figure 6 illustrates the number of individuals claiming benefits over the last 24 months. A diversion from the normal pattern occurs in February of 2009 individuals claiming benefits increased significantly. This occurs around the time when tier 2 benefits become available. Tier 2 benefits are added when the underlying unemployment rate exceeds 4 percent and the two year look back exceeds 120 percent of the regular program.



Summary

Implementation of HB 645 and other ARRA related funds is just beginning as only 4 percent of ARRA related funds have been expended. The Governor's report can be used as a starting point to track the release of funds over time and the subsequent impacts of the expenditures. Other economic data can be used as indicators to determine if the labor market and subsequently the economy are improving. As of May 31, 2009, there are 438,800 jobs, 6.3 percent unemployment and 15,000 individuals claiming unemployment benefits.