

## Economic Impact of CDBG Spending By State, 1975-1999

The economic impact of CDBG spending can be measured in three ways: its contribution to gross domestic output or addition to total output; the increased personal earnings from the direct and indirect employment generated by this spending; and the full-time equivalent jobs that CDBG spending supports either directly or indirectly. How the CDBG funds are allocated by program and by state also affect the magnitude of the resultant economic impacts. The scale and complexity of a state's economy determines the size of the income and employment multipliers associated with any expenditures within the respective state by determining how much of these expenditures are retained in the state economy to be recirculated within the economy creating additional economic activity and additional employment. Big states with fully integrated economies have larger multipliers than smaller states. The mix of spending between payroll and materials, overhead, and operations also affects the scale of economic impact.

To calculate the economic impacts of the CDBG program involves developing output, income and employment multipliers for each state and for each broad CDBG program category. The basis for developing these multipliers is provided by the U. S. Department of Commerce, Bureau of Economic Analysis publication *Regional Multiplier, A Use Handbook for the Regional Input-Output Modeling System (RIMS II)*, May 1992. From the RIMS model either single or composite multipliers can be formulated that closely describe the nature of the CDBG program spending categories for each state. These multipliers can then be applied to the CDBG spending totals to calculate their income and job effects. As part of these calculations, the CDBG spending data are adjusted for inflation and for other requirements of the model.

To illustrate aggregate economic benefits that have been realized over the twenty-five year history of the CDBG Program, the CDBG Program allocations by state have been analyzed and their economic impacts calculated, as shown in the attached table. The total 25-year Program allocations of \$86.8 billion represent the accumulated funding in current year dollars; that is, not adjusted for inflation. Expressed in 1975 dollar value, this total would equal \$45.8 billion. For purposes of this economic impact analysis, the twenty-five year spending stream was adjusted for inflation and its economic impacts are reported in current year (1999) values.

CDBG spending (allocations) vary widely by state with New York and California receiving total allocations exceeding \$9 billion while smaller and/or less populous states received considerably smaller allocations (e.g., Alaska, Wyoming, Vermont, Delaware, North Dakota). Combining all states and the District of Columbia, the impact of this spending in terms of its added value to the national economy over this twenty-five year period is estimated at \$117.1 billion. On average, for each dollar of CDBG spending (for all programs), an additional \$.87 was generated in the national economy (the total multiplier is \$1.87). Additional calculations based on expenditures show that CDBG's total contribution to GDP is shown to be \$129.1 billion over the 25-year period.

This spending for facilities and services and the payroll generated by the CDBG activities supported the creation of slightly more than 2 million new jobs over the 25-year period, or almost 82,000 jobs annually. These are full-time equivalent jobs and may be combinations of full and part-time positions effecting a much greater number of actual job holders. These jobs

represent jobs directly funded by or resulting from CDBG construction funding and the jobs that are supported in the economy by this new CDBG spending, both payroll and procurements spending. The magnitude of these indirect job beneficiaries is a function of the local economy and the type of work or services created under the CDBG programs. The new jobs supported by CDBG program spending generated new personal earnings totaling at least \$51.4 billion over twenty-five years.

How important are these economic impacts? In absolute values, these are big numbers. Compared to the national economy or national budget, these are small numbers. In a six trillion dollar economy, \$3 or \$4 billion in annual CDBG spending is not significant or are 83,000 annual jobs when compared to an employment based of 130 million workers.

While economic impacts are traditionally measured in the same manner as calculated here, CDBG funds are targeted to specific places to correct specific problems. Most of the CDBG funds are injected into communities and neighborhoods with weak and under performing economies. If measured against the economies of the recipient communities, the economic impacts measured here are big numbers. In the context of creating new jobs where there are no jobs and building the capacity for economic growth, the economic impacts flowing from CDBG spending will have importance and significance far exceeding their actual dollar values.

# Economic Impact of CDBG Spending By State, 1975-1999

(dollars in millions)

| State             | Expenditures*     | Total Output      | Personal Earnings | Total Jobs       | Annual Jobs   |
|-------------------|-------------------|-------------------|-------------------|------------------|---------------|
| Alabama           | 1,390.582         | 1,867.92          | 836.1             | 39,383           | 1,575         |
| Alaska            | 104.650           | 102.62            | 51.5              | 1,355            | 54            |
| Arizona           | 850.930           | 1,048.59          | 476.4             | 19,515           | 781           |
| Arkansas          | 740.927           | 970.87            | 423.3             | 20,579           | 823           |
| California        | 9,040.170         | 13,393.82         | 5,777.6           | 191,478          | 7,659         |
| Colorado          | 796.985           | 1,097.03          | 477.3             | 19,749           | 790           |
| Connecticut       | 1,152.016         | 1,506.84          | 688.0             | 22,103           | 884           |
| Delaware          | 188.562           | 216.06            | 96.1              | 3,927            | 157           |
| D. C.             | 601.836           | 456.37            | 86.8              | 3,037            | 121           |
| Florida           | 3,301.696         | 4,170.50          | 1,878.1           | 81,318           | 3,253         |
| Georgia           | 1,795.103         | 2,550.04          | 1,140.7           | 48,262           | 1,930         |
| Hawaii            | 378.619           | 431.84            | 201.0             | 7,114            | 284           |
| Idaho             | 221.540           | 249.37            | 118.0             | 5,441            | 218           |
| Illinois          | 4,628.922         | 7,336.45          | 3,218.6           | 131,246          | 5,250         |
| Indiana           | 1,672.003         | 2,447.90          | 1,069.7           | 46,599           | 1,864         |
| Iowa              | 970.716           | 1,236.22          | 563.0             | 28,023           | 1,121         |
| Kansas            | 741.637           | 995.04            | 419.3             | 27,544           | 1,102         |
| Kentucky          | 1,247.218         | 1,808.56          | 759.4             | 34,624           | 1,385         |
| Louisiana         | 1,666.096         | 2,108.88          | 897.1             | 38,574           | 1,543         |
| Maine             | 415.309           | 489.90            | 226.1             | 10,030           | 401           |
| Maryland          | 1,404.726         | 1,790.31          | 839.8             | 31,331           | 1,253         |
| Massachusetts     | 2,678.034         | 3,510.72          | 1,604.5           | 56,472           | 2,259         |
| Michigan          | 3,521.929         | 4,510.80          | 2,138.4           | 82,553           | 3,302         |
| Minnesota         | 1,471.238         | 2,020.10          | 890.5             | 35,933           | 1,437         |
| Mississippi       | 956.297           | 1,271.11          | 540.4             | 27,672           | 1,107         |
| Missouri          | 1,892.066         | 1,551.67          | 662.9             | 29,137           | 1,165         |
| Montana           | 209.139           | 234.71            | 106.9             | 5,577            | 223           |
| Nebraska          | 460.572           | 562.57            | 241.5             | 11,180           | 447           |
| Nevada            | 212.869           | 221.52            | 102.0             | 3,807            | 152           |
| New Hampshire     | 260.783           | 330.99            | 156.8             | 6,116            | 245           |
| New Jersey        | 2,778.439         | 3,964.36          | 1,760.8           | 58,855           | 2,354         |
| New Mexico        | 436.694           | 527.02            | 231.9             | 10,869           | 435           |
| New York          | 9,147.261         | 11,321.33         | 4,962.9           | 175,127          | 7,005         |
| North Carolina    | 1,622.491         | 2,790.92          | 986.8             | 42,690           | 1,708         |
| North Dakota      | 179.483           | 212.33            | 90.9              | 4,91             | 197           |
| Ohio              | 4,134.011         | 6,196.35          | 2,689.1           | 113,350          | 4,534         |
| Oklahoma          | 816.977           | 966.50            | 413.9             | 22,389           | 896           |
| Oregon            | 705.590           | 910.30            | 420.1             | 18,024           | 721           |
| Pennsylvania      | 5,670.029         | 8,656.60          | 3,835.0           | 145,159          | 5,806         |
| Rhode Island      | 2,701.604         | 3,238.34          | 1,564.6           | 63,065           | 2,523         |
| South Carolina    | 447.767           | 570.67            | 254.3             | 12,522           | 501           |
| South Dakota      | NA                |                   |                   |                  |               |
| Tennessee         | 1,431.868         | 2,031.97          | 877.4             | 36,029           | 1,441         |
| Texas             | 5,299.684         | 8,016.31          | 3,345.6           | 130,381          | 5,215         |
| Utah              | 442.343           | 593.83            | 262.2             | 11,735           | 469           |
| Vermont           | 157.540           | 182.08            | 85.2              | 3,850            | 154           |
| Virginia          | 1,503.185         | 2,012.43          | 918.8             | 37,104           | 1,484         |
| Washington        | 1,228.572         | 1,609.47          | 718.1             | 28,830           | 1,153         |
| West Virginia     | 625.592           | 679.46            | 310.5             | 15,903           | 636           |
| Wisconsin         | 1,515.544         | 2,018.65          | 922.0             | 41,326           | 1,653         |
| Wyoming           | 91.051            | 93.60             | 41.6              | 2,143            | 85            |
| <b>Totals****</b> | <b>86,834.291</b> | <b>117,091.84</b> | <b>51,379.5</b>   | <b>2,043,948</b> | <b>81,755</b> |

Source: NAHRO \*allocations totaled over 1975-1999 in current year dollars; \*\* values are expressed in 1999 dollars  
 \*\*\* accumulated annual jobs over 1975-1999 period; \*\*\*\*based on unrounded data.