



James H. Renzas

Stimulus De Minimis

By James H. Renzas

In the first six months of this year, the United States government has embarked on one of the most comprehensive economic stimulus programs ever attempted. Already, over \$787 billion has been allocated to the federal stimulus program which was approved by Congress on February 17, 2009.

According to Recovery.gov, only \$72.4 billion was made available by various government agencies and only \$15.4 billion was paid out as of April 24, 2009. Thus, in the first two months after approval of the Stimulus Package (H.R. 1), less than 2 percent of the allocated funds were circulated throughout the economy. Moreover, the immediate effect of the passage of the Stimulus Package in January was to put almost all capital spending, both private and public, "on-hold" pending Federal rule making and allocation planning. On

May 3rd, public agencies began to make their allocation plans public, subject to government rule-making and grant award procedures. It won't be until mid-summer 2009 before most of these grants are even awarded. Then hiring

and capital investment spending can occur in the fall.

In the first quarter of 2009, Bureau of Economic Analysis preliminary figures showed that the U.S. economy shrank by 6.1 percent over the previous quarter, slightly better than the 6.3 percent decrease shown in the fourth quarter 2008, the worst showing since the Great Depression. Over 3.3 million Americans became unemployed since November 2008, including a whopping 663,000 in March 2009 alone, causing real damage to the nation's psyche and attitudes towards consumer spending.

President Obama has compared the credit implosion and the subsequent national recession to the state of a nation at war. Given this "state of war" mentality, would it not be reasonable to expect more commitment from our Federal agencies charged with the disbursement of these Stimulus funds? Yet, few federal agencies work extended hours, weekends or holidays. I doubt that the military would win any wars with that mentality. Meanwhile, the unemployed and the poor continue to struggle to feed their families.

Impact of the Delay

As site selection consultants, we have seen the impact of the government delays in getting this stimulus money into the economy. Most public sector construction projects were immediately "put on hold" pending the outcome of government rule-making so that states and municipalities did not spend funds that otherwise would be eligible for stimulus money reimbursement. Likewise, many private companies put their capital investment plans on hold pending clarity in the rule-making governing stimulus spending.

Companies which were making plans for new projects in Q1, 2009 were forced to halt spending and lay off employees, pending the outcome of the federal stimulus rules and procedures. This had the affect of actually increasing unemployment over and above the unemployment that would have occurred had the stimulus package never been approved. This explains the enormous uptick in U.S. unemployment in February and March of this year.

Without clarity from the federal government, businesses are hesitant to make a commitment of capital and the corresponding job creation that goes with it. Despite the rhetoric coming out of Washington, there is a lack of urgency associated with the disbursement of federal stimulus funds. Indeed, the government's own timeline does not contemplate serious funding of stimulus projects until mid-summer and likely into the fall of 2009. Without a commitment to disburse these funds as quickly as possible, the impact of the stimulus plan will be minimized. **T&ID**

About the Author

Jim Renzas is the president of the Site Selection Network, a lead referral network of over 200 economic development organizations throughout North America.

The Third Annual Site Selection Network Annual Conference is being held in Reno, Nevada on October 2-3, 2009 featuring 10 of the world's most respected site selection consultants in one-on-one sessions with the economic development community. More information on the conference and membership can be found at www.siteselectionnetwork.com.

