How Many Federal Dollars Authorized under Recent Legislation Are Likely to Be Spent in Fourth District States?

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In this District Data Brief*, I update and expand upon earlier work published by my colleague, Stephan Whitaker.* [1, 2]

Introduction

Over the past several years, legislation has authorized federal spending increases that are set to boost spending in Fourth District states: Ohio, Kentucky, Pennsylvania, and West Virginia. Legislation such as the American Rescue Plan Act (ARPA), the Infrastructure Investment and Jobs Act (IIJA, also known as the Bipartisan Infrastructure Law), the Inflation Reduction Act (IRA), and the CHIPS and Science Act (CHIPS) has encouraged large investments in the Fourth District, including the highly publicized construction of a semiconductor manufacturing facility in central Ohio.[3] This *District Data Brief* examines available data on the ARPA, IIJA, and IRA to estimate potential federal spending in Fourth District states in the coming years; CHIPS is not evaluated here because of data limitations. Nationally, roughly $600.6 billion from these programs is still set to be spent, equivalent to 2.2 percent of US gross domestic product in 2023. In Fourth District states, the sum is $48.3 billion, or 2.2 percent of their combined 2023 gross state products.

American Rescue Plan Act

In March 2021, Congress authorized $350 billion to be distributed to state, local, and tribal governments through State and Local Fiscal Recovery Funds (SLFRFs) in the ARPA.[4] The purpose of the program was to support governments' response to and recovery from the COVID-19 public health emergency, and the money can be used to fund a wide variety of projects. Table 1 presents data from the US Department of

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[1] With thanks to Jayme Gerring for his research assistance.
[2] https://www.clevelandfed.org/publications/cleveland-fed-district-data-brief/2023/cfddb-20230829-impact-of-additional-appropriations-on-federal-spending-in-fourth-district.
[3] https://www.cnbc.com/2024/03/20/intel-awarded-up-to-8point5-billion-from-chips-act-with-loans-available.html.
[4] https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds.

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the Treasury as of March 31, 2024, on dollars distributed to state and local governments in Fourth District states and in the United States ("Received"), dollars obligated[5] for use ("Obligated"), and dollars spent[6] ("Spent"). Nationally, $323.3 billion has been distributed through SLFRFs, including $29.6 billion to state and local governments in Fourth District states. The deadline to obligate these funds to specific projects is December 31, 2024. As of March 31, 2024, state and local governments nationwide had obligated 80.6 percent of the funds. Similarly, state and local governments in Fourth District states had obligated 79.6 percent of the funds. According to these data, $6.0 billion remained to be obligated by state and local governments in Fourth District states (Table 1, "Received less obligated").

Although just over three-fourths of received funds had been obligated nationally, 60.0 percent of received funds had been spent. In Fourth District states, 66.8 percent of received funds had been spent. The deadline for spending obligated funds is the end of 2026. Of the funds that had been obligated by state and local governments in the Fourth District, $3.8 billion remained to be spent (Table 1, "Obligated less spent"). These funds, along with up to $6.0 billion remaining to be obligated, could continue to boost economic activity in Fourth District states over the coming years.

[5] The US Department of the Treasury defines an obligation as "an order placed for property and services, contracts and subawards made, and similar transactions that require payment."
[6] The US Department of the Treasury defines an expenditure as "the amount that has been incurred as a liability of the entity (the service has been rendered or the good has been delivered to the entity)."

Table 1. Value of SLFRFs Received, Obligated, and Spent

		Received	Obligated		Spent		Received less obligated	Obligated less spent
Geography	Type of government	$ billion	$ billion	*Percent of received*	$ billion	*Percent of received*	$ billion	$ billion
Kentucky	State	2.2	1.4	*63.4*	1.4	*63.4*	0.8	0.0
	Local	1.6	1.3	*83.7*	1.0	*63.3*	0.3	0.3
	Total	**3.7**	**2.7**	***71.9***	**2.4**	***63.4***	**1.1**	**0.3**
Ohio	State	5.4	4.1	*76.9*	3.0	*56.0*	1.2	1.1
	Local	5.2	4.2	*80.6*	3.4	*66.4*	1.0	0.7
	Total	**10.5**	**8.3**	***78.7***	**6.4**	***61.1***	**2.2**	**1.9**
Pennsylvania	State	7.3	6.8	*92.9*	6.1	*83.0*	0.5	0.7
	Local	6.1	4.4	*72.1*	3.7	*60.9*	1.7	0.7
	Total	**13.4**	**11.2**	***83.4***	**9.8**	***73.0***	**2.2**	**1.4**
West Virginia	State	1.4	1.0	*72.9*	0.9	*64.2*	0.4	0.1
	Local	0.6	0.5	*75.1*	0.4	*58.5*	0.2	0.1
	Total	**2.0**	**1.5**	***73.6***	**1.2**	***62.4***	**0.5**	**0.2**
Fourth District states	**Total**	**29.6**	**23.6**	***79.6***	**19.8**	***66.8***	**6.0**	**3.8**
All states and Washington DC	**Total**	**323.3**	**260.7**	***80.6***	**194.1**	***60.0***	**62.6**	**66.6**

Notes: Last two lines are totals for state and local governments in the specified group. Numbers may not add to totals because of rounding.
Source: US Department of the Treasury, author's calculations. Data as of March 31, 2024.

Infrastructure Investment and Jobs Act

In November 2021, the IIJA was signed into law, authorizing new and existing federal spending on infrastructure. The Brookings Institution estimates that the law provides for total spending of $864 billion over five years (fiscal years 2022 through 2026).[7]

Table 2 provides data on programs and projects authorized under the IIJA to give a sense of how much money has been allocated thus far. As of June 11, 2024, data compiled by Invest.gov indicate that more than $461 billion had been announced or obligated nationwide. This means that roughly halfway through the program's timeline,[8] just over half (53.3 percent) of the total estimated spending for the IIJA had been allocated. Across Fourth District states, the amount of allocated funds ranged from $5.1 billion in West Virginia to $16.7 billion in Pennsylvania. While the total for West Virginia looks fairly small, adjusted for population (per capita), the amount of funds allocated in the state was more than twice the national average.

[7] https://www.brookings.edu/articles/introducing-the-brookings-federal-infrastructure-hub-a-comprehensive-guide-to-the-infrastructure-law/.
[8] Fiscal years 2022 through 2026 run from October 1, 2021, through September 30, 2026.

Many IIJA allocations were awarded through a formula prescribed by law under which each state or local government is allocated a lump sum.[9] Thus, knowing exactly how the money will be spent is difficult. Still, notable projects in the Fourth District that have been awarded funding through competitive processes ("discretionary" spending) include the Brent Spence Bridge in the Cincinnati metro area ($1.6 billion),[10] the rehabilitation of dam and lock systems on the Upper Ohio River in Pennsylvania ($857 million),[11] the Eastern Pittsburgh Multimodal Corridor Project ($142 million),[12] and the replacement of rail cars by the Greater Cleveland Regional Transit Authority ($130 million).[13]

Table 2. Value of IIJA funding announced or obligated

Geography	IIJA project funding announced or obligated as of June 11, 2024		
	$ billion	Per capita, $	*Percent share of 2023 GDP*
Kentucky	7.4	1,625	*2.6*
Ohio	12.3	1,042	*1.4*
Pennsylvania	16.7	1,287	*1.7*
West Virginia	5.1	2,875	*5.1*
Fourth District states	41.4	1,334	*1.9*
All US states and territories[i]	461.1	1,377	*1.7*

[i] Note: The Brookings Institution estimates that spending could total $864 billion.
Source: Invest.gov (2024), Bureau of Economic Analysis, author's calculations.

So far, the pledged money is equivalent to 1.9 percent of the combined 2023 gross state products in the four Fourth District states and 1.7 percent of US GDP in 2023. With more funds left to be obligated before the end of fiscal year 2026 and much unknown about when these announcements will translate into shovels in the ground, assessing the economic impact the IIJA will have on Fourth District states in the coming years is difficult. Moreover, not all spending authorized by the IIJA was new; the law also reauthorized spending that was already committed for infrastructure. Thus, these figures likely somewhat overstate the impact of the legislation.

Inflation Reduction Act

The IRA of 2022 authorized a vast array of spending programs and tax incentives that the US Department of the Treasury describes as "creating opportunities to build projects, hire workers, and manufacture equipment needed to strengthen domestic supply chains, lower household energy costs while reducing

[9] According to data compiled by Invest.gov (2024), 64.5 percent of funding announced or obligated as of June 11, 2024, was through formula allocations.
[10] https://brentspencebridgecorridor.com/funding/.
[11] https://www.waterwayscouncil.org/media/in-the-news/article/2023/06/cdg.
[12] https://www.spcregion.org/2023/12/19/pittsburgh-business-times-parkway-east-and-east-busway-to-get-landmark-142-3-million-in-funds-for-major-improvements/.
[13] https://www.riderta.com/news/gcrta-awarded-130-million-rail-car-replacement.

greenhouse gas emissions, and pay good wages for those efforts."[14] The programs and incentives authorized under the law will be implemented over a span of 10 years. Estimates of the total fiscal and economic impact of the IRA vary widely, [15] but the Brookings Institution estimates that direct federal spending through new and existing programs authorized by the law will total $151.7 billion.[16]

Data compiled by Invest.gov indicate that, as of June 11, 2024, $72.9 billion had been announced or obligated for IRA programs nationwide, $3.1 billion of which was awarded in Fourth District states. In per capita terms, Fourth District states have received fewer IRA awards than elsewhere in the country. Nationwide, awards are equivalent to $218 per person; in Fourth District states, awards are equivalent to $99 per person. Notable discretionary awards in the Fourth District include $500 million to build a hydrogen-based steel manufacturing facility in Middletown, Ohio,[17] $50 million to expand heat pump manufacturing in Maysville, Kentucky,[18] and $28 million for improvements to the riverfront in Toledo, Ohio.[19]

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[14] https://home.treasury.gov/policy-issues/inflation-reduction-act.
[15] Goldman Sachs estimates that the IRA will unlock $1.2 trillion of incentives by 2032: https://www.goldmansachs.com/insights/goldman-sachs-research/carbonomics-the-third-american-energy-revolution. McKinsey & Company states, "The Inflation Reduction Act contains $500 billion in new spending and tax breaks. . .": https://www.mckinsey.com/industries/public-sector/our-insights/the-inflation-reduction-act-heres-whats-in-it. Notably, these estimates include the value of tax incentives, while my analysis (and that of Brookings) look solely at direct program and project funding (e.g., federal grants) authorized by the law.
[16] https://www.brookings.edu/articles/federal-infrastructure-hub/.
[17] https://www.fox19.com/2024/03/25/middletowns-cleveland-cliffs-become-one-several-green-steel-plants-us/.
[18] https://www.thecentersquare.com/kentucky/article_e5568b16-8fb6-11ee-8d3f-673f65d2e2b5.html.
[19] https://toledo.oh.gov/news/2024/03/11/city-of-toledo-secures-28-million-federal-grant-for-east-toledo-infrastructure-project.

Table 3. Value of IRA funding announced or obligated

Geography	IRA project funding announced or obligated as of June 11, 2024		
	$ billion	Per capita, $	*Percent share of 2023 GDP*
Kentucky	0.7	151	*0.2*
Ohio	1.2	100	*0.1*
Pennsylvania	0.9	67	*0.1*
West Virginia	0.3	191	*0.3*
Fourth District states	3.1	99	*0.1*
All US states and territories[i]	72.9	218	*0.3*

[i] Note: The Brookings Institution estimates that spending could total $151.7 billion.
Source: Invest.gov (2024), Bureau of Economic Analysis, author's calculations.

Conclusion

In sum, nearly $600.6 billion from these programs has been obligated but not recorded as spent,[20] equivalent to 2.2 percent of US GDP in 2023. In Fourth District states, the sum is $48.3 billion, or 2.2 percent of their combined 2023 gross state products. If state and local governments obligate and spend all the remaining SLFRF dollars and the full amount of spending projected by the Brookings Institution from the IIJA and IRA is deployed, the sum would be equivalent to 4.9 percent of US GDP in 2023.

As shown in Tables 1, 2, and 3, between $3.8 and $9.8 billion from the ARPA is set to be spent in Fourth District states by the end of 2026, and $41.4 billion and $3.1 billion have been committed to be spent in Fourth District states from the IIJA and IRA, respectively. Federal funds flowing into local government coffers and infrastructure projects in Fourth District states could promote growth in economic activity, employment, and earnings. In a recent Cleveland Fed survey, around one in five business contacts indicated that they had been positively impacted by federal spending programs in the past year or that they expected to be positively impacted in the coming year. Because many of the investments spurred by these federal spending programs are likely to increase demand for non-college-educated workers in the short run, Hernandez Martinez and Panzitta suggest that these programs also have the potential to reduce labor-earnings inequality between non-college- and college-educated workers in affected counties.[21]

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[20] Includes $66.6 billion from the ARPA (Table 1), $461.1 billion from the IIJA (Table 2), and $72.9 billion from the IRA (Table 3).
[21] https://www.clevelandfed.org/publications/economic-commentary/ec-202413-lessons-from-the-us-shale-boom.

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