Transportation and the Economy

A look at changes to the economy due to investments in transportation infrastructure

Assessing Economic Impact

NDOR aims to provide the best possible statewide transportation system for the movement of people and goods. The economic impact of a project is calculated based on which industries experience the improvements; such as tourism, agriculture, manufacturing, and commuters. These improvements could include saving travel time, fuel savings, or crash reduction.

In general, economic impacts from a highway project can help users of the transportation system by providing **Travel Benefits** that result in **Savings** that can be applied toward **Economic Growth**.

Investments in highway projects

A road widening project improves travel for a farm equipment manufacturer and its suppliers.

Highway Project Investment

The following year, the farm equipment manufacturer sees reduced transportation costs through time savings and reduced congestion.

Travel Benefits

Investments result in improved travel performance for things like traffic speed, congestion and safety which generates travel benefits:

- *Time savings*
- *Lower vehicle operating costs*
- *Increased reliability*
- *Fewer crashes*

The manufacturer uses cost savings to invest in equipment, which leads to increased productivity. The savings also enables a price reduction which increases sales and helps grow the economy.

Response to Savings

Those benefits result in transportation cost savings and can be redirected to other uses.

Households can spend more on housing, retail, food, entertainment and other discretionary items.

Business can either lower the cost of their product, keep the profits, or invest in the business – all of which increase the Gross State Product.

The increase in sales triggers the purchase of more supplies and the hiring of new employees. These new employees spend their newly earned wages stimulating additional sales and economic growth.

Economic Growth

Business hires more employees

Business buys more supplies

Employees spend money locally and regionally

Updating the Project Prioritization Process

The Nebraska Department of Roads is committed to incorporating stakeholder input and considering the economic impact of transportation enhancements. The updated project prioritization process reflects that commitment.

The updated process will have three primary components:

1. Engineering performance – The updated process continues to use the same foundation as the previous prioritization process.

PLUS

2. Economic performance - Analyzing the economic performance of proposed projects will help ensure the state's transportation investments help grow the Nebraska economy.

3. Stakeholder Input – Stakeholder involvement leads to better and more informed decisions. The new process will follow NDOR's model for increased public input.

The new prioritization process is an important first step in selecting the next round of capital improvement projects. These are projects that add new lanes or build new expressways or viaducts. While this project prioritization process will be important in helping the agency select projects, it isn't the deciding factor. In addition to looking at how a project scores based on engineering performance, economic performance, and stakeholder input, NDOR has to balance many other important considerations, such as geographic inclusion, corridor completion, and the availability of supplemental funding.

Incorporating Economic Performance

NDOR's economic analysis of transportation improvements is location specific. NDOR uses county-level data for the analysis. This is not a generic assessment; each project is looked at individually.

NDOR is planning to use the following factors to measure a project's economic performance:

- Job and Income Growth: Estimating the growth of permanent jobs and income that result from the transportation project.
- Growth in Gross State Product: Estimates the net increase in overall business activity resulting in the state from the project.
- Differences between rural and urban areas will be accounted for.

What data is being used to analyze the economic performance of a project?

The data includes employment, business sales and wage income by industry as well as how much of a business' revenue is spent on transportation. The data comes from sources like the U.S. Census Bureau, the U.S. Bureau of Economic Analysis, the U.S. Bureau of Labor Statistics, the U.S. Department of Commerce, the Federal Highway Administration, the U.S. Environmental Protection Agency, the U.S. Department of Energy and Implan.

That data is used in TREDIS, a nationally recognized economic model for transportation planning, to determine the economic performance of the proposed projects.

What other factors do businesses consider when deciding to relocate or expand?

While transportation investments certainly can encourage new development, it's only one factor. In addition, businesses are looking for things like an available workforce, a suitable location to build, access to markets, and access to other modes of transportation.

For more information on NDOR's efforts to update its project prioritization process, visit www.roads.nebraska.gov/projects/grow-ne

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