New England Developments
New England Developments — Policy Issues Shaping the Regional Economy — October 2001

Measuring State Economic Development Results

by Michael Levin, Northeast Utilities

Just add up the jobs, right? Sounds easy enough. But in reality, economic development is a core governmental function. Simply assessing the effectiveness of development incentives offered directly to companies almost surely misses the point.

Complicating matters is the fact that the broadest economic development initiatives are often outside the scope of a given state development agency. Two examples are the Big Dig in Boston and Adriaen's Landing, Hartford's convention center project.

In addition, there are usually multiple economic development agencies (for example, most states have a separate financing authority that makes business loans) with multiple programs, each requiring its own evaluation. In measuring results it is also difficult to sort out direct program effects from those related to the growth of the regional and national economies. Another common problem in evaluation studies is a lack of data on local incentives, which are usually part of the development deal.

Despite the obstacles, the pressure is on state economic development agencies to show results in their loan and grant programs. First-time evaluations in Rhode Island, Vermont and New Hampshire have recently been made or are in progress. In Connecticut, state auditors have harshly criticized the monitoring of financial assistance programs of the Department of Economic and Community Development.

In addition to improving the accountability of their specific incentive programs, some states have adopted what amounts to a two-tiered system by also measuring progress toward an overall set of economic and quality of life goals for the state. This amounts to a report card on broad governmental policies on economic growth and equality, taxation, transportation, environmental regulations and so on. Oregon pioneered the state benchmarking approach in 1989 with its Oregon Progress Board, but at least two New England states are attempting to integrate the two approaches in order to present a comprehensive assessment of economic development initiatives.

Vermont Case Study

Vermont's Department of Economic Development is part of the Vermont Agency of Commerce and Community Development, which also includes the Department of Tourism and Marketing, VT Life Magazine and the Department of Housing and Community Affairs (and its Division for Historic Preservation). The placement of DED under this umbrella organization indicates that Vermont views economic development as more than just business assistance.

The Vermont DED focuses on enhancing selected business sectors, such as financial services, natural resources and technology companies,

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New Approaches to Workforce Development

by J. William Ward, Executive Director
Regional Employment Board
of Hampden County (MA)

In 1999 a group of economic development leaders from the Greater Hartford and Greater Springfield areas, with support from Northeast Utilities, formed the Hartford-Springfield Economic Partnership (HSEP) to better market the interstate region's collective assets. Billed as *New England's Knowledge Corridor* because of the location of 26 institutions of higher learning, 110,000 college students, dozens of proprietary technical schools and a history of innovations and inventions, the region has begun to craft a shared vision among all its key economic development entities. Recently, the region's three Workforce Investment Boards (WIB) have initiated joint strategies to help promote the skills of the 800,000 workers who make their living in the Knowledge Corridor.

Workforce Investment Boards were formed by the new Federal Workforce Investment Act to plan for and oversee all federally funded worker-training programs, which amounts to a $10 million federal investment in greater Hartford and Springfield. As business-led boards, our region's WIBs are going beyond their federal oversight role to become aggressive conveners and brokers for all public investors in workforce development. By working with all the major investors, our WIBs are building their capacity to serve as a clearinghouse of information for all

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workforce development programs in the Hartford-Springfield region. And by focusing on employers as their primary customers, WIBs will be in the best position to provide workers and job-seekers with timely career information about opportunities and skills needed by emerging industries. All this information will be provided to the public through the WIBs' seven One-Stop Career Centers, strategically located throughout the region.

To increase their workforce development capacity, the three WIBs (Hampden and Hampshire/Franklin counties in western Massachusetts and the greater Hartford counties in northern Connecticut) have joined forces on two new ventures:

The Information and Telecommunication Technology (IT^2) Project

Funded with a $1.5 million grant from the U.S. Department of Labor and a 50 percent industry match, *IT*^{2} is upgrading the technical skills of 210 employed and unemployed workers in a wide range of certification tracks, including Microsoft, Novell, and Cisco, as well as employer-specific skills development. Partners in training workers at seven of the region's key technology companies include Springfield Technical Community College, Capital Region Community College, Greenfield Community College and various private IT training vendors. Workers travel up and down the corridor, crossing jurisdictional borders, for both employment and educational training prospects, including emerging distance learning opportunities.

Plans are underway to prepare a request for an additional $3 million from the U.S. DOL for Phase II of *IT*^{2}. Added features will include the provision of training in entry level skills that will then qualify workers for higher level training programs. Also, a small demonstration program with training vouchers for high school teachers of technology will be developed. Recent surveys indicate that 20 percent of these technology teachers lack certification in their field. By helping teachers meet industry standards, *IT*^{2} will help students prepare for the changing needs of industry.

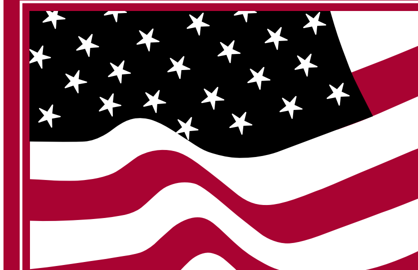
The Interstate Community Audit Project (CAP)

In October 2001, the three WIBs will join forces to begin an in-depth assessment of the interstate area's collective workforce development assets and capacities. With part of the CAP grant of $100,000 from the U.S. DOL, the WIBs have engaged Dr. Andrew Sum and Dr. Paul Harrington from the Center for Labor Market Studies at Northeastern University to examine skills needs of workers based on demographics and industry trends. The overall purpose of the audit is to go beyond a traditional analysis of skills shortages by examining how we can more effectively match up workers to the emerging needs of industry, especially in technology areas.

Part of the audit will include focus group meetings with employers in growth industry clusters to assess training needs as well as the impact of public investments on their workforce. The CAP will inventory all major labor market studies recently completed in the corridor and synthesize the key findings related to workforce development. Finally, the CAP will build the foundation for a sustainable, user-friendly workforce information system that captures timely supply and demand data for the Knowledge Corridor and its partner organizations.

Focusing on the Hartford-Springfield region as the Knowledge Corridor has sparked strong interest in our local WIBs to become strategic partners as well as neighbors. For a long time we recognized the fact that our workers routinely crossed the state border to work and study and many of our employers shared a common marketplace. However, strategic efforts on the part of our economic and workforce development organizations to respond to that fact have been slow to emerge. Now we are beginning to learn that we are smarter, stronger, and more creative when we combine our collective expertise and work together.

We all need to accelerate cooperative efforts to capitalize on our assets and address common problems like labor shortages in specific industries, skills mismatches, and literacy deficiencies. It's our best hope for meeting stiff competition from other regions for quality jobs. ■



Our deepest sympathy goes out to the thousands touched by the September 11th tragedy.

New England Developments *is published quarterly by the Economic & Community Development Department of Northeast Utilities. It is intended to foster dialogue on economic and quality of life issues in the region.*

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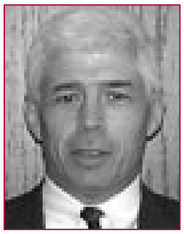
Guest COLUMN

State Product 'Branding' as an Economic Development Tool


Cal Vinal

By Cal Vinal
President
The Made In Connecticut Guild

Manufacturing and marketing have always gone hand in hand. To sell what you've made, you need to tell people about it. This is most evident with finished goods and the retail industry given their consumer focus, although it also is true to varying degrees for other forms of manufacturing. Retail marketing has traditionally focused on product brand combined with the retailer's identity and marketing support.

Roughly 15 years ago, structural changes concentrated finished goods industry marketing into a decreasing number of companies, much of which is now controlled by big chains and superstores. This marketing power is what creates and drives the "brand names" to the exclusion of everything else. Further, reliance by chains and superstores on foreign products restricts many local manufacturers from consideration even when their product quality, and frequently pricing, is competitive. During this time, retailing has exploded with consumers spending record amounts on an increasingly diverse product selection. This has been augmented by growth of the internet and the opportunities it presents for marketing and on-line sales functionality.

A number of states and private firms have recognized the adverse impact this has on their economies and are addressing the situation by using the unique image of a state as a branding platform for marketing state-based products and services. The advent of the internet for marketing has provided an excellent platform for these efforts as it allows direct business-to-consumer marketing of products and services for many manufacturers, retailers and service providers that might otherwise not be achievable.

Buy New England

There are a number of private efforts in this arena, such as TreasuresofMaine.com, NHMade.com and MadeinVermont.com. These are just three of many efforts that capitalize on the respective image of each state as a business positioning strategy. For New England states like Maine, New Hampshire and Vermont, these efforts focus on the quality of life image projected by those states. These programs provide online product catalogs that typically focus on niche product areas, some with on-line sales functionality, and directory listings of products, associated companies and contact information.

Some states have developed broad-based marketing programs to promote their existing businesses and further brand their identity in the minds of consumers.

Market Vermont (MarketVermont.com) is a collaboration of the Vermont Small Business Development Center and the Vermont Department of Tourism and Marketing. It offers an exclusive selection of quality, Vermont-made goods. Made in Maine (MadeinMaine.com), sponsored by the Maine's Department of Economic and Community Development, provides a linkage that allows member businesses direct access to the many services the state has to support business development. New Hampshire Stories (NHMade.com) is yet another example of a state-initiated public/private partnership that serves to support economic development for the state. To quote from its history, "…using a common image and identity to promote the state and its businesses can be a fabulously successful marketing tool."

Made in Connecticut

A hybrid effort is operated by the private, non-profit Made in Connecticut Guild. Launched by a small group of manufacturers, the mission of the guild is to increase public awareness of Connecticut-based products and suppliers as viable and legitimate purchasing options for businesses and consumers. Increased awareness will improve the local economy through increased product and related service sales, protect and create employment opportunities and increase state tax revenues.

The prime activity of the Made in Connecticut Guild is to promote the quality, ingenuity and competitive value of products and services manufactured in Connecticut. This functional branding seeks to distinguish Connecticut from other states by highlighting its heritage of manufacturing and inventiveness. The guild acts as a communications, marketing and networking vehicle for Connecticut-based manufacturers through its web site (MadeinCT.com), where member products and contact information are displayed to facilitate product sales. The guild has pursued a "bricks-and-clicks" strategy with many member's finished goods displayed in The Connecticut Store, located in Waterbury, Conn.

The guild also provides opportunities to showcase its members at the Connecticut Building at the Eastern States Exposition ("Big E") each fall, as well as the Connecticut Agricultural Show and other industry events. It also provides access to a wide variety of state-sponsored business resources. The guild is designing a "Made in CT" advertising program to support its overall efforts to include a media presentation, articles, stickers, labels and other marketing support materials.

New England and its six states have a wonderful opportunity to capitalize on their respective positive brands. As state and private efforts increase and improve, money will be retained in our local and regional economies, which will maintain and strengthen the competitiveness of the region's businesses and communities. ■

Will the Big Dig Pay Off?

By Michael Levin, Northeast Utilities

See it grow, see it consume all transportation spending in Massachusetts for 20 years. It's unstoppable! It's Boston's Big Dig, the mythic highway project that's approaching $15 billion taxpayers dollars and will either transform the gridlocked old city's transportation system and guarantee its economic prosperity or is a colossal waste of money foisted on America by Ted Kennedy and Tip O'Neill. As one *U.S. News & World Report* writer succinctly put it: "What's 7.5 miles of highway worth?"

Of course, one knows the Big Dig (official name, Central Artery/Tunnel Project) is more than just depressing the central artery. It also includes construction of a third harbor tunnel (the Ted Williams), two new bridges over the Charles River, and linking the Massachusetts Turnpike to Logan Airport. But for all its size and for the thousands (millions?) of words that have been written about the project over the last ten years, there is a real paucity of research or even discussion about the long-term economic impact of the Big Dig on the Boston metro and on New England. (Any original economic impact statements would be of limited value today given that the project scope has expanded substantially over the years.)

Big Dig advocates often make the case that as Boston goes so goes New England. The Big Dig's official web site nicely summarizes this argument: *The Central Artery/Tunnel Project is the largest, most complex and technologically challenging highway project ever attempted in American history. The project will dramatically reduce traffic congestion and improve mobility in one of America's oldest and most congested major cities, improve the environment, and lay the groundwork for continued economic growth for millions of New Englanders in the coming new century.*

The engineering complexity (and the need to keep the city running during construction) explains the Big Dig's delays and ultimate cost while the project's completion boosts Boston's growth, and as the region's engine, New England's. This argument is in line with current economic development theory holding that metropolitan regions are the primary units of economic competition and, given economic integration within the region, suburbs and nearby smaller cities have a real stake in the continuing success of the region's economic heart. Thus, the fortunes of Providence, Worcester, southern New Hampshire and Portland, Maine are as linked to Boston's as are those of Boston suburbs Newton and Quincy.

Economic Benefits and More

Currently at its peak, the Big Dig employs 5,000 construction workers and pumps $3 million per day into the regional economy. Long-term, the Boston business community believes that improved access to Logan Airport resulting from the Big Dig will be one of it's most important benefits. Business and community leaders also point to the revitalization of South Boston through better highway and airport connections as opening a new development front for Boston. Already an international trade center and new federal courthouse have been built and a new convention center is under construction. With Boston's traditional downtown almost completely devoid of buildable land, the second "downtown" being developed in South Boston is a major achievement.

The easier commute into downtown will further enhance high property values and spur investment in the central city. This benefits the region because a large share of the metropolitan area's job base is located in Boston and because the kinds of jobs the city

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Power POINTS

Wealthy Connecticut

Though marginally behind the leaders in median family income, Connecticut's status as the nation's wealthiest state is confirmed by other indicators. Connecticut continues to lead in per capita income, a broader income measure that includes transfer payments (median family income counts only money income). Perhaps more significantly, Connecticut's 2001 per capita federal tax burden of $12,590 estimated by the Tax Foundation is more than $2,000 higher than second place New Jersey's. Moreover, during 1996-2001 Connecticut's federal taxes increased more than 56 percent, while New Jersey's increased 43 percent and the nation's 42 percent. Among other New England states, Massachusetts has the third highest per capita federal tax burden and New Hampshire the sixth.

Quality of Life (1)

The region's high quality of life is its greatest competitive advantage according to many observers. One quality of life measure, calculated by Morgan Quitno, is access to primary health care, or the percent of the population considered underserved medically because of economic or geographic limitations. In a nation where 9.3 percent of the population lack reasonable access to primary health care (2000 data), only 3.7 percent of Vermont's population are underserved, the third lowest share in the country. Massachusetts and New Hampshire rank right behind Vermont, with 4.0 percent and 4.3 percent, respectively, considered underserved. Fewer residents of Connecticut (5.7%), Maine (7.2%) and Rhode Island (8.1%) lack health care access than in the nation as a whole, as well.

Quality of Life (2)

The quality of public (K-12) school systems in an area is another important concern of both families and companies. Pupil-teacher ratios are seen by some as a proxy for educational excellence, with smaller classes thought to provide better learning environments. Vermont schools have the lowest pupil-teacher ratio in the U.S., 11.9 pupils for each teacher, according to Department of Education estimates for 2001. With a 12.4 student-teacher ratio Massachusetts is just behind Vermont, while Maine (12.6) and Connecticut (13.2) make four New England states ranking in the lowest five nationally. Rhode Island and New Hampshire also have below average pupil-teacher ratios.

Despite its big government reputation, Massachusetts had only 516 state/local employees per 10,000 population, compared to 535 for the U.S. and 597 for Vermont, which led New England states.

Public Employment Levels

Despite its reputation as a symbol of big government, Massachusetts had relatively less public employment in 2000 than the other New England states, according to a recent Census Bureau report. Massachusetts had 516 (full-time equivalent) state and local government employees per 10,000 population, compared to 535 FTEs for the U.S. and 597 FTEs for Vermont, the highest level by far in New England. Connecticut (518), New Hampshire (522) and Rhode Island (531) were also below the U.S. average, while at 565 FTEs Maine was well above. Vermont and Maine have high employment levels for local elementary and secondary schools, the single biggest government employment category in the states.

Digital Divide Again

Contrary to previous suggestions in this space, computer access in American households still lags for Hispanic/Black households and for those with lower incomes. The percentage of all households with computers continues to grow rapidly, from 42.1 percent in 1998 to 51 percent in 2000 in the latest Census Bureau survey. Computer ownership is highest in Asian-American households (65% have computers), followed by Whites (53%), Hispanics (34%) and Blacks (33%). Internet access follows the same pattern although at lower levels. Family income is a very reliable indicator of home computer/internet use; households with $75,000 income or greater are 2-3 times more likely to have computers than those with incomes below $25,000.

University R&D

Though its dominance has slid, the region still led the nation in academic research and development expenditures per capita in 1999, according to an analysis by the New England Board of Higher Education of NSF data. The region's top 25 research institutions spent $2.15 billion in 1999, up 63 percent from 1990. Five universities spent more than $100 million, led by MIT ($420 million), Harvard ($326 million) and Yale ($274 million). MIT led in spending in engineering and physical sciences fields, while Harvard and Yale dominated in life sciences. Massachusetts had 16 of the top 25 research universities, but all New England states were represented by at least one institution.

New Hampshire Tax Update

The New Hampshire legislature this June approved a new tax package to plug the chronic hole in the school financing plan (Governor Shaheen allowed the bill to become law without her signature). As in 1999, there were increases in the state's business profits and business enterprise taxes, plus an increase in the sales tax on telephone bills and a tax amnesty program. The ever-unpopular statewide property tax rate was reduced by 12 percent. Expectations are that a school funding deficit will reemerge in a couple of years (or sooner given the likely national recession), so state lawmakers may have to piece together another tax program by 2003.

***Economic Development Results,** cont'd. from page 1*

by improving awareness of, and streamlining access to, the state's various resources, including tax credits and other financial assistance, workforce training programs, and state and local permits and regulations. DED also coordinates the state's decentralized economic development system that utilizes Regional Development Corporations to promote and deliver services around the state.

The Vermont Economic Progress Council (VEPC) was created by the legislature in 1994 as a long-term economic planning organization. It issues periodic reports on the progress of the state toward meeting three basic objectives of a healthier economy: reaching full employment, bringing average wages/per capita income in Vermont to the national average and maintaining the state's high quality of life. The latest report details efforts to implement 56 policy recommendations by the council aimed at building a healthier economy, such as strengthening Vermont's downtowns, restructuring technical education and increasing staffing at Small Business Development Centers. Numerous state and quasi-public agencies like the commerce and community development agency, the Vermont Economic Development Authority (the state's business financing arm) and the Rural Development Council, are involved in fulfilling these recommendations.

In 1998, VEPC added the responsibility of administering the state's new tax credits and incentives, called the most comprehensive economic development tools in Vermont's history. Incentives include income tax credits for payroll, R&D, workforce development, exports and small business investment; property tax incentives for stabilization, construction, brownfields and TIFs; and a sales tax exemption on business materials purchased by manufacturers.

Applications for incentives are approved only if the projects pass a cost-benefit test using a regional economic model and meet certain additional guidelines. Tax credits can be claimed only <u>after</u> the company/municipality delivers on the promised number of jobs to be created or investments made. (This type of post-facto credit has been used in other jurisdictions including Ohio). The program includes a number of reporting tools to insure a high level of accountability.

An initial evaluation of the incentive program was released in February 2001 covering awards granted from program inception in October 1998 through December 2000 and expected economic activity through December 2004. More than $76 million in tax credits were approved during this period for 83 businesses and 15 municipalities. The VEPC estimates that by the end of 2004, $1.7 billion in new economic activity will have been generated by the incentive program, paced by $562 million in machinery and equipment investments and $447 million in added Vermont payroll, and that the state will <u>net</u> $46.5 million in new tax revenues, all with minimal administrative cost.

Rhode Island Case Study

Economic development in Rhode Island is led not by a state department but by two public-private partnerships, the Rhode Island Economic Development Corporation (RIEDC), the lead agency and business intermediary, and the Rhode Island Economic Policy Council (RIEPC), which has primary responsibility for economic planning and strategizing.

In May, 2001, RIEDC released the findings of the first assessment of the economic return from its programs, a study requested by legislative leadership and carried out by the corporation's research division. The evaluation, covering the agency's activities in 2000, was limited to core programs of financial services, business attraction and retention and urban business development; other activities under RIEDC, such as the film office and brownfields program, were excluded from the study.

The study quantified the job creation and retention, capital investment and additional state personal income tax receipts from 307 companies assisted in a meaningful way by the development agency, and the costs of benefits received by the firms, including tax exemptions, loans and grants. The analysis found that the state garnered $22 million in personal income taxes from the wages paid in support of 10,950 jobs created or retained by the 307 companies, as well as from construction wages related to new capital projects. In deriving a cost-benefit ratio, RIEDC did not include any revenues accruing to the state from indirect job formation as a result of the direct jobs nor did it count new corporation tax or local property tax revenues.

The corporation found that during 2000 the state received $5.42 in new personal income tax revenues for every dollar spent by RIEDC to assist these companies. Expressing the outcomes of traditional economic development programs in this manner echoes a successful tactic used by state tourism agencies, who have found that quantifying their results through such shorthand helps convince legislators to appropriate more funds for tourism promotion efforts.

Complementing the accountability work discussed above, the Rhode Island Economic Policy Council concerns itself with the big picture, measuring the long-term economic progress of the state. In their report *Charting Rhode Island's Course in the New Economy*, first published in 2000 and scheduled for annual updates, RIEPC benchmarked the state on measures of family income and job creation and set targets for improvement. Some of the desired outcomes under these broad categories are to increase both the number and quality of jobs, to have median family income grow as fast as the U.S. average and to have Rhode Island's working age population increase as a percentage of the total population.

Acknowledging that achieving such goals requires a long-term state effort, the Economic Council also keeps a scorecard on a group of strategic economic initiatives with shorter time horizons and specific projects dedicated to their success. Recommended by the Council and other agencies (and the subject of

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Economic Development Results, *cont'd. from page 6*

reforms passed by the state legislature in recent years), the initiatives run the gamut from strengthening global connections to controlling regulated business costs to improving technology transfer programs. One or more measures are attached to each initiative in order to track results.

For instance, under strengthening global connections one project uses the export center at Bryant College and the RIEDC to help businesses access foreign markets in order to boost state exports; an increase in manufacturing exports is a measure of progress. In another strategy, the Policy Council administers the Slater Technology Fund, which provides seed funding to universities and research centers to foster technology commercialization. An increase in federal funds for R&D flowing to Rhode Island universities is one measure of the success of this program.

Like Vermont, Rhode Island seeks to determine the effectiveness of its economic development programs by examining the results from direct subsidies to businesses and the outcomes of a series of strategic steps designed to improve the state's economic foundation. Both assessments are necessary because state actions to create sustainable economic growth are far broader than the programs provided by the state development department. ■

SOURCES:

- Vermont Economic Progress Council, *Year-End Report, February 15, 2001* and *1999 Report, Executive Summary*; Rhode Island Economic Development Corporation, *Annual Impact 2000*, 5/25/01; Rhode Island Economic Policy Council, *Charting Rhode Island's Course in the New Economy*, January, 2000.

Big Dig, *cont'd. from page 4*

specializes in—financial services, medical services and education—depend on face-to-face interaction for their smooth operation. Additional Big Dig benefits will be a reduction in pollution due to less stalled traffic and moving much of the traffic flow underground, and an improved quality of life. The latter results from the elimination of the ugly overhead expressway and the creation of 150 acres of new parks and open space above the new highway and around the harbor.

Connectivity to Logan Airport and to points North and South of Boston will be greatly improved with project completion, further integrating Boston and the larger region. As Bob Smith, U.S. senator from New Hampshire put it: "As one of the most densely populated regions in the nation, New England's transportation infrastructure encounters great strains as people move within and through the area." Smith has been supportive of the Big Dig (although critical of cost overruns) because it should make commuting easier for the many residents of his home state who work in and around Boston.

The View from the Rest of Massachusetts

To say the Big Dig has its critics is like saying Boston Red Sox fans are long suffering. The angst is more elemental than that. A project that seemed almost necessary at the 1985 estimate of $2.6 billion (the Central Artery did need upgrading/replacement), looks to some like a monumental boondoggle at $14.4 billion, the latest official estimate. As the late Congressman from South Boston Joe Moakely said: "If Congress had known the project would cost even a fourth of what it has cost it would have dismissed the idea in the beginning."

The loudest howls emanate from other parts of Massachusetts, where residents are footing the bill for the cost overruns while being shortchanged on capital spending in their own areas. Back in 1999 the *Boston Globe* editorialized that, "Anecdotal evidence strongly indicates that state officials have developed delaying and obfuscating tactics to postpone projects while appearing to back them." Western Massachusetts officials are particularly vexed, claiming the Big Dig has created a $450 million backlog in transportation projects that are critical to *their* region's economic development.

The Massachusetts Taxpayers Association, a private fiscal watchdog group, has noted that paying off the Big Dig will "…continue to limit spending on other projects long after the Artery is finished and open for traffic." The MTF estimates that 50 percent of federal highway aid for Massachusetts between 2004-2015, some $1.5 billion, will be used to repay borrowing from the federal government for the project. Because of cost concerns, federal financial participation in the Dig was capped in 2000 at $8.5 billion or about 60 percent of the total, far lower than the 80 percent usually paid from federal highway funds for interstate projects. In addition, a total of $4.6 billion from state taxes and fees over the next 40 years will be spent on debt service on Artery borrowings.

The "What's Good for Boston is Good for New England" argument has limited sway with residents outside the Boston metro orbit, who are concerned about economic growth in regions that has been much slower than Boston's over the last decade. They say they are sharing in the burden of cost overruns with minimal benefits.

One might also question the assumption that the project will greatly ease Boston's gridlock—building new highways doesn't necessarily do this. As likely, new development spawned by the Big Dig may well increase traffic into and around the city. ■

SOURCES:

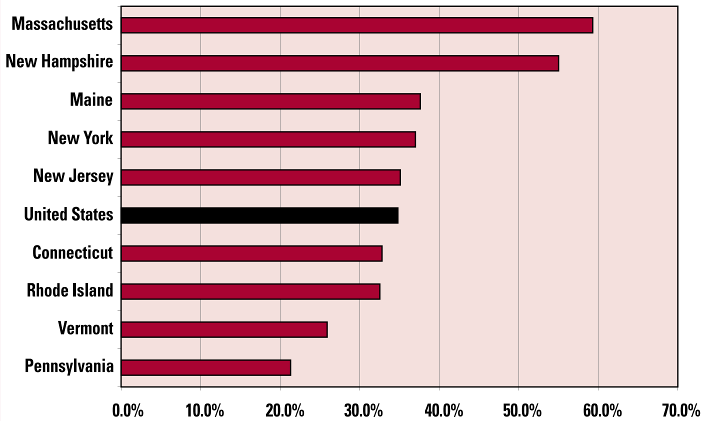
- Massachusetts Taxpayers Foundation, *Reaching the Breaking Point: The Commonwealth's Capital Dilemma*, January 1999; Tim Brennan, Executive Director, Pioneer Valley Planning Commission, presentation to The Northeast Construction Network, 7/19/00; Boston Chamber of Commerce, Artery Business Committee, interview with director of planning.

Regional Economic TRENDS

House Prices

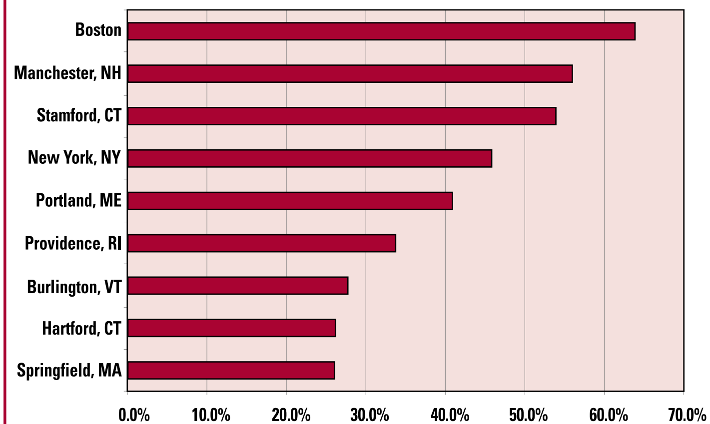
Massachusetts and New Hampshire Have the Fastest Growing Home Prices In the Northeast

% Change in Average Housing Prices, 1996-2001



Home Prices in the Boston Area Increased More than in Other Regional Metros

% Change in Average Housing Prices, 1996-2001



Source: Office of Federal Housing Enterprise Oversight, reported in USA Today.

Northeast Utilities System

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