THE ASSOCIATED GENERAL CONTRACTORS OF CONNECTICUT, INC.

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Senate Bill 833, An Act Authorizing Bonds of the State for Capital Improvements and Other Purposes
Finance, Revenue and Bonding Committee
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Connecticut Construction Industries Association, Inc. (CCIA) represents the commercial construction industry in Connecticut and is committed to working together to advance and promote a better quality of life for all citizens in the state. CCIA is comprised of more than 350 members, including contractors, subcontractors, suppliers and affiliated organizations representing all sectors of the construction industry. Associated General Contractors of Connecticut (AGC/CT), a division of CCIA, represents commercial, industrial, and institutional construction contractors, subcontractors, material suppliers and professionals serving the construction industry. AGC/CT is the Connecticut chapter of the Associated General Contractors of America, a national contractors trade association.

Senate Bill 833, An Act Authorizing Bonds of the State for Capital Improvements and Other Purposes, would authorize the State Bond Commission in the 2010 fiscal year beginning July 1, 2009, to issue $46.8 million in bonds for various construction and improvements to state land and buildings, and $54.8 million in bonds for grants and financing for various projects; and in the 2011 fiscal year beginning July 1, 2010, to issue $146.2 million in bonds for various construction and improvements to state land and buildings, and $22.2 million in bonds for grants and financing for various projects; and make other changes and adjustments to existing bond authorizations.

AGC/CT would like to comment on the provision in Governor Rell's budget that defers bond issuances for the UConn 21st Century Improvement Program and the CSUS 2020 Infrastructure Improvement Program. The collective impact of these two deferrals means there will be $235.5 million less construction in the market than originally planned ($140.5 million for UConn and $95 million for CSUS) for fiscal year 2010.

Perhaps more than any industry, construction contractors understand the dire circumstances of this economic downturn all too well. Nationwide, the construction industry has had to lay off close to 1 million workers since 2006. In Connecticut, the Department of Labor's latest employment report disclosed the following bad news: "Job losses within the construction supersector have been accelerating at a rapid pace over the last several months, forcing 1,900 workers off the payroll in December."

We understand the tremendous challenge of having to assemble a state budget in these difficult economic conditions with billion dollar deficits looming and the need to scrutinize every last expense in the state budget. However, it seems counterintuitive to delay construction funding even for one year when it is widely acknowledged by respected economists and policy-makers alike that this is exactly the time when we should be investing in construction as a way to create jobs and boost economic activity.

As evidence of how construction spending can spur economic activity, please refer to the attached analysis of the economic impact of stimulus investment in Connecticut that our national office, the Associated General Contractors of America, recently conducted. As you can see, the compelling message is that an additional $1 billion adds $2.1 billion to the state's GDP and creates or sustains 16,000 jobs.

It is possible that the Administration felt that it would be possible to delay construction spending at UConn and CSUS expecting that the loss in construction activity could be offset by federal funds from the original economic stimulus legislation passed by the U.S. House of Representatives. That version would have dedicated to school construction $16 billion for K-12 schools and $4 billion for higher education. However, the version that was signed into law by President Obama last week removed the House's earlier earmark for the states dedicated to school construction. The new law, the American Recovery and Reinvestment Act, provides $8.8 billion overall for education funding ($546 million for Connecticut) making the funds available to Governors on a discretionary basis for public safety, public schools and higher education facility school modernization, renovation and repair. School construction as a separate spending item, however, was not in the final economic stimulus bill.

On the surface, given the enormity of the budget problem, it may seem that a one-year suspension in UConn and CSUS construction is a small sacrifice. But we are concerned that if there is no school construction funding forthcoming from Washington and there is a one-year delay at the state level, in this fragile economy, such a scenario will contribute to more construction lay-offs and possibly more companies going out of business in the commercial building sector of our economy. Before you know it, a one-year delay can become two or more. Besides the possible economic impact of delay, it may send the wrong message that the state is not fully committed to keeping up with upgrades to the physical facilities of our state's university system.

As you consider the tough decisions you will have to make regarding this budget, please remember that investing in construction is an investment in our economy just when we need it most. We respectfully request that the committee do whatever it can to restore this vital funding for a valuable program. Thank you for the opportunity to present our comments.

Please contact John Butts of AGC/CT or Matthew Hallisey of CCIA at (860) 529-6855 if you have any questions or if you need additional information.

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Quality People. Quality Projects.

The Construction Industry in Connecticut

The Economic Impact of Stimulus Investment in Connecticut:

- An additional $1 billion in nonresidential construction spending would add about $2.1 billion to the state's Gross Domestic Product (GDP), about $662 million to personal earnings and create or sustain 16,000 jobs.
    - 5,400 of these jobs would be on-site construction jobs located within Connecticut.
    - 2,600 of these jobs would be direct and indirect jobs associated with construction supply materials and services. The majority of these jobs would be located within the state but there would be some out of state jobs supported.
    - 8,000 of these jobs would be created when construction, supplier and service providers spend their incomes. These jobs would be based in Connecticut and throughout the economy.

Construction Employment:

- In 2007, a total of 105,000 jobs were supported by the direct and indirect outlays associated with the state's nonresidential construction spending.
- The construction industry (residential plus nonresidential) employed 68,000 workers in October 2008, a decrease of 1,700 (2.5%) from October 2007 when construction employment in Connecticut peaked.

Nonresidential Construction Spending:

- Nonresidential construction spending in Connecticut totaled an estimated $6.5 billion in 2007.
- This direct construction spending in the state contributed a total of $13.6 billion (6.3%) to state GDP of $216.3 billion.
- Direct construction spending in the state added $4.3 billion in additional personal earnings to the benefit of Connecticut residents working in the state.

Construction Industry Pay:

- In 2007 annual pay of all construction workers in Connecticut averaged $56,000, 5.4% less than the average for all private sector employees.

Small Business:

- Connecticut had 10,000 construction firms in 2006, of which 93.3% were small businesses employing fewer than 20 workers.

Source: Ken Simonson, Chief Economist, AGC of America, simonsonk@agc.org, from Prof. Stephen Fuller, George Mason University, and U.S. Government sources

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