

THE ASSOCIATED GENERAL CONTRACTORS OF CONNECTICUT, INC.

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**State Agency Budget Presentations
Higher Education
University of Connecticut and CT State University System
House Bill 6365, An Act Concerning the State Budget for the Biennium Ending June
30, 2011, and Making Appropriations Therefor
Appropriations Committee
February 13, 2009**

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 aspects 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.

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 FY 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 economic stimulus legislation that passed the House in Washington last week. That version would have dedicated to school construction \$16 billion for K-12 and \$4 billion for higher education. However, the version that passed the Senate this week cut all funding for the states related to school construction and AGC of American representatives and others have informed us that school construction as a separate spending item will not be in the final economic stimulus bill that is expected to be voted upon today in both houses in Congress.

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. 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. Thank you for the opportunity to present our comments.

For more information, please contact John Butts, AGC/CT or Matthew Hallisey, CCIA, at 860-529-6855.



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.

