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Bills to Implement the Governor's Budget Finance, Revenue and Bonding Committee March 7, 2011

Connecticut Construction Industries Association, Inc. (CCIA) represents the commercial construction industry in the state and seeks to advance and promote a better quality of life for all citizens in the state. Formed over 40 years ago, CCIA is an organization of associations, where all sectors of the commercial construction industry work together to advance and promote their shared interests. CCIA is comprised of about 350 members, including contractors, subcontractors, suppliers and affiliated organizations representing many sectors of the construction industry. CCIA members have a long history of providing quality work for the public benefit.

CCIA strongly **supports** the bonding bills that would implement the Governor's budget, and respectfully requests that the committee act favorably on the bills.

Senate Bill 1004, An Act Concerning the Authorization of Special Tax Obligation Bonds of the State for Certain Transportation Purposes, would authorize over the next two fiscal years:

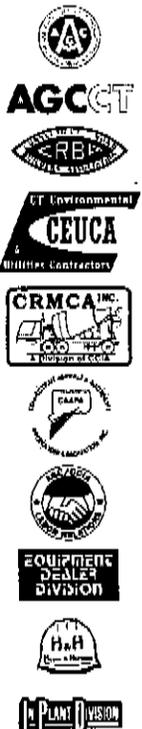
- \$66 million for state bridge improvement, rehabilitation and replacement projects;
- \$137.8 million for capital resurfacing and related reconstruction projects under the state Department of Transportation's (ConnDOT) vendor-in-place program;
- full funding of \$96.7 million for the Fix-it-First program to repair state roads; and \$130.28 million for the Fix-it-First program to repair state bridges

These are substantial funds that will, once allocated, help contractors performing on state projects hire and employ workers and improve transportation infrastructure in the state.

Senate Bill 1005, An Act Concerning the Authorization of Bonds of the State for Capital Resurfacing and Related Reconstruction Projects, would authorize \$68.9 million this year for capital resurfacing and related reconstruction projects under ConnDOT's vendor-in-place program to allow paving projects to begin in time for the construction season.

Senate Bill 1006, An Act Increasing Certain Bond Authorizations for Capital Improvements, would authorize over the next two fiscal years:

- \$1.088 billion for transportation construction projects, plus an additional \$50 million in general obligation bonds;
- \$30 million to fully fund Town Aid Road fund;
- \$1.11 billion for school construction;
- \$186.6 million in general obligation bonds for the Clean Water Fund to finance municipal water treatment construction and combined sewer overflow projects; and



- \$471.78 million in revenue bonds for the Drinking Water Fund.

The bond authorizations in SB 1006 would help finance a number of local school building projects in cities and towns across the state. The economic impact of investment in commercial construction is highlighted in the attached fact sheet from AGC of America. AGC of Connecticut, a CCIA division, is the Connecticut chapter of AGC of America. State investment in commercial construction would help create or sustain jobs in the construction industry, which has suffered immensely during the recent recession. Unemployment is as high as 30% in certain sectors. Bond authorizations in SB 1006 would help reverse this trend. AGC members, comprised of general contractors, construction managers, subcontractors and suppliers, employ workers at good wages who building local schools in districts across the state, pay taxes and contribute to the state's economy.

CCIA and one of its divisions, Connecticut Environmental and Utilities Contractors Association, are members of the Clean Water Investment Coalition, which supports additional funding for the Clean Water Fund. CWF provides loans and grants to various municipalities across the state to assist in project costs. The Department of Environmental Protection disburses funds, once approved by the State Bond Commission, to Clean Water projects or Drinking Water projects as outlined in the DEP Priority Project Program and the Department of Public Health Priority List of Projects when each individual project is ready to proceed. Currently, there are a number of important municipal water treatment projects across the state where construction is ready. CEUCA is comprised of a number of substantial contractors with a great deal of experience in performing quality construction on such projects. This funding will help contractors create or retain good-paying jobs with quality benefits.

Senate Bill 1008, An Act Authorizing Bonds of the State for Capital Improvements and Other Purposes, which would authorize over the next two years more than \$338 million for construction and rehabilitation of state buildings and other facilities across the state.

CCIA appreciates Governor Malloy's attention to the deteriorating condition of state infrastructure systems and commends him for leading the state to bring those systems back to a state of good repair. The strong focus on increased funding for transportation and other construction and infrastructure projects in the Governor's budget and bond bills is important given that the state's needs have outgrown available federal funding. Connecticut can no longer rely so heavily on federal funding to meet all of the state's infrastructure challenges. Also, with the conclusion of federal stimulus funding, it is more important that the state invest its own resources in infrastructure.

The state has a tremendous opportunity to grow its economy and jobs if it moves aggressively to upgrade its transportation and construction systems. In light of the Governor's budget, his support for additional funding for transportation and the emphasis on jobs, the legislature should support these bond bills to get Connecticut back to work.

Additionally, by authorizing these bond funds, the legislature would begin to adopt a worthy new policy of using bonding for capital expenditures and not for operating expenses in the state budget. Governor Malloy has emphasized this point repeatedly. "I have been very clear that borrowing money for operating expenses is not something I think is a good idea," Malloy said in a statement in January prior to a State Bond Commission meeting. "But using our bonding authority to make smart, strategic choices to help create jobs and invest in Connecticut's physical and technological infrastructure is a really good idea." Infrastructure projects are what the state should bond for because the state gets tangible value by financing valuable infrastructure projects over the life of the property.

Please contact CCIA President Don Shubert, AGC of Connecticut Executive Director John Butts, or CCIA Director of Government Relations and Legislative Counsel Matthew Hallisey, at 860-529-6855, if you have any questions or if you need additional information.



The Economic Impact of Construction in the United States and Connecticut

Economic Impact of Investment in Nonresidential Construction:

- An additional \$1 billion invested in nonresidential construction would add \$3.4 billion to Gross Domestic Product (GDP), \$1.1 billion to personal earnings and create or sustain 28,500 jobs.
 - About one-third (9,700) of these jobs would be on-site construction jobs in the state of investment.
 - About one-sixth (4,600) of the jobs would be indirect jobs from supplying construction materials and services. Most jobs would be in-state, depending on the project and the mix of in-state suppliers.
 - About half (14,300) of the jobs would be induced jobs created when the construction and supplier workers and owners spend their additional incomes. These jobs would be a mix of in-state and out-of-state jobs. Conversely, investments elsewhere would support some indirect and induced jobs in Connecticut.

Nonresidential Construction Spending:

- Nonresidential spending in the U.S. in 2009 totaled \$654 billion (\$346 billion private, \$307 billion public).
- Private nonresidential spending in Connecticut totaled \$2.7 billion in 2009. (Public spending is not available by state.)
- Nonresidential starts in Connecticut totaled \$2.0 billion in 2009, according to Reed Construction Data.

Construction Employment (Seasonally Adjusted):

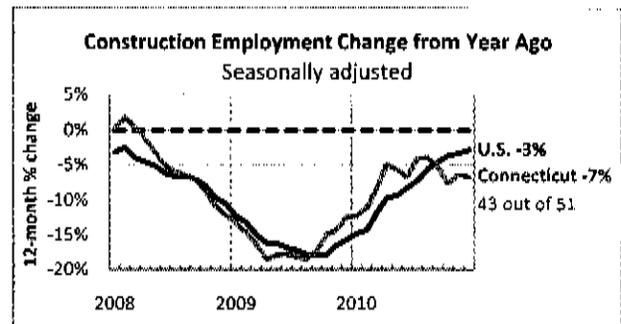
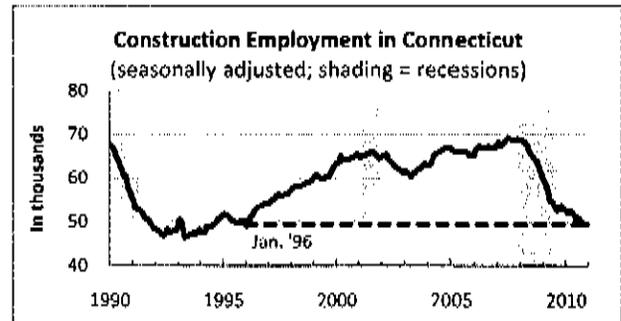
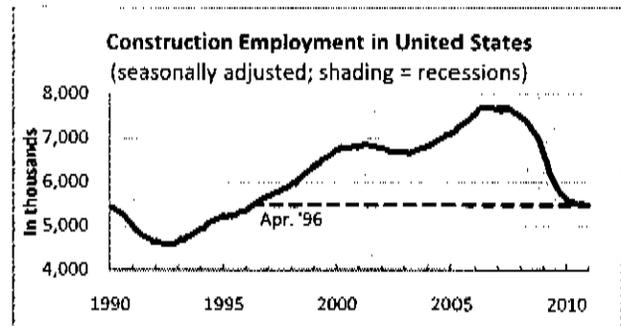
- Construction (residential + nonresidential) employed 5.5 million workers in December 2010, a decrease of 160,000 (3%) from December 2009 and a decrease of 2.2 million (29%) from April 2006 when U.S. construction employment peaked.
- Construction employment in Connecticut in December totaled 49,400, a decrease of 7% from December 2009 and a decrease of 29% from the state's peak in June 2007.

Construction Industry Pay:

- In 2009, annual pay of all construction workers in the United States averaged \$49,312, 9% more than the average for all private sector employees.
- Construction workers' pay in Connecticut averaged \$57,770, 1% less than all private sector employees in the state.

Small Business:

- The United States had 773,600 construction firms in 2008, of which 91% employed fewer than 20 workers.
- Connecticut had 9,400 construction firms in 2008, of which 93% were small (<20 employees).



Metro area or division	12-mo. empl. change (NSA)	Rank (out of 337)
Statewide	-6%	-
Bridgeport-Stamford-Norwalk, NECTA*	-5%	187
Hartford-West Hartford- East Hartford, NECTA*	-15%	374
New Haven, NECTA*	1%	58
Norwich-New London, CT-RI NECTA*	-3%	138
Waterbury, NECTA*	0%	68

*Mining and logging included with construction

NECTA= New England City and Town Area