



STATEMENT OF:
THE CONNECTICUT CONSTRUCTION INDUSTRIES
ASSOCIATION, INC.

GIVEN BY:
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HEARING ON:
INVESTING IN INFRASTRUCTURE: CREATING JOBS AND GROWING
THE ECONOMY

BEFORE THE:
SENATE COMMITTEE ON BANKING, HOUSING AND URBAN
AFFAIRS

SEPTEMBER 21, 2010



Good morning Chairman Dodd, Ranking Member Shelby and Members of the Committee:

My name is Don Shubert and I am president of The Connecticut Construction Industries Association (often referred to as “CCIA”), based in Wethersfield, Connecticut. CCIA is an organization of associations representing the many facets and disciplines of the construction industry in Connecticut. The associations include the: Connecticut Road Builders Association, Associated General Contractors of Connecticut, Connecticut Ready Mixed Concrete Association, Connecticut Asphalt & Aggregate Producers Association and others. The membership includes construction managers, general contractors, subcontractors, equipment and material suppliers, professional engineers, and other professionals allied with the construction industry. Together, we build the infrastructure that services all modes of transportation.

The CCIA divisions enjoy an active working relationship with national organizations that include the: American Road & Transportation Builders Association, Associated General Contractors of America, National Asphalt Pavement Association, National Ready Mixed Concrete Association, National Stone, Sand & Gravel Association, and the U.S. Chamber of Commerce. Additionally, we are founding members of a large transportation advocacy coalition, KEEP CT MOVING, that is a broad-based group modeled after the Americans For Transportation Mobility coalition that is led by the U.S. Chamber of Commerce. KEEP CT MOVING members include industry associations, organized labor, and the major Chambers of Commerce in Connecticut.

I am testifying today solely in my capacity as president of CCIA.

Infrastructure investments drive economic growth.

Mr. Chairman, I commend you and the members of this Committee for convening today's hearing on how infrastructure investment can help generate American jobs and strengthen the U.S. economy. There are few things the public sector can do that rival the short-term and long-term benefits of boosting infrastructure investment. The 2008 and 2009 debate on an economic stimulus package proves this point, as the potential of infrastructure investment to facilitate economic recovery was widely endorsed by both parties, with only the immediacy of these impacts questioned by some. As later parts of my testimony will demonstrate, the American Recovery & Reinvestment Act's (Recovery Act) transportation investments have delivered profound results for our community and the entire country over the last 18 months.

The benefits of investing in infrastructure are basically two-fold. First, those investments create well-paying jobs for skilled workers who are sitting idle in a sector of the economy that has been hit hardest by the economic downturn. Second, those investments rebuild infrastructure that is falling into disrepair and expand capacity to improve mobility. Investments in transportation infrastructure drive the long run growth, productivity, and competitiveness of the American economy.

The U.S. economy is a vast network of businesses that produce goods and services for America's 115 million households, for export to foreign countries, or for use by other businesses. The tie that binds these businesses to their customers, suppliers and workers is the U.S. transportation

network. Each year, almost 80 percent of the value of freight shipments in the U.S. is carried by trucks along the nation's highways.

CCIA has an active working-relationship with the U.S. Chamber of Commerce, and local Chambers of Commerce across Connecticut. We hear constantly from the business community that manufactured goods and cargo move through the United States on a system primarily consisting of ports, roads, rail, and inland waterways. The supply chain is viewed from initial point of origin to the final destination with frequent junctures in between. To keep competitive domestically and internationally, many U.S. businesses have developed complex logistics systems to minimize inventory and ensure maximum efficiency of their supply chains. However, as congestion increases throughout the U.S. transportation system, these supply chains and cargo shipments are frequently disrupted and the cost of business increases.

Another priority message from business is that traffic congestion threatens its ability to attract and retain employees. Employers in all industries rely on transportation systems to connect them with their workforce and connect that workforce with suppliers and customers around the country and the world. In Connecticut, the rising cost of living in certain areas is pushing workers farther from their place of employment, increasing commute times and costs. The business community constantly reminds us that increasing congestion is disrupting the important connection with their workforce and imposing additional costs on the workforce and employers alike.

To the business community, infrastructure investments: improve competitiveness because of reduced production and distribution costs as a result of increased travel speeds and fewer mobility barriers; give employees access to higher-paying jobs; and improve regional economic competitiveness, which stimulates job growth to support an increasing population.

For example: the Stamford Chamber of Commerce identifies Stamford as the economic engine of Connecticut. According to the Chamber, Stamford is the largest business center in the state, and with present development plans under construction, it will be the largest city in the state. Stamford is the largest international trade center between New York and Boston. The Chamber tells us that the biggest challenge to Stamford's economic growth is the out-dated transportation infrastructure and mounting congestion in all modes of transportation that is becoming a barrier the region.

The foundation of a modern economy is a transportation system that moves people and freight efficiently, safely, and on time. This lesson was learned during the 1960s and 1970s when construction of the Interstate Highway System allowed American firms to access a nationwide market and take advantage of scale economies that yielded significant increases in productivity.

The construction industry can play a significant role in economic growth. Employing local workers and using local materials to improve our infrastructure is an excellent combination to drive economic growth. Unfortunately, the pervasive uncertainty about future investments by federal and state governments and the private sector is stalling many infrastructure projects.

A skilled workforce, that is a powerful economic engine, is idle.

The construction industry workforce today is faced with its worst economic crisis since the Great Depression. This past winter, 23 percent of construction workers were unemployed. In August, the peak of the construction season, the unemployment rate was still 17 percent. Before the recession, the unemployment rate for construction workers was less than 6 percent. According to the Bureau of Labor Statistics, there were 7.7 million workers employed in construction in August 2006. This August, there were only 5.6 million employed, a loss of more than 2.1 million construction jobs. To put this in perspective, almost one-third of all the jobs lost in the United States during the 2007-2009 recession were construction jobs. Contractors are reluctant to hire new employees and purchase new equipment with few prospects of work in the near future. The reality of the construction industry is that most jobs exist only if the companies have sufficient work. The last thing our members want to do is hire and train new employees when they may not be able to keep them on the payroll. The following graph charts construction unemployment over the past thirty-two months.

Unemployment Rate
U.S. Construction Industry
January 2007 – August 2010



Source: Bureau of Labor Statistics

Labor unions in Connecticut have reported twenty to thirty percent unemployment this year.

One union has reported that unemployment increased over 2009 figures, even with the additional funding provided by the Recovery Act. Many union members struggle to work the number of hours needed to maintain their benefits over the course of the year. Contractors and suppliers are rotating employees and mandating furloughs to maintain continuity in the workforce.

In addition to the economic downturn, construction employment is suffering from the direct impact of the uncertainty, being caused by lack of federal long-term surface transportation funding legislation, that is paralyzing state Department of Transportations. Since SAFETEA-LU expired on September 30, 2009, state transportation agencies have been restricting their programs to compensate for the lack of a stable, predictable funding stream. During the delay of

reauthorizing the last surface transportation legislation, from 2003 to 2005, there was an abundance of private projects, and other public projects to keep contractors working while state DOT's constricted their programs. Today, we are in a delay period for reauthorization, and there is little other work available. We expect the economic impacts in terms of job loss and industry contraction to be much more significant in 2010-2011 than during the 2003-2005 period.

Contractors also have significant excess capacity. According to the quarterly construction market survey conducted by the American Road and Transportation Builders Association, only 3 percent of transportation construction firms are currently operating at full capacity, compared to a normal rate of 15 percent. At the other end of the scale, 45 percent of contractors are operating at less than three-quarters of capacity, compared to a normal rate of 10 percent. Even with \$20 billion of Recovery Act highway projects underway, the industry could undertake far more construction work than is currently available.

This available labor force and industry capacity can be an economic engine. Every \$1 billion invested in nonresidential construction adds \$3.4 billion to Gross Domestic Product (GDP) and \$1.1 billion to personal earnings according to the Associated General Contractors of America. The Federal Highway Administration calculates that every \$1 billion invested in highway and bridge improvements creates or sustains 27,823 jobs. Approximately one-third (9,537) of these jobs are on-site construction jobs in the state of investment. Another one-sixth (4,324) are in industries that supply materials and services used in highway and bridge construction. Most of these jobs would be in-state depending on the project and mix of in-state suppliers. About half (13,962) 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 jobs in-state.

There is no shorter line between unemployment and a job than a construction project. There are millions of skilled trades-people across the country who are out of work and stand ready to return - many of whom could report back to work on one-day's notice. Construction jobs on public projects offer people the opportunity to earn a decent living, obtain quality health benefits, and save for retirement. However, contractors and construction workers are in a holding pattern while state transportation departments adjust to a lack of funding certainty and search for funding.

The Nation has tremendous transportation needs:

A 2010 National State of Good Repair Assessment conducted by FTA reports that:

- Nine percent of America's rail assets are in poor condition and seventeen percent of are in marginal condition.
- Nine percent of America's bus assets are in poor condition and thirty-two percent are in marginal condition.

TRIP, a national research group, reports that:

- Thirty-two percent of America's major roads are in poor or mediocre condition.
- Twenty-five percent of America's bridges are structurally deficient or functionally obsolete.
- Forty-four percent of America's major urban highways are congested.

Connecticut has similar needs. TRIP reports:

- In 2008, thirteen percent of Connecticut's major roads were rated in poor condition and thirty-two percent were rated in mediocre condition.
- Nine percent of Connecticut's bridges were structurally deficient in 2009.
- Twenty-five percent of Connecticut's bridges were functionally obsolete in 2009.
- In 2008, fifty-eight percent of Connecticut's urban Interstates and other highways or freeways were considered congested.

And these are only surface transportation needs. We must also modernize the air traffic control system, expand capacity at our airports and on freight rail lines, improve connections to ports and increase the reliability of the inland waterways system.

Significant funding is needed to meet those needs.

Two congressionally appointed commissions have recommended a broad overhaul of the Federal Surface Transportation Program to improve mobility, safety and the physical condition of the nation's surface transportation system by significantly increasing funding. The National Surface Transportation Policy and Revenue Study Commission (NSTPRSC) and the National Surface Transportation Infrastructure Financing Commission (NSTIFC) were created by Congress to examine the current condition and future funding needs of the nation's surface transportation program, develop a plan to insure the nation's surface transportation system meets America's future mobility needs, and to recommend future funding mechanisms to pay for the preservation and improvement of the nation's roads, highways, bridges and public transit systems.

- The NSTPRSC concluded that it is critical to the future quality of life of Americans that the nation create and sustain the preeminent surface transportation system in the world, one that is well-maintained, safe and reliable.

- The NSTIFC found that the U.S. faces a \$2.3 trillion funding shortfall over the next 25 years in maintaining and making needed improvements to the nation's surface transportation system.

The U.S. Department of Transportation issues reports on the Conditions and Performance of the Nation's Highways, Bridges and Transit, in which it calculates the annual investment that all levels of government would have to make both to maintain current conditions and improve conditions.

The 2008 Conditions and Performance Report issued by the U.S. Department of Transportation included data on the cost to maintain and improve the nation's mass transit systems, including both bus and rail-based transit. When combined with data on recent cost increases and traditional federal share, the report indicates that a federal transit program of \$12 to \$14 billion annually between FY 2011 and 2016 would maintain conditions while \$17 to \$19 billion would be needed to improve conditions. In FY 2010, total funding for the public transportation program was just over \$10 billion. For FY 2011 through 2016, Transit Account revenues are projected to be about \$5.5 billion per year, less than half the amount needed just to preserve existing conditions.

The latest report, which was issued in January 2009, provides data on the average annual investment that would be needed between 2006 and 2026 both to maintain conditions and improve conditions on our nation's highways. When combined with information on recent increases in highway construction costs and the traditional federal share of highway investment, the report shows that funding for the federal highway program in the next surface transportation

authorization bill should be in the range of \$71 to \$78 billion per year just to maintain current highway and bridge conditions. The annual federal investment needed to improve conditions would be even higher. By contrast, federal highway investment in fiscal year 2010 is \$41.1 billion, a shortfall of more than \$30 billion for just keeping the status quo.

The massive gap between federal highway investment and needs is shown on a state by state basis in the following Table that was provided by the American Road and Transportation Builders Association. For example, the table shows that Connecticut would need an annual federal investment of just over \$627 million as the federal share of the cost to maintain conditions and performance on the state's highways and bridges¹. In FY 2010, the state received about two-thirds of that amount. Alabama also received fewer federal highway funds than needed just to maintain current highway and bridge conditions, as did almost every other state. The table also shows that the one-time highway stimulus funds in the American Recovery and Reinvestment Act, while helpful in the short-term, come nowhere near filling the long-term federal highway investment shortfall, leaving a shortage that threatens to cripple the systems that provide the mobility that is essential to support our economy and quality of life.

¹ State investment needs are based on Federal Highway Administration data on the number of highway miles in poor or mediocre condition in each state, the total deck area of deficient bridges in each state, and a measure of highway congestion.

Table 1 - Federal Highway Program Funding versus Federal Share of Highway Investment Needs
(Millions of dollars)

State	Highway Program Apportionment	Federal Share of Annual State Highway Investment Needs, FY 2010 /1		ARRA Highway Stimulus Funds /2
	FY 2010	Maintain Conditions	Improve Conditions	FY 2009-10
Alabama	\$700.3	\$840.7	\$1,222.5	\$513.7
Alaska	\$374.6	\$166.8	\$236.6	\$175.5
Arizona	\$685.2	\$734.4	\$1,126.3	\$522.0
Arkansas	\$453.8	\$1,294.0	\$1,824.0	\$351.5
California	\$3,265.8	\$8,217.3	\$12,141.4	\$2,569.6
Colorado	\$487.0	\$836.3	\$1,266.7	\$403.9
Connecticut	\$452.1	\$627.6	\$952.2	\$302.1
Delaware	\$146.8	\$140.8	\$214.3	\$121.8
Dist. of Col.	\$142.8	\$165.4	\$240.6	\$123.5
Florida	\$1,750.4	\$1,955.8	\$3,133.1	\$1,346.7
Georgia	\$1,191.4	\$1,266.9	\$1,957.4	\$931.6
Hawaii	\$151.8	\$176.5	\$251.0	\$125.7
Idaho	\$260.7	\$697.2	\$968.5	\$181.9
Illinois	\$1,259.8	\$2,208.5	\$3,240.0	\$935.6
Indiana	\$881.9	\$1,152.7	\$1,725.1	\$658.0
Iowa	\$431.4	\$875.1	\$1,196.3	\$358.2
Kansas	\$349.0	\$1,672.7	\$2,297.2	\$347.8
Kentucky	\$606.7	\$609.8	\$940.3	\$421.1
Louisiana	\$611.0	\$1,408.8	\$2,005.2	\$429.9
Maine	\$163.5	\$270.8	\$365.8	\$130.8
Maryland	\$551.7	\$973.5	\$1,437.5	\$431.0
Massachusetts	\$563.0	\$1,047.7	\$1,598.8	\$437.9
Michigan	\$973.7	\$2,010.1	\$2,899.6	\$847.2
Minnesota	\$569.9	\$1,656.5	\$2,449.1	\$502.3
Mississippi	\$427.0	\$966.9	\$1,366.6	\$356.3
Missouri	\$828.0	\$2,039.9	\$2,906.2	\$637.5
Montana	\$340.7	\$176.1	\$238.1	\$211.8
Nebraska	\$264.0	\$406.4	\$568.5	\$235.6
Nevada	\$309.4	\$385.7	\$603.9	\$201.4
New Hampshire	\$153.3	\$280.3	\$421.5	\$129.4
New Jersey	\$911.5	\$2,127.0	\$3,193.0	\$651.8
New Mexico	\$328.9	\$778.8	\$1,103.8	\$252.6
New York	\$1,539.8	\$3,282.3	\$4,887.6	\$1,120.7
North Carolina	\$966.9	\$2,062.3	\$3,262.1	\$735.5
North Dakota	\$224.7	\$247.0	\$338.3	\$170.1
Ohio	\$1,210.0	\$1,254.0	\$1,876.3	\$935.7
Oklahoma	\$565.0	\$1,849.5	\$2,493.4	\$464.7
Oregon	\$430.6	\$647.9	\$974.6	\$333.9
Pennsylvania	\$1,519.7	\$2,722.6	\$3,958.7	\$1,026.4
Rhode Island	\$189.5	\$187.7	\$269.4	\$137.1
South Carolina	\$575.8	\$589.6	\$780.9	\$465.1
South Dakota	\$244.1	\$407.4	\$543.1	\$183.0
Tennessee	\$753.6	\$1,087.8	\$1,688.8	\$572.7
Texas	\$2,941.3	\$4,664.0	\$6,986.8	\$2,250.0
Utah	\$288.0	\$460.0	\$730.7	\$215.5
Vermont	\$168.3	\$216.8	\$300.0	\$125.8
Virginia	\$913.4	\$850.1	\$1,258.7	\$694.5
Washington	\$599.6	\$1,092.3	\$1,604.9	\$492.2
West Virginia	\$384.5	\$871.3	\$1,260.2	\$210.9
Wisconsin	\$678.8	\$874.9	\$1,164.7	\$529.1
Wyoming	\$226.0	\$166.3	\$235.8	\$157.6
Total	\$35,006.9	\$61,701.0	\$90,706.2	\$26,666.1

1/ The "Needs" column shows investment required in FY 2010. The amounts would grow each year with inflation.

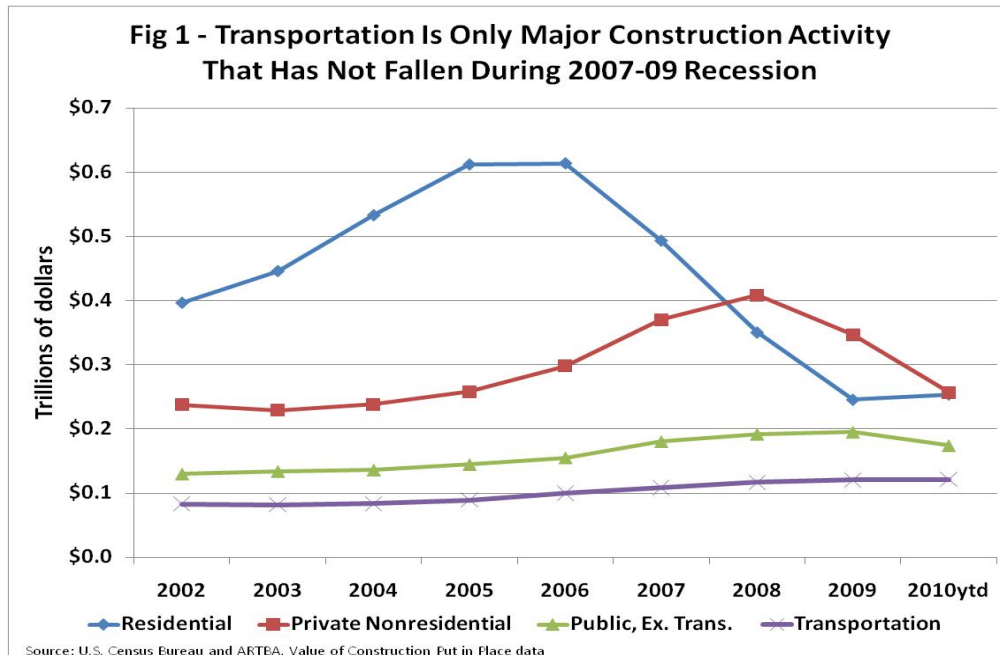
2/ ARRA is one-time funding only during FY 2009-10 and thus not available to meet needs in future years.

In January 2010, the Connecticut Department of Transportation released an analysis that identifies approximately \$4 billion of unfunded initiatives in our public transit, highway, and bridge systems that were programmed over the next five years. The Department based its analysis on what it described as a tremendous uncertainty surrounding the passage of long-term surface transportation measure which has significant implications on the Department's ability to plan and execute its transportation infrastructure program. In the analysis, ConnDOT identifies 49 unfunded projects that were programmed for 2010, 102 unfunded projects programmed for 2011, 36 unfunded projects programmed for 2012, 17 unfunded projects programmed for 2013, and 16 unfunded projects programmed for 2014. Additionally, the analysis identified over \$8 billion in additional major long-term unfundable initiatives in the transit, highway, and bridge programs.

ARRA's major impact on the nation's transportation needs is ending.

The American Recovery and Reinvestment Act's transportation investments have been one of the few bright spots for the transportation construction industry. Virtually all of the projects financed by the Act's \$48 billion for transportation improvements are now either underway or completed. As a result, transportation construction is the only major construction market that did not decline during the 2007-09 recession. As the next graph shows, the value of construction work put in place on homebuilding is now more than 60 percent below its pre-recession peak, while private non-residential construction is down 25 percent and public construction other than transportation is down more than 10 percent. But the value of construction work put in place on transportation improvements has not fallen. It is clear the construction industry could very well

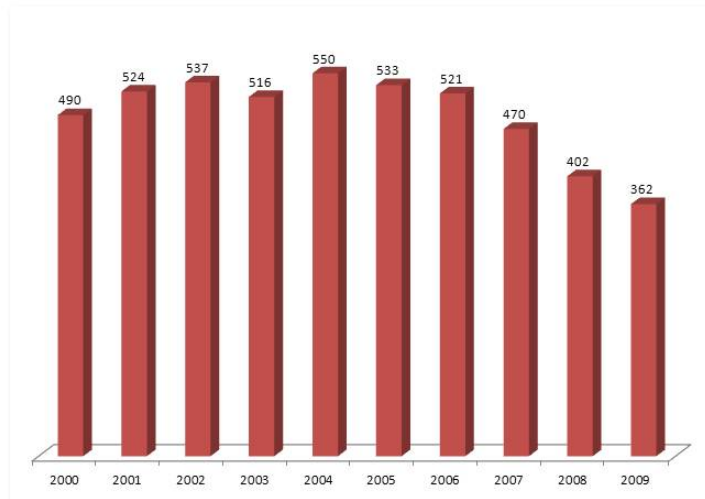
have been devastated over this construction season without the Recovery Act projects stabilizing the workload.



The Recovery Act has mitigated a steep drop in construction activity in the residential and commercial sectors of the industry. For example: in the asphalt industry, over a third of the total market was comprised of homebuilding and commercial construction projects. When those market segments were devastated by the economic downturn, the loss was somewhat offset by the gains provided by the Recovery Act. In the cement and concrete industries, where those market segments comprise a larger part of the total market, the resulting loss was greater. In turn, the aggregates industry (stone, sand and gravel) suffered major market losses. The following chart shows that even with the Recovery Act there was a downturn in the asphalt market.

**Tons of HMA Produced in the U.S.
(excludes RAP, RAS)**

Million Tons



Source: National Asphalt Pavement Association

While the Recovery Act funds have had a positive stabilizing impact on the construction marketplace, those resources are coming to an end. We believe the momentum generated by ARRA will be lost if Congress fails to find revenue sources to support a well-funded, multi-year surface transportation authorization bill. A robust multi-year bill is the best step that can be taken to alleviate the uncertainty that prevents state DOTs from planning and undertaking projects and driving America's economic recovery and growth.

Unfortunately, the federal public transportation and highway programs are currently in a state of limbo and have been operating under a series of short-term extensions since the last bill expired almost a year ago. The delay periods during the reauthorization of the last two federal surface transportation measures show that states rely heavily on continuing and guaranteed funding from the federal government. As stated earlier, uncertainty in federal transportation funding stifles

state transportation programs which stalls the delivery of much needed infrastructure, disrupts hiring and equipment purchases, interrupts steady employment, fosters inconsistent training, and causes the loss of highly skilled employees. In short, this shuts-down a large economic engine.

A comprehensive long-term reauthorization bill is needed.

We were greatly pleased to see President Obama's recent call for enactment of a six-year reauthorization of the federal public transportation and highway programs. We believe that enactment of a multi-year surface transportation bill would be a true economic stimulus.

As welcome as the President's commitment to prompt enactment of a reauthorization bill is, we recognize there is still a long path ahead of us. The 2005 reauthorization bill included surface transportation investment levels well beyond what existing revenues could support and included no new resources. As a result, the Highway Trust Fund surplus was liquidated over a four-year period and this structural draw down was exacerbated by the worsening economy.

The Mass Transit and Highway Accounts face cash crises in the years ahead. This means Congress is now faced with three very difficult funding alternatives for the next bill:

- scale back transit and highway investments to currently supportable levels and, in so doing, force the loss of hundreds of thousands of construction industry jobs;
- further add to the federal deficit to support future transportation investments; or
- raise new revenues.

CCIA supports raising new revenues. While I fully appreciate the challenges this situation presents for elected officials, I would be remiss in not pointing out that only through dedicated revenues can contract authority and other mechanisms that provide states the certainty to move forward with long-term transportation plans be retained. Clearly, the core of an effective national surface transportation program must be a stable, guaranteed, long-term revenue source.

Given the inherent financing challenge facing the reauthorization of the federal surface transportation program, we fully acknowledge the importance of being open to new ways to meeting the nation's transportation infrastructure challenges.

An Infrastructure Bank could be part of the solution.

A National Infrastructure Bank proposal is one of a number of proposals that has been suggested by both of the federally chartered commissions mentioned above and many transportation interests. An Infrastructure Bank would provide funding for many mega-projects that are not easily supported through the existing federal public transportation and highway programs. It would enhance a long-term stable funding source, by providing new funding for projects, which would leave more funding in the core stable and dependable transportation formula programs.

In Connecticut, several mega projects are currently devouring the state's transportation program. If one or two of those projects had been funded by an Infrastructure Bank, more resources would be available through the core program and the state would be in a better position to meet its maintenance and expansion needs. Additionally, there are many other mega projects that ConnDOT has identified with no funding sources. An Infrastructure Bank may be the ideal

funding mechanism for one or more of those projects, which may not otherwise be delivered in the future.

An Infrastructure Bank could provide several benefits. It could fill a clear void that exists in federal transportation policy to support large-scale projects that provide service beyond the border of an individual state. An Infrastructure Bank could bring more revenue from state, local and private sources into the infrastructure funding scheme. For example, if the amount of financial participation from state, local and private sources is one of the criteria included in project selection process, an Infrastructure Bank could create competition that will draw new investments into transportation funding programs. Likewise, the competitive process created under an Infrastructure Bank would ensure the best projects move forward. As such, we urge Congress and the Obama Administration to pursue an Infrastructure Bank as a supplement to robust federal public transportation and highway programs. The additional funding generated by the bank would leave more of the stable core program funding in place to meet basic needs.

My discussion today has focused mainly on transportation infrastructure. However, the concept of infrastructure bank funding for large-scale projects may also lend itself to other applications, such as Clean Water projects that are facing similar funding challenges. The U.S. Environmental Protection Agency estimates we could need as much as \$390 billion each year over the next 20 years to repair obsolete drinking water and waste water systems. In Connecticut, the Metropolitan District Commission is currently administering a billion-dollar Clean Water project to separate sanitary sewer and storm water lines. There are likely many similar projects in cities and towns in Connecticut and across the country in need of funding.

Mr. Chairman, we commend you for the time you and your staff have invested in advancing the creation of a National Infrastructure Bank. We believe there is substantial potential in an Infrastructure Bank to leverage new infrastructure dollars and create a new merit-based process to select and deliver much-needed upgrades to our transportation systems. We stand ready to work with you as these proposals develop.

Again, thank you Mr. Chairman for this opportunity to testify today. This discussion is important to putting the Federal-Aid Public Transportation and Highway Programs on a solid foundation of fiscal stability.

I will be happy to respond to any questions.