

Testimony of Robert E. Latham
Before the Joint House Transportation and Policy Committee
June 17, 2010

Mr. Chairmen, my name is Robert Latham. I am here on behalf of the Transportation Construction Industries (TCI), representing a broad array of interests including concrete and aggregates producers, hot mix asphalt firms, construction contractors, materials suppliers, equipment dealers, service providers and consulting firms.

TCI agrees with the Keystone Transportation Funding Coalition's (KTFC) vision of a 21st Century transportation program. The vision was developed with input from highway and public transit advocates, smart growth advocates, organized labor, the general business community, agriculture, system users such as AAA and AARP, bicycle and pedestrian advocates, aviation systems and others. Some are here today.

Similar to the Transportation Advisory Council, the KTFC vision of a 21st century comprehensive plan would double annual transportation construction to nearly \$5 billion per year. The TCI program proposes:

- Increase PennDOT's funding for maintaining existing highways and bridges from its current \$1.5 billion per year to \$2.0 billion.
- Fund capacity projects for highways and transit with an annual increase of \$2 billion.
- Increase annual county and local governments' allocations of state funds from \$360 million to \$1 billion per year.

Adequate transportation program would add 50,000 jobs in PA

An adequately funded transportation program would add more than 50,000 jobs to the Pennsylvania economy, lowering the state's unemployment by nearly 10 percent, according to an economic study commissioned by Associated Pennsylvania Constructors.

The study was conducted by Alison Premo Black, vice president of policy for the American Road & Transportation Builders Association. Ms. Black, an economist, used a proven methodology employed by the U.S. Department of Commerce.

The projections were based on capital expenditures of \$5 billion per year, or about twice the current level of spending. A program of that magnitude is in keeping with the needs identified in a report recently adopted by the State Transportation Commission.

Notably, 58 percent of the new jobs would be in sectors other than highway construction. It would add about \$7 billion in wages and generate about \$80 million per year in payroll and income tax revenue. Manufacturing would see an increase of more than 4,000 jobs, while retail and wholesale trade would see nearly 6,500 new positions open.

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In addition to the immediate boost to economic recovery, investing in the transportation infrastructure would enable Pennsylvania to achieve its long-term economic growth potential, and the users of the transportation system would benefit from congestion relief and improved safety.

Transportation Sustains Nearly 7,000 Jobs in Clarion County

Analysis of the latest U.S. Census Bureau data shows the design, construction and maintenance of transportation infrastructure supports the equivalent of 232 full - time jobs in Clarion County. The average wage is about \$43,000 per year and workers contribute an estimated \$910.2 thousand in state and federal payroll tax revenue.

This employment includes the equivalent of 115 full - time jobs directly involved in transportation infrastructure construction and related activities and 116 that are sustained by transportation design and construction industry employee and company spending throughout the region's economy.

Additionally, the existence of more than 6,542 full - time jobs in Clarion County in key industries like tourism, retail sales, agriculture and manufacturing are dependent on the county's transportation infrastructure network. According to the U.S. Census Bureau, there are at least 143 firms in Clarion County that are in some way directly involved in transportation construction related work.

When you include Crawford, Erie, Mercer and Venango Counties, that figure eclipses 100,000 jobs dependent on the region's transportation infrastructure network.

I am submitting today for the record, a copy of the study entitled: "A Blueprint for Growth: The Economic Impacts of Doubling Pennsylvania's Annual Transportation Investment." It may also be accessed at www.pahighwayinfo.org.

Time to Act Is Now

The time to act is now if we are to ensure to our children and parents that all of our roads, bridges and transit infrastructure will remain safe and sound not just for today but for years to come.

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A Blueprint for Economic Growth:

The Impacts of Doubling Pennsylvania's Annual Transportation Capital Investment

- **Jobs**
- **Economic Output**
- **State Tax Revenues**

June 2010

The Economic Impacts of Doubling Pennsylvania's Annual Transportation Construction Investment

Executive Summary

This report is the first ever to examine how public investments in Pennsylvania's transportation infrastructure stimulate business activity and government revenues throughout the Commonwealth. The assumes that the value of contract awards by the Pennsylvania DOT doubles to a lettings program of about \$5 billion. This study examines the impact of an increase of \$2.5 billion in additional ongoing transportation construction work and capital outlays to the current baseline – we assume that the increase in lettings has ramped up over time and the annual program of ongoing work for all Pennsylvania DOT highway and bridge projects is valued at approximately \$5 billion.

We utilized the sophisticated "Regional Input-Output Modeling System" (RIMS II) developed by the U.S. Department of Commerce to track the complex money flows and interactions that occur between the state's diverse business sectors. This, in tandem with data from the U.S. Census Bureau's "County Business Patterns" report, allows us to forecast how an additional \$2.5 billion sustained annual investment in transportation construction work would impact the output of 20 key business sectors within the Commonwealth.

The results show the unique and synergistic nature of transportation capital investments—how they trigger immediate economic activity that creates and sustains jobs and tax revenues, yet yield long-lived capital assets that facilitate economic activity for many decades to come by providing access to jobs, services, materials and markets.

Most importantly, the results strongly suggest that such an investment should be a fundamental component of any plan to grow the state's economy and boost its future competitiveness in regional, national and international markets.

In summary, we forecast that a sustained \$2.5 billion annual increase in highway and bridge construction work in Pennsylvania will...

- ❖ Boost the state's total economic output by \$6.5 billion, or 1.18 percent, to \$559.8 billion.
- ❖ Create and sustain an additional 50,091 new jobs throughout the state's economy, with a total annual payroll of \$2 billion.
- ❖ Generate and sustain \$19.4 million in state payroll tax collections and \$61.4 million in state income tax revenue.
- ❖ Increase "value added" to the Pennsylvania economy, which measures the total value of output less the price of inputs, by \$3.3 billion.
- ❖ After the construction sector, the biggest economic impacts from the investment would be seen in Pennsylvania's manufacturing (\$1.1 billion increase in output and 4,051 new jobs) and retail (5,174 new jobs) sectors.

This report provides:

- ❖ A concise, current economic profile of the Pennsylvania transportation construction industry.
- ❖ An economic "snapshot" of 20 key business sectors in the Commonwealth and how they would be impacted by a sustained \$2.5 billion increase in annual state transportation construction investment.
- ❖ A first-ever "transportation conditions and indicators" profile for each of the Commonwealth's 67 counties.

This research was conducted for the ARTBA Transportation Development Foundation by a team led by Alison Premo Black, vice president of policy and senior economist for the American Road & Transportation Builders Association in Washington, D.C. Ms. Black, an economic doctoral candidate at The George Washington University in the Nation's Capital, holds an M.A. in International Economics and Latin American Studies from the Johns Hopkins School of Advanced International Studies. She graduated magna cum laude from Syracuse University, where she was a member of Phi Beta Kappa and the Golden Key Honors Society, with majors in International Relations, Latin American Studies and Spanish. Prior to joining ARTBA in 2000, Ms. Black worked as an economic analyst for the Embassy of the Republic of Korea in Washington, D.C., and as a researcher in the Trade Unit of the Organization of American States. She has led teams and authored numerous studies examining state transportation funding and investment patterns.