

### Background of Arizona's Construction Industry Employment and Contribution to the Budget and Economy

Arizona's economy is in serious trouble as it continues into a recession that, most experts expect to be deeper and last longer than the economic difficulties that other states will experience. The housing market has plummeted, retail sales are weak and jobs continue to be lost. When there is a downturn in the residential or commercial markets, there is not sufficient strength in other parts of the economy to offset the decline and the entire state suffers longer and more severe recessions than the nation as a whole. That is why it's important that Arizona policymakers accept and understand that investing in infrastructure is beneficial to all of Arizona's economy.

In 2007, a total of 372,000 jobs were supported by the direct and indirect outlays associated with the state's nonresidential construction spending. The construction industry (residential plus nonresidential) employed 136,700 workers in August 2009, a decrease of 108,100 (44%) from June 2006 when construction employment in Arizona peaked.

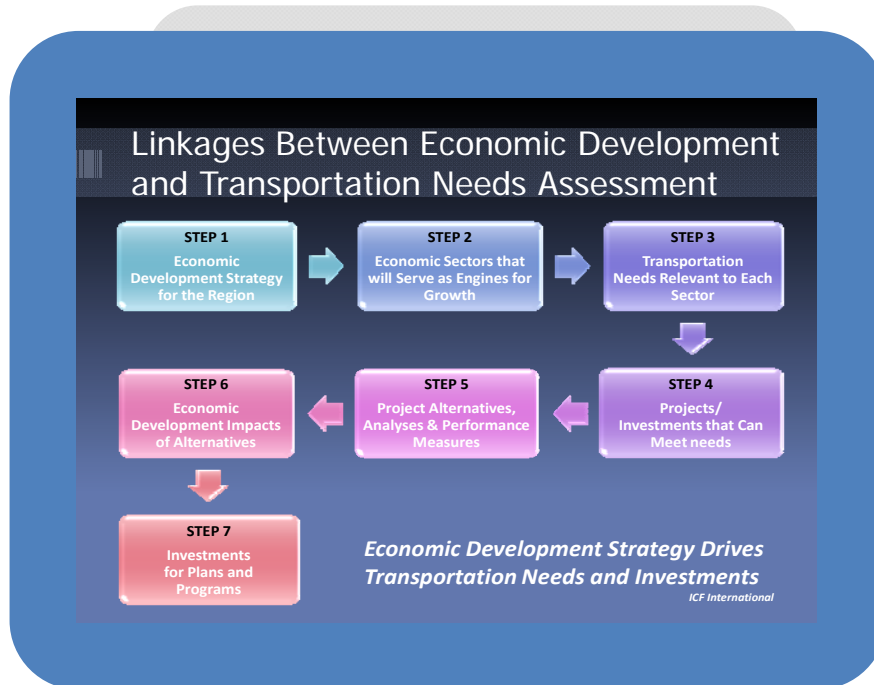
As of November 2010, the national construction unemployment rate is 18.8% - nearly twice the national overall rate. With the small employment number bounce from stimulus projects tapering off, construction employment remains very fragile in Arizona. Over the past two years, four of Arizona's metropolitan areas, Tucson, Phoenix, Prescott and Flagstaff have consistently ranked in the top fifth percentile of construction jobs lost out of 337 metropolitan areas across the United States. To compound this issue, a report released in May 2010 by the US Census Bureau, outlines that 2009 Arizona state tax receipts fell 17.9%. Arizona ranked second with the FY09 decrease of sales tax exceeded only by Alaska.

### Transportation's Influence on the Economy and the Multiplier Effect

Numerous studies have been done that show the direct correlation between transportation investment and the overall

economy. Commercial development which sustains hospitals, businesses, schools and other vital services to the economy have long been supported by a good infrastructure system.

The ICF International diagram below illustrates this correlation.



The correlation between transportation/construction investment and the overall economy is clear. When workers in Arizona lose their jobs, whether they are construction laborers, retail workers or state employees, the negative consequences are multiplied. Unemployed and underemployed workers – and even workers who are simply concerned about a recession – spend less on consumer goods, delay replacing old cars and other durable goods, and abandon their plans of buying new homes. This sets off a chain reaction that negatively impacts retail stores, construction companies and construction material suppliers, car dealers, real estate developers and sales companies, and other industries whose owners and employees then also reduce their spending.

### The Economics of Construction Investment

Nonresidential construction spending in Arizona totaled an estimated \$18 billion in 2007. This direct construction spending in the state contributed a total of \$40 billion (16%) to state GDP of \$247 billion.

Direct construction spending in the state added \$13 billion in additional personal earnings to the benefit of Arizona residents working in the state.

### Construction Industry Pay

In 2008 annual pay of all construction workers in Arizona averaged \$44,400, 6.0% more than the average for all private sector employees.

### Small Business

Arizona had 16,800 construction firms in 2007, of which 85% were small businesses employing fewer than 20 workers.

### Investing in Infrastructure

Every \$1 billion in nonresidential

construction spending would add about \$2.3 billion to the state's Gross Domestic Product (GDP), about \$740 million to personal earnings and create or sustain 21,000 jobs.

7,100 jobs would be direct construction jobs located in the state.

3,400 jobs would be indirect jobs from supplying construction materials and services. The majority of these jobs would be located within the state of investment but there would be some out of state jobs supported.

**“For every \$1 Billion invested in non-residential construction 21,000 direct and indirect jobs are created in Arizona”**

*Ken Simonson, Chief Economist  
AGC of America*

10,500 jobs would be induced when workers and owners in construction and supplier businesses spend their incomes locally and nationwide.