



October 20, 2009

Dear Governor Granholm and Members of the Legislature:

As Michigan continues to deal with budgetary problems, there have been suggestions that some Michigan Business Tax (MBT) credits utilized by the construction industry should be diminished or eliminated.

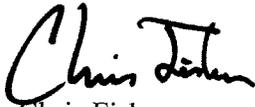
Our organizations are concerned about the potential impact that revenue enhancement ideas in the form of changes to Michigan's Business Tax could have on the companies we represent. Eliminating or significantly reducing tax credits utilized by construction firms that currently help Michigan based companies remain competitive, or in many cases stay one step ahead of insolvency, could prove to be the difference between an economic recovery in the state or further loss of businesses and jobs.

The recession in Michigan and the subsequent meltdown of the commercial and residential real estate market has hit the construction industry particularly hard. New home construction has plunged by two-thirds since 2007 when only 15,000 new homes were built. Plummeting transportation tax revenues and spikes in materials costs means that the state is expecting to pave less than half the lane miles of just five years ago. Whereas, the state's overall unemployment rate has been hovering near 15 percent, **the construction industry is experiencing unemployment rates as high as 30 percent—twice the statewide average.**

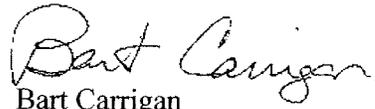
There is a lingering perception among some that the construction industry was one of the few winners when the state converted from the Single Business Tax to the new MBT. Unfortunately, nothing can be further from the truth. Despite some key concessions during the original MBT debate, these were only to avoid an otherwise unfair and untenable cascading tax burden. **Even with available credits, many job-providers in the construction industry have experienced, at a minimum, the doubling of their taxes under the new MBT, despite the economic downturn.**

Further increasing the MBT burden on an already crippled construction industry will only serve to hasten job losses. We encourage you to make the structural spending reforms necessary in order for us to create jobs and expand economic opportunities for our state.

Sincerely,



Chris Fisher
Associated Builders and Contractors



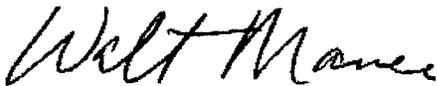
Bart Carrigan
Associated General Contractors



Dawn Crandall
Michigan Association of Home Builders



Keith Ledbetter
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Transportation Association



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Construction Unemployment Is Double the U.S. Average

Construction's stubbornly high unemployment rate bounced upward in July to 18.2%, from 17.4% in June, says the U.S. Labor Dept.'s Bureau of Labor Statistics. The industry's jobless rate was more than 10 percentage points higher than July 2008's level.

In its latest monthly employment report, released on Aug. 7, BLS says construction lost another 76,000 jobs in July, adjusted for seasonal variations, compared with average losses of 73,000 during the past three months. The industry has shed more than 1.3 million jobs since the recession began.

BLS's report also shows the construction's jobless rate at almost double that of the nation's overall rate, which stood at 9.4% in July, down slightly from 9.5% in June.

"I don't see any good news for construction in these figures," says Ken Simonson, chief economist for the Associated General Contractors, Arlington, Va. Simonson notes that the BLS job-loss numbers for the residential and non-residential construction sectors were "both bad" in July. Residential's total employment

dropped 1.1% from June's level and 16.4% from the year-earlier level, seasonally adjusted. Non-residential construction's rate fell 1.3% from the June mark and 13.8% from the July 2008 number.

Simonson adds, "I do expect, going forward, that we will see the residential decline slow or perhaps reverse." He believes that, by the end of 2009, there will be enough single-family homebuilding and home-improvement work to produce an upturn in the segment. But, he says, "I don't have much hope for non-residential construction."

"In the early stages of the residential

market downturn, many specialty trades crossed the line into the commercial markets, which is why we did not see a big hit on unemployment earlier," says Anirban Basu, chief economist with the Associated Builders and Contractors, Arlington, Va. "Once the commercial markets began to participate in the downturn, there was no place to run and no place to hide." Basu believes the industry is still "many quarters away" from a recovery in the commercial sector.

Simonson expects the heavy and civil construction employment picture to start improving later in 2009 as money from the American Recovery and Reinvestment Act starts to flow into markets such as highways, water and sewer projects. But, he adds, "It was not evident in July."

Jobs in the heavy and civil sector were down 1.2% for the month and 12.4% from July 2008. Looking at the 12-month

trend, construction's jobless rate climbed from 8% in July 2008 to a peak of 21.4% in February this year. It has seesawed since then, declining in March and April, increasing in May, falling in June and going up again last month. The BLS construction unemployment rates are not adjusted for seasonal fluctuations.

The industry's lowest unemployment rate during the past five years came in October 2006, when it was 4.5%. ■

*By Tom Ichniowski,
with Tim Grogan*



▲ **Spike.** Construction's unemployment rate has jumped to 18.2%.

COMING SOON...

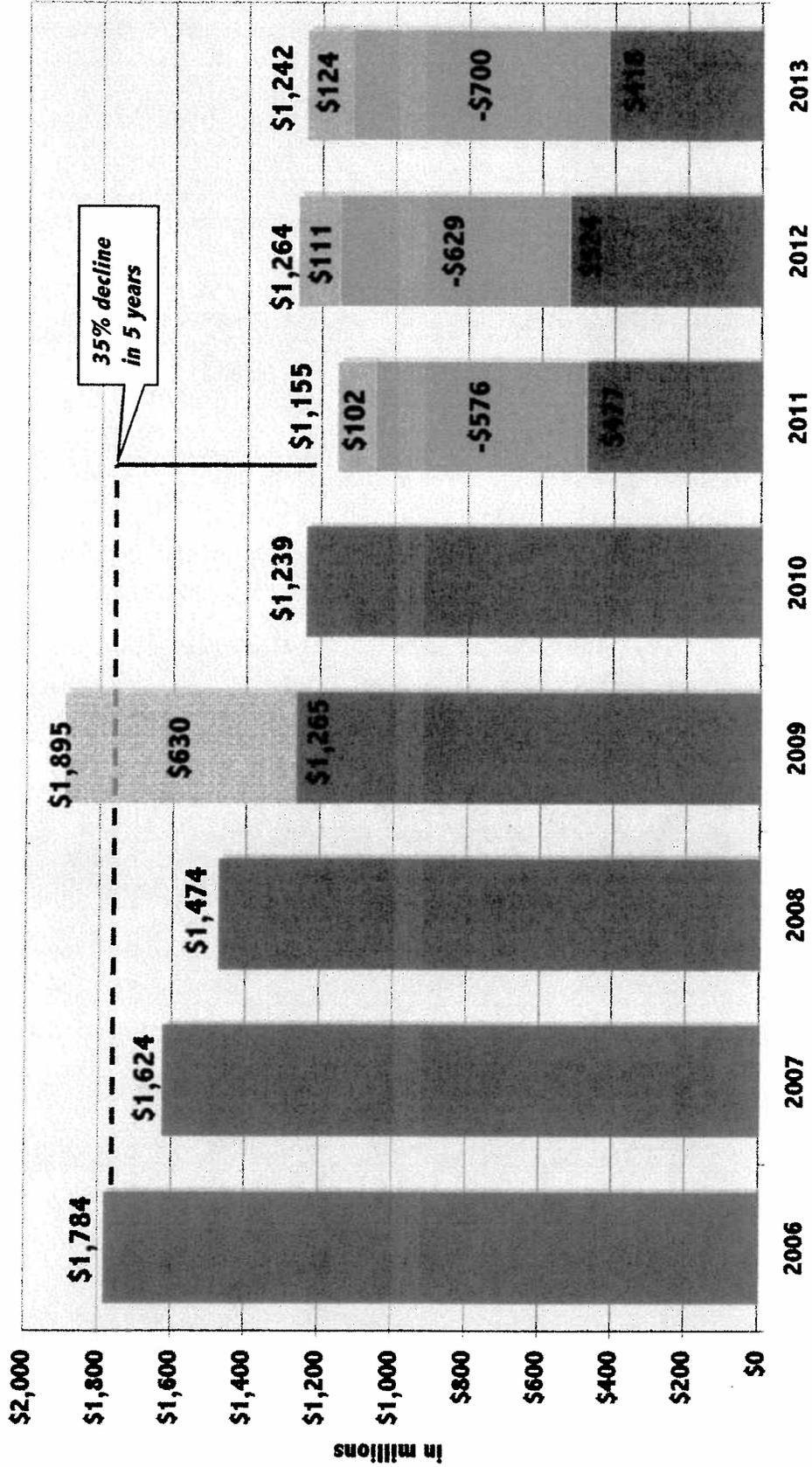
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MDOT Highway and Maintenance Program

State Revenue Shortfall and Federal Aid Lost



■ Program w Routine Maintenance ■ Federal Aid Lost ■ State Revenue Shortfall ■ Fed Stimulus