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September 13, 2012

Michigan Senate Economic Development Committee Hearing

Testimony from Bart Carrigan, President of AGC of Michigan Regarding SB 1269

The Associated General Contractors of Michigan is Michigan's oldest and largest full-service trade association. Founded in 1916, AGC of Michigan has actively represented Michigan's largest construction firms who actively support the association's motto "Skill, Integrity and Responsibility." AGC Michigan is a state chapter of the AGC of America.

AGC is supporting McLaren Health Care Corporation's proposal to complete Phase 2 of its Clarkston Campus project. We have reviewed the June 25, 2011 analysis by Gary Wolfram, and agree with the conclusions about the benefits to both Clarkston and Pontiac's citizens. We wish to focus our comments on the economic benefits of the project, because there is a positive economic benefit to the northern Oakland County economy and to the direct, indirect and induced recipients of the increased economic activity.

AGC of American employs an economist Ken Simonson. I have included some information supplied by Mr. Simonson that can provide your committee members with Michigan data and information about the economic impact of construction in Michigan.

Mr. Simonson testified in front of this Committee on May 1 of this year. He pointed out that between 2000 and 2011 Michigan lost 43% of its construction jobs, from 2011 to 2012 Michigan lost another 2.5% of its construction jobs. He demonstrated the positive impact that construction has on the economy and urged the Committee to take efforts to continue to invest in Michigan through construction.

Michigan's construction industry is a resource that should be valued highly by law-makers. It is not a spigot that should be turned on and off. Public owners like MDOT know this and they do "needs studies" and seek level, predictable funding of highway construction so they don't have the added cost of mobilization and demobilization of construction resources. Our building contractors deserve to have lawmakers try to provide them with work opportunities so they can continue to provide construction services without the added cost of mobilization and demobilization.

Mr. Simonson's assessment of the beneficial economic impact of investment in construction shows figures that are very similar to those provided by McLaren and The Christman Company. There will be a very positive economic impact to the regional economy if this project is approved.

Please give McLaren's project the approval so that McLaren, The Christman Company and Michigan's construction tradesmen and women can go to work and improve the economic climate in Oakland County.

Bart Carrigan, President

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The Economic Impact of Construction in the United States and Michigan

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.
  - 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 the state.

Nonresidential Construction Spending:

- Nonresidential spending in the U.S. in 2010 totaled $555 billion ($293 billion public, $262 billion private).
- Private nonresidential spending in Michigan totaled $3.2 billion in 2010. (Public spending is not available by state.)
- Nonresidential starts in Michigan totaled $4.4 billion in 2010 and $5.5 billion in 2011, according to Reed Construction Data.

Construction Employment (Seasonally Adjusted):

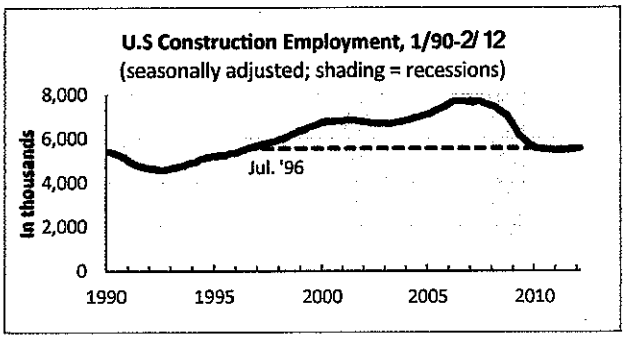
- Construction (residential + nonresidential) employed 5.6 million workers in February 2012, an increase of 69,000 (1.3%) from February 2011 and a decrease of 2.2 million (28%) from April 2006 when U.S. construction employment peaked.
- Construction employment in Michigan in February totaled 123,800, a decrease of 1.2% from February 2011 and a decrease of 42% from the state's peak in April 2000.

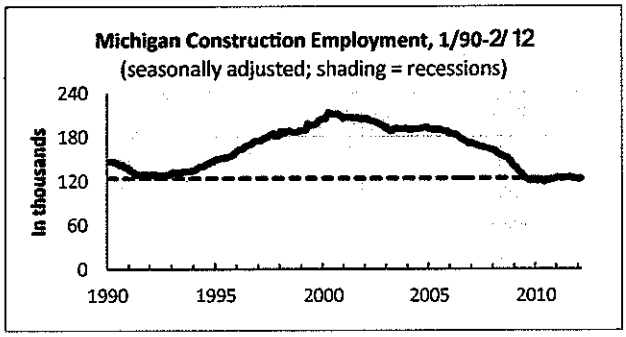
Construction Industry Pay:

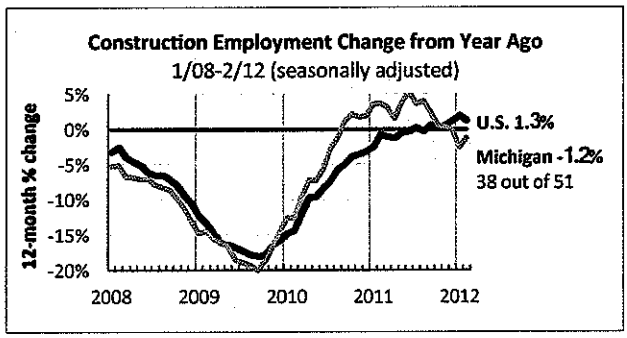
- In 2010, annual pay of all construction workers in the United States averaged $49,588, 7% more than the average for all private sector employees.
- Construction workers' pay in Michigan averaged $50,614, 16% more than all private sector employees in the state.

Small Business:

- The United States had 713,000 construction firms in 2009, of which 92% employed fewer than 20 workers.
- Michigan had 19,600 construction firms in 2009, of which 94% were small (<20 employees).







Empl. Change by Metro (not seasonally adjusted)		Rank
Metro area or division	2/11-2/12	(out of 337)
Statewide* (Const/mining/logging)	-2%	
Ann Arbor*	-4%	266
Battle Creek*	27%	4
Detroit-Livonia-Dearborn, Div.*	-3%	243
Flint*	4%	112
Grand Rapids-Wyoming*	-9%	310
Holland-Grand Haven*	0%	172
Kalamazoo-Portage*	-11%	320
Lansing-East Lansing*	-15%	329
Monroe*	-32%	337
Niles-Benton Harbor*	-7%	290
Saginaw-Saginaw Township North*	-4%	266
Warren-Troy-Farmington Hills, Div.*	3%	123

*The Bureau of Labor Statistics reports employment for construction, mining and logging combined for most metro areas and some states in which mining and logging have few employers. To allow comparisons between states and their metros, the table shows combined employment change.

Source: Ken Simonson, Chief Economist, AGC of America, simonsonk@agc.org, from Prof. Stephen Fuller, George Mason University (investment); Census Bureau (spending); Reed Construction Data (starts); Bureau of Labor Statistics (jobs, pay); Small Business Administration (small business)

April 11, 2012

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The Economic Impact of Construction in the United States

The Impact of Nonresidential Construction on GDP, Earnings and Jobs:

- An extra $1 billion in nonresidential construction spending adds about $3.4 billion to Gross Domestic Product (GDP), about $1.1 billion to personal earnings and creates or sustains 28,500 jobs:
  - 9,700 jobs *direct* construction jobs located in the state of investment;
  - 4,600 jobs *indirect* jobs from supplying construction materials and services, mainly within the state where the investment occurs, but some from other states;
  - 14,300 jobs *induced* when workers and owners in construction and supplier businesses spend their additional wages and profits, locally and nationwide.

Construction Employment and Unemployment:

- The construction industry (residential plus nonresidential) went into recession a year and a half before the overall economy and still has not emerged from it. Employment peaked at 7.73 million in April 2006, seasonally adjusted, and fell to 5.5 million (down 28%) by February 2010 and has remained near that level since then. The industry's unemployment rate in August 2012 was 11.3%, not seasonally adjusted, the highest of any industry.

Construction Spending:

- Construction spending totaled $778 billion in 2011, a 12-year low. Public construction spending totaled $283 billion; private nonresidential spending, $258 billion; and private residential, $237 billion.

Construction Materials, Supplies and Machinery:

- Construction is an important source of orders for U.S. manufacturing. In 2011 U.S. manufacturers shipped $444 billion in construction materials and supplies (9% of total factory shipments) and $47 billion in new construction equipment (13% of total machinery shipments).

Construction Industry Pay:

- Construction creates good-paying jobs. In 2010 annual pay of all construction workers in the United States averaged $49,588, 7% more than the average for all private-sector employees.

Small Business:

- Small business is big in construction. The United States had 713,000 construction firms in 2009, of which 92% were small businesses employed fewer than 20 workers. Only 1% had 100 or more employees. In 2009, there were 713,000 construction firms with 6.0 million paid employees. Thus, average employment was less than nine per firm. An additional 2.4 million construction firms had no paid employees—mainly self-employed individuals but also partnerships and holding companies.

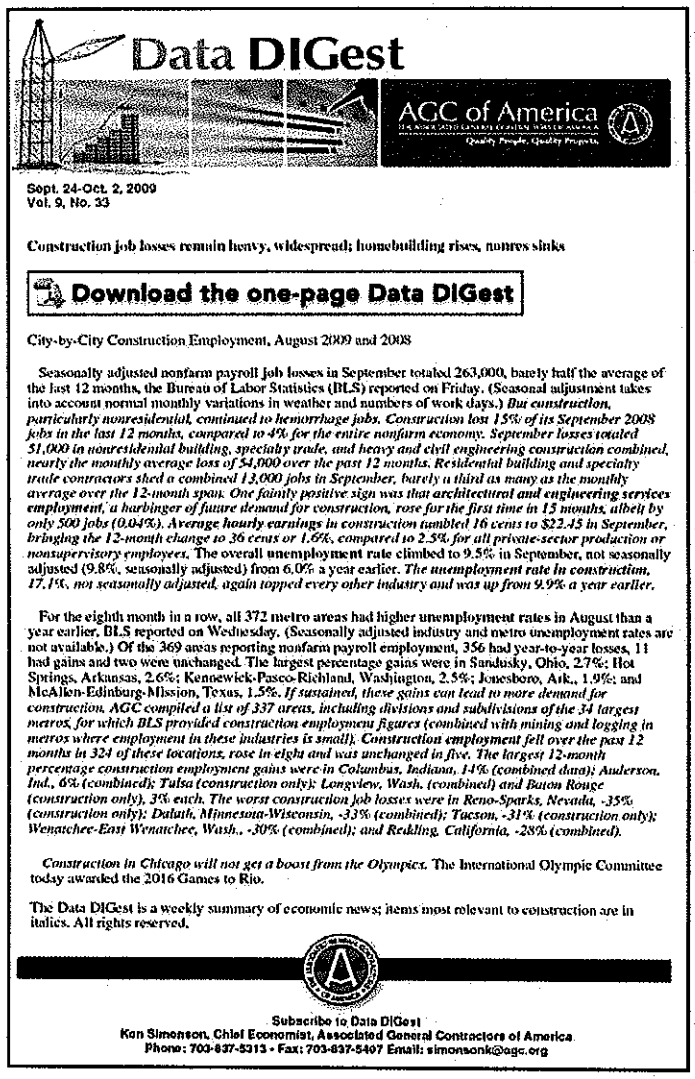
Source: Ken Simonson, Chief Economist, AGC of America, simonsonk@agc.org, from Prof. Stephen Fuller, George Mason University, and U.S. Government sources

September 7, 2012

AGC economic resources

(email simonsonk@agc.org)

- *The Data DIGest*: weekly 1-page email (subscribe at: www.agc.org/datadigest)
- 5 monthly press releases: national, state, metro employment; spending; PPI
- State and metro data, fact sheets
- Webinars (next: 5/3 with AIA, Reed)
- Website: http://www.agc.org/Economics



Data DIGest

AGC of America

Sept. 24-Oct. 2, 2009
Vol. 9, No. 33

Construction job losses remain heavy, widespread; homebuilding rises, nonres sinks

Download the one-page Data DIGest

City-by-City Construction Employment, August 2009 and 2008

Seasonally adjusted nonfarm payroll job losses in September totaled 263,000, barely half the average of the last 12 months, the Bureau of Labor Statistics (BLS) reported on Friday. (Seasonal adjustment takes into account normal monthly variations in weather and numbers of work days.) *But construction, particularly nonresidential, continued to hemorrhage jobs. Construction lost 15% of its September 2008 jobs in the last 12 months, compared to 4% for the entire nonfarm economy. September losses totaled 51,000 in nonresidential building, specialty trade, and heavy and civil engineering construction combined, nearly the monthly average loss of 54,000 over the past 12 months. Residential building and specialty trade contractors shed a combined 13,000 jobs in September, barely a third as many as the monthly average over the 12-month span. One faintly positive sign was that architectural and engineering services employment, a harbinger of future demand for construction, rose for the first time in 15 months, albeit by only 500 jobs (0.04%). Average hourly earnings in construction tumbled 16 cents to $22.45 in September, bringing the 12-month change to 36 cents or 1.6%, compared to 2.5% for all private-sector production or nonsupervisory employees.* The overall unemployment rate climbed to 9.5% in September, not seasonally adjusted (9.8%, seasonally adjusted) from 6.0% a year earlier. *The unemployment rate in construction, 17.1%, not seasonally adjusted, again topped every other industry and was up from 9.9% a year earlier.*

For the eighth month in a row, all 372 metro areas had higher unemployment rates in August than a year earlier, BLS reported on Wednesday. (Seasonally adjusted industry and metro unemployment rates are not available.) Of the 369 areas reporting nonfarm payroll employment, 356 had year-to-year losses, 11 had gains and two were unchanged. The largest percentage gains were in Sandusky, Ohio, 2.7%; Hot Springs, Arkansas, 2.6%; Kennewick-Pasco-Richland, Washington, 2.5%; Jonesboro, Ark., 1.9%; and McAllen-Edinburg-Mission, Texas, 1.5%. *If sustained, these gains can lead to more demand for construction. AGC compiled a list of 337 areas, including divisions and subdivisions of the 34 largest metros, for which BLS provided construction employment figures (combined with mining and logging in metros where employment in these industries is small). Construction employment fell over the past 12 months in 324 of these locations, rose in eight and was unchanged in five. The largest 12-month percentage construction employment gains were in Columbus, Indiana, 14% (combined data); Anderson, Ind., 6% (combined); Tulsa (construction only); Longview, Wash. (combined) and Baton Rouge (construction only), 3% each. The worst construction job losses were in Reno-Sparks, Nevada, -35% (construction only); Duluth, Minnesota-Wisconsin, -33% (combined); Tucson, -31% (construction only); Wenatchee-East Wenatchee, Wash., -30% (combined); and Redding, California, -28% (combined).*

Construction in Chicago will not get a boost from the Olympics. The International Olympic Committee today awarded the 2016 Games to Rio.

The Data DIGest is a weekly summary of economic news; items most relevant to construction are in italics. All rights reserved.

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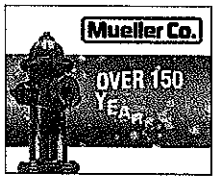
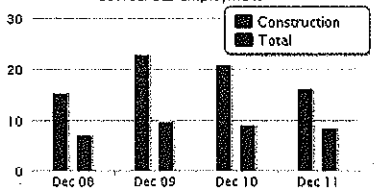


Construction Economics

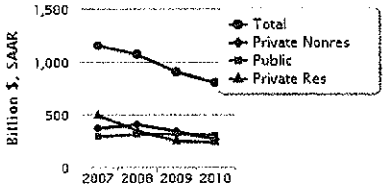
Unemployment rates

Source: BLS employment

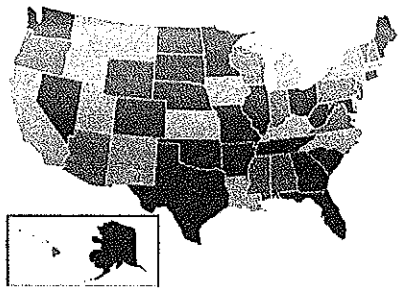


Construction Spending

Source: Census Bureau



State and Local Information



Latest News

JAN 6 2012

Construction Employment Increases by 17,000 in December

Construction employment increased in December by 17,000 driven by gains in nonresidential construction employment, according to an analysis of new federal employment data released today by AGC

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AGC's Chief Economist

Kenneth D. Simonson has been Chief Economist for the Associated General Contractors of America, the leading national construction trade association, since 2001. He provides insight into the economy and what it implies for construction and related industries through frequent media interviews, presentations and The Data DIGest, his weekly one-page e-newsletter.

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Data Sources

State Construction Employment

U.S. Department of Labor, Bureau of Labor Statistics - Employment, Hours, and Earnings from the Current Employment Statistics survey (State & Metro Area)

State Construction Spending

U.S. Department of Commerce, Bureau of Economic Analysis - Regional Economic Accounts

State Construction Compensation

U.S. Department of Labor, Bureau of Labor Statistics - Quarterly Census of Employment and Wages

Number and Size of Firms by State

U.S. Census Bureau, County Business Patterns

State Population

U.S. Census Bureau

Construction Materials Costs

U.S. Department of Labor, Bureau of Labor Statistics - Producer Price Indexes

Housing Prices

Federal Housing Finance Agency – www.fhfa.gov

Home Sales

National Association of Realtors – www.realtor.org

Personal Income

U.S. Department of Commerce, Bureau of Economic Analysis – http://www.bea.gov/regional/index.htm