Written Statement
of Florentino Gregorio on behalf of

National Utility Contractors Association

before the

Subcommittee on Interior, Environment, and Related Agencies
House Committee on Appropriations

addressing

"Putting America Back to Work Through Water Infrastructure Investment"

April 16, 2013

Chairman Simpson, Ranking Member Moran, and Honorable Members of the Subcommittee, the National Utility Contractors Association (NUCA) appreciates the opportunity to submit written testimony regarding job creation and economic benefits that come with investment in water infrastructure. NUCA is a family of nearly 1,300 companies from across the nation that build, repair and maintain underground water, wastewater, gas, electric and telecommunications systems.

NUCA also serves as chair of the Clean Water Council (CWC), a coalition of 34 national organizations representing underground construction contractors, design professionals, manufacturers and suppliers, labor representatives and others committed to ensuring a high quality of life through sound environmental infrastructure. These industries work collectively to improve critical underground systems that unquestionably enhance America's quality of life.

NUCA commends you for your efforts to make investments in water and sewer but more is urgently needed. The American Society of Civil Engineers' Report Card on American Infrastructure rated both drinking water and wastewater a D in its assessment. The 2013 Report Card, released in March, reported that clean water infrastructure alone will require a 20 year, $333.8 billion investment to bring the nation's clean water infrastructure to standard.

CONSTRUCTION CONTINUES TO FACE STEEP UNEMPLOYMENT

The water infrastructure market has gone from bad to worse in recent years. In addition to relatively stagnant levels of federal funding to refurbish these systems, state and local budgets have been hit hard because of the downturn in the housing market, which in turn has lowered revenues from property taxes. The most recent job-loss numbers released by the U.S. Department of Labor's Bureau of Labor Statistics for March reports that the unemployment rate in construction is currently at 15.8 percent—entering the fifth year of double digit unemployment.

The high cost of infrastructure projects has, in the economic downturn, caused states and communities to forgo infrastructure projects regardless of need. Federal programs that support infrastructure projects have been reduced or not kept pace with inflation. The inevitable result is less work on this deteriorating infrastructure and fewer jobs for those who do this critical work. By neglecting this fundamental infrastructure, we're not just turning our back on public health and environmental protection. We're also missing huge opportunities to put Americans in a broad range of industries back to work. In addition, further delaying these projects only increases the scope of the need required and the cost to taxpayers.

ECONOMIC BENEFITS OF INFRASTRUCTURE INVESTMENT

Underground water and wastewater projects are generally recognized for their effectiveness in enhancing public health and environmental protection. Often overlooked, however, are the *economic* benefits that result from this work. It is not an exaggeration to say that clean water projects go hand-in-hand with a healthy economy by creating jobs, expanding the local tax base and generating business and community development.

Federal investment has a proven effect of creating tens of thousands of quality, high-paying jobs. Importantly, the job creation and increased economic activity that comes with federal and state funding enhances local economies and provides disadvantaged communities with opportunities to revitalize, and grow.

Three important types of short-term economic impacts stem from water and wastewater infrastructure projects. There are:

- **Direct effects:** The output, jobs, and income that are directly related to the construction of the project.

- **Indirect effects:** The additional output, jobs, and incomes for suppliers and vendors indirectly related to the construction project. These reflect the broader impacts in the community such as expanding business among local vendors and suppliers, and the ability to attract new business and development to the project site upon completion of the project.

- **Induced effects:** The expansion of local commercial business as a result of residual economic development, income, and tax revenue from the completion of the projects made possible by the completion of water infrastructure work.

SUDDEN IMPACT OF FUNDING WATER INFRASTRUCTURE PROJECTS

The Clean Water Council released an economic impact study on the job creation and economic benefits that come with water and wastewater infrastructure projects. *Sudden Impact: an Assessment of Short-Term Economic Impacts of Water and Wastewater Construction Projects in the United States* takes a comprehensive look at 116 water and wastewater infrastructure projects in five states and 73 counties conducted in 2006 and 2007. The study has been sent to all House and Senate offices and is referred to in advocacy efforts conducted by the CWC to educate policymakers, media, industry and the general public. Copies of the study in print and/or electronic format are available to members of the subcommittee upon request (or can be found at www.cleanwatercouncil.org)

The study provides fresh answers to a number of important questions, and hard data to back them up. How many jobs are created by a typical water or sewer construction project? What are these jobs? How much do they pay? How much additional income accrues because vendors and suppliers experience greater demand for their services? To what extent do benefits—such as jobs, personal income, capital expenditures—impact local economies? Though the specific numbers are likely no longer accurate since the study was implemented, the overall conclusion has simply become more apparent.

Sudden Impact quantifies what we already know; that indeed, investment in underground environmental infrastructure projects results in significant job creation. Jobs are created in scores of industry sectors outside of construction, and the economic benefits that come with funding water infrastructure are not limited to job creation. Significant impacts on national output, personal spending, and state and local tax bases also transpire.

JOB CREATION AND THE "RIPPLE EFFECT"

The CWC evaluated the total effect of a $1 billion investment in water and/or wastewater infrastructure in terms of job creation and other important economic factors. *Sudden Impact* found that every $1 billion could create approximately 27,000 jobs. The average annual earnings within the pipe construction sector were found to be more than $50,000, and about one-half of these jobs are in industries outside of water and wastewater construction, illustrating the broad reach of investment in this infrastructure.

The "ripple effect" of economic activity that comes with construction projects cannot be understated. Investment in water and wastewater infrastructure projects can generate measurable employment in 325 other standard industry classifications in addition to the immediate construction jobs. Industries such as food services, real estate, health care, automotive repair and maintenance, legal services, retail sales, insurance, amusement and recreation, and various other industry sectors benefit when these projects get off the ground. The ripple effect on economic demand amounts to approximately $950 million per $1 billion invested; a huge return on investment for the federal government.

The total effect of a $1 billion investment almost triples national output to an estimated $2.87 to $3.46 billion in economic demand for goods and services from other industries such as engineering, manufacturing, distribution and supply. Investment in underground environmental infrastructure also generates approximately $1.06 billion in personal (household) spending.

Importantly, the study reports that approximately $82.4 million is generated for state and local tax bases with every $1 billion invested in these projects. At a time when state and local governments continue to scramble to balance budgets, the need to expand local tax bases is greater now than ever.

The message behind these statistics is clear: investment in water and wastewater infrastructure projects is investment in an American asset, creating countless American jobs in hundreds of American industries, generating state and local tax revenue, and turning out considerable fiscal activity through local economies while rebuilding critical infrastructure the country desperately requires.

The infrastructure needed to provide for safe drinking water and effective wastewater treatment are fundamental considerations that encourage expanded investment, but think about the economic importance of clean and safe drinking water itself. A community and indeed, an effective society cannot do so without either. Clean water enhances individual productivity in countless ways and is undisputed. However, in times of economic difficulty, the funding of construction projects is therefore an effective way to stimulate growth and development far beyond the construction industry.

CONCLUSION

America can't function without environmental infrastructure. It's necessary for public health and good for business. It connects nearly everything we do on a daily basis, and is a precondition for economic renewal and growth. Investment in this infrastructure creates jobs here—these jobs cannot be outsources overseas.

NUCA strongly supports continued investment in the EPA's clean water and drinking water state revolving loan fund program.

Thank you for the opportunity to submit testimony before the subcommittee, and NUCA is available to answer any questions or provide any further information you require.