Written Statement of

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President and Project Executive
Caliagua, Inc.

On behalf of

The Associated General Contractors of America

to the

United States House of Representatives

Committee on Small Business Subcommittee on Innovation, Entrepreneurship, and Workforce Development

For a hearing on

"Growing Jobs through Infrastructure Investment"

May 6, 2021

The Associated General Contractors of America (AGC) is the leading association in the construction industry representing more than 27,000 firms, including America's leading general contractors and specialty-contracting firms. Many of the nation's service providers and suppliers are associated with AGC through a nationwide network of chapters. AGC contractors are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, levees, locks, dams, water conservation projects, defense facilities, multi-family housing projects, and more.

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Chairman Crow, Ranking Member Kim, and members of the Subcommittee on Innovation, Entrepreneurship, and Workforce Development thank you for inviting me to provide a written statement on the importance of growing American jobs through investing in our infrastructure.

My name is Gus Bruner. I am the President and Project Executive of Caliagua based in Anaheim, CA. Caliagua is trusted and respected in the Southern California marketplace for our engineering and contracting work in water and wastewater treatment. We have developed this position over more than thirty-five years of focused, reliable work in our field. Our portfolio of completed projects speaks for our commitment to detail, precision and professionalism that you can rely on. We specialize in the construction of pumping stations and sewage lift stations, among other things.

I am testifying on behalf of the Associated General Contractors of America ("AGC"). AGC is the leading association in the construction industry representing more than 27,000 firms, including America's leading general contractors and specialty-contracting firms, many of which are small businesses. Many of the nation's service providers and suppliers are also associated with AGC through a nationwide network of chapters. AGC contractors are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, levees, locks, dams, water conservation projects, defense facilities, multi-family housing projects, and more.

First, I want to thank the Committee and Congress for taking prompt and bipartisan actions to assist the nation's businesses and the American people during the COVID-19 pandemic including the Paycheck Protection Program. Federal investments in infrastructure can play an essential role in rebuilding our economy and creating well-paying jobs for the American people. With growing support for making historic investments in infrastructure there is a simultaneous opportunity to rebuild the domestic pipeline for new construction workers. The country is experiencing the greatest labor supply in generations, but the fact remains that few young people currently choose construction as their career of preference. The good news is Congress can help address this problem. The multi-year infrastructure investments that have been proposed can provide workers with good paying jobs and long careers well into the future.

Congress can help put more high school and college graduates into high-paying construction careers by increasing funding and local flexibility. These programs would not only provide essential construction skills, but they also would serve as valuable recruiting tools by signaling to students and young adults that construction is a career path worth considering. By giving construction a starring role in rebuilding the economy, a new generation of workers can be brought into the construction trades for careers where they can economically advance. Over the past year the construction industry and its workers have proven to be essential as they supported the necessary infrastructure programs that deliver our water, transport our goods, and grow our economy.

The Case for Infrastructure Investment

Congress has passed numerous economic relief bills since March 2020. However, it chose not to provide long-term investment for our nation's aging infrastructure. AGC is optimistic that a broad, robust and bipartisan public and private infrastructure legislation will be enacted. The construction industry is the delivery tool for building and maintaining critical infrastructure and facilities used to deliver clean water and electricity, protect our national security, and transport essential goods and services like medical supplies, groceries and, most recently, COVID-19 vaccines. Federal investment in infrastructure would enable the industry to hire more workers and jumpstart our economic recovery today while providing long-term capital investments that would support our economy and communities for generations to come.

Importantly, infrastructure yields high returns on our investment. For example, the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) estimates that for every dollar spent on water infrastructure, about $2.62 is generated in the private economy. For every job added in the water workforce, the BEA estimates 3.68 jobs are added to the national economy.

That stated, even fully funding an infrastructure project does not mean that it can commence in a timely fashion. Budgetary and environmental bureaucratic processes can stand in the way. Currently, many of our nation's infrastructure projects are subject to duplicative procedures and reviews. On the environmental side, construction companies cannot legally break ground on the project until all the necessary environmental approvals are granted, which sometimes can take up to a decade or more. We must be good stewards of the taxpayer dollars and protect our environment. And, we must find ways to determine more efficiently which projects can move forward in an environmentally appropriate manner so as to allow for the timely delivery of benefits to communities that depend on quality infrastructure.

Revive the Economy, Put People to Work.

The coronavirus and related economic lock downs led to significant changes in the labor market compared to just a year ago. The construction industry, for example, cut nearly one million people from its payrolls between March and April 2020. Today, the industry has 200,000 fewer workers than before pandemic. Meanwhile, there are eight million fewer workers in the broader economy today than before the pandemic.

The new labor dynamic has created a unique opportunity for the construction industry to attract a significant portion of the newly unemployed into high-paying construction careers. Policies that ensure the industry does not miss the current labor opportunities should be encourage while regulatory and labor policies that restrict growth and an economic recovery need to be avoided. Further, the construction industry offers lifelong careers with career advancement opportunities. Importantly construction jobs cannot be outsourced and have been key to our nation's economic prosperity.

The Need to Rebuild the Construction Workforce

Construction firms continue to have a hard time finding enough qualified workers to hire. The reason, despite the high wages, is that the country has essentially dismantled the once robust pipeline for recruiting and preparing new construction workers. Thirty years ago, most school districts operated robust vocational educational programs. However, as educational trends shifted toward pre-collegiate skills, many school systems stopped teaching craft skills.

Today, few school districts offer what is now known as career and technical education (CTE) programs or provide instruction in construction skills. This signals to many students and their families that construction is not a career worth considering, despite the fact it pays more than 10 percent above the average job. As the current construction workforce continues to retire in large numbers, more firms will be forced to cope with the challenge of having to replace workers when there are relatively few new ones available.

For many construction firms, workforce shortages are very real and extremely significant. The problem will not go away without broader changes to the nation's approach to education and workforce preparation. There are a range of steps policymakers should take to make it easier to set up construction recruiting and training programs.

Ensure Targeted Funding and Policies Meet Local Workforce Needs

Workforce development will be an essential ingredient of the coming economic recovery and future economic growth. The economy has changed. Many more Americans need short, job-focused upskilling or reskilling to reenter the labor market. The future workforce will require new investments and flexibility in funding career education and workforce development.

CTE programs are among the most valuable education programs for exposing students to construction skills and even to a lifelong career in the industry. However, CTE programs are expensive to administer and fund, with cost-intensive classrooms and equipment, and quality CTE instructors in short supply. This is especially true in construction where there is a shortage of quality instructors, as they are often recruited to work in the private sector at higher salary levels than school districts can provide. The modest funding increases before the pandemic was a good start. But needs were still not being met because of the funding limitations of the program. The pandemic has exacerbated that issue with a lost year of in-person instruction and tighter local school district budgets.

There have been barriers, especially for small employers, to tapping into other government programs like Workforce Innovation and Opportunity Act (WIOA). The paperwork involved can overwhelm a small employer, while large firms can devote full-time staff. There is also a disconnect between the industry needs and the government provides. The programs serving employers are too slow to adapt and lack the urgency many employers need. Further, many employers are unaware of the myriad of federally supported programs. Many of them are well funded, but the funding is neither targeted to employer needs, nor is there consistency in the quality of services provided from market to market. Currently, much of the federal funding does not cover programs and skills in most need.

The country continues to face a higher education bias evidenced by inequities in federal workforce and education funding. The federal government overwhelmingly supports and encourages four-year degree programs through its massive backing of Pell Grants. These grants offer needs-based aid to low-income individuals seeking a career but are only available to students enrolled in semester-long programs—further skewing these resources towards traditional four-year higher education. The federal government's investment in workforce development and CTE pales in comparison. Further, highly successful, short-term credential programs are ineligible for Pell Grants.

Our nation's higher education programs have neither traditionally collaborated with industry in identifying occupations with openings, nor in preparing students for in-demand jobs. The construction industry and the greater economy have an interest in ensuring that higher education investments are productive and hold schools accountable for preparing students for career opportunities while spurring innovation. Making reforms to higher education programs with an emphasis on workforce education is sorely needed. Policy changes that expand federal work-study programs, improve apprenticeship opportunities for providers should be on the table.

A recurring theme in federal workforce and education programs is to give all prospective students greater information and publish data on the return on investment so candidates have a better grasp of their earning potential. While many states and federal agencies collect data on outcomes—including employment and future earnings—few make this data available in a usable form. The better data students have to compare college, technical training or even an industry certification, the better suited they will be to follow the most informed path.

As an alternative to imposing arbitrary mandates on small businesses, Congress should create job opportunities and spur localities to craft high quality education programs. This can be achieved through incentives to provide the opportunities and prepare the workers.

Policy Changes Could Halt Job Creation

While there are many policies that will help spur long-term infrastructure investment and create good paying jobs, there are certain policies that restrict job growth and the economic recovery that is desperately needed. I provide the following policy changes that could restrict job growth and encourage the Committee to use AGC as a resource for additional policy recommendations.

Protecting the Right to Organize Act

Recent policy changes have directly impacted the construction workforce and some proposed policy changes will have an even more profound and negative impact on the industry and economy. The misleadingly named "Protecting the Right to Organize" (PRO) Act will dangerously alter the balance between an employees' right to bargain collectively and an employers' right to manage their business.

Unclear Regulatory and Permitting Requirements

For every perceived problem, many federal agencies have sought regulatory "solutions." Oftentimes, those solutions fail to adequately—let alone comprehensively—solve the alleged ills they seek to address. Instead, a new regulation is generally stacked on top of a host of existing regulatory requirements without sufficient consideration of its overall impact on the greater regulatory compliance and enforcement scheme. The result is a chaotic patchwork of federal mandates that often create considerable economic hardship on the construction industry—especially small businesses—amounting to fewer construction projects built and fewer construction jobs available.

Tax Increases

AGC is concerned that increases in corporate and individual tax policies would hinder construction investment and job growth. That is because tax increases would limit the ability of many businesses to invest in capital improvement that will provide additional career opportunities for construction workers.

In 2020, according to the U.S. Census, total domestic construction spending was at $1.432 trillion. About 75 percent of that spending was private construction spending and approximately 25 percent of that spending was in public construction. Tax increases could have negative impacts on the private construction marketplace, which is the largest market for construction.

Conclusion

I appreciate and thank the Committee for its continued efforts to help improve our nation's infrastructure, help small businesses, and enact policies that create good paying jobs in America. I look forward to answering any questions you may have.