

## Economic Impact of Water and Wastewater Infrastructure Investment

*Main Street small business and job creation estimates of a bill to remove federal funding restrictions on tax-exempt bonds for water and wastewater projects, S. 3262 (Menendez-Crapo) and H.R. 537 (Pascrell)*

### Supporting 57,000 Jobs in 2010

- ✓ While the nation continues to suffer through a recession, the construction industry is experiencing depression-like conditions. According to virtually every economic measure, construction businesses and their employees have been disproportionately affected by the economic downturn.
- ✓ According to the U.S. Bureau of Labor Statistics, **the construction industry's unemployment rate as of April 2010 currently hovers at 25 percent**, more than double the overall national jobless rate.
- ✓ While construction jobs account for five percent of the nation's workforce, **20 percent of the jobs lost since 2007, over two million, have been in construction.**
- ✓ Multiple independent studies conducted by The U.S. Conference of Mayors, the Associated General Contractors of America (AGC) and the Clean Water Council estimate that **\$1 billion in water infrastructure investment can support 28,500 jobs.**
  - According to the US Conference of Mayors, every \$1 million invested in water infrastructure directly creates 8.7 jobs, and each of these jobs leads to an additional 3.68 jobs elsewhere in the national economy. ( $8.7 \times 1000 \times 3.68 = 28,500$  jobs per \$1 billion)
  - According to the AGC "Blueprint for Economic Growth", every billion dollars invested in nonresidential construction activity adds \$3.4 billion to the gross domestic product, increases personal earnings by \$1.1 billion and creates or sustains 28,500 jobs. **Almost 19,000 of those jobs would be in areas outside the immediate construction sector, including equipment manufacturing, materials supply, food service, health care and retail.**
  - According to a recent study conducted by the Clean Water Council, every \$1 billion invested in water and wastewater infrastructure also results in total national output (i.e., demand for products and services in all industries) of up to \$3.46 billion, **and approximately \$82.4 million in state and local tax revenue.** Additionally, the CWC study also estimates that a \$1 billion investment generates measurable national employment in 325 other standard industry classifications.

### Employing Small Businesses Throughout the Country

- ✓ The complex process of water provision requires; engineers, equipment manufacturers, distributors and wholesalers, retail and customer service, general and heavy construction workers, operators, and consultants throughout the supply chain. Many of these businesses employed in a water project are small and local.
  - 70 percent of the nation's **engineering firms** are defined as "small businesses."
  - 90 percent of the nation's **general and heavy construction** firms are small; employing fewer than 20 workers. Though according to the Small Business Administration, businesses with fewer than 20 employees account for 25% of all jobs but generated 40% of job growth in the last recovery.

✓ **75 percent of other businesses employed throughout the process of a water project are small at the following levels:**

- 500 employees for most manufacturing industries
- 100 employees for all wholesale trade industries
- \$6.5 million annual revenue for most retail and service industries
- \$13 million annual revenue for all special trade contractors

**\$ 2 Billion for Water and Wastewater (or more) in 2010**

- ✓ Based on the water industry's estimate of *at least* \$2 billion worth of private water investment slated for 2010, **57,000 jobs could be supported by creating a private activity bond volume cap exception for water and wastewater projects.** As the market matures in the years to follow estimates show that volume could increase to \$5 billion annually, supporting up to 142,500 jobs.
- ✓ Recent estimates show that about **\$190 billion** in new money for infrastructure investment is available. More of this capital can be **deployed towards water investment** when a PAB volume cap exception is created.
- ✓ In addition to companies that invest in infrastructure, there are over 30 infrastructure funds ready to invest in the U.S. market with a levered purchasing power of ~\$475 billion.

**Ready to Go in 2010**

- ✓ Private Activity Bond issuance is one of the **surest and swiftest** forms of federal assistance to water projects. A PAB issuance only requires a willing issuer – **no time consuming applications.** The entire process; approval to sale would take approximately 90-120 days for a ready-to-go project.

**Low Cost to the Federal Government**

- ✓ This is a relatively **inexpensive job creation proposal.** The cost to the Federal Government of supporting 57,000 jobs in 2010 (and at increasing levels each year thereafter) through a PAB volume cap exception is a mere **\$354 million over 10 years.**

**Spurring Market Activity**

- ✓ With credit markets in turmoil, providing broader access to the tax-exempt market will allow for more market activity from municipalities and infrastructure providers who might have otherwise deferred investment in FY2010.