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Good news: Stimulus package contains \$130b for highways, buildings and other public works

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On Feb. 17, the long wait ended as President Obama signed what he called "the most sweeping economic recovery package in our history," the American Recovery and Reinvestment Act of 2009. The American Recovery and Reinvestment Act is the most dramatic government spending initiative since the creation of the interstate highway system a half century ago. Included are numerous initiatives that may provide opportunities for construction professionals. This is good news for the construction industry because the measure contains some \$130 billion for highways, buildings and other public works. The specific amounts that states will receive, how funds will be spent by the states, announcements for contract and grant competitions and awards, and all formulas for allocations will be posted by the individual state agencies. All public notices of funding must include a description of the spending, the purpose, the total cost, and why recovery dollars should be used. "It's not a perfect package by any means," said Steve Hall, American Council of Engineering Companies' vice president for government affairs in a recent article published in ENR. "But it's hard to deny that this doesn't represent a major, major expansion of federal investment in infrastructure across the board."

The package contains some surprises and disappointments for the construction industry. One pleasant surprise is the \$8 billion that emerged for high-speed rail for a new corridor program. A previous senate version had only \$2 billion allocated and the house version that passed in January had zero. New Hampshire is positioned to receive \$13 million in rail grants. Likely the biggest disappointment was that the final package has no specific funding for school construction. School modernization is one of the eligible uses for \$39.5 billion of the \$53.6 billion State Fiscal Stabilization Fund that will go to local school districts nationally; however it will be up to local school district officials to determine how much of their shares would go for such uses as hiring or retaining teachers or upgrading buildings. New school building construction unfortunately is not eligible. New Hampshire is allocated \$295 million for school districts, colleges.

Much of the talk surrounding the stimulus package was the bill funding "shovel ready" projects, congressional budget office reports indicate that only about 11% of the bill's \$308 billion in appropriations outlay will actually occur before the end of fiscal 2009, September 30. The bill sets a goal of using at least 50% of the infrastructure stimulus funds on projects that can be started within 120 days of the bill becoming law. The rules are a bit tougher for the highway and transit funds as that money faces use-it-or-lose-it mandates. If the state does not obligate 50% of their allotted funds within the 120 days the bill directs the DOT to take away the unused money and redistribute it to other states.

Locally the New Hampshire Department of Transportation expects to receive \$142 million from the stimulus bill, \$129 million for federal highway aid and \$13 million in grants for rail projects. Already

the NHDOT has begun advertising for approximately \$40 million worth of construction projects that will be supported by the federal stimulus money. New Hampshire construction community could also benefit from additional money that the law provides for municipal wastewater system improvements to the tune of \$39 million, \$19 million for drinking water system upgrades and \$50 million for weatherization and energy. In addition the stimulus contains some tax incentives such as "Build-America" which allows states to issue tax-credit bonds for 2009 and 2010 and the extension of Section 179 that allows small businesses deduct from income up to \$250,000 of capital expenditures in the year the items are purchased. Both of which could have a positive impact on construction. Another focus will be the expansion of renewable energy projects, the bill provides \$19.6 billion in energy tax incentives, geared towards renewables and conservation as well as a three year extension of the production tax credit for new renewable energy projects.

McGraw-Hill Construction reported "the stimulus measure will reverse previously forecast declines in highways, bridges and environmental work". Highway and bridge construction should grow modestly, but nonresidential building construction will begin to turn toward cyclical lows. William Buechner, chief economist of the American Road and Transportation Builder's Association stated overall highway and bridge spending should grow a modest 5% in the next year. The forecast for non-residential construction growth is considerable less optimistic.

Last month New Hampshire Governor John Lynch created the Office of Economic Stimulus and appointed deputy attorney general Bud Fitch as director. One of the first initiatives is to create a web site to clearly identify the money New Hampshire will receive from the law and how it will be spent. (www.egov.nh.gov/econstim).

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