



June 2, 2021

Members, Joint Committee on Finance:

Bearing in mind the high rate of return on investment and extremely low bond rates, our collective organizations encourage you to continue to fund a steady Capital Budget.

The 2021-23 Capital Budget Agency Requests called for \$3.02 billion in spending. Governor Evers refined those requests down to his \$2.37 billion budget proposal for the State Capital Building Program. Studies suggest that fully funding Evers' recommendation would create roughly 28,440 jobs and generate nearly \$4.3 billion of economic activity.

Considering the abnormally low interest rates for bonding and the allowable use of budget surplus to retire debt early, the state of Wisconsin is in an excellent position to fund and address current capital budget needs. We strongly encourage the Committee to consider taking advantage of this unprecedented opportunity to consider leveraging bonding as a tool to drive economic development and enable construction via the capital budget. FY21's annual GPR debt service payments as a percentage of GPR tax revenues is estimated at 2.8%, compared to FY19's 3.2%. The rare alignment of favorable market rates combined with low debt service payments makes now an opportune time to fund significant investments in Wisconsin's future via the capital budget.

**STATE CONSTRUCTION HELPS GROW THE PRIVATE ECONOMY**

The construction sector is a key component of the Wisconsin economy. It generates a significant amount of the state's Gross Domestic Product (GDP) and employs a large number of workers with family-supporting jobs. It also affects the economy in more indirect, yet far-reaching ways through ripple effects that occur as the economic benefits of design and construction work their way through the broader economy.

## **INVESTMENTS IN STATE FACILITIES GROW THE TAX BASE**

A 2020 study released by Associated General Contractors of Wisconsin revealed that the economic impact of construction is a \$1.81 return for every dollar spent. To understand how this applies to hypothetical projects in the Capital Budget, a \$25 million new commercial building would:

- Produce \$45.25 million in local economic impact
- Create 300 jobs

Two hypothetical projects in the table below illustrate the tax revenue, economic impact and job creation created by a \$25 million new building project and a \$5 million remodeling project:

| <b>Total Economic Impact of Hypothetical Construction Projects</b> |                                          |                     |                                       |                     |
|--------------------------------------------------------------------|------------------------------------------|---------------------|---------------------------------------|---------------------|
| <b>Industry</b>                                                    | <b>Case Study 1</b>                      |                     | <b>Case Study 2</b>                   |                     |
|                                                                    | <b>\$25 Million New Building Project</b> |                     | <b>\$5 Million Remodeling Project</b> |                     |
|                                                                    | <b>Economic Impact</b>                   | <b>Job Increase</b> | <b>Economic Impact</b>                | <b>Job Increase</b> |
| Construction Sector                                                | \$25 million                             | 175                 | \$5 million                           | 35                  |
| All Other Sectors                                                  | \$20.25 million                          | 125                 | \$4.05 million                        | 25                  |
| <b>Total Impact</b>                                                | <b>\$45.25 million</b>                   | <b>300</b>          | <b>\$9.05 million</b>                 | <b>60</b>           |

*\*Prepared for Associated General Contractors of WI by Leeds School of Business, University of Colorado-Boulder.*

Again, applying these construction multipliers to a theoretical Capital Budget of \$2.37 billion could generate nearly \$4.3 billion of economic activity while creating approximately 28,440 jobs.

In addition to starting new projects, we must also address Wisconsin's backlog of deferred maintenance, life safety and code compliance projects and other important facility investments. Deferring work on these important projects will only increase costs down the line at a rate of 2-4% per year.

Thank you for your hard work on the 2021-2023 state budget. We understand the complex budget issues facing the state. Through your support, we can promote economic development in Wisconsin while realizing a high rate of return on the state's investment. Should you have any questions or concerns, please feel free to contact any of our organizations.

Associated Builders and Contractors (ABC) of Wisconsin  
 Associated General Contractors – Greater Milwaukee  
 American Council of Engineering Companies of Wisconsin (ACEC)  
 American Institute of Architects (AIA) Wisconsin  
 Associated General Contractors of Wisconsin (AGC-WI)  
 IBEW State Conference  
 International Union of Operating Engineers  
 Iron Workers District Council of North Central States

Mechanical Contractors Association of Wisconsin (MCAW)  
 North Central State Regional Council of Carpenters  
 Plumbing & Mechanical Contractors Assn. of WI & SE WI (PMC)  
 Plumbing Heating Cooling Contractors – Wisconsin Association  
 Sheet Metal Workers Local 18  
 Wisconsin Fire Protection Coalition  
 Wisconsin Laborers District Council  
 Wisconsin Pipe Trades Association (WPTA)