

Governments' building projects shore up economy

By Dennis Cauchon, USA TODAY 8/19/08

Construction spending by federal, state and local governments has reached record levels, lifting the economy and employing some blue-collar workers despite a collapse in home building.

The building of new homes and apartments fell in July to its lowest level since 1991, the Commerce Department reported Tuesday. A boom in government projects has picked up some of the slack.

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Governments are on track to spend a record \$300 billion this year on schools, roads, bridges and other projects, the Census Bureau reports. That's a 7% increase on top of a 12.4% jump last year, the biggest increase since 1993, when the agency began tracking construction spending.

In a dramatic reversal, government projects now generate more spending than construction of homes and apartments. By contrast, in 2005, residential construction generated a record \$481 billion — more than twice what governments spent.

The government construction boom is winning plaudits from economists and fiscal conservatives.

"Tax rebates peter out. Building a new bridge helps the economy long after the work is done," says University of Oregon economist Mark Thoma.

The Massachusetts Taxpayer Foundation, a fiscal watchdog group, applauded its state Legislature's decision last week to authorize borrowing \$16 billion for projects such as courthouses and roads. "This is fiscally responsible spending that helps the economy," President Michael Widmer says.

The Illinois Legislature is considering selling future lottery revenues to help fund \$25 billion in construction for mass transit, roads and colleges. Democrats and Republicans are working together.

Illinois Gov. Rod Blagojevich, a Democrat, touts the creation of jobs. Former U.S. House speaker Dennis Hastert, a Republican, emphasizes fiscal prudence because the

federal government will match most state spending.

Some key public projects:

- **College buildings.** Most public universities have major construction underway. Coppin State University, a 4,000-student institution in Baltimore, opens a \$70 million academic building this month and a \$130 million sports center next year.
- **Airports.** San Antonio's airport is building a \$200 million terminal and parking garage. The project — funded by airport revenues — employs 500.
- **Bridges.** The collapse of the interstate bridge in Minneapolis last year boosted bridge work nationwide. Missouri plans to replace 800 bridges.

Most projects underway were authorized before the economy weakened.

A slowdown may be on the way: Government borrowing fell 9% to \$116 billion in the first six months of the year compared with 2007, reports *The Bond Buyer* newspaper. Governments finance construction by debt, taxes and federal funds.

In Las Vegas, the school district pulled a \$7 billion bond request from the November ballot. "We need to recalibrate our construction plans," says Walt Rulffes, superintendent of Clark County (Nev.) schools. The district added 15,000 students two years ago. This year, it may add none.

Thoma says states should invest in infrastructure. "You don't want to spend money on fireworks or a monument to the mayor," he says. "But construction projects create a lot of employment. That's what lags in modern recessions."

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