



June 3, 2020

Dear Co-Chairs Oeslager and Callendar, Vice Chair Scherer, Ranking Member Cera and Representatives on the House Finance Committee:

We have been following the hearings on H.B. 670 and wanted to share information about the construction industry and its impacts on the economy, as well as some of the costs and risks associated with cancelling or delaying building projects. We hope it will assist you as the committee deliberates H.B. 670 and continued funding on capital projects.

The Associated General Contractors (AGC) of Ohio is a construction association that represents large and small, union and open shop (non-union), commercial building and industrial contractors from across the state. Our members work in both the public and private arena; they construct hospitals, offices, schools, sports complexes, wastewater treatment plants, warehouses and manufacturing facilities, and a host of other vertical structures.

ECONOMIC IMPACT OF CONSTRUCTION

Construction has a direct impact on our economy. In addition to creating construction jobs, it also has a trickle-down effect on other industries. Construction stimulates growth in retail, manufacturing, real estate, equipment, schools, and a variety of service industries, to name a few.

A study performed for AGC of America by Professor Stephen Fuller of George Mason University found that \$1 billion in nonresidential construction spending adds about \$3.4 billion to Gross Domestic Product (GDP), about \$1.1 billion to personal earnings, and creates or sustains 28,500 jobs: 9,700 direct construction jobs located in the state of investment; 4,600 jobs indirect jobs from supplying construction materials and services, mainly within the state where the investment occurs, but some from other states; and 14,300 jobs induced when workers and owners in construction and supplier businesses spend their additional wages and profits, locally and nationwide.

In the context of H.B. 670, the over \$500,000 million decrease to previously-approved capital funding would result in a potential loss of: \$1.7 billion to the GDP, \$550,000 in personal earnings, and 14,250 jobs.

COSTS AND RISKS ASSOCIATED WITH PROJECT DELAYS OR CANCELLATIONS

Whenever a construction project is cancelled or delayed – regardless of whether it is in the planning or construction phase – there are associated costs and risks. The amount is dependent on the size and sophistication of the project; how far along it is in the design, planning or construction phase; its contract terms; state and local laws; etc.

Project owners will face legal ramifications if unable to continue to fund projects, especially if construction is already underway. They will face a breach of contract and related potential damages. Ohio laws also protect contractors from lack of or delayed payment from owners. Two examples include: mechanics lien laws for public and private construction, and Ohio's public prompt pay law where late payments could be subject to interest and penalties on the unpaid balance. There will also be a significant amount of legal fees for the project owners, contractors and design professionals involved.

The cost of a project will increase significantly if the project is delayed until other funding is available. Delay costs increase substantially if a project has broken ground. They can include idle labor and equipment; increased overhead; potential rebid of subcontracts or materials; protection of unfinished work; restart/remobilization; labor and material cost escalation; etc. The longer the delay, the higher the cost.

And, due to project delays and cancellations, construction workers will be laid off. When you consider an average Ohio construction worker makes over \$60,000 annually, that is a significant hit to the state's economy and further drives up Ohio's unemployment.

Lastly, none of these costs for delays and cancellations take into consideration the other potential costs that will be incurred by the projects' owners. They will have to make other logistical and financial arrangements to address the unanticipated changes to their capital appropriations.

All of these factors need to be considered as you deliberate H.B. 670 and determine which projects will continue to be funded. **With Ohio's current financial situation and a significant amount of money and jobs at stake, we urge you to be prudent and avoid being penny wise and pound foolish.**

Sincerely,



Andrea Ashley
VP of Government Relations

cc. Rep. Merrin, House Leadership