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Testimony of the
Idaho Associated General Contractors**

**Before the Idaho State Legislature's
Economic Outlook and Revenue Assessment Committee**

January 3, 2012

Good afternoon Chairmen Keough and Gibbs and Committee Members.

My name is Wayne Hammon and I serve as the Executive Director of the Idaho Associated General Contractors, or as we are most commonly known, the AGC. I am honored by the invitation to be here with you today.

I hope to begin by sharing with you some construction specific data before turning to the questions facing this committee relative to the state revenue projection.

The Idaho AGC is made up of almost 700 members that hail from every county and corner of the state of Idaho. Our members construct the roads and bridges Idahoans use every day to get to around, the factories and office towers they work in, the schools and universities our children are educated in, and even the churches we attend. Idaho AGC members are successful businessmen who build real, tangible properties that help drive our state's economy and employ thousands of Idahoans in every community across the Gem State.

I am pleased to report that after many years of struggle, the construction industry both nationwide and here in Idaho is now facing an era of cautious optimism. As I am sure you will hear many times during your hearings this week, our industry believes that despite continued uncertainty we have weathered the worst of the storm and is now looking forward to slow and steady growth for the foreseeable future.

Take for example the Nonresidential Construction Index Report issued just yesterday for the fourth quarter of 2012. It reported that actual construction work in the fourth quarter declined slightly nationwide even though most construction professionals reported a strengthening of their local economy.

These conditions match the data issued by the federal Census Bureau yesterday and analyzed by the AGC of America which that while overall construction spending in November 2012 had increased 7.7 percent from November 2011, it declined 0.3 percent from the prior month. For commercial nonresidential construction the figures are similar, a year-over-year rise of 8.2 percent but a monthly decline of 0.7 percent.

These national trends appear to be holding true for Idaho as well with most contractors reporting continued work but a shortened backlog of future projects. Specifically in our highway contractors report significant declines in their backlog as projects funded through federal stimulus dollars are completed.

So what might it take to get the construction industry firing on all cylinders again? In a word – capital.

In a recent survey of commercial building owners done by FMI Management Consulting – a firm specializing in construction management issues – in late 2012, 50 percent of responses expressed concern over availability of credit to finance new construction. This was the number one challenge identified by the study. In fact 93 percent of responders indicated that they are using self-funding to complete projections in the short- and near-term.

Once again this trend holds true in Idaho. With the last few GARVEE projects slated to begin construction in late 2013, the backlog of “shovel ready” highway projects looks bleak.

As for your work, I do not envy your task of projecting a revenue figure for the coming year. As you know I have some history in this field and can tell you that I have always found the work of State Economist Derek Santos to be first class and of the highest caliber.

I would encourage you to consider his recommendations and aim for a slow and steady pace of recovery. Nothing can do more harm to the state’s business climate including the wellbeing of AGC members than creating a yo-yo environment of over estimating returns and then having to pull back on spending after the estimate is not realized.