June 5, 2019

Members, Joint Committee on Finance:

Bearing in mind the high rate of return on investment, and with appreciation for the difficult budget decisions you face, our collective organizations encourage you to provide robust funding for the design and construction of vertical infrastructure through the Capital Budget.

The 2019-21 Capital Budget Agency Requests, originally submitted to the Walker Administration, asked for a record-high $3.4 billion in spending due to pent-up project demand. Governor Evers’ Capital Budget Recommendations ultimately proposed $2.5 billion. While economic studies suggest that fully funding Evers’ recommendation would create more than $200 million in tax revenue, more than 40,000 jobs and generate more than $4.5 billion of economic activity, for the past 5 years agency requests have been funded at an average of 64%. Applying a more conservative funding level of 60% to the 2019-21 Capital Budget Agency Requests would result in a state building program investment of approximately $2 billion.

**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**

Studies released over the last several years have revealed that the economic impact of construction is a $1.90 return for every dollar spent. To understand how this applies to hypothetical projects in the Capital Budget, a single $10 million new commercial building would:

- Generate $853,000 in tax revenues
- Produce $19.2 million in local economic impact
- Create 170 jobs

Two hypothetical projects in the table below illustrate the tax revenue, economic impact and job creation created by a $10 million new building project and a $1 million remodeling project:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Economic Impact</th>
<th>Job Increase</th>
<th>Tax Revenue Generated</th>
<th>Economic Impact</th>
<th>Job Increase</th>
<th>Tax Revenue Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Sector</td>
<td>$10.1 million</td>
<td>91</td>
<td>x</td>
<td>$1 million</td>
<td>10</td>
<td>x</td>
</tr>
<tr>
<td>All Other Sectors</td>
<td>$9.1 million</td>
<td>79</td>
<td>x</td>
<td>$0.92 million</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td><strong>Total Impact</strong></td>
<td><strong>$19.2 million</strong></td>
<td><strong>170</strong></td>
<td><strong>$853 thousand</strong></td>
<td><strong>$1.92 million</strong></td>
<td><strong>18</strong></td>
<td><strong>$91 thousand</strong></td>
</tr>
</tbody>
</table>

*Prepared for the Skill Integrity Responsibility Council, Inc. by C3 Statistical Solutions, Inc.*

Applying these construction multipliers to a theoretical Capital Budget of $2 billion could generate nearly $3.8 billion of economic activity, create approximately 34,000 jobs and produce around $170 million in tax revenues.

In addition to starting new projects, we must also prioritize the backlog of deferred maintenance, life safety and code compliance projects and other important facility investments.

Thank you for your hard work on the 2019-2021 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**
**American Council of Engineering Companies of Wisconsin (ACEC)**
**American Institute of Architects (AIA) Wisconsin**
**Associated General Contractors of Greater Milwaukee**
**Associated General Contractors of Wisconsin (AGC-WI)**
**IBEW State Conference**

**Iron Workers District Council of North Central States**
**Mechanical Contractors Association of Wisconsin (MCAW)**
**Plumbing-Heating-Cooling Contractors Wisconsin Association**
**Wisconsin Fire Protection Coalition**
**Wisconsin Laborers District Council**
**Wisconsin Pipe Trades Association (WPTA)**