

ECONOMIC POLICY BRIEF

Benefits Deferred: Assessing the Economic Impacts of the California Transportation Commission's Budget Cuts

February 2016

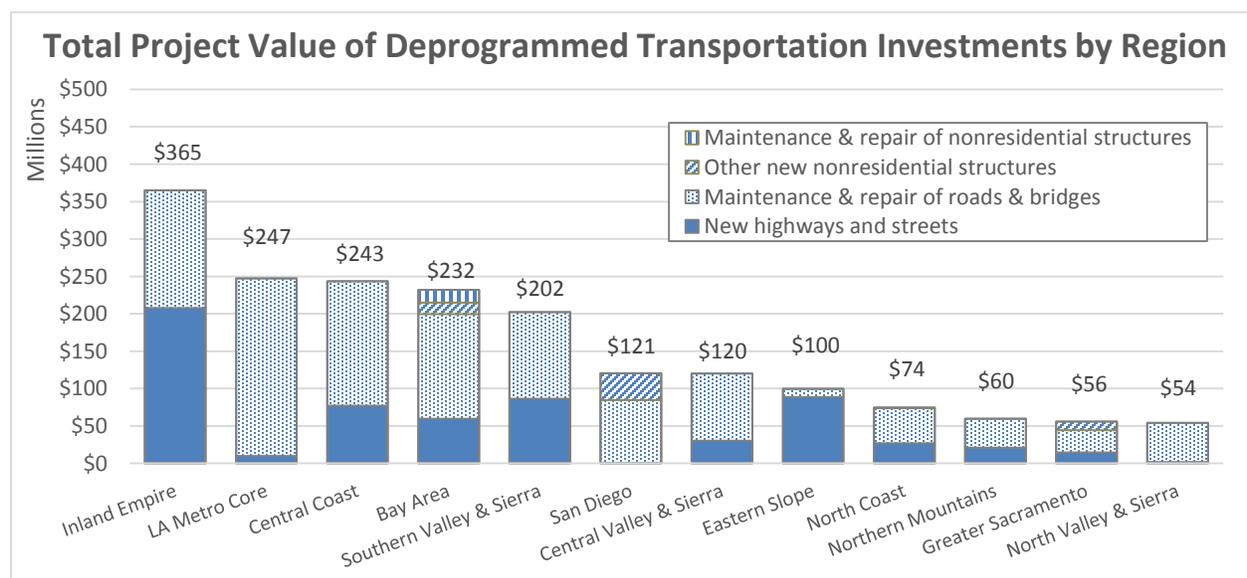
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In January 2016, budget shortfalls led the California Transportation Commission (CTC) to deprogram (cut) \$754 million that had been initially budgeted to repair and upgrade California's transportation infrastructure in the State Transportation Improvement Plan. These cuts effectively halt projects totaling more than \$2 billion throughout 56 of California's 58 counties, comprising \$1.9 billion in direct road improvements and repairs and \$127 million in transit equipment outlays over the funding plan's 3-year horizon.

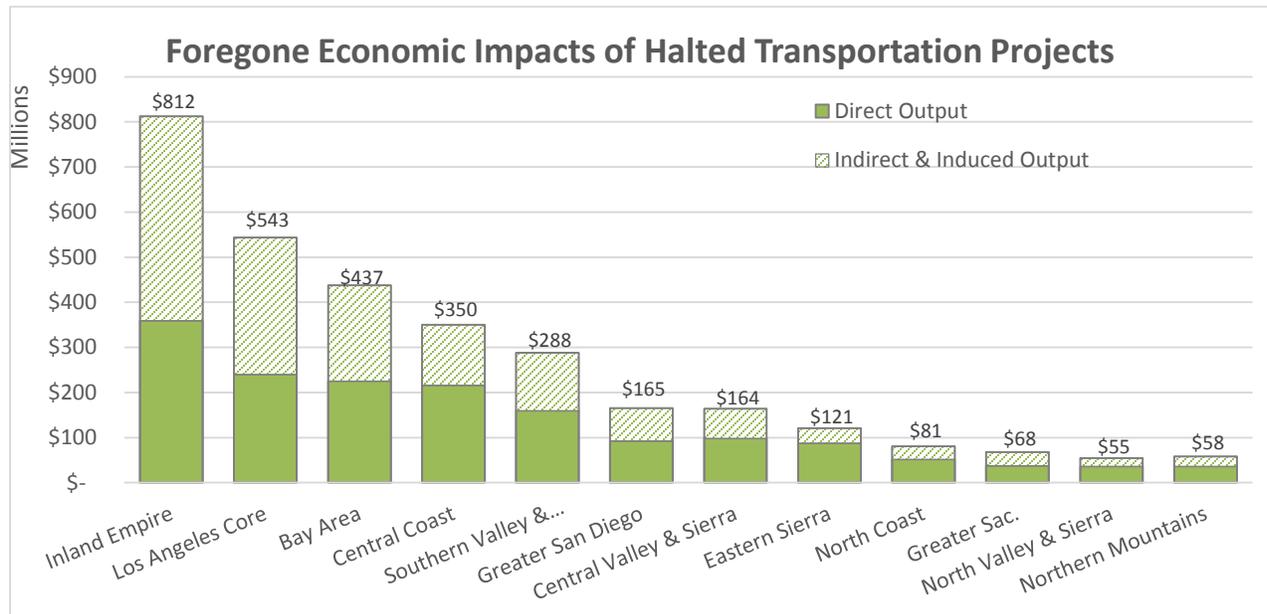
The research department of the Northern California Carpenters Regional Council (NCCRC) analyzed the economic impacts of the CTC's funding decision. The NCCRC is affiliated with the United Brotherhood of Carpenters and represents more than 30,000 carpenters and affiliated craftspeople throughout Northern California.

Taken together, the impacts of the deprogrammed projects are summarized below:

- **\$3.1 billion reduction in total output**
- **16,700 jobs at risk –5,800 of which would be in construction occupations earning prevailing wages**
- **\$1.5 billion reduction in value added activity**
- **\$1.1 billion in lost personal income**
- **\$125 million in foregone local and state tax revenues**

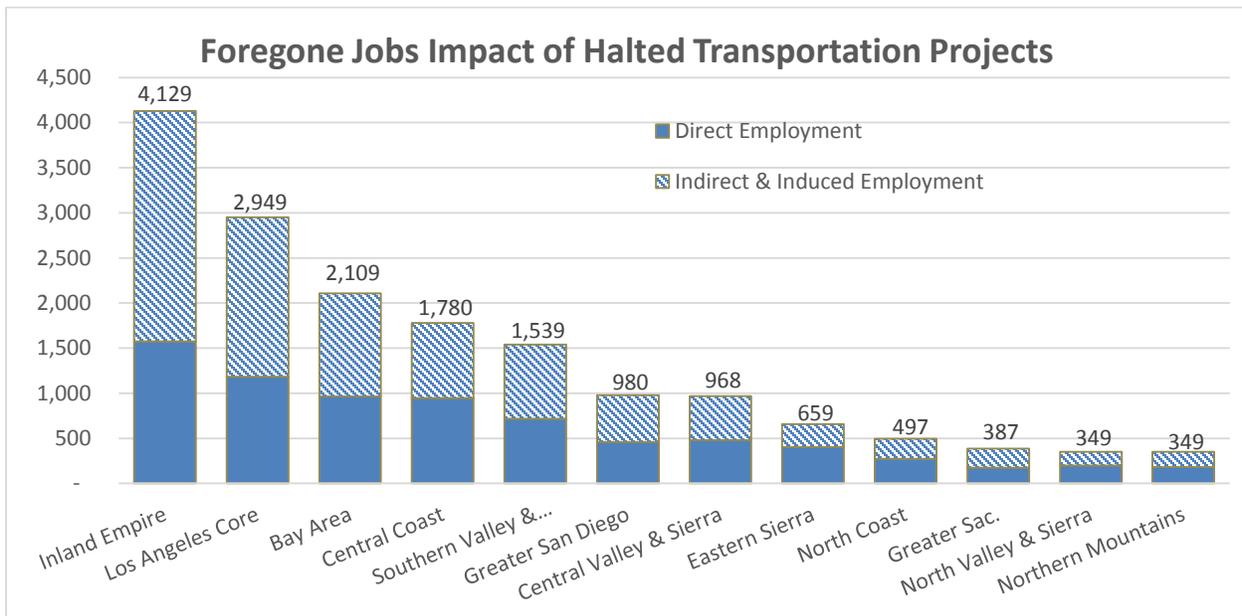


If fully funded by the CTC and other secured funding sources, the projects would result \$3.1 billion in total output. Labor income – employee compensation and proprietor’s income – would account for 34% of the output impact, or \$1.1 billion. Value added comprises nearly 50% of the output, for \$1.4 billion. Value-added measures all contributions to the production of goods and services throughout the process (raw materials, intermediate and final goods) versus output, which measures the market value of final goods and services produced. This analysis does include the economic impact of \$127 million in transit equipment upgrades and parts due to uncertainty of where the equipment and part would be sourced.



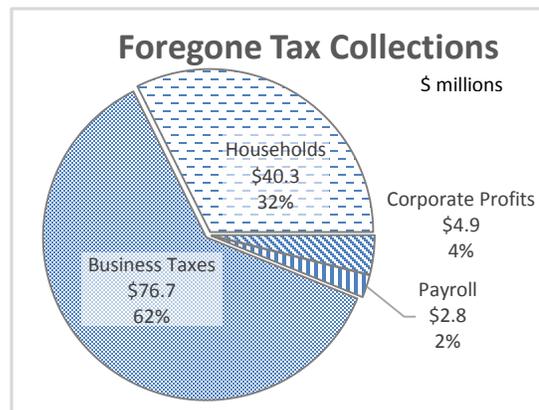
The projects affected by the CTC’s budget shortfall would have created approximately 7,600 jobs directly related to the planning, permitting, and building of vital transportation infrastructure. Approximately 5,800 of those directly created jobs would have been in construction occupations at family-supporting prevailing wages with health care and retirement benefits.¹ California’s public works apprenticeship requirements would also have created workforce development pathways for persons just establishing their construction careers. Additionally, this investment would have created another 9,100 jobs in supporting industries (such as suppliers) as well as throughout the broader economy as household spending from the directly created jobs reverberated through the economy.

¹ According to the 2012 Economic Census Construction 76.7% of workers employed in NAICS Sector 237 Heavy and Highway Construction were in construction occupations.



The CTC's funding is often one of several financial sources for transportation capital projects; 129 of the 216 analyzed projects leverage outside funds. This Brief assumes that those matching funds will not be re-allocated to other projects in the short term; according to experts with the League of California Cities and California State Association of Counties, the process of reprogramming the funds is a multi-year process with no guarantee of success.

Foregone economic and job growth will also result in foregone tax collections. The estimated state and local tax impact from the CTC's deprogrammed projects is \$125 million. Business contributes the bulk of those tax revenues, with nearly \$77 million in property and sales taxes. Corporate profits and dividends contribute another \$4.9 million and payroll taxes add more than \$2.8 million. Personal income, property, and sales taxes and fees make up the remaining \$40 million.



This analysis was performed using the IMPLAN input-output model, the industry standard for economic impact analysis. Input-output analysis measures the inter-industry relationships within an economy. Specifically, input-output analysis is a means of measuring the market transactions between businesses and between businesses and consumers. This framework allows for the examination of how a change in one sector affects the entire economy. In this way, input-output analysis is able to analyze the economic effects of additional road improvement expenditures by measuring the multiplier, or ripple effect, as an initial change in one industry stimulates further changes in transactions between other businesses and households. The results are reported in 2016 dollars.