

ARTBA Economic Analysis of New Jersey Transportation Trust Fund Shutdown: Will Cost \$41 Million Next Week and Displace 1,700 Construction Workers

**Price Tag of Prolonged Closures Could Reach \$9 Million Weekly
and Impact All Industry Sectors in the State**

By Dr. Alison Premo Black, PhD
Senior Vice President & Chief Economist

The week-long shutdown of New Jersey Department of Transportation (NJDOT) transportation construction projects, beginning July 8, will cost the transportation construction industry and New Jersey taxpayers at least \$41 million and displace as many as 1,700 construction workers next week, putting their \$1.9 million in wages at risk.

As the shutdown continues, the cost could grow to as high as \$9 million per week in lost sales, wages and economic activity throughout the state. Over time, the reduction in demand could impact an additional 1,500 non-construction jobs.

Gov. Chris Christie (R) called for the “orderly shutdown” of any “non-critical” transportation projects funded by the New Jersey Transportation Trust Fund (TTF), which is expected to run out of funds in August. Absent an agreement by the state legislature to fund the TTF, the New Jersey Governor’s office has said it is “necessary to stop work temporarily on ongoing projects funded by the TTF by 11:59 p.m. on July 8, 2016, for a period of at least seven days.”

NJDOT has identified 904 projects valued at \$650 million that are subject to the executive order. Projects that receive federal funds can continue.

The direct costs of the week-long shutdown include:

- \$39 million in total mobilization costs—this includes one-time costs associated with shutting down project sites to stop construction activity, plus remobilizing when work can begin again.¹
- Despite the order to stop work, contractors will continue to spend \$1.7 million per week to ensure public safety and maintain existing facilities at the job sites. This includes weekly rent for field offices on major projects and expenditures for project maintenance and traffic control.² These expenditures will continue for the duration of the shutdown and will be paid by contractors. Whether or not they will be reimbursed by the state, the Governor has not said. This could have a significant negative impact for smaller companies that do not have a large cash reserve.
- An estimated 1,300 to 1,700 construction workers will be displaced next week—approximately 9 percent of all transportation construction employees in New Jersey.³
- These workers collectively earn between \$1.4 and \$1.9 million each week.⁴ As hourly employees, many will not get paid if they do not work.

In addition to the immediate costs, which will be borne by the construction industry, the longer these transportation projects are delayed, the greater the negative impact will be on the rest of the state's economy as construction workers and firms have reduced income.

- An estimated \$3.1 million in construction work would have been completed on the identified projects next week—outside of the direct costs that contractors will incur to maintain their site. This additional construction work supports \$4.2 million in purchases through other sectors of the economy, adding \$2.4 million to New Jersey's Gross Domestic Product.⁵ Although some of that spending will still occur next week, a prolonged shut down will weaken that economic impact as contractors cut back on orders for materials, equipment and supplies.
- The foregone construction work and lost economic activity, plus direct contractor costs for maintaining the site could reach as much as \$9 million per week, an average cost of \$1.3 million per day.
- Construction spending on the affected TTF projects supports an additional 1,500 jobs through other major sectors of the economy, including manufacturing, healthcare and retail. As more construction workers lose their jobs and cut back on spending, this will reduce demand in other sectors of the economy, and could put these jobs at risk.

¹ Associated mobilization costs are an estimated 4 percent of total costs for pavement projects and ten percent for bridge projects and other work. However, overall impacts numbers have been reduced by 20 percent to reflect that some of the projects on the NJDOT list of affected projects are near completion, and most substantial construction work has been completed.

² Estimated costs are \$2,000 per week for project maintenance and traffic control for projects less than \$5 million, and \$4,000 per week for projects \$5 million and over. Costs based on interviews with New Jersey contractors. Field rent is estimated to be \$1,250 per week for projects over \$1 million. Overall numbers were reduced by 20 percent to reflect some projects near completion.

³ Estimate range based on input-output multipliers from the U.S. Bureau of Economic Analysis and the 2015 ARTBA Transportation Construction Industry Profile for New Jersey.

⁴ Highway and bridge construction workers earn an average of \$1,098 per week, based on May data from the U.S. Bureau of Labor Statistics.

⁵ Expenditures from the \$650 million in projects is estimated to be \$161.5 million in 2016, 25 percent of total costs, which is line with the annual spending and total project costs for work identified in the State Transportation Improvement Plan. This amount is mainly spent over an 8–9 month time period.

About the Author:

Dr. Alison Premo Black is senior vice president and chief economist for the American Road & Transportation Builders Association in Washington, D.C. Dr. Black, who earned her Ph.D. in Economics at The George Washington University in the Nation's Capital, also holds an M.A. in International Economics and Latin American Studies from the Johns Hopkins School of Advanced International Studies. Since joining ARTBA in 2000, Dr. Black has led teams and authored over 75 studies examining state transportation funding and investment patterns, including the May 2016 report *Facilitating Economic Growth: The Economic Impact of \$2 Billion in Highway and Bridge Construction Investment in New Jersey*.

The TTF Shutdown Puts Nearly 3,200 New Jersey Jobs at Risk
Here Are the Sectors That Will Be Impacted

