

Stimulus Progress Report:

Rolling Out the



▲ **Night Moves.** Pike Industries Inc. paving crew working on a New Hampshire ARRA-funded highway job; the state mobilized quickly to get projects ready.

Jobs

Federal funding boosts employment in some industry quarters, but the stimulus is uneven, slow-moving and no recession panacea

Labor Day will be a mixed blessing in U.S. construction this year. Many workers will enjoy the day off, with employment secured by the American Recovery and Reinvestment Act. But others will see the holiday as a reminder of a frustrating job search and economic worry in a battered industry market that billions in federal stimulus may not be able to save.

President Barack Obama's massive \$787-billion stimulus package set an ambitious goal when enacted earlier this year: to jumpstart the ailing economy by creating and saving up to 3 million U.S. jobs. Construction's share of ARRA funds, about \$130 billion, has been slowly making its way into the marketplace, still beset by unclear rules of engagement, huge compliance requirements and overwhelmed contracting processes. One contractor jokes that he is "creating payroll" by having to hire staffers to meet new ARRA reporting requirements

Observers say that while the stimulus has helped stem the tide of job loss, it is far less than what was anticipated and has yet to reach the broadest array of industry participants. "It is crucial that the stimulus money quickly finds its way into the industry or thousands more construction workers will lose their jobs," says Stephen Sandherr, CEO of the Associated General Contractors. But he and others also lament that ARRA has hyper-inflated bid lists, influenced municipalities to delay funding for larger and longer-term projects and distracted lawmakers from work on higher-impact job-growth catalysts such as federal highway spending reauthorization and banking reform.

"In an uncertain economy with a weak state-budget situation and a mounting federal deficit, construction industry ex-

ecutives are not flush with confidence that rehiring on a grand scale is, at least for the time being, a prudent move," says Stephen M. Hughes, construction, engineering and infrastructure practice leader and a managing director of investment banking at Columbus, Ohio-based KeyBanc Capital Markets.

Market conditions, now and predicted, generated a glum third-quarter industry report from analyst FMI Corp., Raleigh, N.C. "The hope for a quick recovery has faded, and contractors are now slugging it out in the trenches trying to keep backlogs full [while] facing increasing competition," it says. "ARRA has led to a certain amount of frustration in responses this quarter." But Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction, ENR's parent, cautions, "It is still too early to cast aspersions [on the stimulus]. "We will see growing economic momentum by the end of the year and in early 2010, when some economists predict rising unemployment."

ARRA's positive results are beginning to trickle in, according to the Economic Policy Institute, a Washington, D.C., research group. Because gross domestic product growth in the second quarter of 2009 would have lost 2% to 3% without the stimulus, nearly 500,000 to 750,000 jobs were saved, says EPI.

With "shovel ready" as the ARRA





▲ **Job Search.** Employment fair for Energy Dept. cleanup site in South Carolina drew big response.

mantra, transportation work has been a key funding target and economic-stimulus beneficiary, particularly paving and other work that has fewer environmental rules. The American Road and Transportation Builders Association says that, as of Aug. 18, \$18 billion of ARRA funds were obligated for such projects, 66.8% of the \$26.9 billion of the total apportioned to date.

The House Transportation and Infrastructure Committee tabulated that, as of June 30, more than 48,000 “direct” jobs were saved or created in the transportation and environmental infrastructure sectors. “Tens of thousands” more positions in supporting industries such as equipment and materials manufacturing \$2.3 billion also were generated, the committee says (see chart, next page). But quantifying actual jobs created or saved can be difficult, with few hard numbers showing a definite total. “Some jobs will have someone [working] in three different locations—how do you count that person?” says Tony Dorsey, spokesman for the American Association of State Highway and Transportation Officials.

Anecdotally, firms report the stimulus is doing what Congress intended. Christian Zimmermann, president of Pike Industries Inc., a Belmont, N.H., paving contractor, says ARRA-funded work will have saved or created 250 jobs in his firm

this year. He credits the forethought of contractors and state highway officials in New England in preparing last year for an anticipated stimulus, streamlining approvals and halving contract award times. “A job was bid on Thursday, and we would have the contract in hand the next week,” says Zimmermann, allowing the firm to save jobs it might otherwise have had to cut.

New Hampshire, a key market for Pike, is the country’s second-best ARRA implementer among states, with 64% of funded projects under way as of June 30. Transportation departments in five southern states announced on Sept. 1 that they had a total stimulus payroll of \$13.4 million as of July. But in Aug. 6 letters, House Transportation and Infrastructure Committee Chairman James L. Oberstar (D-Minn.) chided governors of South Carolina and Florida for the poorest records, with only 3% and 2%, respectively, of projects under way.

Donald Laskey, president of Laskey-Clifton Corp., a Reedsport, Ore., heavy-civil contractor, says he “would not have had any work for our paving crew this year” without a \$4.9-million ARRA paving project set to finish on Sept. 30. The job preserved or created 22 company jobs and 14 additional jobs for suppliers and subcontractors. “I think we are going to have a good year,” he says.

Top 20 States in Transportation and Clean-Water ARRA Jobs

State	Total Jobs*
Washington	3,481
Oregon	3,188
Pennsylvania	2,744
Indiana	2,565
Illinois	2,315
Utah	2,288
Oklahoma	2,198
Minnesota	2,143
Texas	2,056
Iowa	1,795
North Carolina	1,786
Arkansas	1,636
Wisconsin	1,624
Missouri	1,490
South Dakota	1,427
California	1,376
Mississippi	1,270
Maine	1,242
New Jersey	1,171
New York	981

*NUMBER OF DIRECT, ON-PROJECT JOBS CREATED OR SUSTAINED WITH AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS THROUGH JUNE 30, 2009. PROJECTS ARE IN CATEGORIES OF HIGHWAY INFRASTRUCTURE, TRANSIT CAPITAL ASSISTANCE, FIXED GUIDEWAY AND CLEAN-WATER STATE REVOLVING FUNDS. NOT ALL CATEGORIES WERE REPORTED BY STATES.

SOURCE: HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

American Infrastructure, a Worcester, Pa., highway firm, “has clearly benefitted” since winning one of ARRA’s first projects in Maryland last March, says Mark Compton, government affairs director. “Last fall, it was pretty bleak. About 350 of our 1,900 workers were on layoff,” with no plans to rehire them until after Memorial Day, he says. Stimulus work has balanced falloffs in AI’s private-sector work and pushed hiring in some areas to obtain “new skill sets,” says Compton, who adds that the firm has now decided to reopen a 500-ton-per-hour asphalt plant in Jessup, Md., that was to be “mothballed.”

The U.S. Energy Dept. also has fast-tracked its \$6 billion of stimulus funding to expedite nuclear-waste cleanup projects already planned at former U.S. weapons



▲ **Fast.** Federal building job was accelerated.

sites, resulting in more than 4,000 new and saved jobs in craft, technical and managerial areas (see chart, next page).

“We had contractors onboard with 100% of project scope already in contracts,” says Jon Peschong, program manager for the largest chunk of ARRA work at DOE’s Hanford site in eastern Washington, budgeted at \$1.6 billion. “We are now able to accelerate by two years projects set for 2012 and 2013,” he adds. These projects include demolition of heavily contaminated, 60-year-old former production facilities and construction of the site’s groundwater treatment plant. An April job fair at the site drew more than 3,500 attendees, says a spokeswoman for CH2M Hill Cos., a key site contractor.

John Britton, spokesman for DOE’s effort to remove and treat waste from 177 underground tanks, anticipates 700 direct and indirect ARRA jobs funded through fiscal 2011, “with hope they will stay for their entire careers.” Britton says 75% of Hanford’s workforce could retire in five years. “We want older workers to train new ones,” he says.

DOE’s Savannah River site in Aiken, S.C., hopes to create or save 3,000 jobs with its \$1.6 billion of ARRA funding, says Dennis Carr, deputy project manager for 17 stimulus-funded projects and a vice president at Fluor Corp., Irving, Texas, which is now managing the site. It has marching orders to shrink the 300-sq-mile site by 45% for “a possible future mission,” he

says. “To do that, we are bringing on significant numbers of workers, from supervisors and engineers to waste handlers and shippers,” says Carr. “People have driven hours to be at our job fairs, and we now have more than 15,000 résumés in hand. You can see how deep the problems are economically.” Major DOE cleanup sites in Tennessee and Idaho and a host of smaller ones are similarly accelerating cleanup of legacy production waste.

North Wind Inc., a \$62-million-a-year engineering firm based in Idaho Falls, credits ARRA-funded DOE and state cleanup work with adding at least 30 to 40 positions to its staff of 350, says founder and CEO Sylvia Medina. She credits a mentor-protégé contracting relationship with Bechtel Corp. for a number of DOE cleanup awards, but recently testified before Congress about the difficulties small businesses have in obtaining DOE stimulus contracts. “In some cases, [large management] contractors are actually hiring staff away from small businesses to support their own efforts rather than bidding out project work,” she told a U.S. Senate committee in May.

Non-DOE cleanups also are getting a stimulus boost, with at least \$700 million committed by the U.S. Environmental Protection Agency for Superfund and brownfield remediation. Severson Corp., a Niagara Falls, N.Y., contractor, has added about 80 professional and craft positions to accommodate an extra \$70 million of stimulus funds for its cleanups, says CEO Michael Elia. A dredging project in New Bedford, Mass., harbor, will operate for 120 days in 2009, double its usual time in the past six years, he adds.

Firms also are chasing smaller water and wastewater

projects for which schedules are being ramped up by EPA stimulus money. Layne Christensen Co., Shawnee Mission, Kan., is now short-listed for a \$20-million flood project in Louisville, Ky., that it had not expected for one or two years, says a spokesman. But other firms are less en-



thused about the market impact. Dan McCarthy, CEO of Overland Park, Kan.-based Black & Veatch's global water business, says most ARRA funding is going to projects already in the pipeline rather than new ones. Rules requiring utilities to "Buy American" and allocate 20% of state revolving loan funds to green infrastructure have been "challenging," admitted EPA Assistant Administrator Craig Hooks in recent testimony. "That is good, but it is not shovel-ready," says Wayne Klotz, president of the American Society of Civil Engineers. "Stimulus dollars are not flowing yet to the design industry. Whether the money will help out in 2010 is the question."

Steven Halverson, CEO of The Haskell Group, Jacksonville, Fla., says the contracting progress on some municipal water-wastewater projects is being delayed as cities seek to incorporate ARRA funds. "That has really slowed our water-wastewater business," a 15% chunk of firm revenue, he says. Halverson says Haskell's solid backlog will carry it through 2009, but 2010 may be different. He says the firm may "sacrifice profits to keep key people onboard."

Hard-hit building-sector firms hope to gain stimulus work from new federal projects, such as the U.S. General Services Administration's accelerated phases to renovate U.S. Commerce Dept. offices in Washington, D.C. The \$158-million award to a joint venture of Gilbane Build-



▲ **Mixed.** EPA is awarding Superfund work fast, but water-wastewater jobs are slower.

DOE Site Cleanups: A Stimulus-Job Snapshot*				
Site and Location	# of Applicants	Saved Jobs	New Jobs	Total Jobs
Savannah River Site, S.C.	10,300	798	612	1,410
Hanford (Richland), Wash.	10,395	300	855	1,155
Oak Ridge, Tenn.	6,500	44	421	465
INEL, Idaho	4,567	240	168	408
Hanford (ORP), Wash.	6,393	56	150	206
WIPP, N.M.	N/A	16	97	113
Brookhaven, N.Y.	N/A	45	34	79
West Valley, N.Y.	1,128	0	76	76
Portsmouth, Ohio	1,497	8	42	50
Other**	3,765	31	94	125
TOTALS	44,545	1,538	2,549	4,087

*AS OF JULY 3, 2009; **SITES IN OHIO, KENTUCKY, ILLINOIS, NEVADA AND CALIFORNIA; N/A=NOT AVAILABLE. SOURCE: U.S. DOE.

ing Co., Providence, R.I., and Grunley Construction, Rockville, Md., will add up to 70 new jobs. A planned fourth phase could be expedited to start this year as well, says Gilbane. The firm has or will propose on almost \$1 billion of stimulus-related work so far this year, says Mike Crase, a senior marketing executive.

Stimulating a new clean-energy economy filled with well-paying "green" jobs appears central to ARRA. In August, the administration announced a new \$2.3-billion tax-credit program for manufacturers of advanced energy equipment. It allows them to reduce their taxes by 30% of the amount invested in establishing, expanding or retooling manufacturing facilities for equipment used to produce solar, wind and other renewable-energy sources.

The administration says the program will help encourage innovation and employment in clean-energy design and technology. But some are skeptical. Steve Robinson, a senior vice president at Sundt Corp., Tempe, Ariz., says the sector holds



some potential, but "we are not seeing a lot being funded." He adds, "If you are not an existing, well-capitalized company, you are not going to get funded."

Haskell's Halverson says his firm has been selected to build two biomass energy projects in Florida, but work awaits the owners' receipt of stimulus funding, which is not likely until 2010. "I do not truly believe the green jobs are going to be new jobs," adds Bob Piper, vice president of workforce development at the Associated Builders and Contractors. "It is just re-classifying existing ones, such as HVAC and electrical work."

Still, the administration is funneling at least \$500 million of money to stimulate green-job training, mostly through U.S. Dept. of Labor grants in HVAC, electrical work and weatherization. Overall, DOL has allocated \$3.9 billion of stimulus funding for Workforce Investment Board local programs, such as training dislocated or non-traditional workers.

Michael Callanan, executive director of the National Joint Apprenticeship and Training Committee of the International Brotherhood of Electrical Workers and the National Electrical Contractors Association, says local affiliates are working with local and statewide partners to obtain



▲ **Push.** Idaho nuclear-waste projects are on time or ahead on all ARRA milestones.

clean-energy training grants to set up new certificate programs. His group also will apply for a national grant, and if successful, earmark it for populations particularly affected by the downturn.

To step up the pace of stimulus awards, AGC has been urging agencies to apply ARRA funds to their own workforce expansion, says association President Doug Pruitt, Sundt's CEO. GSA created an ARRA program management office this spring to monitor its \$5.5 billion of stimulus work; the office is staffed by its most experienced contracting personnel borrowed from other areas. They are being replaced by other permanent and temporary employees, new hires, rehired retirees and contractors.

To manage its 105 ARRA projects worth \$470 million, the National Parks Service office in Denver has hired 30 employees, says Sam Whittington, NPS director. He says the economy generated many résumés from architects and other industry professionals.

ARRA also has added impetus to the military's hiring strategy and \$5.9 billion

of new funding at a time when it faces the largest construction ramp up in history as part of its base realignment and closure. Capt. Ramé Hemstreet, deputy commander of operations at the Naval Facilities Engineering Command in Washington, D.C., says hiring would continue to expedite stimulus work. "We have a big turnover coming in the next few years, so this is an opportunity to hire government employees...in the short term to bring on new talent that will, as folks retire, become our long-term workers," he says.

While ARRA funding is helping firms keep workers on the job, some of its impact is being undercut by municipal budget woes, such as in state transportation departments, says Bill Buechner, ARTBA's vice president of economics and research. He points to a survey of states in June by the National Governors Association and the National Association of State Budget Officers that found half of the states cutting or planning to cut transportation programs this year or next due to dire finances. "Stimulus funds are allowing some states to simply maintain their 2008 activity level," he says. The situation is ramping up industry cries for congressional attention to long-term highway and aviation spending legislation. "If that gets kicked 18 months down the path, you will see a reversal of employment," says Pike's Zimmermann. "No one wants to invest now until they see the light at the end of the tunnel." He says states that pushed out highway work "will soon blow through all the stimulus money."



Rob Valdez
NEW DOE WORKER
He tried to get a job at Hanford for the past seven years.

While that debate swirls, those who gained employment because of the ARRA economic stimulus are just happy to have work. "I have been trying to get a job here for the last seven years," says Rob Valdez, who now works at DOE's Hanford site in facility demolition. The former concrete finisher for high-end homebuilders saw his market slow down markedly during the collapse of the housing market. "I like the steady paycheck and benefits here, and it is not as high stress," he says. ■

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