PSA

Infrastructure Advocacy
& Education Organization

# PSA - IAEO May 2014 Infrastructure Update

## Water Resources Reform and Development Act – Major Progress

House and Senate conferees reached agreement this month on the 2014 Water Resources Reform and Development Act (WRRDA). Both Houses of Congress must now approve the Conference Report in order to send it to the President to be signed into law. According to the House Transportation and Infrastructure Committee report, WRRDA is one of the most policy and reform focused measures of its kind in the last two decades. WRRDA streamlines the project delivery process, promotes fiscal responsibility, and strengthens our water transportation networks to promote competitiveness, prosperity, and economic growth. WRRDA contains no earmarks and makes major reforms to increase transparency, accountability, and Congressional oversight in reviewing and prioritizing future water resources development activities.

Here are the highlights:

*Reforms Bureaucracy, Accelerates Project Delivery, and Streamlines Environmental Reviews*

- Sets hard deadlines on the time and cost of studies
- Consolidates or eliminates duplicative or unnecessary studies and requires concurrent reviews
- Streamlines environmental reviews and improves coordination

*Fiscally Responsible*

- Deauthorizes $18 billion of old, inactive projects that were authorized prior to WRDA 2007
- More than fully offsets authorizations with deauthorizations
- Sunsets new authorizations to prevent future project backlogs
- Reduces the inventory of properties that are not needed for the missions of the Corps

*Strengthens Oversight, Transparency, and Accountability*

- NO earmarks
- Establishes a new, transparent process for future bills to review and prioritize water resources development activities with strong Congressional oversight

*Increases Flexibility for Non-Federal Interests and Leverages Private Sector Investments to Multiply the Effect of Federal Funding*

- Maximizes the ability of non-federal interests to contribute their own funds to move studies and projects forward
- Expands the ability of non-federal interests to contribute funds to expedite the evaluation and processing of permits
- Establishes a Water Infrastructure Public Private Partnership Program and new options to expand the local role in project implementation (*see WIFA Legislation below*)
- Creates innovative methods to invest in and finance water resources infrastructure and municipal drinking water and wastewater needs

*Enhances Safety and Protects Communities*

- Strengthens dam and levee safety
- Improves Army Corps of Engineers responses to extreme weather events
- Encourages resilient construction techniques and the use of durable, sustainable, and innovative materials

*Improves Competitiveness, Creates Jobs, and Strengthens Water Resources Infrastructure*

- Authorizes needed investment in America's ports, strengthens ports that move the majority of the Nation's commerce, and ensures equity for those ports that contribute the most to the Harbor Maintenance Trust Fund
- Supports underserved, emerging ports
- Reforms and preserves the Inland Waterways Trust Fund
- Authorizes priority water resources infrastructure improvements recommended to Congress by the Chief of the Army Corps of Engineers to improve navigation and commerce and address flood risk management, hurricane and storm damage risk reduction, and environmental restoration needs.

## Passage of WIFA Infrastructure Legislation

In an important victory for U.S. water utilities and their customers, a House-Senate committee released legislation to create a pilot Water Infrastructure

Finance and Innovation Authority (WIFA) as part of the larger WRRDA legislation that would lower the cost of renewing America's aging water infrastructure. Both the American Water Works Association (AWWA) and the Water Environment Federation (WEF) praised WIFIA as an important new finance tool to help communities address essential water and wastewater infrastructure projects at a lower cost, saving consumers money on their water bills.

"The imminent creation of the Water Infrastructure Finance and Innovation Authority is a significant breakthrough in confronting the U.S. water infrastructure challenge," said David LaFrance, Chief Executive Officer of the American Water Works Association. "WIFIA will reduce the financing costs of critical infrastructure projects, allowing communities to fix and expand water systems at a lower cost to their customers. Our elected representatives and senators deserve our gratitude."

While AWWA and WEF praised WIFIA as an important step forward, the associations also called for future adjustments to allow the program to achieve its full potential. The pilot program limits WIFIA funding to 49 percent of projects and prohibits tax-exempt financing for the remaining portions. "WIFIA will be most effective when communities can fund 100 percent of project costs, and any non-WIFIA share should be allowed to be financed with tax-exempt debt," LaFrance said. "We are committed to working with our leaders in Congress and our colleagues in the water community to build off today's success."

## Transportation Bill Moves Forward

The Senate Committee on Infrastructure and Public Works recently released a bipartisan bill that would peg transportation spending at around the current level of $52 billion per year, with an allowance for inflation, for six years; and give local governments more autonomy in how they spend federal dollars. The traditional source of funding for road and transportation projects is the 18.4-cent federal gas tax which is paid into the Highway Trust Fund and which has not been raised since 1993. The Trust Fund is expected to run out of cash by early August, and the current highway spending bill expires on September 30.

This brings to three the number of transportation plans under discussion. Earlier this month House Republicans proposed a bill that would cut about $1.8 billion from current spending. The $302 billion Obama plan would permit $150 billion more spending than the gas tax would bring into the fund. Stay tuned……

## Bureau to Provide $44.3M in Water Infrastructure Funds for Projects across West

The Bureau of Reclamation has announced $44.3 million in funding for water infrastructure projects throughout the West that will support a variety of efforts including: providing financial and construction assistance for rural water projects;

addressing infrastructure to maintain system reliability and safety; restoring aquatic habitat; continuing the Bureau’s focus on water-related activities to support tribal nations; meeting the increasing water demands of the western U.S.; and supporting activities that increase water resiliency in the face of drought consistent with President Obama’s Climate Action Plan.

A total of $27.1 million will be provided to advance five infrastructure projects in rural communities that will deliver clean, reliable drinking water to remote areas. The five projects are
•$9.3 million for the Garrison Diversion Unit (Pick-Sloan Missouri Basin Program) in North Dakota.
•$6 million for the Rocky Boy’s/North Central Montana Rural Water System (Montana).
•$4.9 million for the Fort Peck Reservation/Dry Prairie Rural Water System (Montana).
•$5.2 million for the Lewis and Clark Rural Water System (South Dakota, Iowa and Minnesota).
•$1.7 million for the Eastern New Mexico Water Supply Project (New Mexico).

## Exports of U.S.-made Construction Equipment Decline In 2013

Exports of U.S.-made construction equipment dropped 25 percent in 2013 compared to the previous year for a total $20 billion shipped to global markets, according to the Association of Equipment Manufacturers (AEM), citing U.S. Commerce Department data it uses in trend reports for members. All world regions recorded declines.

AEM noted that the 25 percent decline for 2013 follows three years of export growth (13 percent in 2012, 43 percent in 2011 and 28 percent in 2010), after a 2009 decline of 38 percent in the depths of the recession.

- Exports to Europe declined 19 percent for a total $2.6 billion, and dropped 16 percent to Canada for a total $6.8 billion
- Exports to Asia decreased 33 percent to $2.1 billion
- Exports to Central America dropped 2 percent to $2.2 billion, with exports to South America declining 22 percent to $3.6 billion
- Australia/Oceania’s export purchases decreased 66 percent to $1.3 billion, while exports to Africa dropped 13 percent to $1.3 billion

The top export destinations for American-made construction machinery in 2013 by dollar volume: (1) Canada - $6.8 billion, down 16 percent; (2) Mexico - $1.8 billion, down 1 percent; (3) Australia - $1.2 billion, down 68 percent; (4) Chile - $999 million, down 40 percent; (5) Brazil - $890 million, down one-half percent; (6) South Africa - $674 million, down 25 percent; (7) Peru - $638 million, down 18 percent; (8) Belgium - $617 million, down 24 percent; (9) Colombia- $562 million, up 1 percent; (10) Russia - $548 million, down 23 percent; (11) China - $380 million, down 44 percent.

## Latest Economic Indicators at a Glance

Annual Employment Report

Total nonfarm payroll employment rose by 288,000, and the unemployment rate fell by 0.4 percentage point to 6.3 percent in April. Employment gains were widespread, led by job growth in professional and business services, retail trade, food services and drinking places, and construction.

Construction Employment

The U.S. construction industry gained 32,000 jobs in April. Nonresidential construction segments added 8,100 jobs in April, up from the 5,700 jobs (revised) added in March, while the residential sector continued to build momentum, adding 13,100 jobs for the month. Heavy and civil engineering led the way by adding 10,500 jobs in April. The segment has added an impressive 34,900 jobs in the past 12 months.

“With the 32,000 construction jobs added in April, total construction employment has now eclipsed the six million-job mark for the first time since June of 2009,” said Associated Builders and Contractors Chief Economist Anirban Basu. “I expect construction employment to show marked improvement in the second quarter now that it is clear that the sluggish first quarter numbers were an aberration brought about by the unusually harsh winter.”

Consumer Confidence

The Conference Board Consumer Confidence Index®, which had increased in March, declined slightly in April. The Index now stands at 82.3 (1985=100), down from 83.9 in March. The Present Situation Index decreased to 78.3 from 82.5, while the Expectations Index was virtually unchanged at 84.9 versus 84.8 in March.

“Consumer confidence declined slightly in April, as consumers assessed current business and labor market conditions less favorably than in March,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “However, their expectations regarding the short-term outlook for the economy and labor market held steady. Thus, while sentiment regarding current conditions may have slipped a bit, consumers do not foresee the economy, or the labor market, losing the momentum that has been building up over the past several months.”

## Gross Domestic Product (GDP)

Real gross domestic product increased at an annual rate of 0.1 percent in the first quarter (that is, from the fourth quarter of 2013 to the first quarter of 2014). In the fourth quarter, real GDP increased 2.6 percent.

## Consumer Price Index

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in April on a seasonally adjusted basis. Over the last 12 months, the all items index increased 2.0 percent before seasonal adjustment.

The indexes for gasoline, shelter, and food all rose in April and contributed to the seasonally adjusted all items increase. The gasoline index rose 2.3 percent; this led to the first increase in the energy index since January, despite declines in the electricity and fuel oil indexes. The food index rose 0.4 percent for the third month in a row, as the index for meats rose sharply.

The index for all items less food and energy rose 0.2 percent in April, with most of its major components posting increases, including shelter, medical care, airline fares, new vehicles, used cars and trucks, and recreation. The indexes for apparel, household furnishings and operations, and personal care were all unchanged in April.

The all items index increased 2.0 percent over the last 12 months; this compares to a 1.5 percent increase for the 12 months ending March, and is the largest 12-month increase since July. The index for all items less food and energy has increased 1.8 percent over the last 12 months. The energy index has risen 3.3 percent, and the food index has advanced 1.9 percent over the span.

## Producer Price Index

The Producer Price Index for final demand advanced 0.6 percent in April, seasonally adjusted. This increase followed a rise of 0.5 percent in March and a decline of 0.1 percent in February. On an unadjusted basis, the index for final demand moved up 2.1 percent for the 12 months ended in April, the largest 12-month advance since a 2.4-percent increase in March 2012.

## Productivity and Costs

Nonfarm business sector labor productivity decreased at a 1.7 percent annual rate during the first quarter of 2014. The decrease in productivity reflects increases of 0.3 percent in output and 2.0 percent in hours worked. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the first quarter of 2013 to the first quarter of 2014, productivity increased 1.4 percent as output and hours worked rose 3.2 percent and 1.7 percent, respectively.

Factory Orders

New orders for manufactured durable goods in March increased $6.0 billion or 2.6 percent to $234.8 billion. This increase, up two consecutive months, followed a 2.1 percent February increase. Excluding transportation, new orders increased 2.0 percent. Excluding defense, new orders increased 1.8 percent.

Transportation equipment, also up two consecutive months, led the increase, $2.8 billion or 4.0 percent to $74.1 billion.

Employment Cost Index

Compensation costs for civilian workers increased 0.3 percent, seasonally adjusted, for the 3-month period ending March 2014. Wages and salaries (which make up about 70 percent of compensation costs) increased 0.3 percent, and benefits (which make up the remaining 30 percent of compensation) increased 0.4 percent.

Civilian Workers

Compensation costs for civilian workers increased 1.8 percent for the 12-month period ending March 2014. In March 2013, the increase in compensation costs was 1.9 percent. Prior values for this series, which began in June 1982, ranged from 1.4 percent to 7.5 percent. Wages and salaries increased 1.6 percent for the 12-month period ending March 2014, unchanged from March 2013. Benefit costs increased 2.1 percent for the 12-month period ending March 2014, compared with a 2.4 percent increase for the 12-month period ending March 2013.

Private Industry Workers

Compensation costs for private industry workers increased 1.7 percent over the year. In March 2013 the increase was 1.9 percent. Wages and salaries increased 1.7 percent for the current 12-month period ending March 2014, unchanged from March 2013. The increase in the cost of benefits was 1.8 percent for the 12-month period ending March 2014. In March 2013, the increase in the cost of benefits was 2.0 percent. Employer costs for health benefits increased 2.4 percent over the year. In March 2013 the increase was 3.0 percent.

Among occupational groups, compensation cost increases for private industry workers for the 12-month period ending March 2014 ranged from 1.1 percent for service occupations to 1.9 percent for management, professional, and related;

natural resource, construction, and maintenance; and production, transportation, and material moving occupations.

Among industry supersectors, compensation costs for private industry workers for the current 12-month period ranged from 0.8 percent for information to a 2.3 percent increase for trade, transportation, and utilities.

State and Local Government Workers

Compensation costs for state and local government workers increased 1.9 percent for the 12-month period ending March 2014, unchanged from March 2013. Wages and salaries increased 1.2 percent for the 12-month period ending March 2014, compared with 1.0 percent in March 2013. Benefit costs increased 3.0 percent in March 2014. In March 2013, the increase was 3.5 percent.

## Real Earnings

Real average hourly earnings for all employees decreased 0.3 percent from March to April, seasonally adjusted. This decrease stems from unchanged average hourly earnings combined with a 0.3 percent increase in the Consumer Price Index for All Urban Consumers (CPI-U).

Real average weekly earnings fell 0.3 percent over the month due to the 0.3 percent decrease in real average hourly earnings combined with an unchanged average workweek.

Real average hourly earnings fell 0.1 percent, seasonally adjusted, from April 2013 to April 2014. The decrease in real average hourly earnings, combined with a 0.3 percent increase in the average workweek, resulted in a 0.2 percent increase in real average weekly earnings over this period.

## Construction Spending

Construction spending during March 2014 was estimated at a seasonally adjusted annual rate of $942.5 billion, 0.2 percent above the revised February estimate of $940.8 billion. The March figure is 8.4 percent above the March 2013 estimate of $869.2 billion. During the first 3 months of this year, construction spending amounted to $196.6 billion, 8.3 percent above the $181.6 billion for the same period in 2013.

Spending on private construction was at a seasonally adjusted annual rate of $679.6 billion, 0.5 percent above the revised February estimate of $676.3 billion. Residential construction was at a seasonally adjusted annual rate of $369.8 billion in March, 0.8 percent above the revised February estimate of $367.0 billion. Nonresidential construction was at a seasonally adjusted annual rate of $309.8 billion in March, 0.2 percent above the revised February estimate of $309.3 billion.

In March, the estimated seasonally adjusted annual rate of public construction spending was $262.9 billion, 0.6 percent below the revised February estimate of $264.5 billion. Educational construction was at a seasonally adjusted annual rate of $58.4 billion, 2.3 percent below the revised February estimate of $59.8 billion. Highway construction was at a seasonally adjusted annual rate of $84.0 billion, 0.5 percent above the revised February estimate of $83.6 billion.

## Nonresidential Construction Spending

Nonresidential construction spending inched down in March, making it the third consecutive month in which spending declined. Nonresidential construction spending fell 0.1 percent on a monthly basis in March but has risen 4.4 percent on a yearly basis according to a May 1 release by the U.S. Census Bureau. Spending for the month totaled $568.5 billion on a seasonally adjusted, annualized basis.

“After yesterday’s GDP report, which indicated that both nonresidential and residential fixed investment declined during the first quarter of 2014, today’s downbeat construction spending report is not a surprise,” said Associated Builders and Contractors Chief Economist Anirban Basu. “The factors that have produced recent economic and construction slowdowns appear to be temporary for the most part and not a sign of emerging economic turbulence. Given recent reports of increased private sector hiring, construction activity should pick up meaningfully during the second quarter.”

## Construction Materials Prices

Overall construction materials prices increased 0.4 percent in April and are up 1.5 percent year over year, according to the May 14 Producer Price Index released by the U.S. Department of Labor. Nonresidential construction material prices were up 0.5 percent for the month and are 1.4 percent higher than the same time last year.

“Construction materials prices have increased for five consecutive months, the longest streak in more than two years,” said Associated Builders and Contractors Chief Economist Anirban Basu. “While some may interpret this increase as the onset of a period associated with significantly higher inflation, it seems more likely that the consistent uptick in prices is at least partially attributable to the colder-than-normal winter, which interrupted the usual flow of construction inputs. Nationally, construction spending has not been rising in recent months, which implies recent increases in materials prices are not a purely economic phenomenon.”

The following materials prices increased in April:

- Concrete products prices expanded 0.6 percent in April and are up 3.4 percent on a year-over-year basis.
- Iron and steel prices increased 1.5 percent in April and are up 3.2 percent compared to the same time last year.
- Steel mill products prices rose 1.1 percent for the month and are 2.2 percent higher than one year ago.
- Crude petroleum prices increased 0.6 percent in April and are up 5.4 percent compared to April 2013.
- Prices for plumbing fixtures expanded 0.4 percent for the month and are up 2.3 percent on a year-over-year basis.
- Fabricated structural metal product prices rose 0.3 percent on a monthly basis and 0.9 percent on an annual basis.

Five of the 11 key construction inputs did not experience price increases in April.

- Nonferrous wire and cable prices decreased 1.8 percent on a monthly basis and are 3.8 percent lower than in April 2013.
- Prices for prepared asphalt, tar roofing, and siding declined 2.2 percent for the month and are down 4.6 percent on a year-over-year basis.
- Softwood lumber prices fell 2.5 percent and are 8.3 percent lower than one year ago.
- Natural gas prices fell 12 percent in April but are 15.1 percent higher than in April 2013.
- Crude energy prices declined 3.3 percent in April, but are 6.6 percent higher year over year.

Retail Sales

Advance estimates of U.S. retail and food services sales for April, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $434.6 billion, an increase of 0.1 percent from the previous month, and 4.0 percent above April 2013. Total sales for the February 2014 through April 2014 period were up 3.3 percent from the same period a year ago. The February 2014 to March 2014 percent change was revised from +1.2 percent to +1.5 percent.

Retail trade sales were up 0.2 percent from March 2014, and 4.2 percent above last year. Auto and other motor vehicle dealers were up 10.5 percent from April 2013 and nonstore retailers were up 6.5 percent from last year.

New Residential Sales

Sales of new single-family houses in April 2014 were at a seasonally adjusted annual rate of 433,000. This is 6.4 percent above the revised March rate of 407,000, but is 4.2 percent below the April 2013 estimate of 452,000.

The median sales price of new houses sold in April 2014 was $275,800; the average sales price was $320,100. The seasonally adjusted estimate of new houses for sale at the end of April was 192,000. This represents a supply of 5.3 months at the current sales rate.

## New Residential Construction

Privately-owned housing units authorized by building permits in April were at a seasonally adjusted annual rate of 1,080,000. This is 8.0 percent above the revised March rate of 1,000,000 and is 3.8 percent above the April 2013 estimate of 1,040,000.

Single-family authorizations in April were at a rate of 602,000; this is 0.3 percent above the revised March figure of 600,000. Authorizations of units in buildings with five units or more were at a rate of 453,000 in April.

Privately-owned housing starts in April were at a seasonally adjusted annual rate of 1,072,000. This is 13.2 percent above the revised March estimate of 947,000 and is 26.4 percent above the April 2013 rate of 848,000.

Single-family housing starts in April were at a rate of 649,000; this is 0.8 percent above the revised March figure of 644,000. The April rate for units in buildings with five units or more was 413,000.

Privately-owned housing completions in April were at a seasonally adjusted annual rate of 847,000. This is 3.9 percent below the revised March estimate of 881,000, but is 21.2 percent above the April 2013 rate of 699,000.Single-family housing completions in April were at a rate of 602,000; this is 2.4 percent below the revised March rate of 617,000. The April rate for units in buildings with five units or more was 242,000.

## U.S. Trade Balance

Total March exports of $193.9 billion and imports of $234.3 billion resulted in a goods and services deficit of $40.4 billion, down from $41.9 billion in February, revised. March exports were $3.9 billion more than February exports of $190.0 billion. March imports were $2.5 billion more than February imports of $231.8 billion.

In March, the goods deficit decreased $0.6 billion from February to $60.7 billion, and the services surplus increased $0.9 billion from February to $20.4 billion. Exports of goods increased $3.7 billion to $135.1 billion, and imports of goods increased $3.1 billion to $195.8 billion. Exports of services increased $0.2 billion to $58.8 billion, and imports of services decreased $0.7 billion to $38.4 billion.

The goods and services deficit increased $3.8 billion from March 2013 to March 2014. Exports were up $9.2 billion, or 5.0 percent, and imports were up $13.0 billion, or 5.9 percent.

Sources: *AWWA*, *Underground Construction Magazine*