

Facilitating Economic Growth:

The Impact of a \$278 Million Annual Increase in Tennessee State Highway & Bridge Capital Investment

An annual \$278 million increase in highway and bridge construction investment in Tennessee would have an immediate impact on all sectors of the state economy, yielding the following annual benefits:¹

- an additional \$709.3 million in economic output as businesses throughout the economy sell more goods and services to both other businesses and consumers
- \$363.0 million in value added, which contributes to Tennessee's GSP
- 6,217 jobs created or supported across all sectors of the economy. These workers would earn over \$210 million in wages. Over half of these jobs are outside of the construction sector.
- \$25.6 million in additional federal and state revenues, including:
 - \$653.2 thousand in state payroll taxes
 - \$16.1 million in federal payroll taxes
 - \$8.8 million in state sales taxes

In addition to the benefits of the construction activity, Tennessee businesses and drivers would see economic gains for years to come. Targeted investments would improve roadway safety, reduce operating costs for local businesses and increase mobility for all system users. These longer run benefits and improved efficiency would help drive productivity growth.

Economic Impact of \$278 Million in Highway and Bridge Construction Investment in Tennessee	
Total Output	\$709.3 million
Total Value Added (GSP)	\$363.0 million
Earnings	\$210.7 million
Employment	6,217 jobs
State Payroll Tax	\$653.2 thousand
Federal Payroll Tax	\$16.1 million
State Sales Tax	\$8.8 million

The economic ripple effects begin when highway and bridge contractors purchase inputs from Tennessee businesses, in addition to other firms outside of the state, as they complete work on projects. These workers spend their earnings by purchasing clothing, food and other goods and services, thereby creating demand in other sectors of the state economy. As jobs are created or sustained, employees receive additional income and spend more, and businesses increase sales. Subsequently, taxes grow due to larger payroll and sales volumes, providing the state and local municipalities with additional revenues to reinvest in Tennessee.

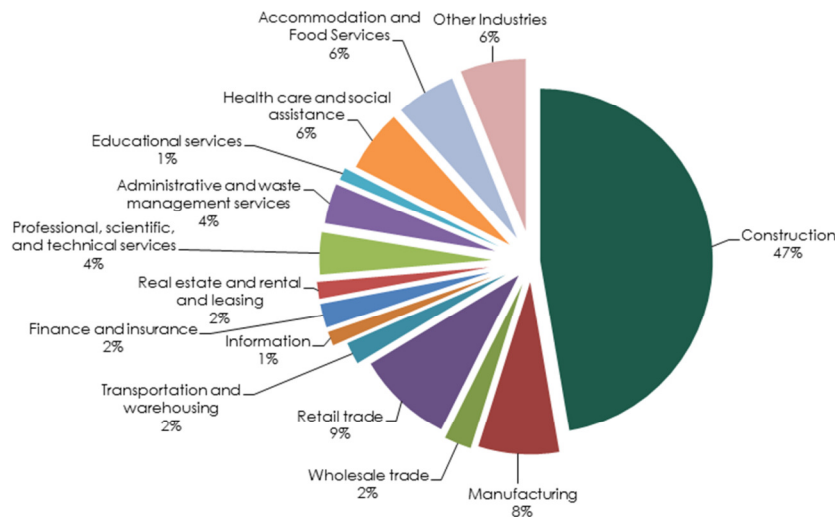
But that is only a small part of the picture. Without the infrastructure built, maintained and managed by the Tennessee transportation construction industry, virtually all of the major industry sectors that comprise the Tennessee economy—and the American jobs they sustain—would not exist or could not function.

¹This summary is based on the same methodology used by ARTBA for the report *Facilitating Economic Growth: The Impact Of A \$460 Million Increase in Tennessee's State Annual Highway and Bridge Capital Investment*. February 2015. Please contact Dr. Alison Premo Black (202)289-4434 or ablack@artba.org with questions. We use the sophisticated "Regional Input-Output Modeling System" (RIMS II) developed by the U.S. Department of Commerce to track the complex money flows and interactions that occur between the state's diverse business sectors. This allows us to determine how a \$278 million annual increase in highway and bridge construction work would impact the output of key business sectors within the region.

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Additional Tennessee Jobs Supported/Created by a \$278 Million Increase in Highway and Bridge Construction Investment



Long Run Impacts of Highway and Bridge Investment

Transportation capital investments trigger immediate economic activity that creates and sustains jobs and tax revenues, yet yield long-lived capital assets that facilitate economic activity for many decades to come by providing access to jobs, services, materials and markets.

Sustained investment in highways and bridges is critical to making the best use of these capital assets. In the long run, Tennessee drivers and businesses would see many economic benefits as a result of additional highway and bridge investment. Businesses would have access to a larger pool of labor, supplies and customers. Businesses would be better equipped to handle the expected 34 percent increase in the value of truck freight shipments to and from Tennessee businesses, which the Federal Highway Administration forecasts will grow from \$459.4 billion in 2015 to \$615 billion in 2030.

An improved highway and bridge network would also result in lower operating costs, allowing business to increase investment in other capital outlays and expand their operations.

The importance of a robust transportation network has been well documented by business analysts, economists and the research community.² Overall estimates are that every \$1 increase in the highway and bridge capital stock generates a total of 30 cents in business savings.

Without adequate investment, highway conditions and safety will become a greater challenge for Tennessee.

² Weisbrod, Glen, Donald Vary and George Treyz. Economic Implications of Congestion. NCHRP Report #463. Project 2-21, National Cooperative Highway Research Program, Transportation Research Board, Washington, DC, 2001

³ Nadiri, M. Ishaq and Theofanis P. Mamuneas. "Contribution of Highway Capital to Output and Productivity Growth in the US Economy and Industries." FHWA, August 1998.

