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## Government construction spending

In its "Construction Outlook 2010" report, New York-based McGraw-Hill Construction (MHC) estimates that the value of public works construction projects under way will grow 14 percent over 2009 levels, reaching more than \$136 billion dollars.

Construction of schools, healthcare facilities, and other government and institutional buildings will advance more modestly in 2010, according to MHC. The value of government and institutional building projects under way in 2010 will rise 1 percent over 2009 levels, reaching \$111 trillion in 2010. By comparison, non-public-building sectors, such as hotels and manufacturing building construction, will shrink further in 2010 over 2009 levels; the value of manufacturing construction, for instance, will drop by 14 percent in 2010 over 2009, predicts MHC.

In 2010, public buildings construction projects will cover 51 million square feet, up 8 percent over 2009 levels, according to MHC preliminary estimates. Courthouses and airport-transportation terminals are some of the government projects covered in this category.

"Of all building types, [public/government buildings] have received the most direct federal stimulus infusion," explained MHC analysts in their 2010 construction forecast. One recipient of hefty stimulus awards is the federal General Services Administration, which hopes to have 91 percent of its \$5.6 billion stimulus funding under contract by Sept. 30, 2010. Some \$4.5 billion of the GSA stimulus funding is earmarked for energy-efficiency upgrades to federal buildings.

ARRA provides \$4.2 billion to the Department of Defense for modernization and restoration of facilities, with a sizable percentage of those stimulus funds to be spent in 2010 and 2011.

Healthcare facilities construction is one public/institutional sector that will see solid growth in 2010 spending, reaching \$21.8 billion in 2010, up 5 percent over 2009 levels. The Defense Department is planning to spend \$1.3 billion of its stimulus dollars on healthcare construction, including building replacement military hospitals at Ft. Hood, Texas and Camp Pendleton, Calif.

A few of the growth categories in public works construction for 2010 include highways, bridges and environmental public works projects. ARRA stimulus funding has been apportioned to the states, under existing federal programs, for surface transportation and other infrastructure categories.

ARRA allocations also should help boost funding for water resource projects and other

environmental spending; in 2010, spending for environmental construction should exceed \$40 billion, which is an 18 percent gain over 2009 levels, predicts MHC.



### **Heather Jones**

"Funds from ARRA are making up for lost funding from state revenues," said Heather Jones, a construction economist for the Research Services Group at Raleigh, N.C.-based FMI, which provides management consulting and investment banking services to the construction industry.

Jones told *Government Product News*: "Strong government construction markets in 2010 are going to include conservation and development (U.S. Army Corps of Engineers work), and water and sewer projects. Conservation and development construction will grow 10 percent in 2010 to \$6.2 billion. Water and sewer construction will grow 5 percent and 4 percent to \$26.9 billion and \$17.8 billion, respectively."



### **Alison Premo Black**

In its annual forecast, the American Road & Transportation Builders Association (ARTBA) predicts that the value of highway, street and bridge construction put in place should reach \$90.5 billion in 2010, up from about \$83.9 billion (an 8 percent increase) in 2009.

ARTBA Vice President of Policy and Economist Alison Premo Black cautions, however, that the boost to the market could be temporary. Uncertainty about the reauthorization of the multi-year federal surface transportation bill and future growth of the overall U.S. economy, along with the end of stimulus funds, will determine if there is a "soft landing" in 2011 or a more significant downturn, Black says.

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