Government Spending on Construction Edges Up

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Off the Charts

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GOVERNMENT construction spending — on such things as roads, schools and sewage plants — is finally on the rise again.

The Census Bureau reported this week that the federal, state and local governments spent $271.1 billion on construction projects during the 12 months through October, 0.3 percent more than in the previous 12 months.

Among the largest categories of public spending on building, spending was up for roads and other transportation projects, as well as on sewers and waste disposal plants. But spending on school construction was lower than in the previous year, as was spending on water projects and public safety.

As can be seen from the accompanying charts — which begin at the end of 2007, as the Great Recession began — public construction spending appeared to be holding up at first, although that was in part because of the lags between decisions on spending and the actual spending. In addition, projects that are started are likely to be finished, even if in retrospect beginning the project no longer seems to have been a wise decision.

Construction spending by state and local governments peaked in 2009 and soon began to decline as budget constraints took hold, but federal spending soared as the Obama administration tried to stimulate the stumbling economy. Federal construction spending climbed to $31.1 billion in 2010, more than 50 percent higher than the 2007 figure, and stayed close to that level in 2011. But it began to decline in 2012, as pressures built to hold down spending.

The recent growth in government construction spending has come from a revival
in state and local government projects. Federal construction spending shows scant signs of recovery, although it remains above prerecession levels.

On a year-over-year basis, total 12-month public construction spending fell continually from early 2010 through August of this year. October was the second month to show a year-over-year increase. The figures are not adjusted for inflation.

Among the categories of public construction spending shown in the accompanying charts, it was spending on public safety construction that rose the fastest early in the recession. Much of that increase went to spending for local police and sheriffs, including jails. Almost none of it went to spending for fire stations.

There was also a large increase in transportation spending — an area that includes airports, marinas and railroads. The much larger area of streets and highways grew at a much lower rate, as did spending on schools.

But spending on public safety construction has since retreated, and in the most recent 12 months was lower than it was before the recession. The same is true of spending on water and sewage plants. Spending on education — largely school construction — remains more than 20 percent below 2007 levels. Spending on transportation projects, and on streets and highways, remains at or near record levels, at least before inflation is taken into account.

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