American Road & Transportation Builders Association

2024 TRANSPORTATION CONSTRUCTION MARKET OUTLOOK

Public highway, pavement, and street construction—the largest market sector—is expected to grow at double digits for the second year in a row—reaching $126 billion in 2024 compared to $108.6 billion in 2023, an increase of 16 percent, according to the American Road & Transportation Builders Association (ARTBA).

The increase in construction activity is supported by two main factors:

- After two years, many of the projects supported by the federal Infrastructure Investment and Jobs Act (IIJA) are in the construction phase.

- Many states are increasing their own revenues to match federal funds and make additional transportation investments. They are using a combination of General Fund transfers, bond issues, business taxes, and other user-fee increases.

Since the start of Fiscal Year (FY) 2022, federal investment has supported over 60,000 new transportation investments across all 50 states and in nearly every county. This includes spending on new construction projects, right of way purchases, planning and design work and other eligible activities.

This investment, including work on major projects valued at $100 million or more, contributed to double-digit growth in highway and bridge construction activity in 2023 and accounted for over 70 percent of the growth in state Department of Transportation (DOT) budgets.

Looking ahead, federal funds will continue to support market activity, but most of the IIJA's investment growth occurred in FY 2022. Recent increases in state transportation revenues are driving DOT budget growth in FY 2024, which for many states began on July 1. State DOTs plan to increase highway and bridge capital spending by 13 percent in FY 2024. Over half of this growth is driven by significant budget increases in Florida, Texas, Tennessee, Minnesota, and Ohio.

The 2024 market outlook does not account for increases in materials, labor, or inflation. While there is no national index that includes changes to all these factors, ARTBA estimates that project costs nationwide increased at an annual rate of about three percent in 2023, compared to 12 percent in 2022 and 10 percent in 2021. We anticipate price increases in the coming year to look more like 2023 than 2022.

Overall Transportation Construction Market

ARTBA projects the total value of overall transportation construction work will grow from $187 billion in 2023 to $214 billion in 2024. Beyond highway, pavement, and street construction, this includes increases in:

- Public transit and rail construction—from $25.4 billion to $26.9 billion (+6%)
- Bridge and tunnel work—from $22.5 billion to $26.4 billion (+17%)
- Airport terminal and runway work—from $25.6 billion to $29 billion (+14%)
- Port and waterway construction—from $5.2 billion to $5.7 billion (+9%)

The outlook through 2028 is also positive, as new projects supported by the IIJA and state investments get underway and construction activity continues to increase over a multi-year period.

States are also beginning to leverage more of the IIJA's new bridge-specific funding capacity, including the new formula and discretionary programs. States have committed over one-third of their available bridge formula funds, which they have four years to use.

State-by-State

Transportation construction market activity is expected to increase or be steady in 38 states. Based on recent state and local government contract awards, some of the largest markets expected to show growth are Texas, Florida, Georgia, Connecticut, California, Kansas, Illinois, Colorado, Pennsylvania, and New York.

Twenty-seven states passed legislation to raise a total of $20 billion in transportation revenues, according to ARTBA's Transportation Investment Advocacy Center.

- This included a one-time General Fund transfer of $4 billion in Florida to accelerate congestion relief projects. One-time supplemental appropriations were also approved in Arizona ($680 million), Mississippi ($620 million), West Virginia ($150 million), and Montana ($100 million).
- Bond issues were approved in Connecticut ($3.1 billion), Oregon ($1 billion), Massachusetts ($375 million), Ohio ($251 million)
- Texas passed a measure to extend propositions 1 and 7, which provide up to 40 percent of the state's funding for their transportation program and approved a new electric vehicle fee. These measures are expected to raise nearly $4 billion in revenue.
- Minnesota approved a $1.3 billion measure that includes a new retail delivery fee, an increase in the motor vehicle sales tax, and indexing the state gas tax to inflation.
- Tennessee's legislature approved an increase in electric vehicle registration fees, a one-time General Fund transfer, and a mechanism to allow private companies to build toll lanes in the state that will raise $3.3 billion.
- Maine will now dedicate 40 percent of the sales tax on vehicle purchases to the highway fund, providing $200 million in revenue. Pennsylvania moved state police funding to the General Fund, freeing up $125 million in transportation revenues.

Transportation Construction Workforce

Beyond material prices, a key market risk continues to be the industry's workforce.

Finding workers is still a concern. The number of workers employed by highway, street, and bridge contractors reached record levels over the 2023 summer construction season, with employment up by over 30,000 jobs, or eight percent, compared to 2022.

The number of hours worked by employees on the jobsite was down slightly compared to 2022, averaging just over 45 hours per week, as more workers were hired. Average hourly wages are up four percent, compared to eight percent in 2022.

The construction unemployment rate was in the range of 3.5 percent to four percent for the 2023 summer construction season, in line with 2019 levels. However, the number of job openings in the construction industry continues to be high, indicating a demand for workers that is not being filled.

Methodology

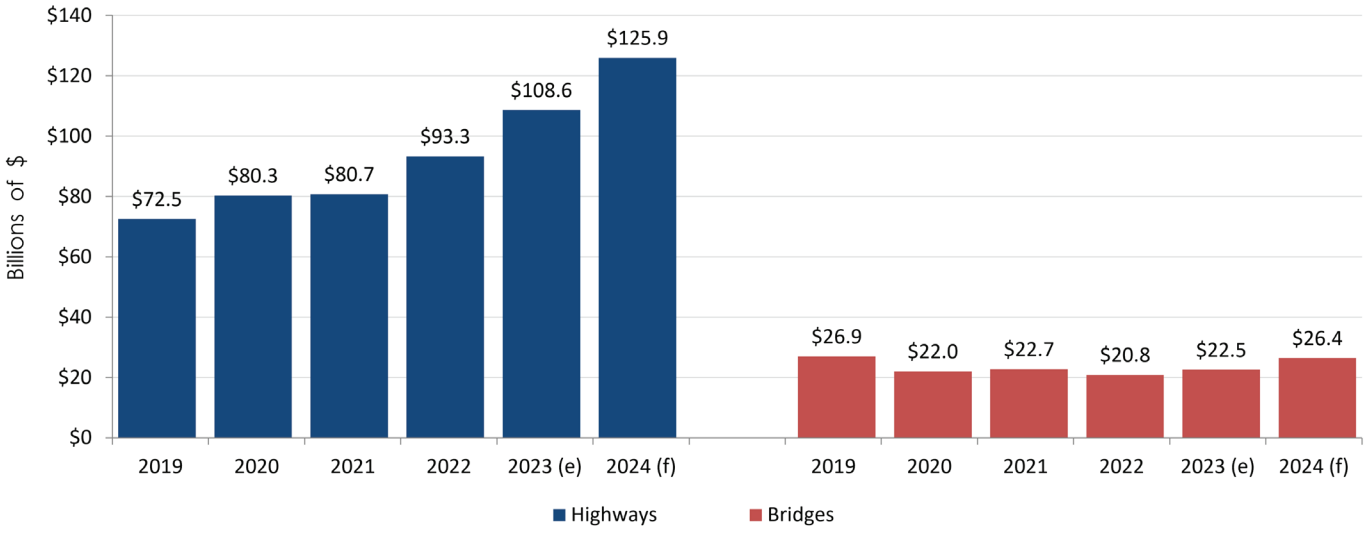
The ARTBA market outlook is based on a series of proprietary econometric models for each mode and analysis of federal, state, and local data and market intelligence developed by ARTBA Senior Vice President and Chief Economist, Dr. Alison Premo Black. The models are estimating market activity as measured by the U.S. Census Bureau Value of Construction Put in Place.

This is a national outlook, and the performance of individual states and regions will vary.

The graphs and charts on the following pages provide a visual snapshot of key elements in ARTBA's forecast.

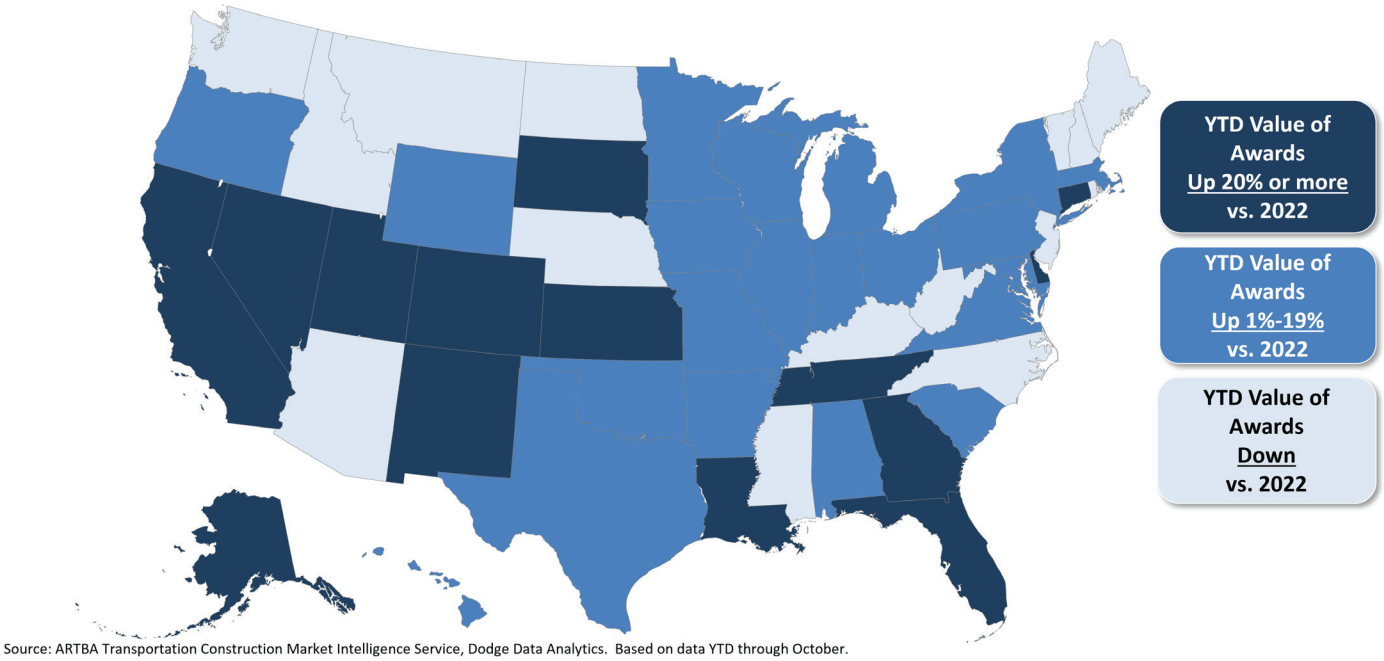
For more information, please contact Dr. Alison Premo Black at **ablack@artba.org**.

Outlook for U.S. Value of Highway & Bridge Construction Activity



Source: ARTBA outlook of U.S. Census Bureau Value of Construction Put in Place, does not take into account changes in inflation, prices, or project costs.

Value of State & Local Government Highway & Bridge Contract Awards, Expected Growth in 2023 versus 2022



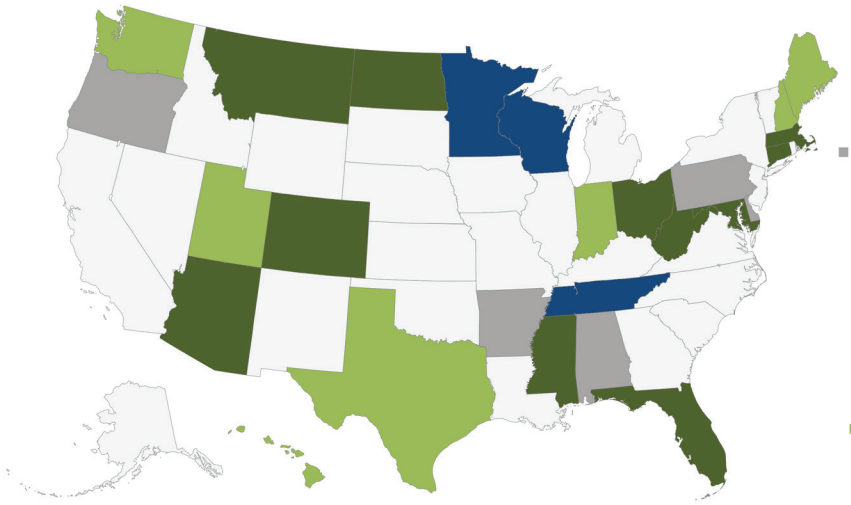
Source: ARTBA Transportation Construction Market Intelligence Service, Dodge Data Analytics. Based on data YTD through October.

Outlook for U.S. Value of Rail and Transit Construction Activity

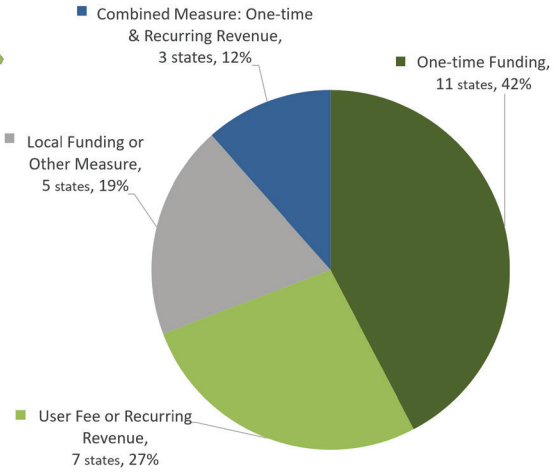
Source: ARTBA outlook of U.S. Census Bureau Value of Construction Put in Place, does not take into account changes in inflation, prices, or project costs.

26 States Approved $23 Billion in Transportation-Related Funding Measures in 2023

States With Approved Measures

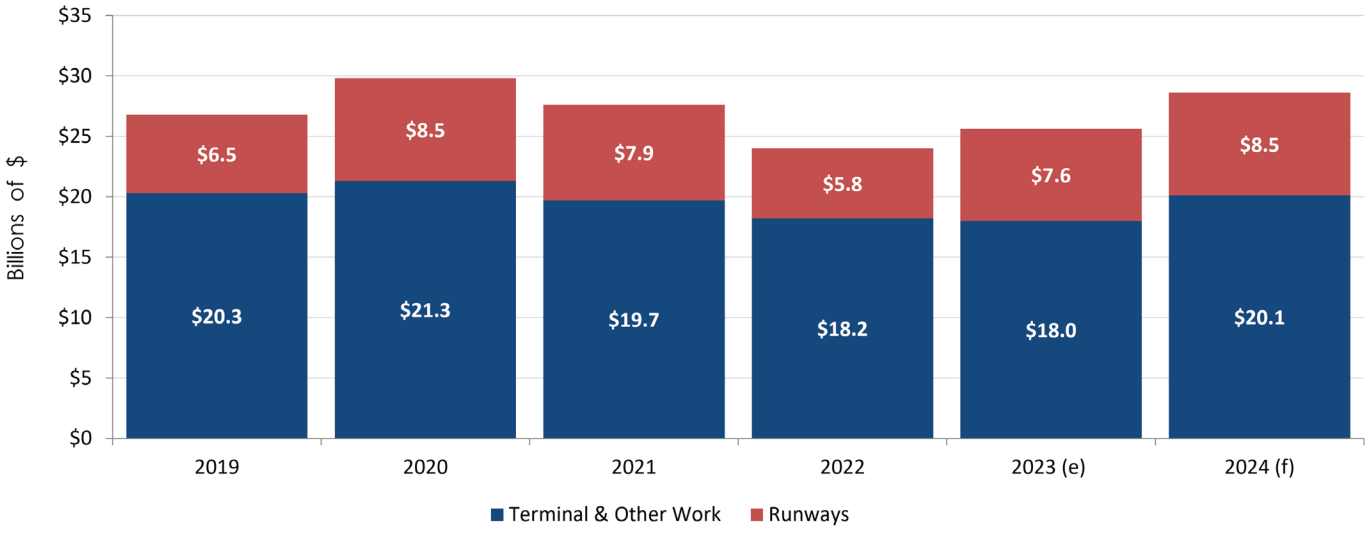


Type of Revenue Increase Approved



Source: ARTBA Transportation Infrastructure Advocacy Center

Outlook for Airport Construction Activity



Source: ARTBA outlook of U.S. Census Bureau Value of Construction Put in Place, does not take into account changes in inflation, prices, or project costs.