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THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

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Sequestration and Its Possible Impacts on Construction

February 2013

Executive Summary

How Sequestration Would Work Under the Budget Control Act & the American Taxpayer Relief Act

Congress passed and President Obama signed into law the Budget Control Act of 2011 (BCA), which reduces spending through two mechanisms: (1) discretionary spending caps that came into effect in FY 2012; and (2) an automatic, indiscriminate process of across-the-board budget cuts called sequestration.¹ Originally set to occur on January 2, 2013, the sequestration process was slated to cut approximately \$109 billion from defense and non-defense programs in fiscal year (FY) 2013 alone and saves a similar amount in each of the subsequent years through 2021. However, Congress delayed the sequestration process by two months—from January 2 to March 1—and lowered the FY 2013 cut by \$24 billion—from \$109 billion to \$85 billion—under the American Taxpayer Relief Act (the “Fiscal Cliff” deal) enacted on January 2.

The combined impact of the BCA annual spending caps and full implementation of sequestration is estimated to cut federal spending by almost \$200 billion annually with interest savings. Approximately \$2.1 trillion in total will be shaved from federal spending by 2021—\$900 billion as a result of the annual spending caps and \$1.2 trillion through sequestration. These ongoing cuts total approximately 15 percent of the federal discretionary budget. As this report outlines, construction will likely feel these cuts, as construction programs make up about 10 percent of the total federal discretionary budget.

How Sequestration Could Impact Federal Construction Investment

If the current law remains in place, the sequestration process would reduce many federal construction investment accounts in FY 2013, with the exception of the Highway Trust Fund, Airport Improvement Program, Department of Veterans Affairs accounts, and General Services Administration accounts.² By AGC's estimates, the cuts to federal construction accounts could exceed \$4 billion. According to Dr. Stephen Fuller of George Mason University, on average, \$1 billion of investment in nonresidential construction supports or creates 28,500 jobs throughout the economy and adds \$3.4 billion to GDP and \$1.1 billion to personal income. Consequently, the possible sequestration cuts for this fiscal year could put some 114,000 jobs, \$13.6 billion in GDP and \$4.4 billion in personal income at risk.

Sequestration could have a significant impact on a wide range of necessary and worthwhile construction investment funding accounts. For example, construction accounts for building military facilities to train,

¹ The BCA established a Joint Select Committee on Deficit Reduction (dubbed the “Super Committee”), composed of an equal number of Senators and Representatives, and instructed it to develop a proposal that would reduce the deficit by at least \$1.5 trillion over FY2012 to FY2021. In order to ensure deficit reduction occurred if a Joint Committee bill was not enacted, the BCA established the automatic sequestration process to reduce spending, beginning in 2013. On November 21, 2011, the Joint Committee announced that it could not reach an agreement before its deadline. As a result, a \$1.2 trillion sequestration process had been triggered to begin in January 2013.

² The Highway Trust Fund, Airport Improvement Program, Department of Veterans Affairs accounts, and General Services Administration accounts are exempt from the sequestration process scheduled to occur on March 1, 2013. However, those construction accounts could face cuts in later fiscal years to help ensure that federal spending does not exceed the BCA-enacted budget caps.

support and house our nation's service men and women could see over \$1.5 billion in cuts under sequestration. America's foreign service officers working in U.S. embassies abroad could feel the impact of about a \$90 million cut—a nearly 12 percent reduction compared to FY 2012 funding levels—to embassy security, construction and maintenance funding. And, America's cities and towns could feel the negative impact of approximately a \$135 million reduction in drinking water and wastewater facilities and infrastructure investment at a time when upgrades are necessary.

From an investment perspective, the American people would be the biggest losers in the sequestration process. Federal facility and infrastructure needs are obvious, and the value construction investment brings to all citizens is well-documented. AGC details specific impacts of sequestration on these accounts and the nation's federal facility and infrastructure needs by department in this report.

How AGC Produced This Report & Estimated These Figures

AGC compiled the figures in this report based on the White House Office of Management and Budget's (OMB) September 14, 2012, sequestration report to Congress and the subsequently enacted Fiscal Cliff deal, which delayed the sequestration cuts.³ Because Congress has not finalized FY 2013 appropriations, AGC has compared the projected sequestration cuts to the annual FY 2012 appropriations funding levels. In addition, where the OMB sequestration report did not include a particular construction account, AGC assumed that the corresponding percentage cuts to similar programs would apply and took into account the delay to the sequestration process. Lastly, although not every construction account listed would be spent exclusively on direct construction investment, the purpose of this report is to provide an estimate of sequestration's impact on federal construction investment funding while explaining federal infrastructure and facility investment needs and value. Additionally, this report does not include every federal construction investment account. However, it includes many accounts important to maintaining and improving America's federal infrastructure and facilities.

AGC's Message to Congress & President Obama

Based on the data concerning sequestration documented in this report and at a time when the construction industry has the highest unemployment rate of any industry, AGC strongly urges Congress and President Obama to enact sensible debt reduction reforms and avert these indiscriminate sequestration cuts.

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³ Office of Management and Budget. OMB Report Pursuant to the Sequestration Transparency Act of 2012 (P. L. 112-155). Available at http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/stareport.pdf



Summary of Possible Sequestration Cuts on Construction Investment Funding

Department of Defense Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Afghanistan Infrastructure Fund	\$40	\$400	10.0%
DOD Base Closure Account 1990	\$101	\$324	31.2%
DOD Base Closure Account 2005	\$55	\$259	21.2%
DOD Environmental Restoration Accounts	\$87	\$1,191	7.3%
Environmental Restoration, Formerly Used Defense Sites	\$24	\$327	7.3%
Family Housing Construction, Air Force	\$11	\$60	18.3%
Family Housing Construction, Army	\$17	\$177	9.6%
Family Housing Construction, Navy & Marine Corps	\$14	\$111	12.6%
Family Housing Operation & Maintenance, Army	\$36	\$493	7.3%
Family Housing Operation & Maintenance, Navy & Marine Corps	\$27	\$368	7.3%
Family Housing Operations & Maintenance, Air Force	\$31	\$430	7.2%
Family Housing Operations & Maintenance, Defense-wide	\$4	\$51	7.8%
Military Construction, Air Force	\$113	\$1,227	9.2%
Military Construction, Air Force Reserve	\$4	\$34	11.8%
Military Construction, Air National Guard	\$13	\$116	11.2%
Military Construction, Army	\$298	\$3,006	9.9%
Military Construction, Army National Guard	\$78	\$774	10.1%
Military Construction, Army Reserve	\$26	\$281	9.3%
Military Construction, Defense-wide	\$323	\$3,432	9.4%
Military Construction, Navy & Marine Corps	\$226	\$2,113	10.7%
Military Construction, Navy Reserve	\$3	\$26	11.5%
TOTAL	\$1,531	\$15,200	10.1%

U.S. Army Corps of Engineers Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Construction	\$104	\$1,694	6.1%
Flood Control & Coastal Emergencies	\$24	\$27	89%
Formerly Utilized Sites Remedial Action Program	\$7	\$109	6.4%
General Investigations	\$8	\$125	6.4%
Harbor Maintenance Trust Fund	\$50	\$898	5.6%
Inland Waterways Trust Fund	\$4	\$74	5.4%
Mississippi River & Tributaries	\$60	\$252	23.8%
Operation & Maintenance	\$122	\$2,412	5.1%
TOTAL	\$379	\$5,591	6.8%



	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Transportation Construction Program			
FAA Facilities & Equipment (Airport & Airway Trust Fund)	\$159	\$2,731	5.8%
Federal Highway Administration, Emergency Relief Program	\$94	\$1,662	5.7%
General Fund Payment to Highway Trust Fund	\$327	\$6,200	5.3%
National Infrastructure Investments	\$28	\$500	5.6%
Transit Capital Investment Grants	\$108	\$1,955	5.5%
TOTAL	\$716	\$13,048	5.5%

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Environmental Protection Agency Construction Program			
Buildings & Facilities	\$2	\$36	5.6%
<i>Clean Water State Revolving Fund⁴</i>	<i>\$83</i>	<i>\$1,469</i>	<i>5.7%</i>
<i>Drinking Water State Revolving Fund</i>	<i>\$52</i>	<i>\$919</i>	<i>5.7%</i>
Hazardous Substance Superfund	\$83	\$1,216	6.8%
Leaking Underground Storage Tank Trust Fund	\$6	\$104	5.8%
TOTAL	\$226	\$3,744	6.0%

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Agriculture Construction Program			
Agriculture Buildings & Facilities & Rental Payments	\$13	\$230	5.7%
Forest Service Capital Improvement & Maintenance	\$24	\$395	6.1%
NRCS- Watershed & Flood Prevention Operations	\$13	\$0	0.0%
Rural Community Facilities Program Account	\$1	\$24	4.2%
Rural Water & Waste Disposal Program Amount	\$29	\$513	5.7%
TOTAL	\$80	\$1,162	6.9%

⁴ Where the Office and Management and Budget's Sept. 14, 2012, sequestration report did not explicitly include a particular construction account, AGC assumed that the corresponding percentage cuts to similar programs would apply and also took into account recent changes as a result of the Fiscal Cliff Law that delayed sequestration. Please note that these accounts are italicized throughout the report.



	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of State Construction Program			
Capital Investment Fund	\$3	\$59	5.1%
Embassy Security, Construction, and Maintenance	\$90	\$762	11.8%
International Boundary & Water Commission, Construction	\$2	\$31	6.5%
TOTAL	\$95	\$852	11.2%

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Homeland Security Construction Program			
Border Security Fencing, Infrastructure & Technology	\$23	\$400	5.8%
Customs & Border Protection, Construction	\$13	\$237	5.5%
Federal Law Enforcement Training Center, Acquisition, Construction, Improvements & Related Expenses	\$2	\$32	6.3%
<i>Laboratory Facilities Operations & Construction</i>	\$10	\$177	5.6%
U.S. Coast Guard, Acquisition, Construction & Improvements	\$80	\$1,404	5.7%
TOTAL	\$128	\$2,250	5.7%

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Housing & Urban Development Construction Program			
Community Development Fund	\$194	\$3,308	5.9%
Home Investment Partnerships Program	\$57	\$1,000	5.7%
Public Housing Capital Fund	\$107	\$1,875	5.7%
TOTAL	\$358	\$6,183	5.8%

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of the Interior Construction Program			
Bureau of Reclamation, Water & Related Resources	\$62	\$895	6.9%
California Bay-Delta Restoration	\$2	\$40	5.0%
Central Valley Project Restoration Fund	\$2	\$53	5.0%
Historic Preservation Fund	\$3	\$56	5.3%
Indian Affairs, Construction	\$7	\$129	5.4%
National Park Service, Construction	\$9	\$160	6.6%
TOTAL	\$85	\$1,333	6.4%



	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Commerce Construction Programs			
National Institute of Standards & Technology, Construction	\$3	\$55	5.4%
NOAA Operations, Research and Facilities	\$179	\$3,022	5.9%
NOAA Procurement, Acquisition and Construction	\$104	\$1,817	5.7%
TOTAL	\$286	\$4,894	5.8%

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Energy Construction Programs			
Defense Environmental Cleanup	\$328	\$5,023	6.5%
Non-Defense Environmental Cleanup	\$13	\$236	5.5%
Western Area Power Administration, Construction, Rehabilitation, Operation & Maintenance	\$6	\$279	2.2%
Uranium Enrichment Decontamination & Decommissioning Fund	\$27	\$473	5.7%
TOTAL	\$374	\$6,011	6.2%

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Health & Human Services Construction Program			
Indian Health Facilities	\$25	\$441	5.7%
<i>Job Corps Construction, Rehab & Acquisition</i>	\$6	\$105	5.7%
<i>National Institutes of Health, Buildings & Facilities</i>	\$7	\$126	5.6%
TOTAL	\$38	\$672	5.7%



Other Construction Investment Programs	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Appalachian Regional Commission	\$3	\$68	4.4%
Capital Construction, Dwight D. Eisenhower Memorial Commission	\$2	\$31	6.5%
Capitol Building	\$2	\$36	5.6%
Capitol Police Buildings & Grounds	\$1	\$23	4.3%
Federal Bureau of Investigation, Construction	\$5	\$81	6.2%
Federal Prison System, Buildings & Facilities	\$3	\$90	3.3%
House Office Buildings	\$6	\$94	6.4%
Library Buildings & Grounds	\$3	\$48	6.3%
NASA, Construction, Environmental Compliance & Remediation	\$22	\$390	5.6%
National Science Foundation, Major Research Equipment & Facilities Construction	\$10	\$167	6.0%
Senate Office Buildings	\$4	\$71	5.6%
Smithsonian Institution, Facilities Capital	\$10	\$175	5.7%
TOTAL	\$71	\$1,224	5.8%

	Dollars in Millions
TOTAL Estimated Sequestration Impact on Construction Investment Programs	\$4,367 CUT

Department of Defense (Military Construction)

The Department of Defense (DOD) military construction program plays a significant role in providing the infrastructure to train, operate and achieve the national security goals of the United States while providing housing and other support to service members and their families. However, sequestration is estimated to reduce military construction accounts by over \$1.5 billion in FY 2013.

Department of Defense Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Afghanistan Infrastructure Fund	\$40	\$400	10.0%
DOD Base Closure Account 1990	\$101	\$324	31.2%
DOD Base Closure Account 2005	\$55	\$259	21.2%
DOD Environmental Restoration Accounts	\$87	\$1,191	7.3%
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Family Housing Operations & Maintenance, Defense-wide	\$4	\$51	7.8%
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Military Construction, Air National Guard	\$13	\$116	11.2%
Military Construction, Army	\$298	\$3,006	9.9%
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Military Construction, Navy Reserve	\$3	\$26	11.5%
TOTAL	\$1,531	\$15,200	10.1%

In addition to building the facilities necessary to protect and train our troops at bases within the U.S. and around the world, this construction program also supports projects ranging from family housing to hospitals, promoting service member retention and improving overall quality of life. These accounts help improve child development centers, existing dormitories and medical assistance centers. As a result, soldiers and their families can place their children in cost-effective and accredited child care facilities, and family members of wounded warriors can see their loved ones receive the transitory assistance they need while in close vicinity of medical support facilities. The sequestration process may

jeopardize funds necessary to start or complete these worthwhile construction projects that support our troops.

Additionally, DOD has long sought to securely and efficiently provide for our nation’s service men and women. As such, DOD recently called for more Base Closure and Realignment Commission (BRAC) rounds to help mitigate the high overhead costs to maintain, sustain and protect bases.⁵ In recent years, DOD has spent about \$40 billion a year on facilities construction, sustainment and recapitalization. Other costs associated with operating military installations (e.g., air traffic control, religious services and programs; payroll support; personnel management; morale, welfare, and recreation services; and physical security) have averaged about \$15 billion a year.⁶ DOD has testified that if it retains “bases that are excess to need, we will be forced to cut spending on forces, training and modernization.”⁷ Nevertheless, sequestration would eliminate over \$150 million for ongoing BRAC activities. At a time when the federal government seeks to reduce costs, these cuts would impair the above efforts that would help do just that.

U.S. Army Corps of Engineers (Civil Works)

The U.S. Army Corps of Engineers’ (USACE) Civil Works program—within the DOD—includes water resource development activities such as flood risk management, navigation, recreation and infrastructure and environmental stewardship projects. The infrastructure work in USACE’s portfolio helps ensure our inland waterways and ports operate efficiently while protecting our cities and towns from dangerous floods.

U.S. Army Corps of Engineers Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Construction	\$104	\$1,694	6.1%
Flood Control & Coastal Emergencies	\$24	\$27	89%
Formerly Utilized Sites Remedial Action Program	\$7	\$109	6.4%
General Investigations	\$8	\$125	6.4%
Harbor Maintenance Trust Fund	\$50	\$898	5.6%
Inland Waterways Trust Fund	\$4	\$74	5.4%
Mississippi River & Tributaries	\$60	\$252	23.8%
Operation & Maintenance	\$122	\$2,412	5.1%
TOTAL	\$379	\$5,591	6.8%

⁵Dr. Dorothy Robyn. Testimony before the U.S. Senate Appropriations Subcommittee on Military Construction, Veterans Affairs and Related Agencies. March 27, 2012. Available at <http://www.appropriations.senate.gov/ht-military.cfm?method=hearings.download&id=6c92927e-19a1-4cd9-bb6c-a563bf7e98a1>

⁶ *Id.*

⁷ *Id.*

The value of investment in America’s water resources infrastructure speaks for itself. In 2010, our inland waterway system carried over 556 million tons of freight valued at more than \$180 billion.⁸ The average cost savings of \$11 per ton compared with other modes of transportation means the efficiency of waterway transportation saved the nation \$6.2 billion in transport costs in 2010 alone.⁹ Investments in flood control projects have prevented an estimated \$22.3 billion in average annual damages from coastal and river flooding.¹⁰ These projects have prevented an estimated \$706 billion in flood damages in the last 25 years.¹¹ For every \$1 spent on flood control, about \$6 in potential damages have been saved.¹²

Congress must continue to invest in maintaining and improving the nation’s waterways, ports, and flood control systems because the cost of not doing so is too great. Between now and 2020, investment in the nation’s marine ports and inland waterways sector total \$30 billion, while planned expenditures total \$14 billion, leaving an investment gap of about \$16 billion.¹³ Without the additional investment of \$16 billion in inland waterways and port systems by 2020, the U.S. economy risks losing \$270 billion in exports, \$697 billion in GDP, 738,000 jobs and \$872 billion in personal income.¹⁴

In the face of these statistics, Congress has cut \$337 million (17 percent) from USACE Civil Works construction accounts alone since 2010. Under sequestration, approximately \$379 million more could be cut from the Civil Works program in FY 2013 alone. After the successful USACE efforts in protecting citizens from the record breaking 2011 Mississippi River flood, sequestration could cut \$24 million from the Flood Control construction account—an 89 percent cut from FY 2012 funding levels. The truly indiscriminate nature of the cuts produced by the possible sequester may ring loudest with its impact on USACE flood control funding.

Department of Transportation

The Department of Transportation (USDOT) helps coordinate and construct a safe and efficient multi-modal, national transportation system. USDOT construction initiatives help further the economical and secure movement of freight—keeping America globally competitive—and of American citizens.

However, maintaining and improving the national transportation system remains difficult as a result of continued funding needs. Without sustained investment in our surface transportation infrastructure, U.S. businesses will pay an added \$430 billion in transportation costs, household incomes will fall by

⁸ Texas Transportation Institute, Center for Ports and Waterways. “Waterways: Working for America.” February 2012.

⁹ *Id.*

¹⁰ *Supra* note 2.

¹¹ *Id.*

¹² *Id.*

¹³ American Society of Civil Engineers. “Failure to Act: The Economic Impact of Current Investment Trends in Airports, Inland Waterways, and Maine Ports Infrastructure.” 2012. Available at www.asce.org/failuretoact

¹⁴ *Id.*

more than \$7,000 and U.S. exports will fall by \$28 billion come 2020.¹⁵ As it stands, one-third of major roads are in poor or mediocre condition, 25 percent of bridges are structurally deficient or functionally obsolete, and the air traffic control system faces a multiyear overhaul.¹⁶ Rather than help ameliorate these noted deficiencies, sequestration could allow them to persist and grow as a result of an over \$1 billion reduction in surface transportation funding.

Department of Transportation Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
FAA Facilities & Equipment (Airport & Airway Trust Fund)	\$159	\$2,731	5.8%
Federal Highway Administration, Emergency Relief Program	\$94	\$1,662	5.7%
General Fund Payment to Highway Trust Fund	\$327	\$6,200	5.3%
National Infrastructure Investments	\$28	\$500	5.6%
Transit Capital Investment Grants	\$108	\$1,955	5.5%
TOTAL	\$716	\$13,048	5.5%

FY 2013 General Fund Payment to Highway Trust Fund

The Highway Trust Fund (HTF) is the main source of federal funding for programs authorized by the Moving Ahead for Progress in the 21st Century Act (MAP-21). The HTF is composed of a Highway Account, which supports highway and intermodal programs, and a Mass Transit Account, which funds public transportation. The HTF is funded by a federal gasoline tax of 18.4 cents per gallon and a federal diesel tax of 24.4 cents per gallon, as well as other fees. These user fees that paid for much of the nation's interstate system have failed to keep pace with inflation and the rising costs of construction and construction materials, resulting in underinvestment of system needs.

Congress has failed to generate revenues sufficient to help meet continuing surface transportation improvement and maintenance needs. Although the recently enacted MAP-21 law includes a number of needed transportation and environmental policy and regulatory reforms, it does not resolve the long-term funding issues surrounding the federal program. Rather, to keep the HTF solvent—as expenditures outpace revenues—MAP-21 provides revenue transfers from the General Fund to the Highway Trust Fund sufficient to pay for current levels of funding plus inflation through fiscal year 2014. Specifically, the law mandates a \$6.2 billion General Fund transfer to the Highway Account in 2013. Nevertheless, if sequestration occurs, \$327 million could be cut from this General Fund infusion intended, somewhat ironically, to help the HTF remain solvent and support needed surface infrastructure improvements. The HTF revenues themselves, however, are exempt from the sequestration process.

Continued transportation infrastructure funding cuts will not help address the future costs of deferred highway infrastructure improvement. Without sustained investment in our surface transportation

¹⁵ American Society of Civil Engineers. “Failure to Act: The Economic Impact of Current Investment Trends in Surface Transportation Infrastructure.” 2011. Available at www.asce.org/failuretoact

¹⁶ U.S. Chamber of Commerce. Infrastructure Agenda. Available at <http://www.uschamber.com/infrastructure>

infrastructure, U.S. businesses will pay an added \$430 billion in transportation costs, household incomes will fall by more than \$7,000 and U.S. exports will fall by \$28 billion come 2020.¹⁷ According to the USDOT, each \$1 billion in federal highway investment plus the state match supports 34,000 jobs, and every dollar that taxpayers invest in public transportation generates about \$6 in economic returns. However, since 2010, Congress has cut \$2 billion from highway construction funding. And, again, sequestration could further reduce those funds by \$327 million in FY 2013.

Transit Capital Investment Grants

The Transit Capital Investment Program provides capital assistance for the New Starts and Small Starts programs. The New Starts and Small Starts programs are the federal government's primary financial resource for supporting locally planned, implemented and operated transit “guideway” capital investments. Eligible fixed-guideway projects include, but are not limited to rapid rail, light rail, commuter rail, automated guideway transit, people movers, and exclusive facilities for buses (such as bus rapid transit) and other high occupancy vehicles. Non-guideway bus-based projects that include a defined set of low-cost features may also qualify for support under the Small Starts and Very Small Starts project categories.

Transit systems across the nation are struggling to find dollars to upgrade and expand aging facilities and infrastructure when ridership is at modern record levels. For the last five years, more than 10 billion trips have been taken annually, even during the economic recession.¹⁸ For example, in 2008, Americans took 10.7 billion trips on public transportation – the highest level in 52 years.¹⁹ Given the demand for public transit projects, now is not the time to reduce funding for these projects. Nonetheless, under sequestration, about \$108 million could be cut from Transit Capital Investment Grants, likely impacting the New Starts and Small Starts programs.

Environmental Protection Agency

The Environmental Protection Agency (EPA) oversees significant and essential construction funding accounts—the Clean Water and Drinking Water State Revolving Funds—that help build and maintain our nation’s wastewater and drinking water facilities and infrastructure. These accounts help with the production and delivery of clean water to our nation’s businesses, hospitals, farms and communities while safely discharging wastewater.

In 2010, the EPA estimated the cost of the capital investment required to maintain and upgrade American drinking water and wastewater treatment systems at \$91 billion.²⁰ However, only \$36 billion

¹⁷ *Supra* note 13.

¹⁸ Americans for Transportation Mobility. “Highways and Public Transportation: Federal Responsibilities 101.” Available at <http://www.fasterbettersafer.org/home/the-issues.html>

¹⁹ Letter from American Public Transportation Association President William W. Millar to Senator Patty Murray. April 13, 2009. Available at http://www.apta.com/gap/letters/2009/Pages/090413_murray.aspx

²⁰ American Society of Civil Engineers. “Failure to Act: The Economic Impact of Current Investment Trends in Water and Wastewater Treatment Infrastructure.” 2011. Available at www.asce.org/failuretoact

of this necessary \$91 billion was funded, leaving a funding gap of nearly \$55 billion.²¹ By 2020, the predicted deficit for sustaining water delivery and wastewater treatment infrastructure will be \$84 billion, which may lead to \$206 billion in increased costs for businesses and households between now and 2020.²² Such costs could place approximately 684,000 jobs at risk by 2020.²³

Despite these well-documented funding needs and the job and business costs of not meeting those needs, Congress has cut \$631 million—30 percent—from wastewater infrastructure and \$461 million—33 percent—from drinking water infrastructure since 2010. Furthermore, based on the administration’s estimates, if sequestration occurs, these critical construction funding accounts would face an additional reduction of about \$135 million in FY 2013. AGC assumes that the Clean Water and Drinking Water State Revolving Funds—italicized in the table below—would receive a 5.7 percent, indiscriminate cut, as they were not explicitly included in the OMB sequestration report.

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Environmental Protection Agency Construction Program			
Buildings & Facilities	\$2	\$36	5.6%
<i>Clean Water State Revolving Fund²⁴</i>	\$83	\$1,469	5.7%
<i>Drinking Water State Revolving Fund</i>	\$52	\$919	5.7%
Hazardous Substance Superfund	\$83	\$1,216	6.8%
Leaking Underground Storage Tank Trust Fund	\$6	\$104	5.8%
TOTAL	\$226	\$3,744	6.0%

The Clean Water State Revolving Fund

The Clean Water State Revolving Fund (CWSRF) program is an innovative method of financing a range of wastewater-related projects. Under the program, the EPA provides grants to all 50 states, plus Puerto Rico, to capitalize state loan funds.

The CWSRF program allows states flexibility to provide funding for projects to address their highest-priority water quality needs. Traditionally, these funds are used to build or improve wastewater treatment plants. However, loans are also used for: agricultural, rural, and urban runoff control; estuary improvement projects; wet weather flow control, including stormwater and sewer overflows; alternative treatment technologies; and water reuse and conservation projects. When funded with a loan from this program, a project typically costs much less than it would if funded through the bond

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ Where the Office and Management and Budget’s Sept. 14, 2012, sequestration report did not explicitly include a particular construction account, AGC assumed that the corresponding percentage cuts to similar programs would apply and then took into account changes as a result of the Fiscal Cliff Law that delayed sequestration. Please note that these accounts are italicized throughout the report.

market.²⁵ Many states offer low or no interest rate loans to small and disadvantaged communities, providing an additional incentive to getting projects started. For example, a state can make a zero-percent loan to a community for 20 years, saving the community 50 percent of the total project costs over a similar loan at 7.5 percent.²⁶

In 2008, 14,780 wastewater treatment facilities and 19,739 wastewater pipe systems were operational across the country.²⁷ The condition of many of these systems is considered poor, with aging pipes and inadequate capacity leading to the discharge of an estimated 900 billion gallons of untreated sewage each year.²⁸ Logically, well-documented wastewater system needs require increased funding in order to protect and serve American citizens nationwide. However, despite these known needs, sequestration could cut about \$83 million for wastewater infrastructure investment.

The Drinking Water State Revolving Fund

The public drinking water systems regulated by EPA, and delegated states and tribes, provide drinking water to 90 percent of Americans. Of the nearly 170,000 U.S. public drinking-water systems, 54,000 are community water systems that collectively serve more than 264 million Americans. The Drinking Water State Revolving Fund helps fund projects for the construction and improvement these drinking water systems throughout the nation.

As the population continues to grow and communities expand, drinking-water facility capacity must expand and new pipes must be laid to help ensure delivery of clean and safe drinking-water. However, just as the system must expand to meet future growth, so too must it be maintained to meet existing demands. For example, aging water mains are subject to more frequent breaks and failures that can threaten public health and safety. The average age of failing water mains is 47 years.²⁹ Forty-three percent of water mains are 20 to 50 years old and 22 percent are older than 50 years.³⁰

The EPA's 2007 Drinking Water Infrastructure Needs Survey and Assessment found that the nation's water systems require \$334.8 billion in investment over the next 20 years in order to continue to provide clean and safe drinking water to customers. Sixty percent (\$200.8 billion) of the total national need is current need and 40 percent (\$134.1 billion) is estimated as future need: \$200.8 billion for transmission and distribution, \$75.1 billion for treatment, \$36.9 billion for storage, and the remainder for other systems. Again, sequestration—in spite of these system needs—could indiscriminately cut approximately \$52 million from drinking water facility funds in FY 2013.

²⁵ Environmental Protection Agency. "The Clean Water State Revolving Fund Program." May 1999. Available at http://water.epa.gov/grants_funding/cwsrf/upload/2002_06_28_cwfinance_cwsrf_cwsrf.pdf

²⁶ *Id.*

²⁷ *Supra* note 18.

²⁸ *Id.*

²⁹ Dr. Steven Folkman. "Water Main Breaks in the U.S. and Canada: A Comprehensive Study." Utah State University, Buried Structures Laboratory. April 2012. Available at www.neng.usu.edu/mae/faculty/stevef/UtahStateWaterBreakRatesLR.pdf.

³⁰ *Id.*

Department of Agriculture

The U.S. Department of Agriculture (USDA) provides support to rural and agricultural interests through a wide variety of construction programs. For the construction industry, the programs of greatest significance within the USDA focus on improving clean water supply and waste water disposal access to rural communities, preventing flood damage and rehabilitating small watershed dams.

Funding for USDA construction programs exceeded \$1.1 billion in FY 2012. If sequestration occurs, about \$80 million of that funding could be cut. The table below highlights these potential cuts. To put these possible cuts in perspective, AGC also provides below insight into some already fiscally strained construction accounts within USDA.

Department of Agriculture Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Agriculture Buildings & Facilities & Rental Payments	\$13	\$230	5.7%
Forest Service Capital Improvement & Maintenance	\$24	\$395	6.1%
NRCS- Watershed & Flood Prevention Operations	\$13	\$0	0.0%
NRCS- Watershed Rehabilitation Program	\$1	\$15	6.7%
Rural Community Facilities Program Account	\$1	\$24	4.2%
Rural Water & Waste Disposal Program Amount	\$29	\$513	5.7%
TOTAL	\$80	\$1,162	6.9%

Rural Water & Waste Disposal Program

USDA Rural Development administers a water and wastewater loan and grant program to improve the quality of life and promote economic development in rural America. On the drinking-water side, the program helps improve rural water supply and distribution facilities including reservoirs, pipelines, wells, and pumping stations. For wastewater, the program helps address much needed improvements to sewer lines, treatment plants, stabilization ponds, storm sewer facilities and sanitary landfills. These funds are essential to ensuring that rural Americans receive clean drinking-water and have safe wastewater disposal, protecting both people and the environment.

Investment needs for rural water and wastewater disposal remain high. In 2010, the EPA reported that in order for small communities' (populations of less than 10,000) wastewater facilities to meet their standards, \$23 billion in investments were needed.³¹ Currently, the largest needs in small communities are for pipe repair, new sewer pipes, improved wastewater treatment and correction of combined

³¹ Claudia Copeland. Rural Water Supply and Sewer Systems. Congressional Research Service, June 17, 2010. Available at <http://www.nationalaglawcenter.org/assets/crs/98-64.pdf>

sewer overflows. Seven states accounted for 50 percent of the small community needs: Pennsylvania; New York; Iowa; Utah; Illinois; West Virginia; and Ohio.³²

Rural Utilities Service Administrator Jonathan Adelstein recently testified before Congress, stating that “for many rural residents, unsanitary drinking water, aging or nonexistent infrastructure and daily trips to a community well present a grim reality.”³³ The estimated six percent cut to the Rural Water and Waste Disposal Program under sequestration would not likely help many Americans facing that “grim reality.”

National Resources Conservation Service Watershed Dam and Flood Prevention Programs

The watershed programs—the Rehabilitation Program and Flood Prevention Operations Program—within the National Resources Conservation Service (NRCS) helps communities and rural areas reduce flooding and sedimentation, provide water supplies and create recreational areas. There are watershed projects in all 50 states and the Caribbean.³⁴ Since 1948, 2,000 watershed projects, covering 160 million acres, have been organized by local project sponsors with assistance from the NRCS.

Many watershed structures throughout the nation have hit or are approaching the end of their planned service life. By the end of 2011, nearly one-fifth of the 11,000 watershed dams in the nation reached the end of their 50-year planned service life; by 2016 almost two-thirds of the watershed dams will reach this milestone.³⁵ The estimated \$14 million cut to NRCS programs would further threaten needed rehabilitation projects for such structures. Through the FY 2012 annual appropriations process, these programs only received \$15 million. Consequently, the possible sequestration cuts could nearly wipe out annual appropriations levels for these valuable programs.

As it stands, NRCS has identified a total of \$921 million in authorized but unfunded federal projects through the Flood Prevention Operations Program.³⁶ States with the greatest unfunded projects include Texas (\$245 million), Oklahoma (\$126 million) and Missouri (\$111 million). Meanwhile, in FY 2011, the Watershed Rehabilitation Program received over \$34.9 million in requests from public sponsors of 110 high-priority dams to have the condition of their dams assessed in consideration for rehabilitation. Those requests represent more than double what Congress appropriated in the following fiscal year. Sequestration could likely increase the number of such unfunded federal commitments and unmet dam rehabilitation needs.

³² *Id.*

³³ Rural Utilities Service Administrator Jonathan Adelstein. Testimony before the U.S. House of Representatives Agriculture Subcommittee on Rural Development, Biotechnology, Specialty Crops and Foreign Agriculture. March 23, 2010. Available at <http://www.rurdev.usda.gov/SupportDocuments/Adelstein3-23-10.pdf>

³⁴ National Watershed Coalition. “How a Watershed Dam Works.” August 2006. Available at <http://www.watershedcoalition.org/NWC%20-%20How%20a%20Watershed%20Dam%20Works.pdf>

³⁵ National Watershed Dam Coalition CEO Dan Sebert. Testimony before the U.S. House of Representatives Committee on Agriculture. May 17, 2012. Available at <http://www.ok.gov/conservation/documents/NWC%20May%202012%20Farm%20Bill%20Comments.pdf>

³⁶ Megan Stubbs. “Agricultural Conservation: A Guide to Programs.” Congressional Research Service, May 30, 2012.

Department of State

The Department of State serves as our nation’s diplomatic arm throughout the world. Thousands of America’s foreign service officers who live and work abroad depend on safe and secure facilities to ensure that they can perform critical work for our nation. If sequestration were to take place in March, the administration’s preliminary estimates show a \$90 million cut—an 11.8 percent reduction from FY 2012 funding levels—to the Embassy Security, Construction and Maintenance account. Given the risks our courageous foreign service officers take working in unsafe areas abroad, Congress should reconsider cutting funds that would help ensure the construction of secure facilities.

Department of State Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Capital Investment Fund	\$3	\$59	5.1%
Embassy Security, Construction, and Maintenance	\$90	\$762	11.8%
International Boundary & Water Commission, Construction	\$2	\$31	6.5%
TOTAL	\$95	\$852	11.2%

Department of Homeland Security

The Department of Homeland Security (DHS) has mission critical construction accounts that help secure America’s borders and coasts, as well as support training for our law enforcement officers. The brave men and women who serve and protect our nation from threats, both foreign and domestic, deserve facilities that effectively assist them in performing their service and with keeping Americans safe.

Department of Homeland Security Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Border Security Fencing, Infrastructure & Technology	\$23	\$400	5.8%
Customs & Border Protection, Construction	\$13	\$237	5.5%
Federal Law Enforcement Training Center, Acquisition, Construction, Improvements & Related Expenses	\$2	\$32	6.3%
<i>Laboratory Facilities Operations & Construction</i>	<i>\$10</i>	<i>\$177</i>	<i>5.6%</i>
U.S. Coast Guard, Acquisition, Construction & Improvements	\$80	\$1,404	5.7%
TOTAL	\$128	\$2,250	5.7%

Customs and Border Protection

Customs and Border Protection (CBP) is one of DHS’s largest and most complex components, with a priority mission of keeping terrorists and their weapons out of the U.S. It also has a responsibility for securing the border and facilitating lawful international trade and travel while enforcing hundreds of

U.S. laws and regulations, including immigration and drug laws. On a typical day, CBP processes 932,456 passengers and pedestrians and 64,483 truck, rail and sea containers; executes 932 apprehensions at and in between ports of entry for illegal entry, 420 refusals of entry at ports and 61 arrests of criminals at ports of entry; and seizes 13,717 pounds of drugs.³⁷

Despite the work of America's customs and border agents, much of the country's 6,000 miles of international borders with Canada and Mexico remains vulnerable to illegal entry of aliens, criminals, and cargo. As of February 10, 2012, CBP has completed 651 miles of pedestrian and vehicle fencing along the Southwest Border.³⁸ CBP has constructed a total of 352 miles of primary pedestrian fence and 299 miles of vehicle fence.³⁹ With the help of construction contractors, CBP effectively builds and maintains these structures to help ensure the integrity of our border.

According to the administration's sequestration report, CBP construction and border security fencing could face about \$36 million in cuts if sequestration were to occur. Such reductions could lead to fewer necessary border security construction projects and could potentially place our national security that much more at risk.

U.S. Coast Guard

The U.S. Coast Guard (USCG) is one of the five armed forces of the United States and the only military organization within the Department of Homeland Security. The USCG is charged with protecting the nation's Maritime Transportation System – a system which carries 95 percent of all U.S. foreign trade and accounts for nearly \$700 billion of the U.S. gross domestic product and 51 million U.S. jobs.⁴⁰ To support the 41,000 service men and women of the USCG, the federal government should provide adequate funding to build and maintain their facilities. That being considered, the administration's preliminary cut to USCG construction spending could amount to \$80 million.

Department of Housing & Urban Development

The Department of Housing and Urban Development (HUD) provides assistance to many communities by supporting revitalization and housing efforts. These efforts often require construction work—from building low-income housing complexes to renovating community center facilities—to meet the objective of helping towns and cities throughout the nation. These funds have and continue to help improve and rejuvenate communities in all 50 states. However, at a time of continued financial hardship at home, these efforts could see over half a billion dollars in cuts under sequestration.

³⁷ U.S. Custom and Border Patrol. "Snapshot: A Summary of CBP Facts and Figures." February 2012. Available at http://www.cbp.gov/linkhandler/cgov/about/accomplish/cbp_snapshot.ctt/snapshot.pdf

³⁸ U.S. Custom and Border Patrol. Southwest Border Fence Construction Progress. February 10, 2012. Available at http://www.cbp.gov/xp/cgov/border_security/ti/ti_news/sbi_fence/

³⁹ *Id.*

⁴⁰ Admiral Robert J. Papp, Jr. Testimony before the U.S. Senate Appropriations Committee on Homeland Security. May 9, 2012. Available at <http://www.uscg.mil/seniorleadership/DOCS/2012-05-09;%20Senate%20Budget%20Hearing%20Oral%20Statement.pdf>

Department of Housing & Urban Development Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Community Development Fund	\$194	\$3,308	5.9%
Home Investment Partnerships Program	\$57	\$1,000	5.7%
Public Housing Capital Fund	\$107	\$1,875	5.7%
TOTAL	\$358	\$6,183	5.8%

The Community Development Fund

The Community Development Fund supports many different programs that generally provide assistance for low-income community revitalization initiatives. For example, this account funds the Community Development Block Grant (CDBG) program that provides annual grants on a formula basis to cities, urban counties and states to develop viable urban communities by providing decent housing and a suitable living environment principally for low- and moderate-income persons. The program provides invaluable resources for 1,180 urban counties and cities to meet locally-identified needs.⁴¹ As required by law, 30 percent of CDBG formula funding is reserved for states to assist rural communities with economic development, infrastructure improvements, and other fundamental building blocks for job creation and economic development. Additionally, CDBG Disaster Recovery Assistance provides flexible grants to help cities, counties, and states recover from presidentially declared disasters, especially in low-income areas.

Construction contractors help provide valuable services necessary to complete many of these revitalization projects and to clean up and repair the devastation left by natural disasters. During these trying economic times and after horrifying storms have recently ravaged our coastlines, these important program could face approximately a \$194 million reduction if sequestration were to occur.

Department of the Interior

The Department of the Interior (DOI) is responsible for the management and conservation of most federal land and natural resources, among other things. The bulk of DOI construction projects occur in the western U.S. through the Bureau of Reclamation (BOR). Some BOR construction projects could be delayed and needed maintenance pushed off if the sequestration cuts were to occur.

⁴¹ National Association of Development Organizers. FY2013 HUD CDBG Appropriations Update. July 5, 2012. Available at <http://www.nado.org/fy2013-hud-cdbg-appropriations-update/>



Department of the Interior Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Bureau of Reclamation, Water & Related Resources	\$62	\$895	6.9%
California Bay-Delta Restoration	\$2	\$40	5.0%
Central Valley Project Restoration Fund	\$2	\$53	5.0%
Historic Preservation Fund	\$3	\$56	5.3%
Indian Affairs, Construction	\$7	\$129	5.4%
National Park Service, Construction	\$9	\$160	6.6%
TOTAL	\$85	\$1,333	6.4%

Bureau of Reclamation

The BOR oversees dams, power plants and canals it constructed in 17 western states. Reclamation has constructed more than 600 dams and reservoirs including the Hoover Dam on the Colorado River and the Grand Coulee on the Columbia River. This agency addresses water resource challenges posed by drought, climate change, depleted aquifers, environmental needs, energy demands, and population increases in the West.

The BOR is the largest wholesaler of water in the country.⁴² Through BOR projects, water reaches more than 31 million people. It provides one out of five Western farmers—approximately 140,000 famers—with irrigation water for 10 million acres of farmland that produce 60 percent of the nation's vegetables and 25 percent of its fruits and nuts.⁴³

Reclamation is also the second largest producer of hydroelectric power in the western United States. Our 58 power plants annually provide more than 40 billion kilowatt hours generating nearly a billion dollars in power revenues and produce enough electricity to serve 3.5 million homes.

Commercial construction contractors help build, maintain and repair the dams and power plants that ensure BOR customers receive water. In addition, dredging contractors help ensuring those waterways are ready for navigation and flowing to meet irrigation requirements. An approximate \$62 million in BOR sequestration cuts could endanger timely delivery of infrastructure and waterway maintenance projects that support the agency’s critical mission in the West.

Department of Commerce

The Department of Commerce’s main connection to the construction industry comes though the National Oceanic and Atmospheric Administration (NOAA). From daily weather forecasts, severe storm warnings and climate monitoring to fisheries management, coastal restoration and supporting marine

⁴² Bureau of Reclamation. “About Us.” Available at <http://www.usbr.gov/main/about/>

⁴³ *Id.*

commerce, NOAA’s products and services support economic growth and affect more than one-third of America’s gross domestic product.⁴⁴

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Commerce Construction Programs			
National Institute of Standards & Technology, Construction	\$3	\$55	5.4%
NOAA Operations, Research and Facilities	\$179	\$3,022	5.9%
NOAA Procurement, Acquisition and Construction	\$104	\$1,817	5.7%
TOTAL	\$286	\$4,894	5.8%

Construction funding is vital to supporting the agency’s mission. These funds help ensure that NOAA scientists conduct their experiments in first-rate laboratory facilities and help them predict important weather activities that can impact our nation’s economy. Under sequestration, construction, maintenance and operations budgets for NOAA could see a \$286 million reduction.

Department of Energy

The Department of Energy’s (DOE) portfolio extends beyond energy research and policy. A significant department objective is the safe and efficient clean up of nuclear sites. The mission of DOE’s Office of Environmental Management (EM) is to complete the safe cleanup of the environmental legacy brought about from five decades of nuclear weapons development and government-sponsored nuclear energy research.

	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Department of Energy Construction Programs			
Defense Environmental Cleanup	\$328	\$5,023	6.5%
Non-Defense Environmental Cleanup	\$13	\$236	5.5%
Western Area Power Administration, Construction, Rehabilitation, Operation & Maintenance	\$6	\$279	2.2%
Uranium Enrichment Decontamination & Decommissioning Fund	\$27	\$473	5.7%
TOTAL	\$374	\$6,011	6.2%

EM is responsible for managing and directing the cleanup of 107 contaminated nuclear weapons manufacturing and testing sites located in 35 states across the United States. This agency oversees a variety of necessary projects and functions, including environmental restoration, waste management,

⁴⁴ National Oceanic and Atmospheric Administration. “About Us.” Available at <http://www.noaa.gov/about-noaa.html>

technology development, and facility transition and management. Of the 107 sites, cleanup through FY 2011 has been completed at 90 sites and reduced the EM footprint from 3,125 square miles to 318 square miles in 11 states.⁴⁵ Many of the remaining 17 sites are large and will be active for years to come.⁴⁶

If sequestration were to occur, it is estimated that nearly \$500 million will be cut from this environmental improvement program. Many construction contractors not only help rebuild or retrofit building facilities, but also perform environmental restoration work. These cuts could impact those contractors' marketplace, reducing their workload and need to hire more workers.

Department of Health & Human Services

Like other executive agencies, the Department of Health & Human Services (DHHS) has building construction and facility maintenance needs. According to AGC's estimates, Congress appropriated about \$705 million for DHHS construction in FY 2012. However, the currently planned sequestration could cut nearly \$38 million.

Department of Health & Human Services Construction Program	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Indian Health Facilities	\$25	\$441	5.7%
<i>Job Corps Construction, Rehab & Acquisition</i>	\$6	\$105	5.7%
<i>National Institutes of Health, Buildings & Facilities</i>	\$7	\$126	5.6%
TOTAL	\$38	\$672	5.7%

The Office of Management and Budget sequestration report issued September 14 specifically denotes cuts to the Indian Health Facilities' Account. However, that report does not explicitly detail cuts to other construction programs. AGC assumes that other DHHS construction accounts (italicized in the table above) would receive similar across-the-board, indiscriminate cuts.

Other Construction Investment Programs

As mentioned above, the federal government has a wide variety of construction investment accounts. The impact of the possible sequestration cuts on some additional accounts is noted below.

⁴⁵ Office of Environmental Management. "Overview." October 1, 2012. Available at <http://www.em.doe.gov/pdfs/MISSION%20and%20%20FUNCTIONS%20%20for%20Office%20of%20Environmental%20Management%20October%202012.pdf>

⁴⁶ *Id.*



Other Construction Investment Programs	Dollars in Millions		Est. % of Cut
	Sequester	FY 2012	
Appalachian Regional Commission	\$3	\$68	4.4%
Capital Construction, Dwight D. Eisenhower Memorial Commission	\$2	\$31	6.5%
Capitol Building	\$2	\$36	5.6%
Capitol Police Buildings & Grounds	\$1	\$23	4.3%
Federal Bureau of Investigation, Construction	\$5	\$81	6.2%
Federal Prison System, Buildings & Facilities	\$3	\$90	3.3%
House Office Buildings	\$6	\$94	6.4%
Library Buildings & Grounds	\$3	\$48	6.3%
NASA, Construction, Environmental Compliance & Remediation	\$22	\$390	5.6%
National Science Foundation, Major Research Equipment & Facilities Construction	\$10	\$167	6.0%
Senate Office Buildings	\$4	\$71	5.6%
Smithsonian Institution, Facilities Capital	\$10	\$175	5.7%
TOTAL	\$71	\$1,224	5.8%

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