

Economic Impact of the Transportation Construction Industry in the Greater Los Angeles Region

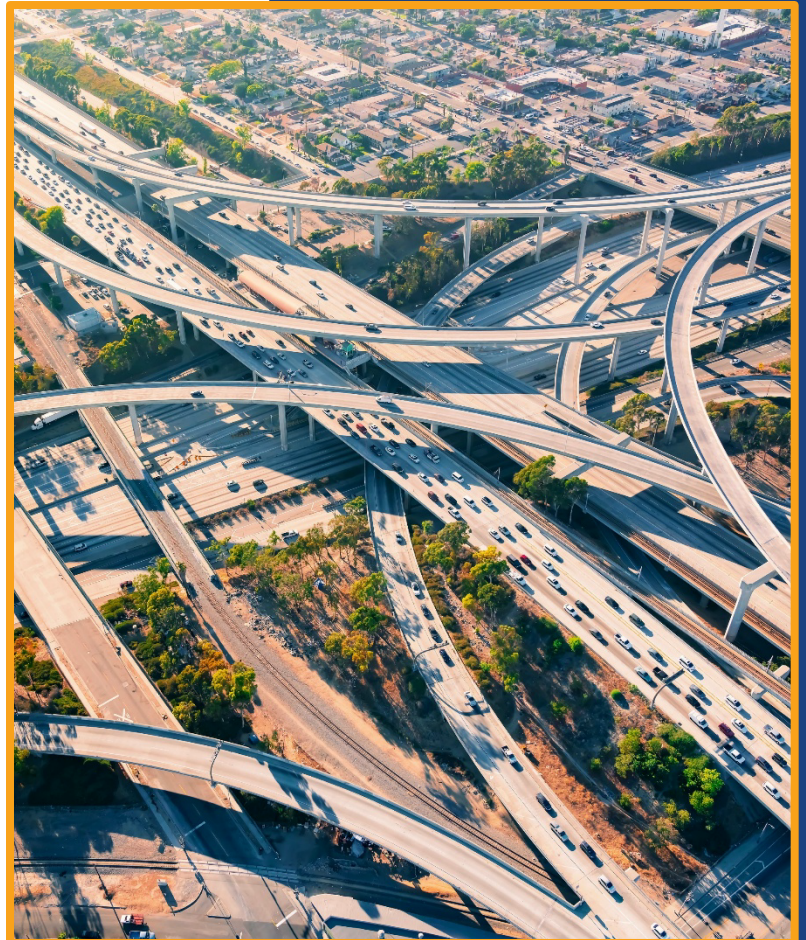
June 2026
Draft Report



Prepared by:



American Road
& Transportation
Builders Association



About the Author

This research was conducted for the Southern California Contractors Association by the economics & research team at the Washington, D.C.-based American Road & Transportation Builders Association (ARTBA). This analysis was conducted by Dr. Alison Premo Black, the association's senior vice president and chief economist.

She has been interviewed numerous times as an industry expert for national and local print, television, and radio, including the NBC TODAY show, the Washington Post, and the Wall Street Journal. Since joining ARTBA in 2000, Dr. Black has led teams and authored numerous studies examining state transportation funding and investment patterns. She has a Ph.D. in economics from the George Washington University and a master's in international economics and Latin American Studies from the Johns Hopkins School of Advanced International Studies.

About the American Road & Transportation Builders Association

ARTBA is a federation whose primary goal is to aggressively grow and protect transportation infrastructure investment to meet the public and business demand for safe and efficient travel. In support of this mission, ARTBA also provides programs and services designed to give its more than 8,000 public and private sector members a global competitive edge.

ARTBA's [Transportation Investment Advocacy Center](http://www.transportationinvestment.org)™ (TIAC) is a first-of-its kind, dynamic education program and internet-based information resource designed to help private citizens, legislators, organizations and businesses successfully grow transportation investment at the state and local levels through the legislative and ballot initiative processes. It's powered by: www.transportationinvestment.org.

About Southern California Contractors Association

The Southern California Contractors Association is an influential, member-led association created to unite, serve, and protect Southern California's union contractors. From labor relations and legislative advocacy to legal resources and professional development, SCCA offers members the knowledge and support they need to successfully navigate the highly competitive and complex SoCal construction landscape.

Table of Contents

Executive Summary	4
Size of the L.A. Transportation Construction Market	6
L.A. Market Dependence	6
Economic Impact of Transportation Construction	8
Direct Spending by Contractors	8
Economic Ripple Effect	10
Jobs Supported Throughout the Economy	12
Long Run Benefits	12
Literature Review: Transportation Investment & Economic Development	14
Data & Methodology	16

Executive Summary

Contractors and local businesses are expected to complete work on **over \$15 billion** in projects to repair and improve transportation infrastructure in the greater Los Angeles area in 2026, making much needed enhancements to the region's highway, bridge, transit, rail, airport, and waterway networks.

This ongoing construction work in the L.A. market accounts for **45 percent** of total transportation construction activity in California.

These investments play a vital role in the local economy- supporting immediate economic activity and jobs while providing longer-term benefits for residents and businesses in Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties.

The economic impact of this investment is substantial. In 2026, the \$15 billion in construction improvements is expected to support:

- Over **\$30.9 billion in economic activity** – with every \$1 invested supporting \$2.06 in spending throughout the economy,
- Nearly **120,000 private sector jobs** in all sectors of the L.A. regional economy, earning **\$8.9 billion in wages**,
- **\$16.8 billion in state GSP** from the suppliers, contractors, and other firms engaged in the construction.

Much of this economic activity supports small, local businesses concentrated in the L.A. market with limited operations outside of the area.

- Two-thirds of the construction firms completing work on transportation projects in the L.A. region have 20 or fewer workers.
- There are **9,150 independent operators** and non-employer businesses that provide services for transportation construction projects in the L.A. region.

Because many of these firms work almost exclusively in the L.A. market—41 percent of contractors bidding on Caltrans projects bid nowhere else in the state—they are especially exposed to local market swings. Small businesses and independent operators can be susceptible to market disruptions and economic volatility because of irregular cash flows and at times limited cash liquidity.¹ A strong, predictable, and stable market helps protect these firms from economic shocks.

¹ Diana Farrell, Chi Mac, & Chris Wheat, “A Cash Flow Perspective on the Small Business Sector,” JPMorganChase, May 2020

Over the longer run, as projects are completed, residents will benefit from additional savings on a transportation system that is safer and more efficient. Businesses will be more productive as they have greater access to labor, suppliers, and customers.

These improvements include projects of varying sizes. Some of the major multi-year projects currently underway include roadway improvements at LAX airport, the I-105 Express Lanes, G-line Bus Rapid Transit improvements, I-10 pavement improvements, SR57 and SR60 interchange improvements, NoHo to Pasadena Bus Rapid Transit, and Improvements on I-405.

While major projects account for most of the value of ongoing construction work, projects valued at \$1 million or less account for over 60 percent of the number of projects breaking ground in recent years, underscoring the range of projects included in the transportation construction market.

Size of the L.A. Transportation Construction Market

The value of transportation construction work in the L.A. market has more than doubled over the last five years – growing from \$6.5 billion in 2022 to over \$15 billion in 2026, accounting for 45 percent of all market activity in the state.²

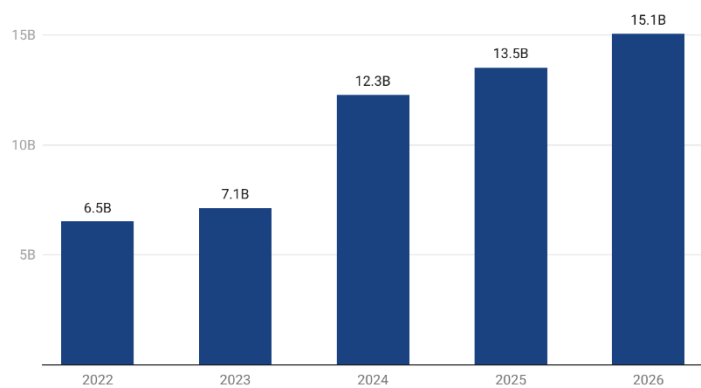
This includes state projects awarded by Caltrans as well as regional and county-owned projects supported by local investments or transportation authorities.

The number of projects breaking ground has grown from 1,000 projects in 2022 to over 1,500 in 2025, ranging from less than \$1 million to over \$1.5 billion for highway and bridge related improvements at LAX airport.

The increased market activity is expected to continue over the next two years as the L.A. region prepares for the 2028 Olympic and Paralympic Games and the 2027 Super Bowl, among other major events.

Value of Transportation Construction Work in the L.A. Region

Estimate of market activity for highway, bridge, transit, rail, airport runway & port construction.



L.A. Region includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties.

Chart: ARTBA • Source: Based on data from U.S. Census Bureau & Dodge Data Analytics • Created with Datawrapper

Projects getting underway since 2022 include a mix of major investments to improve mobility, reduce congestion, and upgrade facilities, as well as smaller projects to repave local roads, fix sidewalks, and improve intersections.

The range of project sizes provides opportunities for small and larger contractors to bid on construction work put out to bid by the state, local governments, and regional authorities.

L.A. Market Dependence

While some contractors and suppliers will operate across the state market, others are concentrated in the L.A. market.

An analysis of bidding data for Caltrans projects between 2022 and 2025 highlights the dependence of some contractors on the L.A. market.

- Over that period, there were 160 primary contractors that bid on Caltrans projects in the five counties comprising the greater L.A. market.

² For this report, the L.A. market includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties.

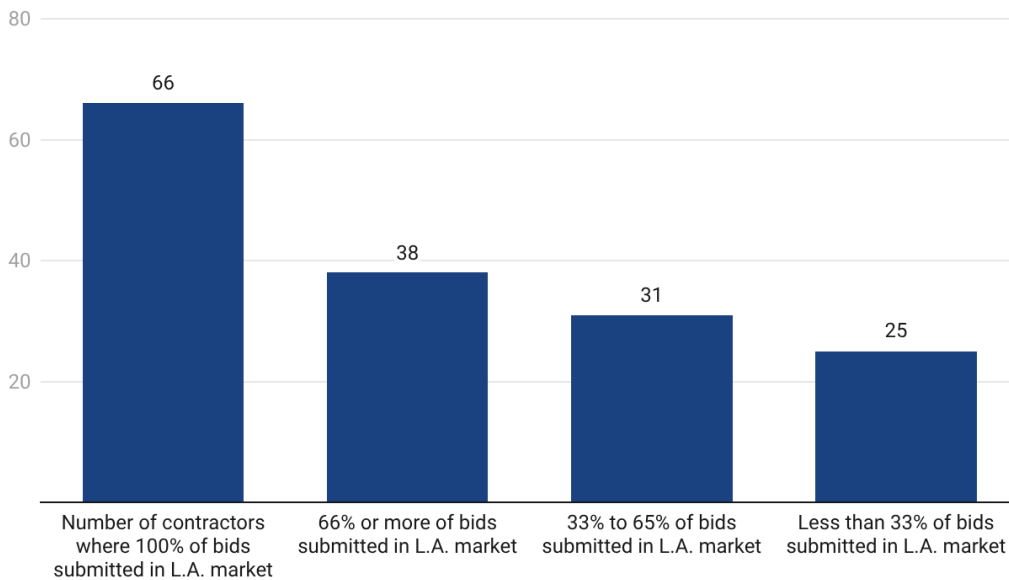
- Of that total, **41 percent of the firms ONLY bid in the L.A. market.**

Those contractors did not submit a bid on a Caltrans project outside of that area, suggesting they are likely to operate only within the L.A. market and are dependent on construction work in the area.

An additional 24 percent of all contractors do bid on work in other parts of the state but are still dependent on the L.A. market for 66 percent or more of their highway and bridge construction work.

Importance of L.A. Highway & Bridge Construction Market

There were 160 prime contractor firms bidding on Caltrans projects in the L.A. region between 2022 and 2025. 41 percent of those contractors bid only in the L.A. market.



Includes bids submitted to Caltrans in Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties.

Chart: ARTBA • Source: State Bid Tabs • Created with Datawrapper

Economic Impact of Transportation Construction

Transportation construction investment has a significant impact on all sectors of the L.A. economy – triggering immediate economic activity that creates and sustains jobs while providing long-term improvements that provide greater access to jobs, services, materials, and markets.

The estimated \$15 billion in annual ongoing transportation construction work in the L.A. region impacts the economy in three ways:

- 1) Transportation agencies, construction firms, and supplier industries purchase goods and services, and hire employees to operate, maintain, and improve the infrastructure network. This is direct spending by contractors.
- 2) Employees of these firms spend their wages and support additional demand throughout the economy – creating an economic ripple effect and jobs throughout other sectors.
- 3) As improvements to the system are made, drivers, shippers, and transit riders will save money through lower operating costs and travel times, improved safety, and greater network access.

Economic Impact of Transportation Investment

Ripple effect of \$15B in construction activity.

L.A. Region	Value
Total Output	30.9B
Total Value Added (GSP)	16.8B
Earnings	8.9B
Employment Supported	120K

Table: ARTBA • Source: U.S. Bureau of Economic Analysis • Created with Datawrapper

Direct Spending by Contractors

A core part of the economic impact of transportation spending is the direct purchases made by contractors on materials, supplies, goods and services, as well as what firms spend to run their own business operations.

In addition to paying for wages, benefits, and other labor costs, other major business expenses include rent, utilities, equipment purchases or leasing, fuel, taxes, computer equipment, and other services.

The mix of materials and spending will vary depending on the type of projects.

When bidding on a transportation project, contractors must provide the state DOT or owner with a breakdown of the cost of materials and services to complete the improvements and construction activity.

For Caltrans highway and bridge projects in the L.A. market, the largest costs include concrete (28 percent of project costs), asphalt (16 percent), and items related to traffic control, striping, signals, and lighting (18 percent).

Contractors also provide cost estimates as part of their bid submission to get a project site ready for construction. Such costs include the mobilization of materials, equipment and labor to get a project site up and running (9 percent) and site preparation and earthwork both before and during construction (9 percent).

State Highway & Bridge Program Project Costs

Breakdown of Caltrans projects in the L.A. region by type of bid item, 2022-2025.

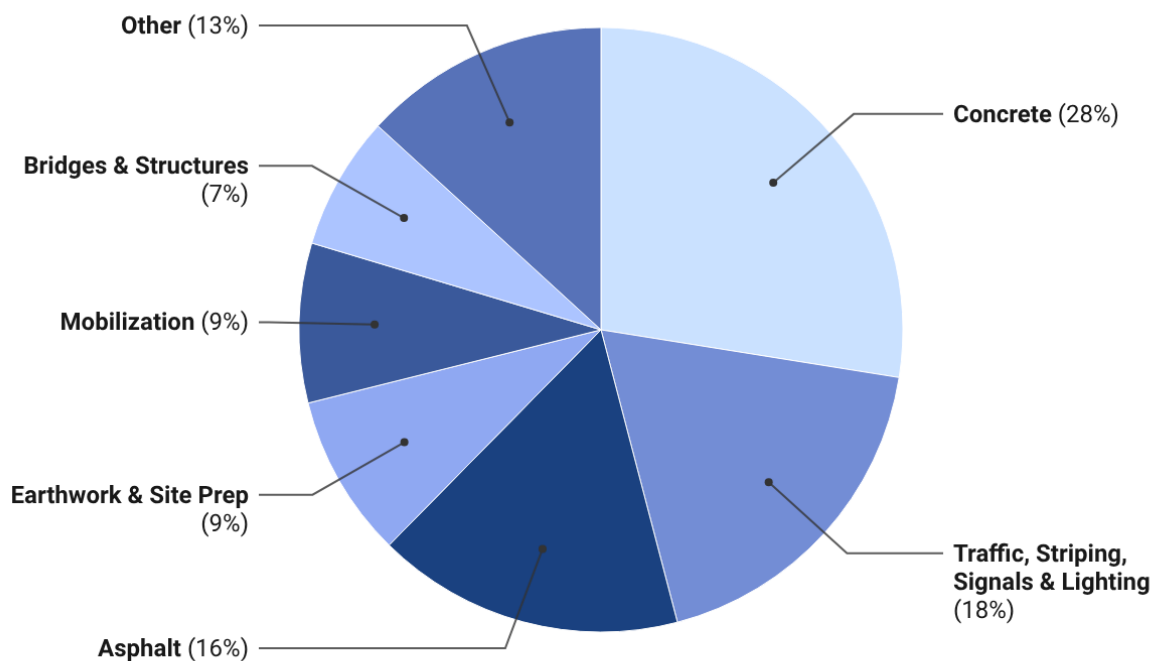


Chart: ARTBA • Source: Caltrans Bid Tabs • Created with Datawrapper

Economic Ripple Effect

As construction work on transportation projects is underway, the economic benefits are felt through all sectors of the L.A. economy, not just the construction industry.

The \$15 billion investment supports over \$3 billion in manufacturing activity for both durable and nondurable goods. This is a result of direct purchases and requirements from contractors and suppliers for things like construction equipment and machinery, safety equipment, and other manufactured goods.

But the demand is also driven by increased spending from the construction and supply workers that spend their wages throughout other sectors of the economy, purchasing things like washing machines, refrigerators, computers, and other personal household items.

Other major sectors of the L.A. economy that benefit from the construction activity include wholesale and retail trade, the real estate, rental, and leasing sector, professional and technical services, and health care.

Industry Output Supported by Transportation Construction Investment

\$31B in economic activity supported by \$15B in transportation construction investment, including direct, indirect, and induced demand.

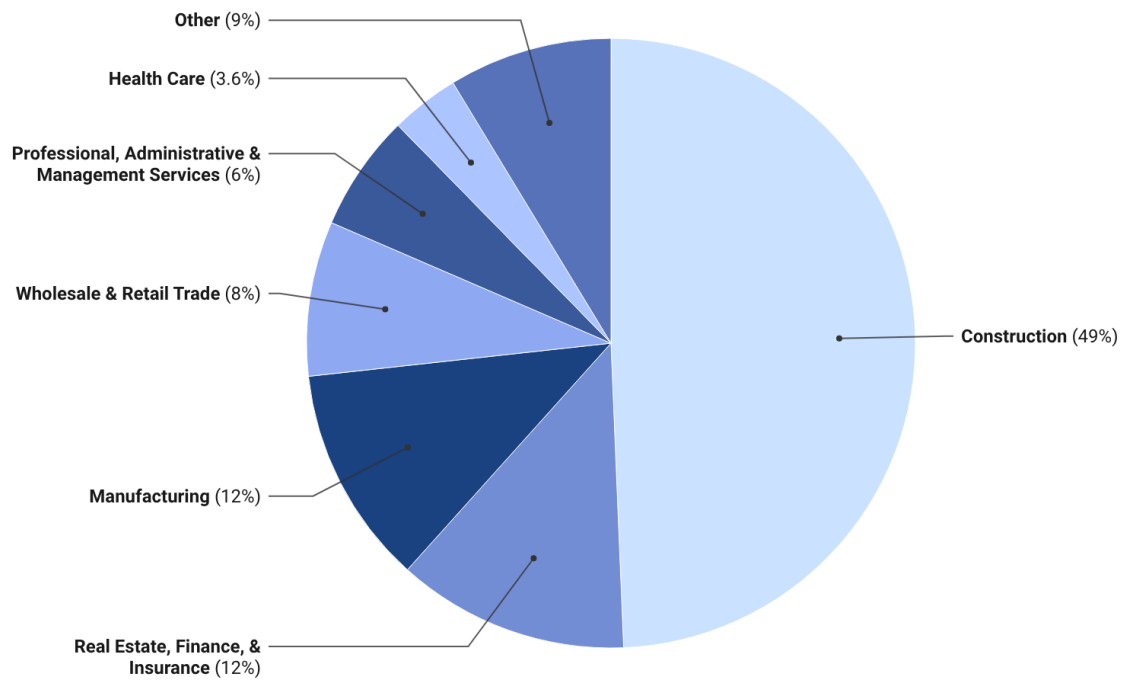


Chart: ARTBA • Source: U.S. Bureau of Economic Analysis • Created with Datawrapper

Jobs Supported Throughout the Economy

The 120,000 jobs supported by transportation construction investment in the L.A. region include workers supported by the construction activity itself, as well as employees in other sectors of the economy that are hired with increased demand from household spending.

Most of the jobs—76,000— are considered “direct” employees working on the jobsite or within the supply-chain of goods and services related to delivering the transportation improvement projects. This number includes over 16,500 employees on the payroll of 418 private construction firms doing transportation construction work in the L.A. region as reported by the U.S. Bureau of Labor Statistics.

Examples of this type of direct employment include construction workers, suppliers, subcontractors, materials producers, trucking firms, equipment companies, planning and design firms, professional services and other businesses.

These individuals earn over \$6.43 billion in wages each year.

As these employees of the construction and supply-chain firms use their wages to buy other goods and services for their household, they create more demand in other sectors of the economy. This would include purchases like clothing, groceries, entertainment, durable goods, and housing.

That demand supports an additional 44,000 jobs in those other sectors of the economy, where the employees earn an additional \$2.5 billion in wages.

Long Run Benefits

As improvements are made to the L.A. transportation network, this will help reduce operating costs and travel times for commuters, freight operators, and businesses.

This will not only help the firms based in the L.A. area, but other businesses across the state and the country that rely on freight shipments from the ports of Los Angeles and Long Beach. These two ports combined handle an estimated 31 percent of all international waterborne trade in the U.S.

These shipments travel to their destination through other modes, including rail and highways. This impacts travel throughout the state.

- According to data from the Federal Highway Administration (FHWA), freight trucks account for about 12 percent of all miles traveled on California’s Interstate Highway System.

- Truck shipments account for nearly 72 percent of the \$1.6 trillion in domestic freight that moves through the state each year.
- Congestion and delays cost the freight industry cost the California trucking industry \$8.8 billion annually.³

In addition to helping to reduce freight costs, there are other benefits for businesses in the L.A. market.

With lower travel times and transportation costs, businesses would have greater access to an expanded labor pool of specialized workers, and access to more potential employees. Firms would also be able to reach more suppliers and customers, with lower costs to expand their business into new markets.

As firms in the same business and their suppliers are located near each other, there are economic benefits, even if they are competitors. This is known as agglomeration economies, and includes such sectors as the film and entertainment industry in L.A.

Other types of agglomeration economies include advanced manufacturing, logistics, and professional services. By shortening travel times and widening the area for business, transportation improvements help grow and expand these clusters of economic activity.

These long-run benefits are well documented through economic research and peer-reviewed studies.

³ American Transportation Research Institute, "Trucking's Annual Congestion Costs Rise to \$108.8 Billion," Dec. 2024

Literature Review: Transportation Investment & Economic Development

In the longer run, the overall economic benefits of transportation investment to a region's economic activity are well documented in the economics literature. There are numerous studies that have found a positive correlation between transportation infrastructure investment and economic development. Although the exact impact of the investment has varied among studies, the fact that there is a positive relationship is widely accepted.⁴

Some of the main findings include:

- A recent paper by Ian Herzog published in the Journal of Urban Economics found that improving a county's market access through **connections to the Interstate Highway System increased employment and income in the long run**. He concludes that "highways improved market access in counties that would have otherwise grown less than average."⁵
- A long-run analysis conducted by the American Public Transportation Association estimates that higher investment in public transportation over a 20-year period adds an additional **\$5 billion in GDP per \$1 billion invested annually**. This is from long-term cost savings and investment spending effects.
- A 2020 working paper by Treb Allen and Costas Arkolakis, of the National Bureau of Economic Research, found improvements on the U.S. Interstate Highway System are "well-worth the investment" with an **average return of over 108 percent**. They noted that there was a wide variance based on the location of the investment, with some returns on individual segments higher than 400 percent.⁶
- A study commissioned by the U.S. Treasury Department found that for every **\$1 in capital spent on select projects, the net economic benefit ranged between \$3.50 and \$7.00**.⁷ Released in December 2016, "40 Proposed U.S. Transportation and Water Infrastructure Projects of Major Economic Significance" also explores some of the challenges of completing the work. The report found that a lack of

⁴ Economic studies have found output elasticities ranging from as high as 0.56 (Aschauer 1989) to a low of 0.04 (Garcia-Mila and McGuire 1992). This means that a 1 percent increase in highway investment will result in between 0.04 to 0.56 percent increase in output. Most of this variation is because studies have a different focus- looking at different types of investment measures and output at either the national, state or county level.

⁵ Ian Herzog, "National Transportation Networks, Market Access, and Regional Economic Growth," Journal of Urban Economics, Vol 122, March 2021.

⁶ Treb Allen & Costas Arkolakis, "The Welfare Effects of Transportation Infrastructure Improvements," National Bureau of Economic Research, Working Paper 25487, December 2020.

⁷ Report available at <https://www.treasury.gov/connect/blog/Pages/Importance-of-Infrastructure-Investment-for-Spurring-Growth-.aspx> as of February 2017.

public funding was “by far the most common factor hindering the completion” of the projects.

- A 2005 report by Dr. Robert Shapiro and Dr. Kevin Hassett found that the U.S. transportation network provides more than **\$4 in direct benefits for every \$1 in direct costs** that taxpayers pay to build, operate, and maintain this system.⁸
- According to an analysis by TRIP, a national transportation research group, the average **return to every \$1 spent on highway, street and bridge investment is \$5.20**, which takes the form of lower maintenance costs, fewer delays, improved safety, and less congestion. This analysis is based on the U.S. Department of Transportation’s Conditions and Performance Report.
- A study by Dr. Alicia Munnell of the Federal Reserve Bank of Boston concluded that states that invested more in infrastructure tended to have greater output, more private investment, and more employment growth.⁹ Her work found that **a 1 percent increase in public capital will raise national output by 0.15 percent**¹⁰.
- Federal Highway Administration economist Theresa Smith reached similar conclusions, finding that **a 10 percent increase in highway capital stock will increase a state’s gross state product by 1.2 to 1.3 percent**.¹¹ This means a \$1 billion increase in California’s highway capital stock will increase state productivity between \$1.21 million to \$1.27 million.
- Additional studies have found that transportation infrastructure investments have an impact on the attractiveness of local communities, which helps determine local economic activity and land values. In general, most studies find that locations close to large transportation infrastructure investment have higher land values.¹²

Overall, the benefits from investing to maintain and improve a state’s transportation network are greater than the cost and can help support economic growth throughout the economy for years to come.

⁸ R. Shapiro and K. Hassett, “Healthy Returns: The Economic Impact of Public Investment in Surface Transportation,” 2005.

⁹ Alicia Munnell, “How Does Public Infrastructure Affect Regional Economic Performance,” *New England Economic Review*, September/October 1990.

¹⁰ Munnell’s elasticity for private capital is 0.31, so that a 1 percent increase in private capital will raise national output by 0.31 percent. This is in line with other studies of returns from private capital investment.

¹¹ Theresa Smith, “The Impact of Highway Infrastructure on Economic Performance,” *Public Roads* Vol. 57 – No. 4 (Spring 1994).

¹² A synopsis of these studies are available in the Transportation Research Board’s *Expanding Metropolitan Highways: Implications for Air Quality and Energy Use – Special Report 245*, 1995

Data & Methodology

The total value of transportation construction market activity in California is estimated for 2026 based on the historical data on state and local government contract awards and the value of construction put in place.

Data sources include the U.S. Census Bureau 2022 Economic Census, U.S. Census Bureau Annual Survey of State and Local Government Finances, the Census Bureau Value of Construction Put in Place, state and local government contract awards from Dodge Data Analytics, and the Federal Highway Administration's Highway Statistics series.

Each of these data series provide similar totals for the actual value of highway and bridge construction and maintenance activity in California – with actual data from 2022 ranging from \$18.4 billion to \$19.5 billion. This represents the value of ongoing construction work, regardless of how big a project is or when it was awarded.

The value of state and local government contract awards for highways and bridges provides information on the value of projects about to break ground. The historic relationship between contract awards and construction work helps inform the estimate for construction activity in 2025 and 2026.

Construction activity is also included for other heavy and civil engineering construction (NAICS 2379). According to the 2022 U.S. Economic Census, nearly all of the construction work by these contractors was for activities that included bridges, tunnels, utility lines, earth retention, highways, streets, runways, paving work, dredging, pile driving, and excavation work.

The share of work in the greater Los Angeles region is based on the share of contract awards in the area (average of 42% of state total between 2022 and 2025) and the share of highway and bridge contractor employment as reported by the U.S. Bureau of Labor Statistics for highway and street construction (average of 41%).

The greater economic impact of the state and regional investment is calculated using the U.S. Bureau of Economic analysis RIMS-II multipliers.