American Road & Transportation Builders Association

2026 TRANSPORTATION CONSTRUCTION MARKET OUTLOOK

The U.S. transportation construction market is expected to grow nearly three percent in 2026 to a record $209 billion. Public highway and street work is expected to grow nearly one percent, while bridge and tunnel work is expected to increase over two percent.

This resurgent outlook follows a relatively flat 2025 where steady federal investment, healthy state budgets, and an increase in contract awards and construction backlogs yielded an expected $203.5 billion total value of transportation construction activity, up from $203 billion in 2024. Based on available data, construction activity by mode appears to be mixed in 2025. Specifically, highway and street, mass transit, and rail construction trended downward, while bridge and tunnel, port and waterway, and airport terminal construction activity increased.

Several of the factors that contributed to 2025's mixed results will continue to impact the 2026 outlook:

- **Adverse Weather:** Severe storms, heavy rains, the California wildfires, and other natural disasters paused or delayed construction in multiple regions at the start of 2025.
- **Limited Data**: 2025 construction estimates are currently based on limited information—with the federal government shutdown, the Census Bureau has only published construction data through August 2025. Therefore, 2025 year-end estimates do not account for any rebound in activity over the September to December period.
- **Scope of Projects:** With a focus on major improvements and more bridge work, there can be a greater lag between when contracts are awarded, and when substantial construction activity gets underway. The additional time needed for clearing work, site preparation, and other activities related to larger scale projects is different from highway or street re-pavement activity.

Looking ahead, state budgets and capital investment line items are growing in FY 2026, indicating continued capacity to undertake transportation construction work over the state fiscal year (FY), which began July 1 for most states. State departments of transportation (DOT) budget authority reached $215.6 billion in FY 2026, up from $211.2 billion in FY 2025. FY 2026 budget reporting is still pending for three states, which when finalized should result in total budget authority exceeding record levels in FY 2024. It is not uncommon for state spending and budgets to level off as a major federal-surface transportation bill is coming to an end.

The federal-surface transportation program continues to provide record levels of resources for highway, bridge, and transit work as the last year of authorized funding got underway Oct. 1, 2025.

States will continue to leverage federal support for major improvements, with more major formula and discretionary projects getting to the construction phase.

- **Major Projects**: Some major federal-aid projects moving forward in 2025 include widening of Texas IH 30, the Rhode Island Washington Bridge Rebuild, the South Carolina I-95 Bridge Replacement over Lake Marion, and the Connecticut Gold Star Memorial Bridge Rehabilitation.

- **Adding Capacity**: For every dollar of federally supported highway and bridge work, about 25 cents is going to new capacity on existing roadways, with another 7 cents going towards new construction projects, accounting for almost one-third of total spending. In previous years, this combined total averaged 25 percent, indicating a shift in the type of projects states are undertaking.

- **Discretionary Projects**: Of the largest discretionary projects announced by U.S. DOT in each state, 15 are currently under construction with another 25 expected to break ground by the end of 2026.

- **Bridge Formula Funds**: States have four years to commit funds provided from the federal bridge formula program that was established in 2021, which nationally total $5.3 billion per year. Of the $21.2 billion available through FY 2025, states have committed $13.2 billion, or 62 percent of available funds. The remaining 38 percent ($8 billion) of already released bridge funds and the $5.3 billion yet to come during the last year of the current law will support additional bridge improvements and market activity.

Market Outlook by Mode

The total value of overall transportation construction work is projected to grow from an estimated $203.5 billion in 2025 to $209.1 billion in 2026. This includes:

- Public highway and street construction—from $115.7 billion to $116.9 billion (+1%) for pavement work, signage, and other highway-related improvements.

- Bridge and tunnel work—from $28 billion to $28.6 billion (+2%).

- Public transit and rail construction—from $22.6 billion to $25.4 billion (+12%), driven by a rebound in public transit work and steady investment by Class 1 railroads.

- Airport terminal and runway work—total of $31.3 billion compared to $30.8 billion in 2025.

- Port and waterway construction—growing from $6.4 billion to $6.8 billion (+6.9%).

The outlook through 2030 is also positive, as projects supported by federal and state investments continue to move through the construction phase. Average annual growth over the next five years is expected to average 2-3 percent per year, assuming steady federal and state investments, and a growing U.S. economy.

The longer-term outlook could change if Congress approves additional federal investment, before the current federal surface transportation program ends on Sept. 30, 2026.

State-by-State

Transportation construction market activity is expected to increase or be steady in two-thirds of the states. Based on recent state and local government contract awards, some of the largest markets expected to show growth are California, New Jersey, North Carolina, New York, Illinois, Georgia, and Virginia.

Several states passed measures in 2025, that combined raise over $14 billion in transportation revenues, according to ARTBA's Transportation Investment Advocacy Center (TIAC). Depending on the state, the additional revenues will either cover anticipated funding gaps or provide resources for new investments.

Key Highlights:

- **Mississippi** enacted a phased nine-cent-per-gallon increase in the state gas tax March 27. The law includes automatic adjustments every two years.

- **Wyoming** acted March 3 to redirect sales and use taxes collected on motor vehicles and trailers from the general fund to the highway fund.

- **Maryland** lawmakers approved a series of transportation-related fee increases, including a new tire fee, expected to generate approximately $500 million in new revenue. The bill passed April 7.

- **Ohio** voters renewed the state's 10-year, $2.5 billion infrastructure bond program May 6. Originally approved in 1987, the program supports long-term capital investments.

- **Washington** State passed a comprehensive transportation funding bill, signed by Governor Bob Ferguson (D) May 24. It includes a six-cent-per-gallon increase in the state motor fuel tax, indexed by 2 percent annually; increases in various vehicle-related taxes and fees; a new fee on luxury vehicles; and a portion of the state sales tax dedicated to transportation.

- **Indiana** lawmakers passed legislation May 1 seeking federal approval to toll lanes on interstate highways.

- **Oregon** legislators Sept. 29 approved a transportation funding plan estimated to generate $4.3 billion in new revenue over the next 10 years. The bill increases the state gas tax by six cents-per-gallon, raises vehicle title and registration fees, temporarily increases the state payroll tax for transit funding, and requires electric and hybrid vehicles to participate in Oregon's road usage charge program.

- **Michigan** lawmakers approved legislation Oct. 3 to provide $1.85 billion in new transportation revenue over the next four years by swapping the current sales tax at the pump with an equivalent gas tax increase, enacting a new, 24 percent tax on the wholesale price of marijuana, and dedicating $500 million from the corporate income tax.

Voters in 2025 approved 82 percent of 283 transportation funding measures on state and local ballots throughout the country, according to initial results compiled by TIAC. The measures will generate an estimated $24 billion in new and renewed funding for roads, bridges, trails, and rail.

Some of the approved revenue will be available immediately through bond agreements, while most will be generated through sales, property, or other taxes collected gradually over as much as 30 years.

Transportation Construction Workforce

Employment by highway, street, and bridge contractors is expected to reach record levels in 2025, but overall growth seems to have leveled off, reflecting the trend in highway construction spending. Employment levels are a proxy for real construction spending, since contractors would not hire more workers if the real amount of work was not growing. Finding workers is still a challenge for many businesses. The number and rate of job openings for the entire construction industry was down in August 2025 compared to last year. This likely reflects fewer new jobs as residential and total construction activity is also down in 2025.

Employment data through the first half of 2025 provides key insights into employment and wages at the height of the summer construction season.

The number of workers employed by highway, street, and bridge contractors reached record levels in July—with 411,100 employees, up by over 35,600 jobs, or 9 percent, compared to 2021. In July 2024, contractors employed 410,500 workers.

The number of workers on the jobsite in July 2025 reached 332,100, up one percent as contractors added 3,200 new jobs compared to July 2024. This suggests that contractors are continuing to focus hiring efforts on project delivery and construction, while some jobs in the front office may be unfilled.

Even with the additional workers, employees on the job site are working longer hours. The number of hours worked in July 2025 was up by about 40 minutes compared to July 2024, averaging 45.3 hours per week compared to 44.7.

Average hourly wages were up six percent on average for all highway and bridge construction workers, and five percent for those on the jobsite.

The construction unemployment rate averaged 3.3 percent for the 2024 summer construction season, slightly below 2024 levels of 3.5 percent. The number of job openings in the construction industry dropped sharply in August 2025, down from 317,000 openings in August 2024 to 182,000 in August 2025.

Conclusion

Overall, transportation construction market activity will remain healthy in 2026. As expected, highway construction market activity will plateau at or near record levels in the last year of the federal surface transportation law.

Bridge construction is expected to be strong in 2026 as major project supported by federal and state investments get underway. Public transit construction is expected to return to growth after several difficult years following the COVID-19 pandemic and loss in ridership. Airport terminal, runway and railroad construction are expected to stay steady or grow moderately based on broader economic factors.

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 and are updated annually.

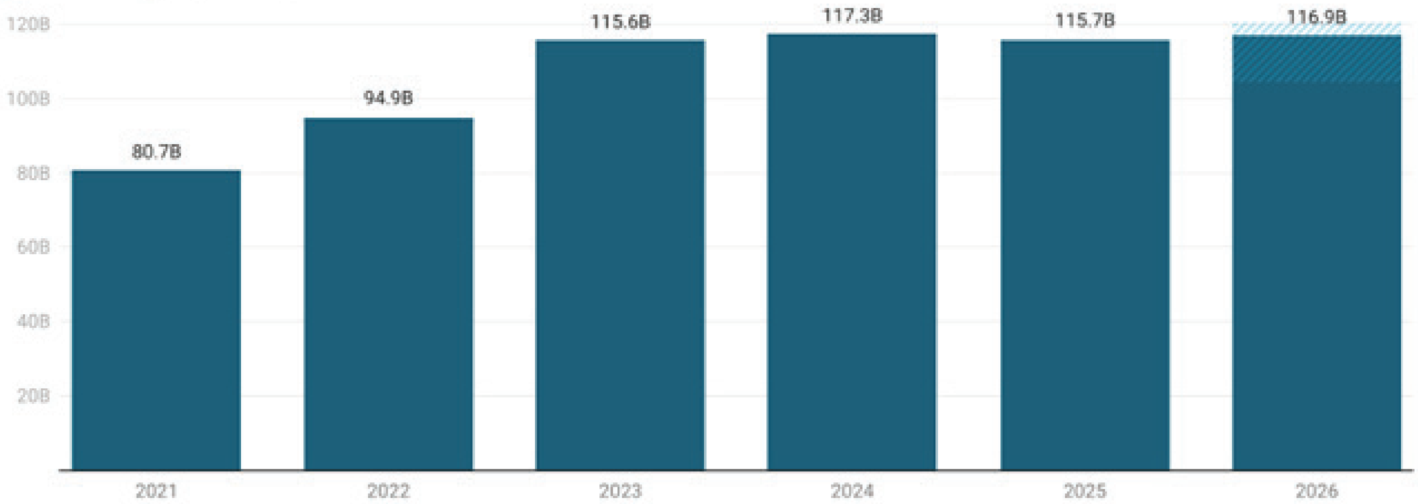
This is a national outlook, and the performance of individual states and regions will vary.

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**.

Highways, Pavement & Related Construction Work

Forecast Range of $104B to $120B

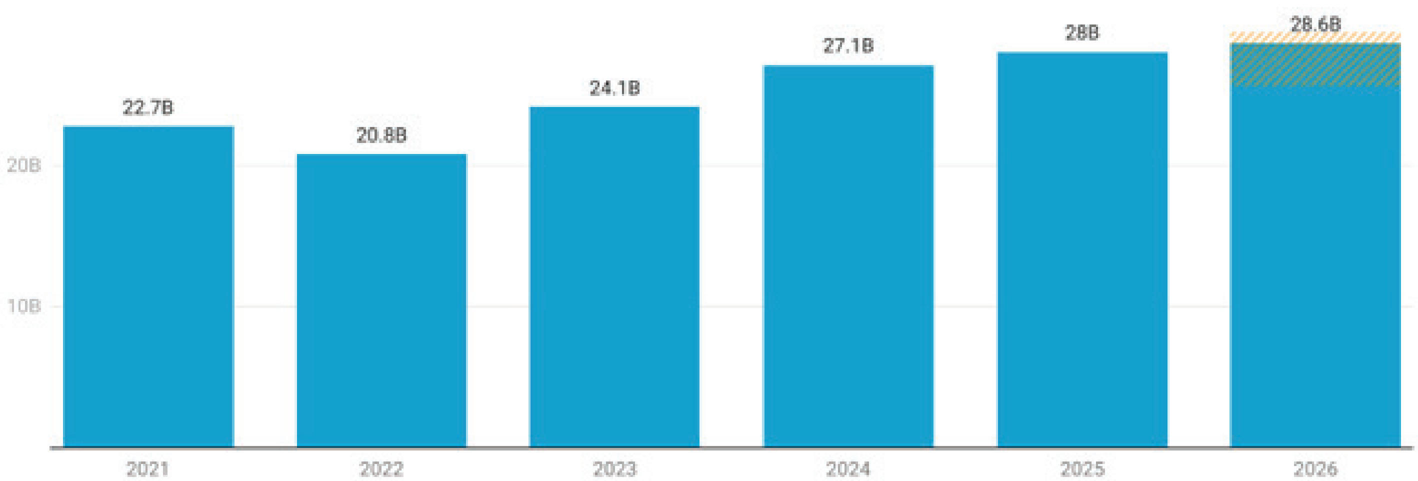


ARTBA outlook for the U.S. Census Bureau Value of Construction Put in Place. Estimates for 2025 based on data through August.

Chart: ARTBA • Source: ARTBA 2026 Market Outlook • Created with Datawrapper

Bridge & Tunnel Construction Work

Forecast Range of $26B to $29.6B



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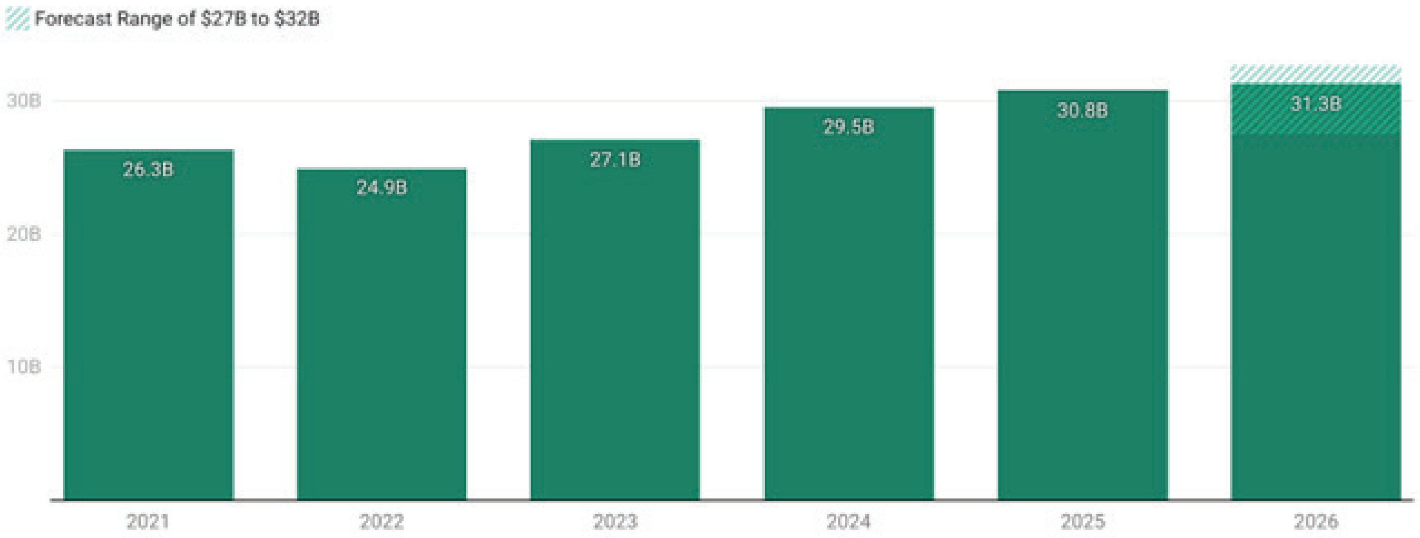
Airport Terminal & Runway Construction Work



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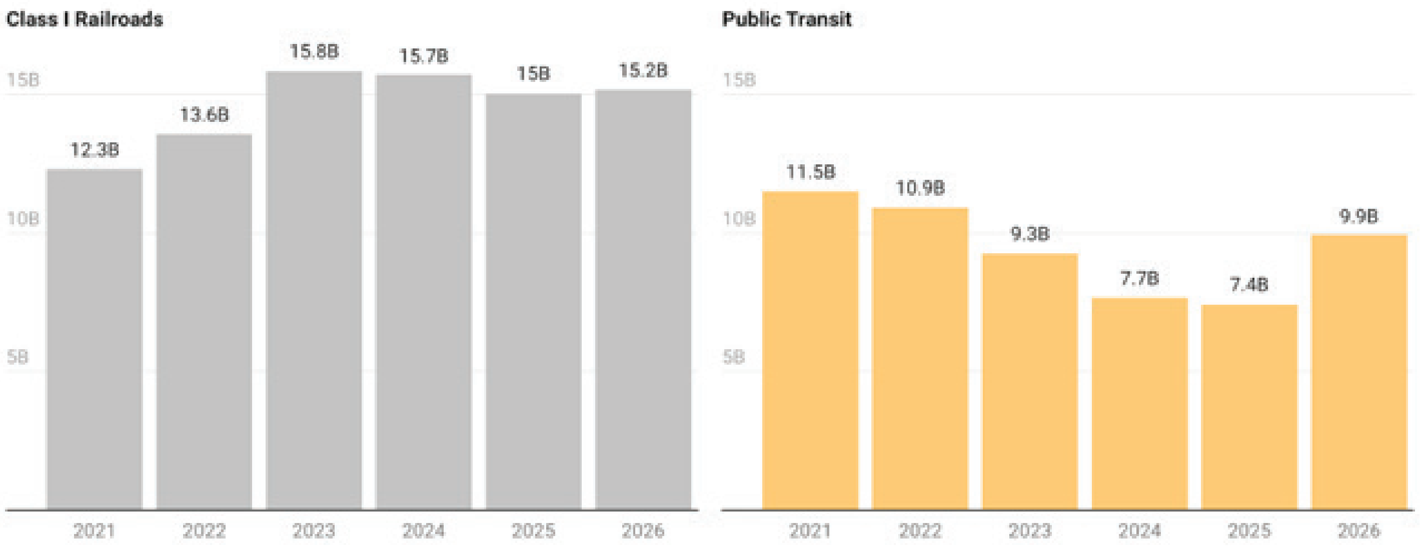
Public Transit & Rail Construction Activity



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