

March 25, 2022

The Honorable Janet Yellen
United States Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Yellen,

We, the undersigned associations, represent both public and private sector organizations that produce and use the materials, products, and equipment necessary to build America's infrastructure and employ millions of hard-working Americans in well-paying jobs. At this critical time, as Congress has passed the historic Infrastructure Investment and Jobs Act (IIJA) that will provide impactful infrastructure investment to the nation, we again request relief for government agencies and businesses who have and continue to face unprecedented pandemic-induced supply chain delays and shortages which only seem to be getting worse.

According to the Bureau of Labor Statistics, price increases for steel mill products were up 22% in 2021 and up an additional 74% in 2022. Plastic construction products saw similar increases, up 7.6% in 2021 and 36% in 2022. Lead times for procurement and delivery of many of these materials has dramatically increased as well, and prospects for the rest of the year are worse. As a result, crucial infrastructure projects across the country run the risk of delay. Construction firms are going to have to pass along the rising materials prices to remain successful. Unfortunately, the lead time in bidding these projects is often so long, that they are unable to predict the availability and price of some of these materials. In addition, companies are unable to foresee things like a Russian invasion, spiking oil prices, and soaring inflation and therefore in some instances are forced to absorb these increases because there is no price escalation clause available to them. The impacts of this have been especially devastating to small and Disadvantaged Business Enterprise (DBE) construction firms that lack the resources to absorb these unexpected costs.

Through ongoing dialogues with our respective members, our associations have been sharing information on the severity and pervasiveness of this trend including:

- Recent member surveys by the Associated General Contractors of America (AGC), as well as by the American Association of State Highway and Transportation Officials of the state transportation departments across the country, found that companies and government agencies are reporting both shortages of and increased prices on manufactured steel, steel and plastic piping, paint, concrete materials, and many other items. Cost increases ranged from 15 percent to a doubling or tripling on some items like manufactured steel. Lead times for procurement and delivery of many of these materials has dramatically increased as well, and prospects for the coming year are worse.
- Additionally, the American Traffic Safety Services Association has twice surveyed its membership on this issue in 2021 and found similar results to that of AGC. About 64% of surveyed members are either unsure or pessimistic about their ability to meet their customers' needs for roadway safety projects. Approximately 60% believe that this shortage will remain for at least 7 more months, and likely for more than a year.
- The Florida affiliate of the American Road & Transportation Builders Association, in conjunction with the Florida Department of Transportation, quantified materials cost increases totaling about \$145 million across more than 200 projects over the pandemic's first 13 months.

One solution would be to clarify the use of Coronavirus State and Local Fiscal Recovery Funds from the American Rescue Plan Act (ARPA) by state and local governments to mitigate the effects of supply chain delays and shortages, such as for material, products, and equipment price increases and the effects they are having on project costs. The ARPA states that these funds should be used to "mitigate the fiscal effects stemming from the public health emergency with respect to the Coronavirus Disease (COVID-19)." Since the pandemic is clearly the driving force behind these supply chain delays and shortages, we believe it is clear that such utilization of the funding would fall within congressional intent of the legislation.

Accordingly, we respectfully request that the Department of the Treasury update its "Frequently Asked Questions" document and regulations for ARPA funds, clarifying that recipient governments can use them to mitigate the effects of supply chain delays and shortages, such as for material price increases and the effects they are having on project costs.

We are hopeful that you will take action soon to provide relief for the current supply chain shortages and delays, and help maximize the IJJA's economic benefits.

Sincerely,

Associated General Contractors of America

American Association of State Highway and Transportation Officials

American Road & Transportation Builders Association

American Traffic Safety Services Association

American Concrete Pipe Association

American Highway Users Alliance

American Public Transportation Association

Associated Equipment Distributors

National Asphalt Pavement Association

National Association of Counties

National Ready Mixed Concrete Association

National Stone, Sand, and Gravel Association

Portland Cement Association

The Surety & Fidelity Association of America