

DOUGLAS E. BARNHART, President  
J. DOUG PRUITT, Senior Vice President  
TED J. AADLAND, Vice President  
RALPH LARISON, Treasurer  
STEPHEN E. SANDHERR, Chief Executive Officer  
DAVID R. LUKENS, Chief Operating Officer

**AGC of America**  
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA  
**Quality People. Quality Projects.**



July 16, 2008

The Honorable Barbara Boxer  
Chair  
Committee on Environment and Public Works  
United States Senate  
Washington, DC 20510

Dear Madam Chair:

On behalf of the Associated General Contractors of America (AGC), I am writing to express our appreciation for your support and efforts to address a projected revenue shortfall in the Highway Account of the Highway Trust Fund in fiscal year 2009. AGC appreciates the opportunity to work with you in enacting legislation immediately to ensure sufficient revenue in the Highway Trust Fund to prevent a significant reduction in states' federal highway funding.

Early 2008 estimates by the Office of Management and Budget and Congressional Budget Office of the Highway Trust Fund balance in fiscal year 2009 forecasted as much as a 34 percent reduction in federal highway program funding to all states below the level of spending Congress intended when it enacted SAFETEA-LU in 2005. However, with recent government statistics reporting a historic decline in fuel consumption, revenue into the Highway Trust Fund is diminishing more rapidly. The next Highway Account estimates later this summer are likely to project a larger deficit and, hence, more drastic program reductions.

While we greatly appreciate you and your colleagues' efforts to prevent the anticipated shortfall, Congress' inability to enact legislation is creating uncertainty within state departments of transportation as they seek to implement their road programs, particularly as many states began a new fiscal year on July 1. Some states are already reducing the number of highway contracts they award, either in anticipation of reduced federal funding or because of shortfalls in their own budgets.

Making matters worse, state highway budgets are also being severely undermined by the dramatic increase in the cost of construction materials used in highway and bridge construction, meaning that each month of delay greatly reduces the buying power of federal funds. Consider the following:

- The price of asphalt has more than doubled since the beginning of 2008, with increases of as much as 40 percent announced in many regions since July 1 alone
- On-highway diesel fuel costs have risen 68 percent in the past 12 months
- Reinforcing steel (rebar) prices have roughly doubled since the beginning of 2008
- The cost of construction plastics, such as polyvinyl chloride (PVC) pipe and plastic fencing and moisture barriers, have risen 10-25 percent since early 2008

- The price of concrete has risen 6.7 percent (producer price index change for concrete products from May 2007 to May 2008), plus higher fuel surcharges in some cases

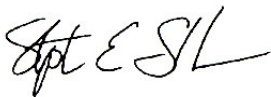
On July 15, the Bureau of Labor Statistics (BLS) reported that the producer price index for inputs to highway and street construction jumped 2.9 percent in June alone and 18.9 percent since June 2007. If states must delay contract awards by an entire paving season because of a lack of federal money, the costs of these projects will continue to increase.

Of paramount concern, jobs are being lost. According to the BLS, highway construction employment tumbled by 48,000 jobs from June 2007 to June 2008. Announced cutbacks in new contract awards since these figures were collected in mid-June point to further job losses at a time when highway construction is normally at its peak.

We look forward to working with you to avoid a highway funding crisis in fiscal year 2009 by enacting this must-pass legislation as soon as possible, whether as a stand-alone measure or as part of an appropriate legislative vehicle. To help expedite the enactment of this legislation, for example, AGC proposes attaching legislation to address the Highway Trust Fund deficit on in the tax extenders package. Doing so would help provide states with the confidence they need to continue or increase their job lettings not only to prevent further job layoffs, but also to provide the economic stimulus benefits of job creation in the highway construction industry.

Again, thank you for your championship on this issue. Please do not hesitate to contact me for additional information or for AGC's assistance with this or any other matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen E. Sandherr". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Stephen E. Sandherr  
Chief Executive Officer