Written Statement of

Janet F. Kavinoky
Vice President, External Affairs and Corporate Communications
Vulcan Materials Company

On behalf of

The National Stone, Sand and Gravel Association

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"America Builds: Highways to Move People and Freight"

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Thank you, Chairman Crawford, Ranking Member Norton, Chairman Graves, Ranking Member Larsen and subcommittee members for providing the opportunity to testify today. This hearing marks the beginning of the important and urgent work of reauthorizing the federal surface transportation programs, which enable the safe and efficient movement of people and goods and underpin the nation's economic growth and security.

Vulcan Materials Company, a Fortune 500 company headquartered in Birmingham, Alabama, is the nation's largest producer of construction aggregates—primarily crushed stone, sand, and gravel—and a major producer of aggregates-based construction materials including asphalt and ready-mixed concrete. Our coast-to-coast footprint and strategic distribution network align with and serve the nation's growth centers. Vulcan has nearly 11,000 employees at 397 active aggregates facilities, 66 asphalt facilities, and 63 concrete facilities.

The members of the National Stone, Sand & Gravel Association (NSSGA) are responsible for the essential raw materials found in every home, building, road, bridge, and public works project in the United States—the bedrock for the movement of people, goods, and services across America. The NSSGA is the leading voice and advocate for the aggregates industry. The NSSGA advances public policies that protect and expand the safe, environmentally responsible use of aggregates that are essential to America's infrastructure, energy production, manufacturing and economic prosperity.

Surface transportation is the backbone of our economy, facilitating the movement of goods and people, and supporting millions of jobs across the country. According to the American Society of Civil Engineers, a well-maintained infrastructure network contributes $3.1 trillion to the U.S. economy every year[1], underscoring the importance of investment in our roads, bridges, and public transit systems. The aggregates industry, a key contributor to these surface transportation programs, supports over 100,000 direct jobs[2] and generates approximately $35.2 billion annually in economic output.[3]

The importance of the bipartisan and diligent work of this committee to the construction and operation of our essential transportation networks cannot be understated. In fact, the roots of your work are found in Article One of the Constitution, which clearly enumerates it is Congress's role to build roads and transportation networks on which our nation's growth and security depend.

The bipartisan *Infrastructure Investment and Jobs Act* (IIJA), enacted in November 2021, marked a once-in-a-generation investment in surface transportation infrastructure. The IIJA allocated more than $350 billion specifically for roads, bridges, and major projects[4]. The money is being put to work, and we are seeing the benefits of IIJA flow through to our industry. According to the American Road and Transportation Builders Association, states have committed nearly $180 billion in highway and bridge formula funds to support over 85,000 new projects.[5]

We applaud the committee for committing itself to delivering on this responsibility by expeditiously working across the aisle to complete a multi-year surface transportation reauthorization before the highway and transit authorizations in current law expire on September 30, 2026.

Underlying Principles for Surface Transportation Reauthorization

On behalf of Vulcan Materials and NSSGA, I would offer three underlying principles for the Committee to consider as it begins development of the reauthorization of the Federal-aid Highway Program.

1. **Enact a long-term bill with certain, predictable, multi-year funding.**

A long-term Federal-aid Highway Program authorization, with reliable, predictable multi-year funding is the foundation upon which state and local governments and their partners across the

[1] https://bridgingthegap.infrastructurereportcard.org/wp-content/uploads/2024/05/2024-Bridging-the-Gap-Economic-Study.pdf
[2] https://www.nssga.org/who-we-are/our-economic-impact
[3] https://pubs.usgs.gov/periodicals/mcs2024/mcs2024.pdf
[4] https://www.fhwa.dot.gov/bipartisan-infrastructure-law/docs/bil_overview_20211122.pdf
[5] https://www.artba.org/market-intelligence/highway-dashboard-iija/

construction industry plan, design, engineer, construct, operate and maintain infrastructure year-over-year. This principle has long been articulated in front of Congress.

> *"The business of successfully building and maintaining our national surface transportation infrastructure depends, in large measure, on the funding stability and the year-over-year predictability of the Federal-aid Highway Programs funded by the Highway Trust Fund. These authorizations provide an important continuity that my company, our employees and our customers rely upon in order to meet the significant and growing needs of our transportation system.*
>
> *Multi-year bills are particularly vital for the funding visibility and the related confidence they instill in state departments of transportation (state DOTs). When state DOTs know that the Federal-aid Highway Program will apportion to them their federal funding, year-over-year in an amount authorized, they have the confidence that their state expenditures will be reimbursed. The states then award contracts, and the process of building and maintaining our transportation infrastructure can proceed smoothly and efficiency. Confidence in the long-term stability of the program is a critical factor in ensuring its success."* [6]

This is the exact wording from the then-CEO of Vulcan Materials, Don James, to the Senate Environmental and Public Works Committee in June 2009. It is equally as true today.

State DOTs are managers of their transportation infrastructure inventory, which is a multi-year management challenge. Stable policy and predictable, multi-year funding are the right approaches to address that challenge.

2. **Emphasize core highway programs and state decision making.**

Along with laws that provide for multi-year time horizons, Congress has also maintained the nature of the Federal-aid Highway Program as a state-administered, federally assisted program—and it should continue to do so. State based decision-making honors the long-standing axiom that state and local decisionmakers make superior decisions about their citizens' needs because they are closer to and live with their constituents and their needs.

Further, we support this committee maximizing apportioned funding in this reauthorization to provide states and localities the flexibility needed to address state and local transportation infrastructure priorities. For the past one hundred years, formula funding to states has been the indisputable foundation of the Federal-aid Highway Program. State DOTs are able to maintain the interstate system and make other investments in the network of roads and bridges that

[6] Testimony of Don James, Senate Hearing 111-1198, "Impacts of Expected Highway Trust Fund Insolvency" before the Senate Committee on Environment and Public Works, 1/25/2009.

connect the nation using formula funding, to the benefit of our nation's interstate commerce and economic growth.

In contrast, we have observed a perceptible erosion of the principle of state and local control of decision making in recent Federal-aid Highway Program reauthorizations—particularly the IIJA. Allocated programs, with increasingly detailed eligibility defined by federal agencies, as well as additional apportioned programs with specified eligibility, limit state and local decision-making flexibility. New programs can be slow to implement and draw funding away from state priorities through compartmented funding eligibility. Our experiences with the IIJA's new programs' slow obligation rates, both formula and allocated, bear out the need to avoid new programs or program expansions.

3. **Pay for investment through a Highway Trust Fund (HTF) supported by all users**.

Surface transportation reauthorization debates have long revolved around the challenge of identifying and dedicating user fee revenues to fund authorized levels consistent with infrastructure needs. The drivers of federal user fee revenue shortfalls are—and have long been—clear and straightforward. Federal excise tax rates on fuels have been unchanged since 1993, and unlike in state and local jurisdictions level where base increases and indexing for inflation and fuel economy have been possible, prospects for these measures at the federal level remain dim. Vehicles have become more fuel efficient as infrastructure needs continue to grow, enlarging the gap between available revenue and needs.

Congress must identify a user-fee based, long-term solution to ensure the ability to pass multi-year bills. Why user fees? They are the revenue type that supports the contract authority that enables passage of multi-year bills. Congress long ago determined that gas purchased to drive a vehicle was the best metric for how much any particular consumer used the road. In other words, a tax on the gas purchased is a precise "cost of use" metric, and thus a user fee, a special category of revenue dedicated to pay for the costs of use from which it is derived. Through budget legislation Congress deemed the authority associated with user fee revenue placed in a trust fund as an exception to budget authority, called "contract authority," which is provided directly to the states. The logic and fairness of funding the Federal-aid Highway Program with contract authority derived from user fees is unquestionable. The alternative, annual appropriations, would create uncertainty instead of stable, predictable, multi-year contract authority.

The natural question in the context of a funding discussion is, "How much revenue is needed?" We expect that you and a wide range of stakeholders will debate this question in the coming months, as the answer "the amount of revenue raised through user fees should match transportation infrastructure funding needs" is not instructive.

What is known, however, is the magnitude of the challenge of simply maintaining current investment levels after September 30, 2026. Under the June 2024 Congressional Budget Office

(CBO) baseline, the projected year for HTF insolvency is FY 2028 with an end-of-year gap of just under $18 billion based on flat spending levels. The most recent CBO HTF projections show a cumulative HTF shortfall from FY 2028 through FY 2031 of $136 Billion: $100 Billion for the Highway Account and $36 billion for the Mass Transit Account. The driver of the shortfall continues to be year-over-year declines in HTF revenues from just above $44 Billion in FY 2027 to $40 Billion in FY 2031. The full 10-year baseline projections show a ten-year revenue gap of just under $300 Billion, which reflects a projected, and significant, decrease in gas tax revenue beginning in 2031 through 2035. The CBO accounts for a range of factors in this calculation, including vehicle miles traveled, electric and hybrid vehicles, and fuel economy standards.

These deficit projections highlight the need of a multi-decade HTF revenue solution to put the HTF on solid footing not just for the current reauthorization, but the next one and the one after that.

We have been fortunate that Congress has seen fit to maintain long-term, predictable contract authority and funding levels associated with authorizations in spite of Highway Trust Fund user fee revenue shortfall by providing General Fund and other transfers to keep the HTF solvent, totaling $275 billion since 2008.

The 119th Congress has available to it a significant body of work on this topic developed over the last 20 years that is relevant and insightful. In 2005, the *Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users* (SAFETEA-LU) created two national commissions which examined policy and made recommendations for funding and financing surface transportation. The themes that collectively run throughout this body of work are remarkably consistent over time, as are the basic revenue options.

We encourage and support the House Transportation and Infrastructure Committee’s engagement in the reconciliation process to establish additional revenue sources for the federal Highway Trust Fund.

Specific Policy Priorities

Build America, Buy America Act: The IIJA contained new *Build America, Buy America Act* (BABAA) domestic procurement preferences for infrastructure projects funded with federal financial assistance. Vulcan and the NSSGA led efforts to ensure the final guidance accurately reflected Congressional intent with regards to the limitation of domestic content procurement preferences for listed materials in section 70917 (c). The limitation excludes cement and cementitious materials, aggregates such as stone, sand, or gravel, or aggregate binding agents or additives, and their combination into asphalt or concrete in proximity to the job site, from being subject to BABAA’s domestic content procurement preferences. There are areas across the nation that lack the necessary natural resources needed to produce construction materials. For example, the southeast and gulf coast does not have indigenous aggregates reserves and suitable aggregates are imported to meet market demand. Congress and FHWA have long recognized these factors and responded to ensure domestic content requirement exclude aggregates materials. Preserving the BABAA limitation is critical to maintaining supplies of construction materials for our nation's transportation infrastructure. To the extent the Committee examines the BABAA's applicability and implementation to transportation infrastructure programs during this reauthorization we oppose any changes to the limitation in Section 70917(c).

Innovation and Materials Preference: The private sector, and the construction materials industry in particular, has played a significant role in advancing construction material innovations while ensuring that safety and performance are not compromised. Yet we have seen a proliferation of provisions disguised as "innovation" that would constitute government efforts to intervene in markets and create incentives for certain preferred construction materials.

We support innovations led by industry and demanded by the marketplace. States are in fact demanding innovations for construction materials that advance performance and sustainability, and industry, without the federal government picking winners and losers among the competitors, is providing these materials.

Consistent with the core principle of the Federal-aid Highway Program's state-based decision making and emphasis on formula funding, we support no new mandates on state authority and flexibility in this area. We strongly believe that materials decisions should be made by qualified professionals at the state and local levels of government. We urge the committee to maintain a material neutral posture and avoid advancing policies that promotes specific material selection.

USDOT authority over surface transportation: We are concerned about the proliferation of programs at EPA, DOE, and other agencies, which impede the FHWA's authority to administer the Federal-aid Highway Programs. We encourage the Committee to review recent enactments for provisions of law or regulations that insert other agencies and departments into the Federal-aid Highway Program's functions, intervene in states' flexibility in project selections and material choices, or otherwise interrupt the FHWAs' authority to administer the Federal-aid Highway Program.

<u>By beginning today, we can reauthorize highway and transit programs on time.</u>

In conclusion, this Committee and the 119th Congress have the opportunity—and face the challenge—of passing a surface transportation reauthorization bill before the current authorizations for highway (Title 23) and public transportation (Title 49) programs expire on September 30, 2026.

We applaud this committee for pursuing a regular cadence for Water Resources Development Act reauthorization and encourage the committee's leadership to do the same for surface transportation reauthorizations. We recognize this is a daunting task: every surface transportation reauthorization after the 1991 *Intermodal Surface Transportation Efficiency Act* (ISTEA) has required one or more extensions of the prior authorization's program authority to provide time to complete the reauthorization. It took 10 extensions to bridge the last year of SAFETEA-LU in 2009 to the first fiscal year (2012) of SAFETEA-LU's successor, *Moving Ahead for Progress in the 21st Century* (MAP-21). Delays and extensions are not in the public interest: they drive up costs, hold up capital investments and hiring and diminish the value of benefits by pushing them out to the future.

Further, we do not think it is necessary to recreate the "IIJA model," which combined the highway and transit reauthorization act with multi-year appropriations for a broad group of infrastructure categories to create a comprehensive infrastructure package. As a materials provider to all types of public infrastructure, we recognize the value in investments in broadband, energy, water and wastewater, aviation, ports and waterways, schools and more. And, of course, various pieces of legislation are often combined during the legislative process. However, in terms of process, we urge a return to a more typical, focused surface transportation reauthorization, as was done with the *Fixing America's Surface Transportation Act* (FAST Act), which passed December of 2015.

A focused effort managed through regular order, where the House Transportation and Infrastructure Committee introduces an original bill, holds a mark-up, and manages the bill through floor consideration and conference, will provide for important debate, discussion and negotiation, benefit the final product, and maximize the success of an on-time, well-funded, multi-year highway and public transportation reauthorization.

Thank you again for inviting me to testify and I look forward to your questions.