Written Statement of

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On behalf of

The Associated General Contractors of America

to the

United States House of Representatives

Committee on Transportation and Infrastructure

For a hearing on

"America Builds: The State of the Nation's Transportation System"

January 15, 2025

The Associated General Contractors of America (AGC) is the leading association in the construction industry representing more than 28,000 firms, including America's leading general contractors and specialty-contracting firms. Many of the nation's service providers and suppliers are associated with AGC through a nationwide network of chapters. AGC contractors are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, levees, locks, dams, water conservation projects, defense facilities, multi-family housing projects, and more.

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I. Introduction

Chairman Graves, Ranking Member Larsen, and members of the Committee on Transportation and Infrastructure, thank you for inviting me to testify on this vitally important topic. My name is Seth Schulgen and I am the Vice President of Williams Brother Construction. Our company is a highway construction firm with over 70 years in business. We employ more than 2,400 individuals and operate a fleet of over 700 trucks. Currently, we are managing 26 active projects with a total contract value exceeding $5 billion. I am also a past president of the AGC of Texas and an active member of the AGC of America.

AGC is the leading association in the construction industry representing more than 28,000 firms, including America's leading general contractors and specialty-contracting firms, many of which are small businesses. Many of the nation's service providers and suppliers are also associated with AGC through a nationwide network of chapters. AGC contractors are both union and open shop and are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, transit systems, waterworks facilities, waste treatment facilities, levees, locks, dams, multi-family housing projects, and more.

In my testimony today, I will discuss the status of the nation's transportation system from the perspective of a construction company, focusing on the challenges and opportunities we face in rebuilding America's infrastructure. Legislation like the Infrastructure Investment and Jobs Act (IIJA) has brought the most substantial investment in infrastructure since the creation of the Interstate Highway System in the 1950s. Over the past four years, the industry has navigated obstacles such as inflation, supply chain disruptions, and workforce shortages. However, without the IIJA, there would have been fewer projects available for bidding, which would have adversely affected my company, the construction sector, and the nation's infrastructure as a whole. My remarks will further explore both the hurdles and the potential that lie ahead for our industry.

II. High Costs to do Construction

<u>The cost of construction materials has increased</u>

For the construction industry, managing inflation has defined the past few years. At its worst, since February 2020, the average cost of construction materials increased by 37%; nearly twice as high as the rate of consumer inflation, which was 19% during that same period. More specifically, highway construction costs increased 72% from late 2020 to early 2024, according to the Federal Highway Administration's (FHWA) National Highway Construction Cost Index.[1] These increases have strained budgets and reduced the purchasing power of federal infrastructure investments, with an estimated $61.5 billion lost due to inflation since the end of 2020. [2]

Costs increased significantly for several key building materials between February 2020 to November 2024, including:

- 70% increase in copper and brass mill shapes (used in copper pipe, wiring, roofing materials, and brass fixtures);
- 66% increase in diesel fuel;
- 52% increase in gypsum building materials (wallboard and plaster);

[1] Federal Highway Administration, National Highway Construction Cost Index (NHCCI)
[2] Eno Center for Transportation, Highway Construction Costs Dropped Slightly in Spring 2024

- 47% increase in insulation materials; and
- 45% increase in steel mill products[3].

Rising diesel costs, as reported by AGC members and the FHWA[4], have increased the costs of construction projects across the country. Higher diesel costs mean construction companies must pay more to operate equipment, deliver materials to jobsites, and haul away dirt, debris, and equipment. Likewise, construction workers themselves feel the pain of higher commuting costs – particularly for jobs in rural areas where workers often have long commutes.

The economic impact of these challenges has been stark for our infrastructure, with 43% of project cancellations and delays in 2024 being attributed to rising costs.[5] Without meaningful action to address these financial challenges, we risk further erosion of the impact of federal investments on our infrastructure.

Contractors are cautiously optimistic about the future

Despite the challenges posed by rising costs, construction contractors remain optimistic about the prospects for infrastructure growth in 2025. A recent survey of AGC members[6] highlights strong expectations for increased investment in transportation, bridge, and highway construction, reflecting the ongoing impact of the IIJA. Nearly half of the respondents anticipate a rise in the dollar value of projects within these categories, signaling confidence in market conditions and the sustained execution of federal infrastructure programs.

This optimism is fueled by the need to modernize aging infrastructure and meet the growing demands for safe transportation systems. In response, contractors are planning to expand their workforces to meet the anticipated project demand. However, the industry faces significant challenges in filling these positions, with nearly 80% of contractors expecting difficulty in recruiting skilled workers in 2025.

III. Worker Shortages Undermine the Industry's Ability to Build

Difficulty hiring and maintaining workers

Most firms anticipate adding workers in 2025 to accommodate the higher demand for projects.[7] Unfortunately, last year over 90% of contractors reported that they are having a difficult time filling some or all positions in their businesses.[8] Many of those contactors do not expect any positive changes in the availability of hourly craft or salaried personnel within the next year despite firms increasing pay and benefits. At Williams Brothers, we have increased wages and placed a greater emphasis on our Employee Stock Ownership Plan (ESOP) to attract and retain talent. However, we are still facing significant challenges in finding skilled workers, especially when it comes to equipment operators. In addition, CDL drivers are proving to be particularly difficult to find in certain areas of Texas, affecting many aspects of buildings projects. These workforce shortages are prompting many firms to charge more, take longer to complete projects, or not bid on construction projects.

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[3] Bureau of Labor Statistics, Consumer Price Index, Producer Price Indexes, and Employment Cost Index
[4] Federal Highway Administration, National Highway Construction Cost Index, 2024 Q2
[5] AGC of America, 2025 Construction Industry Hiring and Business Outlook Survey
[6] Ibid.
[7] Ibid.
[8] AGC of America, 2024 Workforce Shortage Survey

The construction industry's labor shortages remain severe with most construction firms expecting labor conditions to remain tight, despite firms increasing pay and benefits. According to an AGC survey that looks at workforce issues, 94 percent of firms report having a hard time finding workers to hire.[9] This is the effect of decades of education policies directing students to attend four-year institutions as the only career option.

That is why AGC supports increased funding for Career and Technical Education funding (Perkins Act.). Perkins is the primary federal program for developing and supporting career and technical education programs for secondary and post-secondary students. Exposing younger individuals to construction skills and careers is critical. In addition, this will send a clear message to new and future workers and their caregivers that construction is a desirable career option.

In fact, my own son is planning to go into the trades rather than attend a university, and that makes me a proud Dad. Not everyone is interested in a university education and having the younger generations be aware of other viable paths to earning a good wage is important for our economy and workforce. Gen Z has been nicknamed the "Toolbelt Generation". These are positive signs that the shift is happening, but it cannot happen fast enough. The need for more workers is now.

Rebuilding the domestic pipeline for preparing construction workers will take time and industry groups are hard at work to attract and train more workers to build quality infrastructure.

We Build Texas Roads Program

Locally, AGC of Texas is leading the charge in workforce development through initiatives like the We Build Texas Roads program, a joint partnership with the Texas Department of Transportation (TxDOT), and other stakeholders aimed at addressing the critical need for skilled workers in the highway construction industry through education, social media marketing campaigns, and community relationship building. As the state continues to experience rapid growth, our demand for qualified personnel to complete essential infrastructure projects has never been greater. By collaborating with industry partners, educational institutions, and community organizations, my local chapter is fostering a talent pipeline to try and address the workforce shortages so that the state's roads, highways, and bridges are built efficiently and to the highest standards, while also supporting both economic growth and public safety.

In addition, the AGC of TX awards scholarships to 20+ students annually who are interested in going into highway construction. It is supported by an annual gala that raises over $1 million annually and is an opportunity and celebration of the next generation of industry leaders. Held annually in the fall, this event brings together AGC members and community partners to raise funds for the AGC of Texas scholarship program. This scholarship program is just one more way we are empowering future leaders and fostering the bright future of the transportation construction industry in the Lone Star State in the face of increasing workforce challenges.

[9] AGC of America, Building a Stronger Workforce June 2024

Protect our existing workforce and the public near highways

In 2022, the National Work Zone Information Clearinghouse estimated a total of 96,000 work zone crashes and 37,000 related injuries, while documenting 891 fatalities.[10] Construction companies have reported greater frequency of reckless driver behavior since the COVID-19 pandemic resulting in 64% of contractors reporting that a motor vehicle has crashed into their work zones in in the past year alone attributed mainly to extreme speeding, distractions, and impairment.[11] This is simply unacceptable. Take action to keep highway construction workers safe.

As a strategy to reverse these trends, industry stakeholders have implemented a variety of initiatives to increase highway work zone safety. AGC has been advocating for strategies such as a work zone safety course as a requirement for teen drivers to complete in order to receive their license like Oklahoma has done. Since being the first state to require such a course, it has since caught on in other states including South Carolina and Illinois. Unfortunately, Texas does not yet have this requirement, but we hope to see it pass in our upcoming Legislative Session and have such a program added to our driver's education and defensive driving courses.

Additionally, I am part of a committee that is working to find ways to get speed safety cameras (SSCs) for use in Texas' highway work zones. These devices detect speeding and capture photographic or video evidence of vehicles violating a set speed threshold. Project partners can use this technology to supplement more traditional methods of enforcement and education to curb speeding. Data from early adopters – such as Pennsylvania and Maryland – shows the benefits of their use. An evaluation of Maryland's pilot program found a 90% decrease in vehicles speeding 12 mph over the work zone speed limit.[12] FHWA has also identified SSCs as one of its Proven Safety Countermeasures initiatives, which it strongly encourages transportation agencies to implement.

Public agency and industry partners have successfully detailed advantages such as improved worker safety; enhanced protection for motorists, their passengers, pedestrians, cyclists, and other roadway users; and reduced hazards for law enforcement officers and emergency responders. In addition, there are direct safety benefits in reducing traffic congestion that results from work zone incidents themselves.

IV. Federal Infrastructure Spending Needs Greater Flexibility

Prioritize More Spending to States Via Formula

Federal funding for infrastructure has played a critical role in supporting state and local efforts to rebuild our roads and bridges. Formula funding allows states to plan and execute projects efficiently. In contrast, discretionary grants require a lengthy process – notice of funding opportunity, application process, DOT review process, project awards etc. – which unnecessarily delay projects breaking ground. There is also an administrative cost to applicants going through the process who often hire consultants to help them navigate this process. With only about 10% of applicants being successful, that is a huge cost, and most applicants have nothing to show for it. Money that could have been spent investing in infrastructure was spent chasing after discretionary funds run out of Washington. Instead, providing states more funding and flexibility, through the formulas, to

[10] National Work Zone Safety Information Clearinghouse, 2022 Work Zone Data
[11] AGC of America, 2024 AGC & HCSS Highway Work Zone Safety Survey
[12] Federal Highway Administration, 2023 Speed Safety Camera Program Planning and Operations Guide

determine how best to spend federal funds within their communities would be a more efficient way to maximize infrastructure investments.

The predictability of formula funding is one of its greatest strengths. Formula funding provides states and contractors with a reliable and steady flow of resources, enabling better long-term planning and scheduling. Contractors can allocate resources more effectively, plan workforce needs, and invest in equipment and training with greater confidence. Predictable funding ensures that projects can move forward without the delays caused by waiting for discretionary grant awards. This consistency benefits not only the construction industry but also the communities that rely on timely infrastructure improvements.

Discretionary grant programs should be consolidated and focus on programs that make large awards - like MEGA and Infrastructure for Rebuilding America (INFRA). These grant programs allow projects to be built that otherwise would not be feasible with formula funding alone. These programs need to prioritize projects that have a national or regional significance and improve the movement of people and goods.

Identify a sustainable long-term funding solution where all users pay

Funding for federal surface transportation programs primarily comes from motor fuels user fees and other trucking user fees deposited into the Highway Trust Fund (HTF). However, Congress has not adjusted these motor fuels user fees since 1993, causing a significant decline in their purchasing power. Improved vehicle fuel efficiency and the rise of alternative fuel vehicles, such as electric vehicles (EVs), are further reducing HTF revenues. As a result, the HTF faces growing revenue shortfalls that are expected to worsen over the next decade.

In addition to not paying into the HTF, EVs generally weigh more than traditional internal combustion engine vehicles, contributing to greater wear and tear on roads and bridges. This added weight not only increases the need for more frequent maintenance but also necessitates upgrades to safety features such as guardrails and barriers to accommodate the higher forces involved in collisions with heavier vehicles. As the nation's vehicle fleet becomes heavier, funding must increase to cover both the additional maintenance and the necessary safety upgrades to ensure our roads remain safe for all users.

There are a number of proposed user fees to fund the HTF, including but not limited to, raising existing motor vehicle fuel user fees, implementing electric and other alternative fuel vehicle user fees, instituting a national registration fee for all vehicles, creating a national vehicle miles traveled fee for automobiles and/or freight vehicles, and others. As Congress debates the next surface transportation reauthorization, I strongly urge you to find a sustainable long-term funding solution to support the robust funding levels like we have seen under the IIJA.

As mentioned previously, contractors are optimistic and ramping up capabilities to meet the infrastructure needs of the country. My company has recently acquired additional equipment, trucks, and real estate just in the past year to be able to meet the needs of infrastructure improvements funded by the IIJA. A retraction in funding would be catastrophic to our industry and communities.

V. Lengthy Environmental Reviews are Delaying Major Projects from Breaking Ground

Reduce bureaucracy, not environmental protection, to fast-track infrastructure improvements
Infrastructure funding has historically been a major roadblock for infrastructure projects to break ground. Recent investments in infrastructure have largely appeased that concern, but we haven't seen an influx of major projects breaking ground in part due to environmental review and permitting delays.

AGC believes a great way to maximize federal investment in infrastructure would be to fully implement the environmental review and permitting reforms that Congress passed in the IIJA and the Fiscal Responsibility Act of 2023 (FRA). The complicated operations of these current laws and the overlap of their requirements can delay projects that would improve the overall safety and efficiency of the surface transportation system. The FRA specifies that National Environmental Policy Act (NEPA) reviews should only look at the technically and "economically feasible project alternatives" and environmental impacts with "reasonably close or foreseeable impacts." Unfortunately, the White House Council on Environmental Quality (CEQ) did not implement the law, and instead they directed federal agencies to look at additional alternatives.[13] By fully implementing the provisions in the FRA and limiting agencies' analysis to "reasonably foreseeable effects", we believe the time and costs associated with delivering projects will be reduced without jeopardizing environmental protections.

The White House's CEQ has implemented a few permitting efficiencies directed by Congress in in the FRA – like setting deadlines and page limits for agencies' reviews and adding a process for a federal agency to use another agency's categorical exclusion. Unfortunately, CEQ also added new language that would undercut important reforms made under President Trump's first term specifically aimed at limiting the endless analysis of unquantifiable environmental harms and benefits and, conversely, added consideration of climate change and environmental justice to reviews.

As a result, more than 20 states initiated a lawsuit challenging the Biden Administration's 2024 NEPA rules. The lawsuit cites the addition of requirements to evaluate the impact of agency actions on climate change and environmental justice as a key factor that undermines any efficiency gains realized under the FRA. These requirements have introduced new complexities into the review process, further delaying critical infrastructure projects and leaving the intent of streamlined permitting unrealized.

Statutory requirements must guide agency environmental reviews and prevent differing, agency-specific NEPA rules - particularly in light of the D.C. Circuit Court of Appeals' recent ruling that CEQ lacks authority to issue binding, government-wide regulations on how agencies implement NEPA. AGC strongly supports bipartisan congressional permitting reform bills to further streamline the environmental approval process for infrastructure projects and limit post-permitting litigation. That is why we appreciate the leadership of Congressman Yakym in introducing bipartisan legislation to address these concerns, as well as the efforts of many members of this committee who worked to hold CEQ accountable.[14] Last Congress, this committee's support for a Congressional Review Act resolution on this issue demonstrated a strong commitment to ensuring that federal infrastructure investments are not slowed down by burdensome regulations.

[13] Council on Environmental Quality, National Environmental Policy Act Implementing Regulations Revisions Phase 2
[14] H.R. 6129 – Studying NEPA's Impact on Projects Act

The impact of these regulations is real. We have been working on the Interstate 45 Expansion project in Houston. This project has been in the preconstruction stages since 2002, and we broke ground on the first segment last week. While there can be numerous reasons for delays of big projects, as reported to us by the project owner, permitting has been the number one reason for delays.

Another example is the Brent Spence Bridge, which has long been used as a symbol of the need to invest in infrastructure, has finally received the necessary funding to break ground but hasn't due to permitting delays. Even worse, it is now facing a lawsuit that threatens to halt construction and force a full Environmental Impact Statement.

It's also important to note that Williams Brothers Construction operates in Texas, which is a NEPA Assignment state. This allows the state to assume federal responsibilities for environmental reviews, aiming to streamline project delivery and reduce costs. We are one of seven states that have assumed those responsibilities, meaning that we actually operate on a more streamlined basis compared to most of the nation. To illustrate this point, environmental assessments for projects took an average of 35 months to complete prior to NEPA assignment for Texas. This was reduced to an average of 16.5 months after Texas assumed responsibility for environmental reviews while keeping all federal requirements for the process in place.[15]

VI. Conclusion

The construction industry is optimistic about what 2025 has in store for our industry. The federal funding, provided by this committee, plays a critical role in rebuilding our nation's roads, bridges, transit systems, and airports. This funding enables state and local governments to plan and deliver on major infrastructure projects and for companies like Williams Brothers, the long-term certainty which encourages us to invest in new equipment and hire more workers.

I thank the Committee for the opportunity to testify today. I appreciate its continued efforts to help improve our nation's infrastructure and enact policies that create good paying jobs in America. I look forward to working with you to keep America moving. I would be honored to answer any questions you may have.

[15] Texas Department of Transportation, NEPA Assignment – Self-Assessment January 2023