

November 29, 2021

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 request relief for government agencies and businesses who have and continue to face unprecedented pandemic-induced supply chain delays and shortages that may undercut the anticipated benefits of the IIJA investment.

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.

As a result, crucial infrastructure projects across the country run the risk of delay. Moreover, many subcontractors and suppliers - particularly small and disadvantaged businesses - may not have the capital to weather this "once in a century" supply chain storm which according to Federal Reserve Chair Jerome Powell could continue through 2022.

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 IIJA'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 Association of Port Authorities
American Concrete Pavement Association
American Concrete Pipe Association
American Council of Engineering Companies
American Highway Users Alliance
American Public Transportation Association
American Society of Civil Engineers
Associated Equipment Distributors
Association of Equipment Manufacturers
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