September 27, 2012

The Honorable John Boehner  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Boehner,

With the adoption of the six month continuing resolution (CR) for fiscal year 2013, the Associated General Contractors of America (AGC) and our members strongly urge you to return to the practice of enacting regular appropriations bills with adequate levels of construction investment to ensure America’s federal infrastructure and facilities receive required maintenance and expand to meet growing economic and population demands.

AGC members include 7,000 of America’s leading general construction contractors and 26,000 specialty contractors and other firms, and a network of over 90 state and local chapters. More than 80 percent of AGC members are small businesses of 20 or fewer employees. AGC members are engaged in the construction of commercial buildings, factories, warehouses, highways, bridges, airports, waterworks facilities, waste treatment facilities, dams, water conservation projects, defense facilities, multi-family housing projects, and in-site preparation and utilities installation for housing developments.

As with CRs in the past, this CR reduces funding for and delays delivery of critical infrastructure and facility improvements, further straining the construction industry’s current economic woes and putting off our nation’s federal infrastructure system needs. The construction industry continues to face the highest industry-specific unemployment rate of 11.3 percent and $400 billion in lost annual market revenue since 2006. Under the CR, federal agencies are generally prohibited from beginning work on new and necessary projects for the next six months. In addition, the CR underfunds the highway and transit investment levels in the recently enacted transportation authorization bill, Moving Ahead for Progress in the 21st Century. As a result, construction contractors will likely see fewer opportunities for work, and in turn, less reason to hire more employees. In a political environment focused on giving employers more certainty in the market place to create new jobs, Congress’s passage of the CR, rather than regular appropriations bills, further increases uncertainty and hinders job growth.

It should be a priority to adequately invest in the transportation, water, and federal facility infrastructure required to grow our economy. The federal government has a role in addressing many critical military, economic, environmental, and public health and safety needs. The cost of not addressing our nation’s infrastructure needs is simply too great. For example:

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1 H.J Res. 117, Section 104 (2012).
Without increased investment in our nation’s surface transportation infrastructure, U.S. businesses will pay an added $430 billion in transportation costs, household incomes will fall by more than $7,000 and U.S. exports will fall by $28 billion come 2020.¹

Unfortunately, the CR funds transportation at $2 billion below where it was two years ago.³

Aging drinking water and wastewater infrastructure systems will become increasingly unreliable and costly to operate costing rate payers more money for worse service. The combinations of these two problems will negatively impact U.S. GDP by about $36 billion annually over the next ten years and more than $100 billion annually in the years 2021 through 2040.⁴ Unfortunately, the CR level funds water infrastructure at more than $1 billion below where it was two years ago.

Maintaining current levels of investment for inland waterway and marine port systems will lead to $270 billion in lost export value by 2020.⁵ Impacts caused from unmeet needs for both systems are expected to result in a $1.3 trillion loss in business sales by 2020.⁶ Unfortunately, the CR funds Army Corps construction at more than $300 million below where it was two years ago.

The General Services Administration (GSA) has identified $4.6 billion in maintenance and repairs expected from 2012 to 2021 and anticipates that nearly a quarter of this amount is needed immediately.⁷ The National Research Council has found that each $1 in deferred maintenance and repair work results in a long-term capital liability of $4 to $5.⁸ Unfortunately, the CR level funds GSA construction and repairs at 75 percent less than the programs were funded at two years ago.

When it comes time to complete the fiscal year 2013 appropriations process next year, we further urge you to remember that balancing the federal budget requires prioritization, not just cuts. Construction has already been significantly cut. When Congress faced a similar situation in 2011, it cut $40 billion in the FY 2011 appropriations continuing resolution. Although some cheered the cuts, federal construction investment accounts absorbed more than half of them—about $21 billion. The cuts came from programs with obvious federal interest and federal benefit, including but not limited to the Department of Defense military construction, the Department of Transportation, clean and safe drinking water state revolving funds and the GSA construction account.

³ See enclosed document entitled “Critical Construction Investment Accounts.”
⁶ Id.
⁸ Id.
Since 2010, Congress has cut $2 billion (5%) annually from highways, $1.7 billion (13%) from military housing, $337 million (17%) from Army Corps construction, $700 million (33%) from waste water infrastructure and $461 million (33%) from drinking water infrastructure, $844 million (94%) from GSA construction, and $588 million (50%) from Veterans Affairs major construction projects. These cuts, coupled with the CR’s prohibition on new project starts and the additional 8 to 10 percent across-the-board cuts expected through sequestration, add insult to injury to an industry that’s already suffered severe economic hardship for more than four years and a federal infrastructure system with critical needs that continue to be unmet.

Again, upon your return next Congress, we urge you to break the practice of passing CRs and enact regular appropriations bills for FY 2014. Remember, the U.S. interstate system was built in 1956, most locks and dams have exceeded their 50 year life span, and the average age of failing water mains is 47 years old, representing 22 percent of all water mains. Congress must enact adequate levels of construction investment to ensure that America’s aging infrastructure and facilities receive required maintenance and expand to meet growing economic and population demands.

Sincerely,

Jeffrey D. Shoaf
Senior Executive Director
Government Affairs

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9 Supra note 3.
10 Supra note 5.
11 Dr. Steven Folkman, “Water Main Break Rates for the United States and Canada.” Utah State University Buried Structures Laboratory (2012).