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Testimony of Ty Johnson, President, Fred Smith Company,

On behalf of the National Asphalt Pavement Association (NAPA),

Before the House Transportation and Infrastructure
Subcommittee on Highways and Transit Hearing on
"America Builds: The Need For A Long Term Solution For The Highway Trust Fund"

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Introduction

Transportation & Infrastructure Committee Chairman Sam Graves, Ranking Member Rick Larsen, Highways Subcommittee Chairman David Rouzer, Ranking Member Eleanor Holmes Norton, and other members of the committee, thank you for inviting me today to discuss the Highway Trust Fund (HTF) and its financial security ahead of the upcoming surface transportation reauthorization package.

My name is Ty Johnson, President of Fred Smith Company, a Raleigh-based construction company employing more than 1,200 hard-working men and women throughout North Carolina. Fred Smith Company manufactures materials and builds roads and bridges as a major asphalt paving and heavy highway contractor. I'm proud to share that we are at the cusp of our centennial year, as we'll celebrate 100 years as a company in 2027.

I was born in Durham and am a lifelong resident of North Carolina. I attended NC State University where I earned a Civil Engineering degree in 1995. After graduating, I began working as a grading foreman for a family-owned heavy-highway construction company in Raleigh. This will be my 30th year working for this same company, which became Fred Smith Company in 2009. I have served in many positions with most of those years spent leading our estimating pursuits. In 2024, I was named President of the company and have enjoyed my leadership position this past year. The heavy-highway industry has provided me with many fulfilling opportunities. My story is similar to my colleagues and industry peers, who take pride in building the roadways that connect Americans to their families, communities, and commerce. My hope is that I will continue to see many others advance their careers and improve their lives through hard work and perseverance in the heavy-highway and paving industries.

Fred Smith Company operates within a larger family of construction companies, spanning services in asphalt mix production, aggregate facilities, and liquid asphalt terminals across eight states. Together, we comprise Construction Partners, Inc. (CPI). Within CPI, publicly funded projects make up the majority of our business and include local and state roadways, interstate highways, airport runways, and bridges. We also perform private sector projects that include paving and sitework for office and industrial parks, shopping centers, local businesses, and residential developments.

I am proud to join you on behalf of the 1,100 U.S. member companies of the National Asphalt Pavement Association (NAPA) the only trade association representing the asphalt pavement industry in the United States for 70 years. NAPA member companies are located in every state and have operations in every single congressional district providing roadbuilding services for families, businesses, communities, and states to thrive. NAPA is eager to partner and collaborate with the T&I Committee as we collectively work toward the next highway reauthorization. As I share my testimony, I look forward to sharing the funding challenges facing the HTF, the user fee solutions we should be considering, an insight on how the HTF supports programs like work zone safety, and how the asphalt industry is helping leverage precious federal funding.

The Challenge: Stagnant Highway Trust Fund User Fees

The investment and certainty that the HTF brought from its inception in 1956 and over the past seven decades facilitated the planning, development, and maintenance of the U.S. roadway infrastructure network – the consistency and reliability of which underpins our national economic competitiveness. Despite its importance, the Highway Trust Fund has been running on empty. Since 2008, Congress has transferred more than $150 billion from the general fund to cover shortfalls. The HTF's primary revenue source — the federal gas tax — has not been increased since 1993, and it is not indexed to inflation. Adjusted for inflation, its purchasing power has fallen by nearly 50%. Without HTF solutions, economic progress quickly evaporates with more road closures, increased delays for road repairs, and traffic increasing exponentially in our major cities, ports of entry and border crossings, and national highways.

This consistent decline in user-fee revenues is exacerbated by increasing fuel efficiency across all classes of automobiles and the prevalence of electric vehicles (EVs) — a growing market share that does not contribute into the federal HTF system in spite of the additional wear and tear EVs have on our roadways due to their heavier gross-vehicle weight from batteries. The result to the HTF is a growing mismatch between revenue and need, and that gap will get exponentially larger without the implementation of new user fee approaches. I understand that perhaps as early as tomorrow, this Committee will have a markup via the Budget Reconciliation instructions, and EV fees are under consideration — we greatly appreciate seeing those funds generated from highway users going into the HTF. It sounds self-explanatory, but we must have all highway users paying into the HTF and we wholeheartedly support capturing all users, including EV drivetrains, within HTF revenues.

The biggest issue and opportunity facing this Committee is to provide a solution for consistent, robust investment in our nation's highways and fix the HTF. With the current highway reauthorization legislation, *Infrastructure Investment and Jobs Act* (IIJA), expiring on September 30, 2026, we know many members of the Committee will be focused on the policies, project priorities, and scope of a future multi-year surface transportation reauthorization; but none of that is possible unless we implement solutions to support the financial solvency of the HTF. While the current state of the HTF seems challenging, we have tremendous opportunity to usher in a new era of HTF expansion and improvements for many future decades of road expansion and maintenance.

Speaking on behalf of a 100-year-old company and the 1,100 members of NAPA, we want to help you and be part of the solution for ensuring American's highway infrastructure continues to serve our nation and people well.

Seeking Durable Revenue Solutions: Reevaluating the HTF User-Fee Model

Let's not ignore the financial red flags; the current system has long been broken. A more equitable and sustainable user-fee model is required. Because the asphalt industry, and virtually every corner of the construction and transportation sectors, understand action must be taken, we support HTF solvency via user fee generation. Given the dependence every citizen has on our national surface transportation network, our elected officials need to take bold steps toward HTF solutions. Some options this Committee should consider include:

- Modernizing the federal gas tax by indexing it to inflation.
- Ensuring EVs contribute their fair share into the HTF, through registration fees or similar mechanisms.
- Exploring road usage charges or vehicle miles traveled (VMT) fees that better reflect wear and tear on infrastructure.
- Gross vehicle weight registration fees, which would capture all road users equitably.

- The opportunity for private investment through expanded public-private partnerships (P3) and infrastructure banks that focus exclusively on surface transportation projects.

Understanding various revenues options exist, the asphalt industry would like to highlight those with the most data, durability and financial promise. Let's explore four of the most viable options.

1. Federal Gas Tax Increase and Index:

The federal gas tax has not increased since 1993, which stands at 18.4-cent per gallon gasoline tax and 24.4-cent per gallon diesel tax, and the gas tax is not indexed for inflation. Despite no changes to this revenue source in more than 30 years, the gas tax remains the main revenue source for the HTF. According to the National Council of State Legislatures[1] (NCSL), since 2013, 35 states and the District of Columbia have all raised their local gas taxes to help pay for infrastructure. While some were accomplished via ballot measures, a majority of these increases were drafted, debated, and passed through state legislatures. It should be noted that over two-thirds of the electorate have supported state and local measures to enact modest increases to gas tax receipts in order to grow and maintain their roadway network. Taking the same initiative at the federal level would dramatically help the HTF. Previous failed legislation that would have indexed and increased the gas tax 25 cents over 5 years would have raised HTF receipts almost $375 billion over a ten-year window, according to ENO Trans.[2]

2. Registration Fees for EVs:

As new technologies lead the vehicle market toward hybrid and electric vehicle (EV) options, we must determine how all users of our roads pay for the maintenance and expansion of using them. EVs do not pay into the HTF at the federal level, yet inflict more wear and tear compared to traditional vehicles due to the weight and size of their battery components. It is imperative that Congress provide a solution to capture this market of growing highway users that are currently not paying any Federal tax to use our national highway system. Despite no federal fees, at least 39 states have some variation of an EV fee to help offset roadway maintenance cost. According to NCSL[3], 32 of those states also assess a registration fee for both plug-in and non-plug-in hybrid electric vehicles with combustible engines, ensuring all potential drivetrains are captured. EV registration fees range from a low of $50 in Colorado to a high of $290 in New Jersey starting in 2028. At least 10 states structure the additional registration fees to grow over time by tying the fees to the consumer price index or another inflation-related metric.

3. National VMT Fee:

A viable option to consider would be a national vehicle miles traveled (VMT) fee, which has been discussed before this Committee. In fact, NAPA led a coalition letter during a previous hearing on this topic, underscoring the need to examine this revenue option further and press DOT to convene their VMT

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[1] https://www.ncsl.org/transportation/recent-legislative-actions-likely-to-change-gas-taxes#:~:text=Since%202013%2C%2035%20states%20and,their%20state%20gas%20tax%20rate.

[2] https://enotrans.org/article/how-much-money-would-a-gas-tax-increase-raise/

[3] https://www.ncsl.org/transportation/special-registration-fees-for-electric-and-hybrid-vehicles#:~:text=For%20example%2C%20at%20least%2039,vehicles%20or%20alternative%20fuel%20vehicles.

advisory group – as mandated under IIJA – in earnest. VMT fees have long been studied and show real promise, with states like Utah and Oregon compiling years of data on local VMT measures, with other states like Virginia soon to implement their own programs. This approach aligns revenue generation directly with road usage, offering a sustainable alternative to fuel taxes. Thus, VMT fees provide a consistent and predictable funding stream that reflects actual road usage, rather than fuel consumption patterns that are subject to change. And a VMT fee would capture all users, regardless of drivetrain, ensuring all users are paying their share into the HTF. Lastly a VMT would not be discriminatory on rural America or cause an invasion of privacy; there are various collection mechanisms that could be considered that don't include any record of one's driving patterns.

4. National Gross Vehicle Weight Fees:

A novel approach that eliminates any dependence on new user-capture technologies or dramatic administrative burdens is a national gross vehicle weight (GVW) fee. This option would categorize all roadway users – motorcycles, passenger cars, delivery vans, and long-haul commercial trucks – into specific GVW classes with a corresponding fee. Many states already have a variation of this fee at the local level. A national fee would be collected by the states during their current processes for collecting state registration fees. Adding the federal fee would not require a significant cost to operate nor would it require a significant amount of time to transition, given every state has registration fee collection agencies and processes. Furthermore, this revenue has options to grow, since the number of vehicles in the national fleet continues to increase year over year, and the schedule below could generate $70 billion. A rough schedule[4] of GVW fees could look like this:

- $135 for most passenger cars
- $165 for large SUVs and pickup trucks
- Up to $4,600 for the largest commercial trucks (18-wheelers)

User-Fee Summary:

While no one solution will resolve HTF solvency on its own, we must be willing to consider an array of options in tandem. This Committee has a unique opportunity to draft a highway reauthorization package that bolsters the HTF not just for a few years, but establishes a durable financial foundation for decades to come and for generations of Americans reliant on a world-class surface transportation system. The asphalt industry is eager to work with you as these options develop and work with other elected officials to support these proposals in a future highway reauthorization package.

Economic Growth Relies on a Strong Transportation Network

The economic argument for fully and properly funding the Highway Trust Fund is overwhelming. According to the White House's Council of Economic Advisors, every $1 billion invested in transportation infrastructure supports an estimated 13,000 American jobs[5]. These are good-paying jobs that support families and build communities — many of which can be found in the asphalt industry and at companies like mine. In 2018, the national roadway network facilitated the transport of over $18 trillion in annual

[4] American Highway Users Alliance (AHUA) GVW one-pager
[5] https://www.whitehouse.gov/blog/2011/09/09/american-jobs-act-state-state.

economic activity via 5.25 trillion ton-miles of freight[6]. Many goods — whether manufactured in Detroit or imported through Long Beach or Baltimore — move on highways and roads paved with asphalt, maintained in part by the Highway Trust Fund.

Fred Smith Company has had the privilege to positively impact the people of NC through its construction projects by easing congestion, opening new areas for development, and providing better ride quality on major highways and thoroughfares. Smoother roads mean the pavements last longer compared to rough surfaces, and for commuters this translates to less wear and tear on their vehicles, mitigating their own out-of-pocket maintenance costs. We have previously, and are currently, participating in multiple projects to add capacity, improve ride quality, and improve road safety on interstates I-40, I-85, and I-95 and major arteries such as US-1, US-264, and US-401. All of these projects are dependent on funding through the Highway Trust Fund, and as I'll share, the local impacts cannot be overstated.

North Carolina Impacts from HTF-Backed Projects

In my home state of North Carolina — a state of 10.7 million people, with a rapidly growing economy and one of the largest state-maintained highway networks in the country — the impact of the HTF cannot be overstated. From reducing congestion in urban corridors to connecting rural communities to job centers, the HTF is critical to road construction, economic development, and motoring safety in the Tar Heel State.

North Carolina ranks second in the nation for the number of state-maintained roads, with more than 80,000 miles of highway and over 13,500 bridges. The North Carolina Department of Transportation (NCDOT) is responsible for maintaining a road system that supports major urban hubs like Charlotte, Raleigh, and Greensboro as well as rural counties stretching from the rugged Appalachian Mountains to the beaches of the Atlantic coast. This diverse and expansive transportation network requires consistent and flexible funding — something only the Highway Trust Fund has reliably provided over the years.

In 2023, North Carolina received approximately $1.6 billion in federal highway and transit funds through the HTF. These funds were instrumental in advancing dozens of major road construction projects across the state, including:

- Widening I-95 near Fayetteville and Rocky Mount, one of the most important commercial corridors in the eastern United States.
- Improving I-85 and I-77 interchanges in Charlotte, addressing major congestion bottlenecks in one of the country's fastest-growing cities.
- Reconstructing bridges in rural counties like Yancey, Graham, and Northampton that are essential for school buses, emergency responders, and freight vehicles.

Because North Carolina maintains more roads than most states, federal support fills a critical gap. State funding — drawn from gas taxes, vehicle fees, sales taxes, and toll revenues — cannot alone cover the scale of infrastructure need; the same is true for almost any other State DOT. The HTF ensures that state and local governments have the predictable, multi-year funding needed to plan, build, and complete major projects on time.

[6] https://www.fhwa.dot.gov/policy/otps/TPS_2020_Trends_Report.pdf

In North Carolina, HTF support translates to tens of thousands of construction, engineering, and manufacturing jobs annually. And these funds supported thousands of jobs on projects such as the I-26 widening in western NC, I-95 modernization, and numerous bridge replacement projects across the state.

Furthermore, better roads reduce shipping delays, lower transportation costs for goods and services, and attract commercial investment and manufacturing growth. Areas like the Research Triangle and Charlotte metro have seen booming tech, financial, and logistics industries — sectors that rely heavily on an efficient road network. Road construction funded by the HTF also strengthens the state's agriculture sector, which remains one of the largest in the nation. Understanding the local impacts are critical, and as in any other state, North Carolina cannot continue to grow without HTF support.

Why We Need a Fully Funded Highway Trust Fund for the Future

Despite recent federal investments through IIJA, America still faces a $1.2 trillion infrastructure funding gap through 2039, according to the American Society of Civil Engineers. More than 40% of the nation's roads are in poor or mediocre condition, and one in three bridges needs repair or replacement. Congestion on major urban highways is worsening, costing drivers billions of dollars in lost productivity and fuel annually. Meanwhile, rural and tribal communities continue to lack sufficient connectivity altogether – roads constructed 80 years ago are still the same singular connector despite dramatic increases to population and traffic. The HTF is the only mechanism capable of delivering stable, equitable, and long-term funding to address this national crisis, with local impacts in North Carolina communities and across the country. While IIJA supplied historic investments into highway construction and maintenance, the purpose of the HTF is to ensure continuity and certainty of funding over the longer term.

Fred Smith Company understands this pressing need, as North Carolina's population is projected to grow by nearly 3 million people in the next 25 years, and the state's highway system must be ready to meet this demand. Major HTF-funded initiatives like the I-540 Southeast Extension in Wake County, the US-70 improvements in eastern North Carolina, and the future I-87 corridor are all examples of how long-term, federally supported planning is helping prepare for the state's future needs. Moreover, road construction today increasingly incorporates resilience to changing weather events — designing roads to withstand heavier rainfall, flooding, heat, and major natural disasters that weren't anticipated in decades past. The HTF enables North Carolina to invest in modern engineering practices that protect communities and ensure the longevity of infrastructure investments.

As North Carolina is trying to satisfy the future needs of our growing state, we are also dealing with the effects of Hurricane Helene, which devastated the western part of our state last fall. Helene has significantly impacted the financial position of our NCDOT, which is projecting the total cost of repairs caused by the hurricane to our transportation network to approach $5 billion. In most cases, the state will pay for these repairs as they are performed and then must wait for partial reimbursement from the Federal government. The non-reimbursed costs as well as the cash outlay will deplete state funds slated for maintenance of roads and bridges and will cause delays to these programs. The funding impact is expected to last four years, directly affecting and delaying other infrastructure projects in the state. We need the Federal dollars now more than ever, and that translates to real impacts on not just our p

HTF Solvency Helps Improve Work Zone Safety

While we've outlined impacts and user fee options, I want to share what HTF solvency means for a core focus within the asphalt industry – safety. I'd love to build these HTF-backed projects, but doing so along major roadway corridors comes with risks, and the asphalt contractor plays a critical role in the project delivery of a new or reconstructed roadway. Last week was National Work Zone Awareness Week, meant to encourage safe driving through work zones. According to FHWA, each year about 100 road workers lose their lives in work zones and roughly half of those fatalities involve being struck by a vehicle[7]. We need to make sure funding is available to provide the most effective traffic control measures available to ensure the safety of these men and women. HTF ensures that FHWA and State DOTs have resources to support work zone safety improvements, including bipartisan programs like the Work Zone Safety Contingency Funds (WZSCF) to allow for funding flexibilities to deploy proven technologies that protect workers and drivers alike.

The hard-working members of the heavy highway construction industry are indispensable. We have a very skilled workforce that constructs very complex projects, often in very challenging conditions and dynamic work sites. In North Carolina, our workforce has many options for employment, and we constantly are competing for top talent with other industries. If our industry were to lose some of its talent due to a slowdown in work, we may not get them back. If the highway workforce shrinks, it will lead to slower project delivery and higher costs. All outcomes directly attributable to the financial health of the HTF and the asphalt industry can help us see those dollars are executed responsibly.

How the Asphalt Industry Helps Saves HTF Dollars

I also want to highlight how the asphalt industry is doing everything in its power to stretch federal resources as far as possible. Some of you may not know, but asphalt is the most recycled product in the country. Our pavements are fully recyclable into new pavements, meaning we can exponentially increase the life natural resources, delivering quality roads at lower costs. Annually, more than 90 million tons of reclaimed asphalt pavement (RAP) are deployed throughout the national roadway network, saving State DOTs more than $3 billion[8]. Using RAP saves dramatically on virgin material costs – aggregates and asphalt binder – while exceeding performance specs for normal road usage. We encourage the Committee to consider working with FHWA and State DOT partners to expand the use of RAP to leverage federal resources responsibly. While the national average use of RAP stands at around 21%[9], we have the capacity and willingness to do more – saving precious taxpayer dollars in the process.

Conclusion

I am encouraged by the discussion and perspectives shared by my colleagues on the witness panel, and I thank you for taking HTF solvency seriously in the next highway reauthorization package. As you have heard from my testimony, we can't discuss the critical road and highway projects, policies, and programs facing our national roadway network unless we first adequately address the financial solvency of the HTF. It is essential to the work the Fred Smith Company proudly delivers to North Carolina's citizens throughout

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[7] https://workzonesafety.org/work-zone-data/
[8] https://www.asphaltpavement.org/uploads/documents/Sustainability/NAPA_RAP_Benefits_for_Pavement_Owners_1121.pdf
[9] https://www.asphaltpavement.org/uploads/documents/IS138-2021_RAP-RAS-WMA_Survey_508_-_WITH_APPENDICES.pdf

the state. It allows our NCDOT to implement the big projects needed to maintain our local economies and ultimately advance our national economic competitiveness. We need the HTF, and we need it to work properly. I look forward to sharing the asphalt industry's positive impact in connection with the great people our industry employs and the critical road projects we pave. Thank you for the invitation this morning and I look forward to answering your questions.