



## WELCOME TO THE TRANSPORTATION TRENDS QUARTERLY NEWSLETTER

The second quarter of the year is nearly over, and we've barely had time to catch our breath. Continued, escalating geopolitical conflict. Major project announcements and groundbreakings. A [joint statement](#) on the next multi-year Federal investment into our transportation infrastructure. And through it all, leaders like you have had to make sound decisions, predicting the future and its impacts when our crystal balls feel foggier than ever.

**Read:** In this quarter's *Transportation Trends Quarterly*, you will find original research, forecasting, and pragmatic guidance that will help you effectively plan and budget for the transportation infrastructure your community needs, from timely policy updates to cost analysis and forecasting, to analysis of the grants and funding landscape.

**Listen:** In this quarter's [Transportation Trends Partner Audiocast](#), we sit down with Deniz Mustafa, Senior Director, Construction Advocacy at the Associated General Contractors of America, to break down the *BUILD America 250 Act* and hear what's surprising him, what's keeping him up at night and what's giving him hope.

**The Policy Backdrop and Grants and Funding Landscape:** The federal policy that governs surface transportation funding—including formula allocations to each State Department of Transportation (SDOT) and funds distributed through competitive grant programs—expires on September 30 this year. With only a few months left on the legislative calendar, the likelihood that Congress will complete a full reauthorization before that date appears low. The good news is, on May 17<sup>th</sup> the House Transportation and Infrastructure Committee released its proposed reauthorization, the *Building Unrivaled Infrastructure and Long-term Development for America's 250th Act* (BUILD America 250 Act). While that represents meaningful progress, substantial work remains before the bill could clear both the full House and the Senate.

Extensions are common. The last time Congress enacted a surface transportation authorization without an extension was the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991; every authorization since has required at least one extension. Some, such as SAFETEA-LU, needed many extensions—SAFETEA-LU required 12—before a successor bill was enacted. When neither an authorization nor an extension is in place, the Federal Highway Administration cannot operate, which prevents SDOTs from receiving reimbursements and halts grant payments; this lapse briefly occurred for two days between ISTEA and TEA-21.

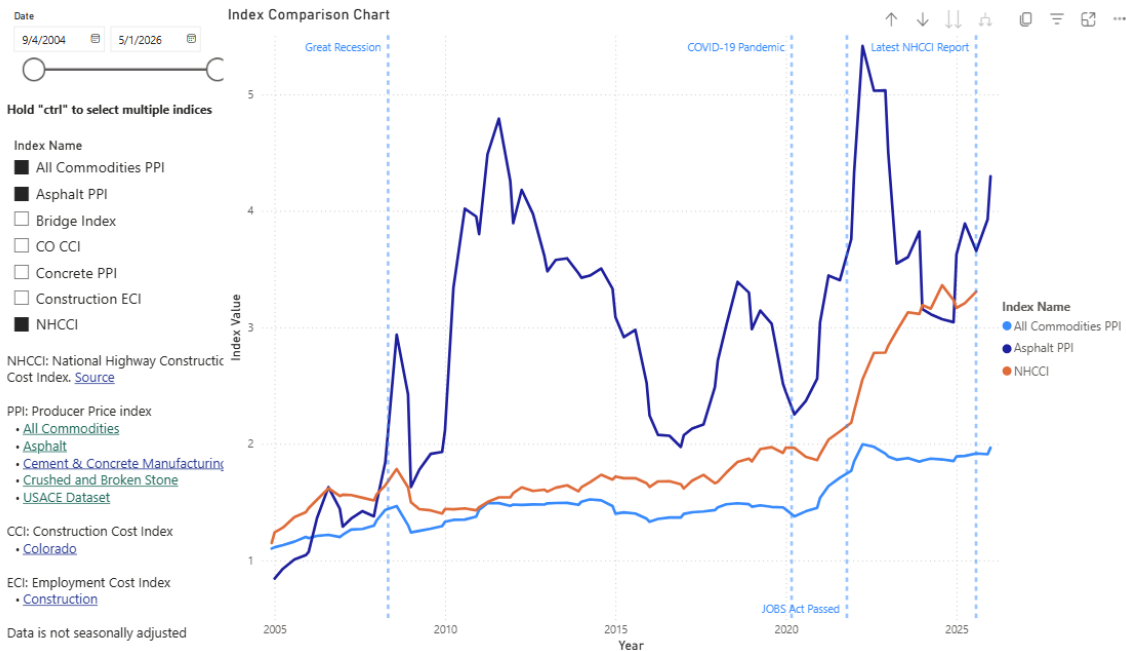
Beyond that legislative history and the compressed timeline, the current political environment adds another layer of uncertainty. The outcome of the November elections could change congressional control and therefore influence how long-term surface transportation policy is shaped. Given that uncertainty, Congress may opt for an

extension of the current law to allow elections to proceed and give the next Congress greater leverage over a final authorization. While each party advances its own priorities, the broad trend appears to favor shifting more funding to formula allocations while retaining some competitive grants rather than eliminating them. That trajectory mirrors a familiar pattern: relatively few grant programs, a period with an unprecedented number, and then a compromise position between those extremes.

Exactly what will be in the final bill remains subject to debate, but considering the history, the timeline and the political context, it's quite likely that Congress will need to approve at least one extension of the Infrastructure Investment and Jobs Act (IIJA) before enacting a new long-term surface transportation authorization.

From a grants and funding perspective, support for ongoing grant programs appears likely to continue. Programs more closely aligned with the previous administration's priorities may be phased out, while those centered on traditional infrastructure, such as roads, bridges and safety, are expected to remain.

**Cost Analysis and Forecasting:** Recent movements in key input indices suggest continued upward pressure on the NHCCI, even as official NHCCI data remains subject to a significant reporting lag. As of Q2 2026, the most recent published NHCCI value reflects conditions from Q3 2025, meaning current market dynamics are not yet fully captured in the index. Broader indicators tied to energy, transportation and construction materials are signaling renewed inflationary risk for the highway construction sector, driven in part by escalating geopolitical instability in global energy markets.



Source: Ulteig's proprietary Transportation Construction Cost Forecasting Tool, 2026

**Two structural themes define the NHCCI's evolution.** Recessions tend to suppress construction costs by reducing project demand and commodity prices. In contrast, large federal funding infusions such as those

associated with the IIJA and earlier stimulus programs increase infrastructure-specific demand in markets already constrained by labor availability, material supply and contractor capacity.

Historically, the Producer Price Index has moved closely with the National Highway Construction Cost Index, reflecting shared exposure to material, energy, and manufacturing input costs. In recent periods, however, the two indices diverged as the NHCCI continued to rise despite easing PPI measures, and recent upward spikes in PPI will test whether renewed input cost pressure ultimately translates into additional upward movement in the lagged NHCCI.

**Energy markets** remain a primary transmission channel for construction cost inflation. Elevated petroleum prices and especially higher diesel costs affect nearly every phase of highway construction, including earthmoving, paving, materials hauling and on-site power generation. Fuel price increases also ripple through asphalt production, aggregates and manufactured construction inputs, raising delivered material costs beyond headline commodity movements. These pressures are being layered onto an industry that remains capacity-constrained, amplifying their effect on project bids and cost escalation trends.

Because the NHCCI is published with a multi-quarter lag, **Ulteig's Intelligence Team developed a proprietary Transportation Construction Cost Forecasting Tool** that estimates near-term NHCCI values based on statistical relationships between the FHWA index, petroleum benchmarks, producer price indices, construction materials pricing and variance within the NHCCI itself. Ulteig also maintains an internal dashboard that tracks NHCCI performance alongside these complementary indicators to provide earlier visibility into cost movements.

Based on current input trends and recent five-year patterns, Ulteig's internal forecasting suggests that the NHCCI **will remain on an upward trajectory through 2026**. If recent conditions persist, cost growth could strengthen further, pushing the NHCCI higher. Near-term volatility remains likely, particularly given ongoing geopolitical risk and uncertainty in global energy markets.

Recent [Federal Reserve Beige Book](#) reporting reinforces these inflationary signals at a national level, with multiple districts citing moderate increases in input costs across materials, energy and transportation, alongside persistent pricing pressure in construction-related supply chains. Contacts across regions highlighted rising costs for raw materials such as steel, copper and chemicals, as well as elevated energy and shipping expenses tied to geopolitical instability, particularly in global oil markets. These dynamics have contributed to continued upward pressure on project costs and have introduced additional uncertainty into bidding, pricing and capital planning decisions. While overall economic activity remains characterized as slow to modest, the Beige Book suggests that cost pressures tied to infrastructure development, energy inputs, and logistics remain broadly embedded across the economy, reinforcing the likelihood that construction cost indices such as the NHCCI will continue to reflect lagged but persistent upward movement.

It is important to acknowledge the limits of forward-looking projections. While trend-based models capture structural cost drivers, they cannot reliably anticipate large external shocks. **Geopolitical conflicts, sudden supply disruptions and rapid policy shifts can introduce step-change impacts that exceed historical variance.** In the current environment, both upside and downside risks remain asymmetric and difficult to quantify precisely.

Thanks for reading *Transportation Trends Quarterly*. Want more? Drop us a line.

Mallory Schupp, Market Director—Transportation

John Fernandes, Director, Intelligence

[Mallory.Schupp@Ulteig.com](mailto:Mallory.Schupp@Ulteig.com)

[John.Fernandes@Ulteig.com](mailto:John.Fernandes@Ulteig.com)

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