



VERMONT
AGENCY OF TRANSPORTATION

FY2020 Budget Adjustment and Transportation
Funding Issues

House Appropriations Committee
December 18, 2019

Joe Flynn, Secretary of Transportation



FY2020 Transportation Budget Adjustment (BAA)

Description		TFund - 20105	TIB Fund - 20191	Description
Net Transportation/TIB Fund FY2020 surplus/(shortfall) after fund transfers and stabilization reserve impacts.		(1,943,148)	1,119,745	Reflects July Consensus Forecast and FY19 year-end TIB surplus
FY2020 appropriation adjustment plan:				
Act 191 of 2018 Sec. 15(a)(2)(B)	Pay Act	(323,403)		Reduce appropriation for TF pay act from \$2,368,000 to \$2,044,597 (14%). Language section – see page 11.
Act 72 B. 903	Program Development	(1,119,745)	1,119,745	Reduce TF appropriation and increase TIB Fund using FY2020 TIB surplus.
Act 72 B. 907	Rail	(400,000)		Reduce Amtrak budget by \$400,000 from \$8.3M to \$7.9M. This reflects average annual (4 year) actual costs.
Act 72 B. 921	Transportation Board	(100,000)		Reduce TFund appropriation to accommodate for elimination (retirement) of one position for "Lemon Law" administration. Duties absorbed by Executive Secretary expanding hours.
TOTAL APPROPRIATION ADJUSTMENTS		(1,943,148)	1,119,745	

- **Sec. D.106 (pg4) Exempts FY19 year-end reversions from TF FY20 stabilization reserve**
 - EXPLANATION: Transportation Fund revenue reductions at FY2019 year-end have entailed reversions of FY2019 spending authority, which should reduce the amounts needed to fulfill the 5% budget stabilization calculation in 32 VSA Sec 308a.
- **Sec. E.903 (pg8) Provides authority to transfer Transportation Fund appropriations to Maintenance for excessive highway maintenance costs or to Program Development to avert delays in project schedules.**
 - EXPLANATION: Provides authority to transfer Transportation Funds from other Agency of Transportation appropriations to the Maintenance appropriation to address excessive highway maintenance costs or to the Program Development appropriation to avert delays in project schedules.
- **Act 191 amendment (pg11) Reduce FY2020 Pay Act appropriation by \$323,403.**
 - EXPLANATION: Agency appropriations will be required to manage to budget with less pay act availability. Agency vacancy rates are trending higher than budgeted vacancy savings assumptions.



FY2020 Transportation Revenue Performance

- Transportation Fund is \$33K above cash flow forecast through November
- TIB Fund is \$378K below cash flow forecast through November
- The January forecast revision will require additional FY2020 budget adjustments

Transportation Asset Management Needs

Transportation Needs (\$ Millions)	
Annual Needs	\$849M
Available Funds (FY2020 as passed)	\$596M
Net Unfunded	\$253M

Current funding levels cover only 70% of annual funding needed to maintain transportation infrastructure at current levels

Two Sources of State Funds Pressures

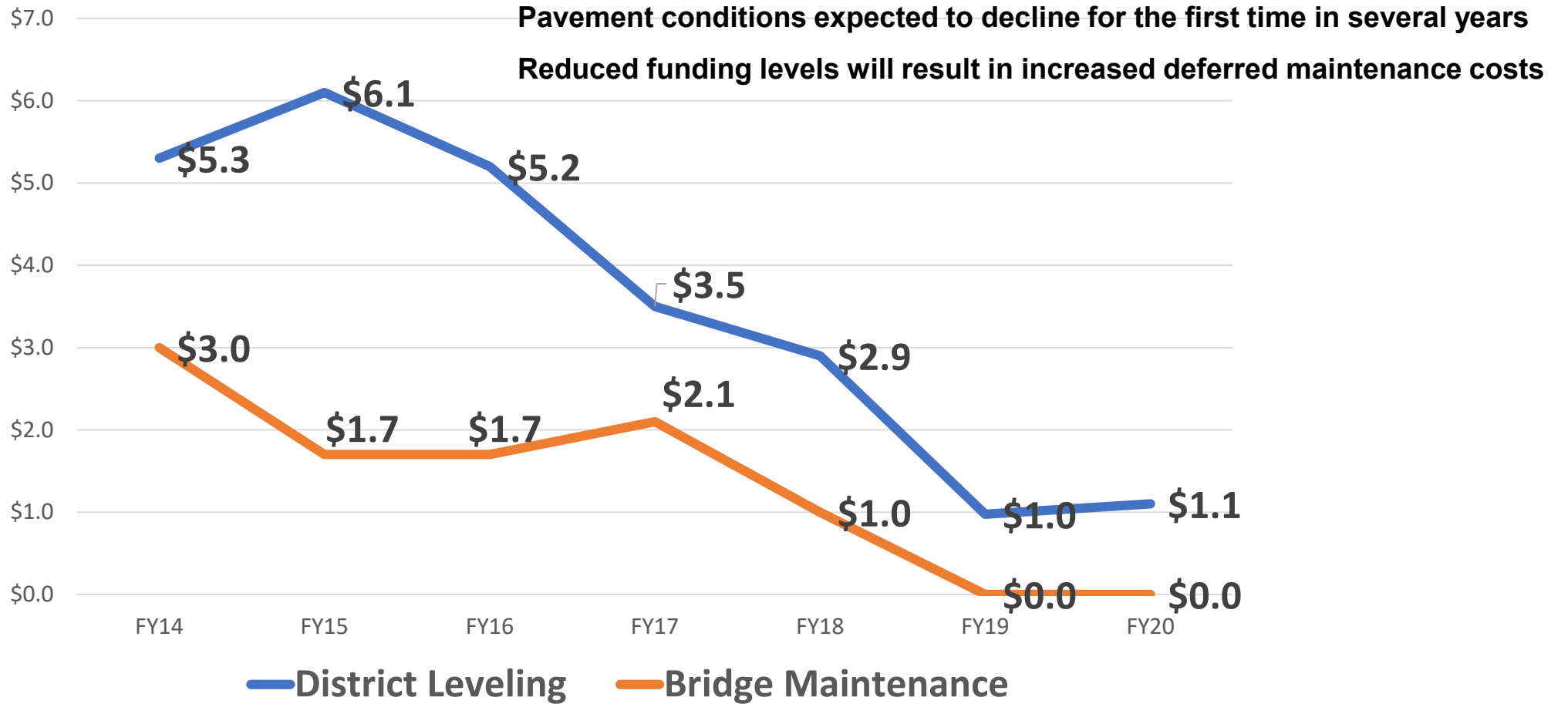
1. State funds structural pressures
 - Base budget pressures outpace average revenue growth
2. State funds federal match pressures
 - Increased federal funds requires additional matching funds

State Funds Structural Pressures

- State funds growth not enough to meet base budget pressures
- Average annual increases of only \$5.1M (1.8%) over past five years
- Salaries and benefits costs are estimated to increase by approx. \$3.4M in FY21, not including rent and other fixed costs increases, or increased match for federal funds
- No funds set aside for 27th payroll in FY22 – approx. \$3.7M to \$3.8M impact
- Maintenance appropriation can no longer “weather” a severe winter by redirecting funds in their own appropriation
- Additional funds needed for badly needed technology upgrades at DMV
- Additional funds needed for Amtrak – Burlington and Montreal
- Town Programs continue to be predominantly level funded
- Modal programs (Rail, Air, Public Transit) predominantly level funded
- Preventive maintenance activities previously funded with State funds have been significantly reduced (or federalized) over recent years



Decreased 100% State Funded Preventive Maintenance

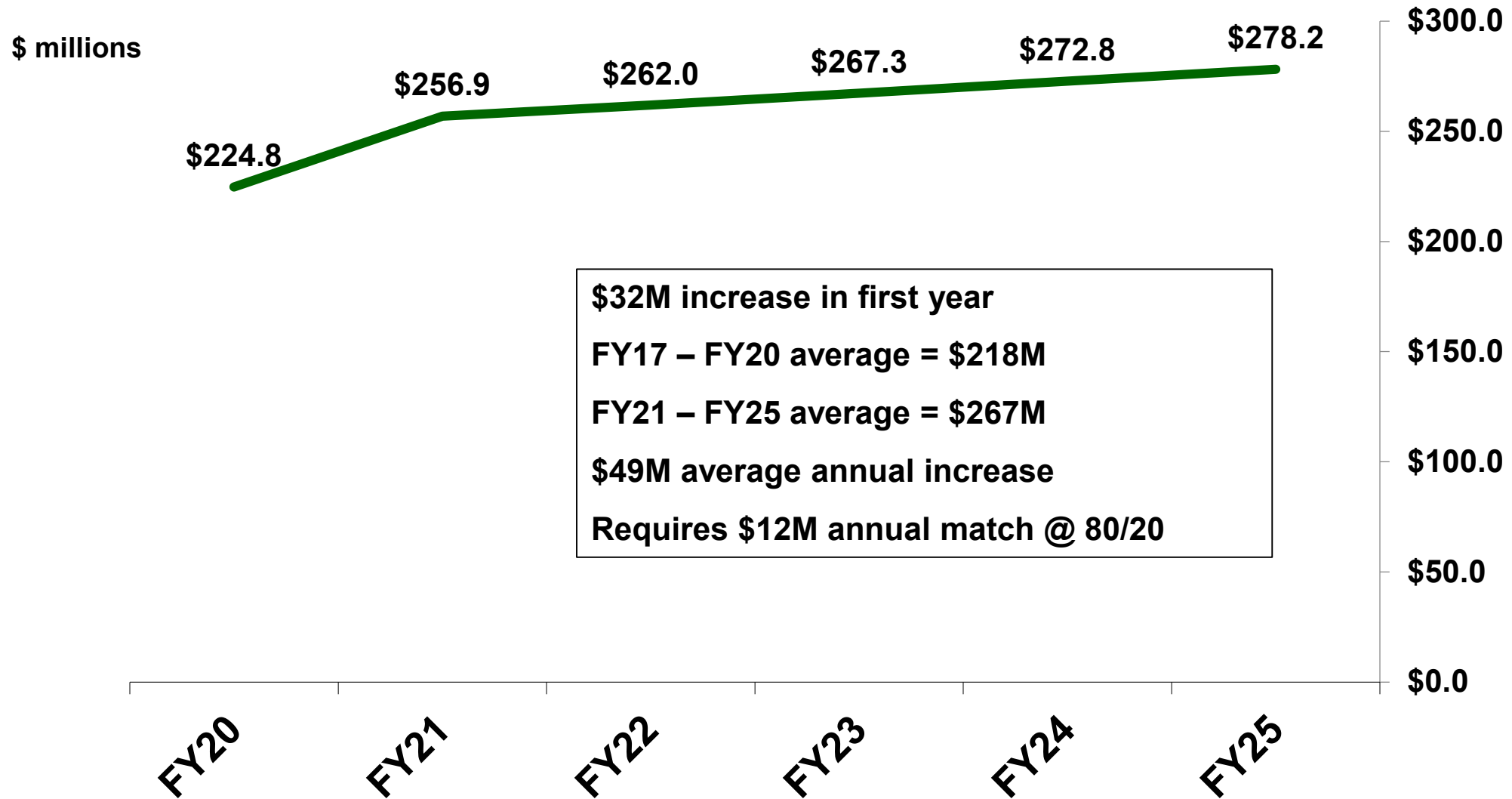


State Funds Federal Match Pressures

- Increasing annual federal formula funds requires additional State match
 - FHWA funds increased by 6.6% annually over past five years
 - State funds increased by only 1.8% for past five years
- Emerging risk of not being able to match all available Federal formula funds
- Numerous FHWA projects are currently funded at 95/5. Deploying future funds on 80/20 projects will require as much as \$5.6M additional annual State match
- VTrans has been forced to redirect federal funds to programs and activities previously funded with State \$ – this comes with risks and increased costs
- There is less spending on infrastructure than otherwise might occur
 - Fewer projects for contractors; System deteriorates more rapidly
 - State funded district leveling and bridge maintenance have decreased significantly ; System deteriorates more rapidly
 - FHWA has identified increasing FHWA funding coupled with level state transportation budgets as a risk
 - “Federalizing” activities usually increases costs

- Upcoming Federal reauthorization legislation appears likely to have significant funding increases - Current authorization expires September 30, 2020
- Congress is currently working on Transportation Reauthorization that will likely result in significant increases in Federal funding
- Average annual increase over current levels is \$42.7M (19%)
 - **Requires additional \$7.5M annual match @ 85/15; \$10.7M @ 80/20**
 - New bridge program will guarantee awards to VT that will require additional match
- Adds new formula funded programs
 - Safety Incentive: \$2.4M annual
 - Carbon Reduction: \$2.8M annual
 - PROTECT Grants Program: \$3.7M annual
- Discretionary grant programs require additional State match

Forecasted FHWA Funds (Senate Bill)



Summary – State Funds Pressures

State Transportation Revenues Experiencing Two Pressures:

1. State funds structural pressures
 - Base budget pressures outpace average revenue growth
2. State funds federal match pressures
 - Increased federal funds requires additional matching funds

VTrans continues to prepare budgets that optimize the use of all sources of funding and avoids tax increases