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Agency of Transportation

TO:	Members, House and Senate Committees on Transportation, Appropriations, and Joint Transportation Oversight Committee
FROM:	Joe Flynn, Secretary of Transportation
DATE:	August 25, 2020
SUBJECT:	Agency of Transportation Section 1 (c) (1) of Act No. 121 of 2020 Report

E-SIGNED by Joe Flynn
on 2020-08-25 14:41:14 GMT

The following authority is established by Section 1 (c) (1) of Act No. 121 of 2020 which states:

(c) Reports.
(1) The Agency shall, on or before September 1, 2020, file a written report with the Joint Transportation Oversight Committee and the House and Senate Committees on Appropriations and on Transportation with the following information:
(A) an update on enacted and anticipated federal COVID-19 legislation;
(B) an update on projects in the transportation program adopted under subsection (a) of this section that are not anticipated to proceed as planned in fiscal year 2021 and the reasons why;
(C) an update on projects not in the transportation program adopted under subsection (a) of this section that will proceed in fiscal year 2021 and the source of funding;
(D) the status of and funding remaining for the programs established pursuant to 2019 Acts and Resolves No. 59, Sec. 34;
(E) the balance of funding available for public transit under federal COVID-19 legislation; and
(F) any expected reduction in funding available for municipalities.

The following is the Agency of Transportation's report pursuant to the above requirement:

(A) Federal COVID-19 legislation affecting transportation has not been enacted since the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27th, 2020. It is unclear at this time whether any federal COVID-19 legislation affecting transportation will be enacted as the U.S House of Representatives and Senate cannot agree on the scope and content of federal COVID-19 legislation. The House of Representative recently passed H.R 6800 - Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, which included an additional $15 billion for states to use for FHWA Surface Transportation Block Grant Program activities, the authority to use 100% federal share for all federal-aid projects obligated after enactment of the Bill for the remainder of FFY20, removed end of year redistribution requirements to allow a lengthier period to obligate federal funds, and included direct funding to states and local governments to offset lost revenues, including transportation revenues. However, the Senate has not taken up this Bill and does not intend to do so at this time. The Senate has drafted the Health, Economic Assistance, Liability Protections & Schools Act (HEALS) Act, and a “skinny budget” proposal named Delivering Immediate Relief to America’s Families, Schools and Small Businesses Act – neither of which contain any transportation funding. The House of Representatives has not taken up the Senate bills and does not intend to do so at this time. The Agency currently anticipates no significant changes to project schedules.

(B) The Agency does not anticipate any significant changes to planned project schedules during FY2021.

(C) The Agency does not anticipate that any projects that are not in the approved program will advance in FY2021. Note that the proposed FY2021 Restatement Budget includes an additional $4M in General Fund for Paving, and an additional $5.75M ($1.15M State Funds and $4.6M Federal) for Statewide – Federal Paving.

(D) See attached status report.

(E) CARES Act funds added to FY2020 grant agreements have an outstanding balance of $1,849,026.27 as of August 21, 2020. The Agency has not yet received and processed all FY2020 invoices - all final FY2020 invoices due by end of August. Any available balance will be rolled into the FY2021 grants. All CARES Act funds are anticipated to be fully expended by the end of FY2021.

(F) The Agency proposes to pause the Town Highway Structures and Class 2 Roadway grant programs in FY2021. The programs are planned to resume normally beginning in FY2022. To significantly offset the overall fiscal impact to municipalities the Agency’s FY2021 Restated Budget proposes to provide $7 million in additional funds to all municipalities to be distributed in the same apportionments prescribed under 19 V.S.A. § 306(a)(3) [General State aid to town highways]. This funding is more flexible that the Structures and Class 2 grant programs and does not include any local match requirements.

Please feel free to contact me or Costa Pappis (802-793-5049) if you have questions.

Thank you.

cc: Neil Schickner, Joint Fiscal Office

Vermont Agency of Transportation
Policy, Planning, and Research Bureau

Statewide Vehicle Incentive Program Status Report
August 21, 2020

A. Background

Section 1(c)(1)(D) of the 2020 Transportation Bill (Act 121) requires VTrans to report to the Legislature by September 1, 2020 on "the status of and funding remaining for the programs established pursuant to 2019 Acts and Resolves No. 59, Sec. 34." Section 34 of the 2019 Transportation Bill (Act 59) established a New PEV Incentive Program, a Used High-MPG Incentive Program, and an Emissions-System Repair Program for income-qualified Vermonters. Section 14 of the 2020 Transportation Bill made certain modifications to these programs.

VTrans entered into no-cost contracts with the State's electric distribution utilities (DUs) to administer the New PEV Incentive Program and also entered into a $50,000 grant agreement with VEIC to assist with program administration through its Drive Electric Vermont program. The VEIC grant agreement was funded through air quality settlement funds that ANR transferred to VTrans for this purpose. As funds under this grant agreement have been drawn down, VTrans and other agencies have allowed VEIC to invoice a grant agreement that PSD entered into with VEIC using contributions from multiple agencies to fund DEV's general work. Of the $2M that the 2019 Transportation Bill allocated to all the statewide vehicle incentive programs, VTrans authorized the DUs to spend up to $1.1M on the New PEV Incentive Program.

VTrans entered into a grant agreement with Capstone Community Action to design and administer the High-MPG and Emissions-Systems Repair Programs. The grant agreement provides Capstone with up to $150,000 for these purposes, leaving $750,000 for incentive payments.

Status Reports from VEIC and Capstone follow:

B. New PEV Incentive Program

VEIC is supporting VTrans in implementing the State of Vermont plug-in electric vehicle (EV) incentive program. Our work includes educating auto dealers and consumers on available incentives, supporting electric distribution utilities in processing the incentives and tracking spending to ensure the program does not exceed the $1.1 million appropriated by the State.

More information on current incentive program offers is available on the Drive Electric Vermont website maintained by VEIC:

https://www.driveelectricvt.com/why-go-electric/purchase-incentives

The program was launched in December 2019. Based on submissions from participating auto dealers and consumers, the program has spent $851,000 to date, leaving $249,000 remaining out of the original appropriation. Table 1 below summarizes the number and value of incentives by quarter from the launch, with breakouts of the two delivery methods – at the dealership point-of-sale and customer direct incentives following a purchase. There are 29 pending preapprovals for customer direct incentives.

Table 1. State of Vermont Quarterly EV Incentive Spending by Type of Incentive

	Dealer Point-of-Sale		Customer Direct		TOTAL	
	Count	Incentive Funds	Count	Incentive Funds	Count	Incentive Funds
2019	**12**	**$ 34,500**	**6**	**$ 17,000**	**18**	**$ 51,500**
Qtr4	12	$ 34,500	6	$ 17,000	18	$ 51,500
2020	**164**	**$ 580,000**	**43**	**$ 142,500**	**207**	**$ 722,500**
Qtr1	111	$ 412,000	21	$ 78,500	132	$ 490,500
Qtr2	35	$ 111,500	12	$ 41,000	47	$ 152,500
Qtr3 to date	18	$ 56,500	10	$ 23,000	28	$ 79,500
Pending Preapprovals			***29***	***$ 77,000***	***29***	***$ 77,000***
Grand Total	**176**	**$ 614,500**	**78**	**$ 236,500**	**254**	**$ 851,000**

Table 2 below includes reporting on the number and value of incentives by eligible model, sorted in descending order of total incentives per model. The table has columns breaking out the lower income consumer incentives as well as standard incentives for moderate income households. The Drive Electric Vermont website linked above has details on current income eligibility requirements. Basically, purchasers with $50,000 or less adjusted gross income (AGI) qualify for the lower income incentives while standard incentive eligibility is capped at $100,000 for individuals or $125,000 for joint filers.

Table 2. State of Vermont EV Incentives by Model and Income Level

Model	Low Income Count	Low Income Funds	Moderate Income Count	Moderate Income Funds	TOTAL Count	TOTAL Funds
Nissan LEAF	19	$ 93,000	23	$ 57,500	42	$ 150,500
Chevrolet Bolt	15	$ 69,000	22	$ 55,000	37	$ 124,000
Toyota Prius Prime	13	$ 51,000	15	$ 22,500	28	$ 73,500
Volkswagen e-Golf	21	$ 105,000	2	$ 5,000	23	$ 110,000
Nissan LEAF Plus	11	$ 55,000	11	$ 27,500	22	$ 82,500
Hyundai Ioniq PHEV	10	$ 40,000	4	$ 6,000	14	$ 46,000
Hyundai Kona EV	4	$ 20,000	9	$ 22,500	13	$ 42,500
Tesla Model 3	7	$ 35,000	5	$ 12,500	12	$ 47,500
Ford Fusion Energi	7	$ 27,000	4	$ 6,000	11	$ 33,000
Subaru Crosstrek Hybrid	5	$ 20,000	3	$ 4,500	8	$ 24,500
Hyundai Ioniq EV	3	$ 12,000			3	$ 12,000
Kia Niro Electric			3	$ 6,500	3	$ 6,500
Mitsubishi Outlander PHEV	1	$ 3,000	2	$ 3,000	3	$ 6,000
Toyota RAV4 Prime	1	$ 3,000	2	$ 3,000	3	$ 6,000
Hyundai Sonata PHEV	1	$ 4,000	1	$ 1,500	2	$ 5,500
Chevrolet Volt	1	$ 4,000			1	$ 4,000
Pending Preapprovals	*9*	*$ 36,000*	*20*	*$ 41,000*	*29*	*$ 77,000*
Grand Total	**128**	**$ 577,000**	**126**	**$ 274,000**	**254**	**$ 851,000**

Overall, the program seems to be working as intended to increase EV adoption in the State, due in large part to the efforts of electric utility partners who are processing the incentives and reimbursing dealers and consumers.

We would also offer the following observations based on our coordination and customer support for the program:

1. COVID-19 related shutdowns had a drastic impact on auto sales in Vermont, including EVs. Sales dwindled to a trickle in April but have steadily grown since.

2. COVID-19 closures of Vermont DMV offices have created some delays for consumer direct incentives since proof of Vermont registration is one of the supporting documents required to complete an incentive claim and these are currently only processed by mail.

3. The dealership point-of-sale incentives are generally smoother and less labor intensive to process, but the consumer direct option allows for out-of-state purchasers to take advantage of the incentive program. There are also Vermont EV dealers who elected not to participate in offering point-of-sale incentives, requiring their customers to go the consumer direct route if they are eligible to claim an incentive.

4. The preapproval requirements for customer direct incentives have led to some confusion, which we anticipate will be magnified once the funds available for the program drop below $200,000 and dealer point-of-sale recipients also need to be preapproved.

5. Program changes included in the recent transportation bill improved understanding of program eligibility with the shift from total household income to adjusted gross income on tax returns. However, some consumers expressed concern over what they perceived to be abrupt changes in incentive amounts for the lower income tier incentives.

6. Several inquiries have come through from individuals who are just above the income eligibility caps and dismayed they are ineligible for any State support, even if it is an eligible model.

7. Dealers and consumers have expressed concern over the anticipated end of the program as funding winds down. For example, the Ford Escape plug-in hybrid is anticipated to arrive at Vermont dealers soon, but consumers looking to purchase one may not have access to a State incentive due to Ford production delays associated with COVID shutdowns.

C. High-MPG and Emissions-Systems Repair Programs

Two new programs, a High-MPG used car incentive program and an Emission-Repair program, were included in the FY20 Transportation Bill. In the summer of 2019, VTrans convened a series of meetings with Capstone, DMV, and DEC to develop a framework for program design and implementation. After several months of concept development, process flow and budget analysis, Capstone and VTrans executed a grant agreement in the end of November.

The first initiative for detailed program development was MileageSmart, the High-MPG used car incentive program. An RFP for website development was placed and a contractor selected in mid-December, 2019 (within three weeks of executing the grant agreement). Software selection and integration started immediately. The video shoots took place in the first days of the new year, at the same time as wireframe web pages where developed for the template.

Given a hard cap on start-up and administrative expenses, it was decided that the MileageSmart application, eligibility determination and incentive approval process should happen entirely online, similar to a web-based shopping experience. This required the web developer to establish data exports from Capstone's Drupal website into a web-based Customer Relations Management (CRM) program called PipeDrive. The initial design encountered network challenges, causing a delays in the program launch to February, 2020. While the user-interface was still not functioning as Capstone intended, the program was able to go live in the late February.

In the final weeks of design, the ground was starting to shift. The initial outbreak of COVID-19 in China caused demand for oil to plummet. The subsequent global glut of oil caused retail gas prices in Vermont to tumble to roughly $2.00 a gallon. MileageSmart messaging about fuel cost savings for high efficiency vehicles suddenly seemed irrelevant. Six months later, the cost of a gallon of gas at the pump is still less than a half-gallon of milk. In addition, the current economic slow-down has resulted in a decline in demand for transportation and a further reduction in the economic case for High-MPG vehicles.

MileageSmart launched as COVID-19 was starting to rage in neighboring states. The initial outreach campaign for MileageSmart got very limited traction as the emerging issues of pandemic safety -- hand sanitizer, alcohol wipes, social distancing – became paramount and the stay at home orders and economic downturn resulted in a diminishing automobile sales. Used cars coming off lease started to build up at the regional auctions. Consumers became averse to car loans as businesses closed and unemployment spiked. The car markets went silent.

While market signals pushed the Pause button on the MileageSmart program, the Executive Order that closed schools and childcare centers hit Stop. The program suspended operations when critical staff went on family leave. By then, Capstone had invested nearly $100,000 in the development of MileageSmart.

In mid-July, 2020, Capstone initiated a revision of the MileageSmart platform and process to enable a more friendly user experience. That work is nearly complete, and the program will go live again the last week of August. A substantial marketing push that includes social media, earned media and allied Agency referrals is planned for September.

Once MileageSmart is up and running Capstone will revisit the Emissions Repair program. Several significant barriers remain before that concept can become a reality. The process flow calls for DEC and DMV participation in recruiting and then training an “opt-in” network of inspection providers that can partner in the program. Capstone will need to augment the sales-oriented staff that support MileageSmart with technical resources that can wrangle a network of emissions repair providers. The anticipated launch date for the Emissions Program is early summer, 2021.

To date, investment in the two programs has been approximately $100,000. Expenses for subcontractors (communications, software coding and videography), software licenses/subscriptions (PipeDrive and Google) and data resources (NADA car valuation lookup) make up 22.5% of costs. In addition to the expenses in the table below, Capstone has invested another $18,637 to move these programs from initial concepts through detailed design and on to implementation of MileageSmart.

MileageSmart	Year to Date
Personnel	$ 63,540
Overhead	$ 11,286
Contractual	$ 21,758
Total Expenses	$ 96,593