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Agency of Transportation

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Memo

To: Vermont House Committee on Transportation

From: Michele Boomhower, Division Director *MB*

Cc: Chris Rupe, Joint Fiscal Office
Bradley Kukenberger, AOT CFO

Date: March 11, 2022

Re: Update on Status of FY22 Maintenance Budget Pressures

With the presentation of the February Revenue Report by Chris Rupe on Monday, indicating that for FY22 Transportation Fund revenues are \$2.98 below projections year to date, and the TIB revenues are \$440K below projections, the Agency is closely watching the FY22 budget.

The Agency has concerns with, and does not support, reductions to the Maintenance appropriation for other uses within the FY2023 Transportation budget. Reductions to the Maintenance budget will impact the Agency's ability to maintain the current asset infrastructure. Potential reductions would be compounded over time by at least two factors: energy and materials price increase due to the ground war in Europe, and the increased maintenance workload for constructed assets made possible through the Infrastructure Investment and Jobs Act (IIJA).

Since the Governor's Recommended Budget was presented, fuel prices have already risen by 39% from February 2021 (prices that are factors in the current budget estimate) and are expected to rise further. This would, at minimum, reflect a budgetary impact to the Maintenance budget of approximately \$1M in FY23. Additionally, materials that are made of metals increasing in price by 100% or higher, further impacting Districts' ability to repair damaged assets and complete District projects. As an example, please see the following bid estimates vs. actual bids for Bridge Maintenance projects, which rely heavily on metal commodity pricing:

| Project Name & Number | Estimate | Low Bid | % | Bid Date | Funding | Comments |
|-----------------------|---------------|-----------------|------|------------|---------------------------|----------------------|
| Barre Town BM22602 | \$ 160,000.00 | \$ 350,000.00 | 219% | 2/3/2022 | State Highway Bridge | Awarded |
| Barton BM22901 | \$ 160,000.00 | \$ 326,690.00 | 204% | 2/10/2022 | Maintenance Appropriation | Awarded |
| Barton BM22902 | \$ 135,000.00 | \$ 434,350.00 | 322% | 2/20/2022 | State Highway Bridge | Rejected all bids |
| Berlin BM22603 | \$ 200,000.00 | \$ 353,460.00 | 177% | 2/3/2022 | State Highway Bridge | Awarded |
| Brattleboro BM21203 | \$ 446,485.00 | \$ 1,747,825.00 | 391% | 3/10/2022 | Interstate Bridge | Bid analysis pending |
| Hardwick BM22701 | \$ 160,000.00 | \$ 535,000.00 | 334% | 2/10/2022 | Maintenance Appropriation | Rejected all bids |
| New Haven BM22501 | \$ 150,000.00 | \$ 269,650.00 | 180% | 10/21/2021 | Maintenance Appropriation | Awarded |
| Orange BM22604 | \$ 90,000.00 | \$ 212,350.00 | 236% | 2/3/2022 | Maintenance Appropriation | Awarded |
| Williamstown BM22601 | \$ 50,000.00 | \$ 103,400.00 | 207% | 12/9/2021 | Maintenance Appropriation | Awarded |
| Wolcott BM22606 | \$ 105,000.00 | \$ 199,535.00 | 190% | 12/9/2021 | State Highway Bridge | Awarded |

Looking ahead to the additional opportunities made available through the IIJA, every time additional assets are created maintenance costs will potentially increase. As more assets are constructed, less funding in District Maintenance will lead to increased deterioration, as a result, there could be consequences in the form of penalties from FHWA and a loss of flexibility in our use of federal funds.

If budgetary reductions are realized in the FY23 Maintenance Appropriations, that will require a reduction in Maintenance activities next fiscal year. For these and other reasons, the Agency's position is to maintain full support for the Maintenance appropriation as reflected in the Governor's FY23 Recommended budget.