

**REVIEW OF JANUARY 2021 REVENUE
FORECAST AND ANTICIPATED FEDERAL
FUNDING**

SENATE TRANSPORTATION COMMITTEE

TUESDAY, JANUARY 26, 2021



Vermont Legislative
JOINT FISCAL OFFICE

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AGENDA

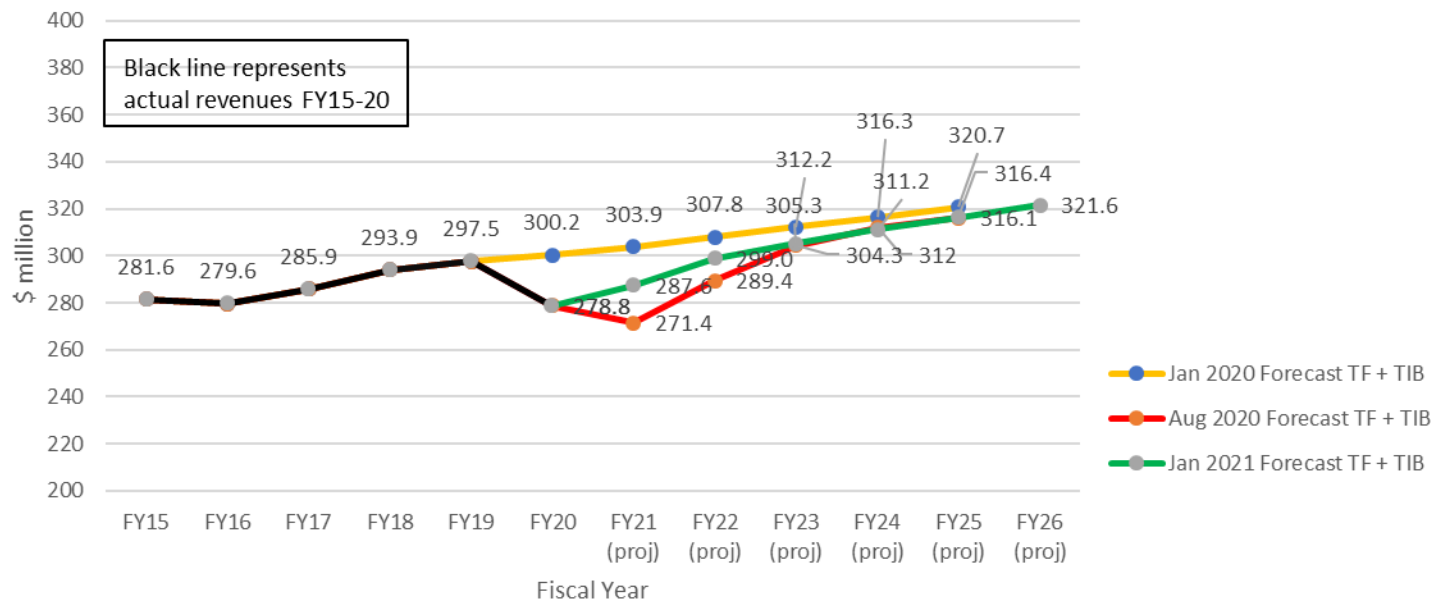
- 1) January 2021 Consensus Revenue Forecast
- 2) Anticipated Federal Funding
- 3) Questions?

A scenic view of a wooden bridge over a river. The bridge has a dark wooden railing and a wooden deck. A dark car is driving across the bridge. Several people are walking on the bridge. The river is calm and reflects the sky and the bridge. The background is a dense forest of green trees. The sky is blue with some white clouds. The overall scene is peaceful and scenic.

JANUARY 2021 CONSENSUS REVENUE FORECAST

JANUARY 2021 REVENUE FORECAST

Projected Combined T-Fund and TIB Fund State Revenues



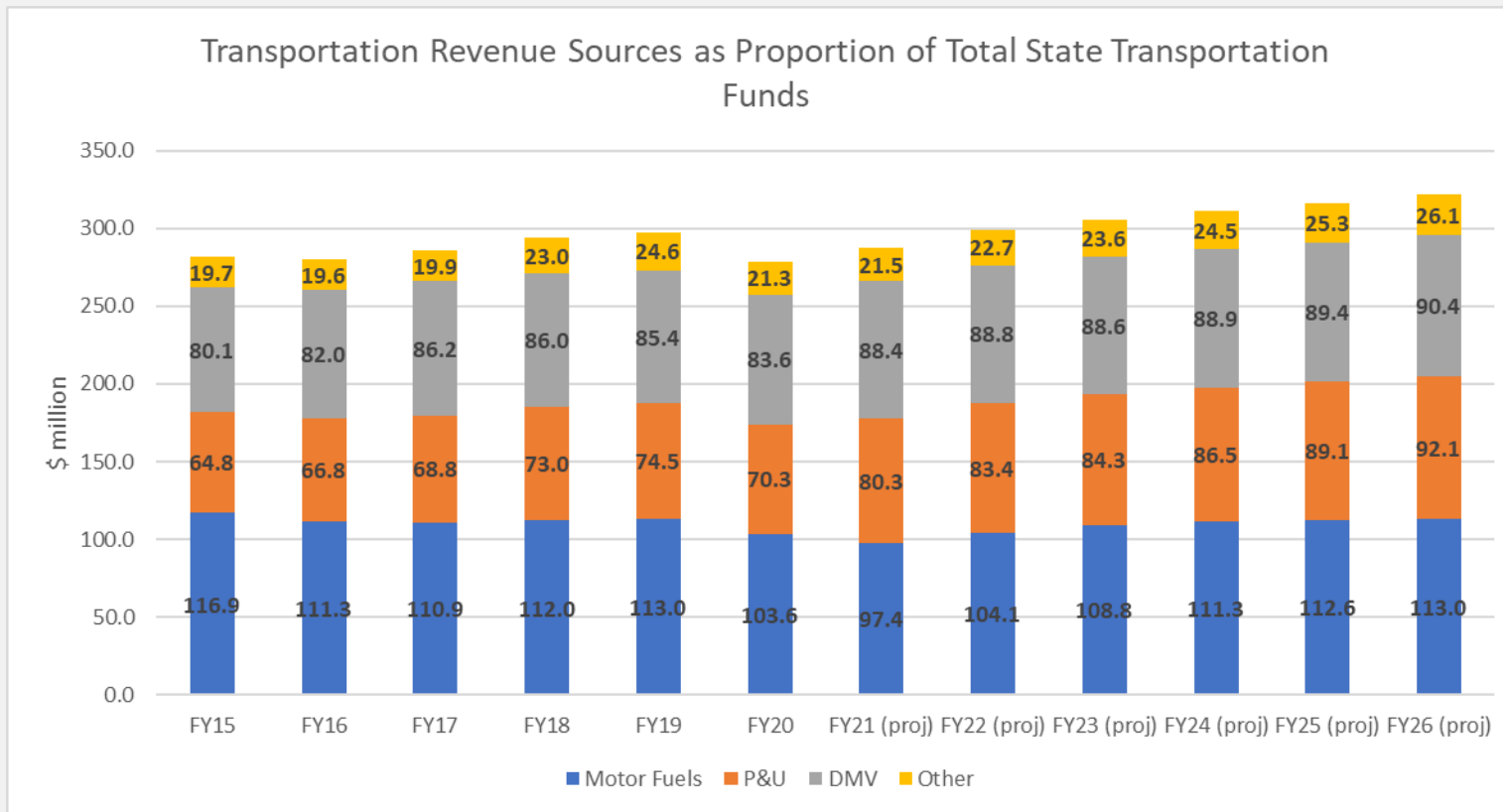
The Jan 2021 forecast upgrades the outlook for state-generated transportation revenue compared to the Aug 2020 forecast by a cumulative total of \$26.3 million across FY21-25, but revenues are still projected to be below the pre-COVID Jan 2020 forecast. The Jan 2021 forecast predicts a cumulative total revenue loss of \$62.8 million between FY20 and FY25 compared to the pre-COVID Jan 2020 forecast (the total difference between the yellow and green lines). In comparison, the Aug 2020 forecast projected a cumulative decline of \$89.1 million over the same time period.

The January 2021 consensus revenue forecast upgraded the forecast for transportation funds compared to the August 2020 forecast.

However, the upgraded forecast remains below the pre-COVID January 2020 forecast.

Per the January 2021 forecast, total state transportation taxes/fees are projected to be \$62.8 million less between FY20 – FY25 than predicted a year ago.

JANUARY 2021 REVENUE FORECAST



The January 2021 consensus revenue forecast predicts that motor fuels taxes/assessments will comprise a shrinking percentage of overall state transportation revenues in future years.

| | |
|--------------|-------|
| FY15: | 41.5% |
| FY20: | 37.2% |
| FY26 (proj): | 35.1% |

JANUARY 2021 REVENUE FORECAST

Transportation Revenue Forecasts for FY21 (\$ mil)

| Revenue | January 2020 | August 2020 | January 2021 | Change from Aug | Change Jan - Jan |
|---|--------------|--------------|--------------|-----------------|------------------|
| Gasoline | 78.0 | 68.1 | 67.1 | -1.0 | -10.9 |
| Diesel | 19.2 | 17.5 | 17.7 | 0.2 | -1.5 |
| Purchase & Use | 78.4 | 66.9 | 80.3 | 13.4 | 1.9 |
| DMV Fees | 87.7 | 83.5 | 88.4 | 4.9 | 0.7 |
| Other Fees | 24.6 | 22.6 | 21.5 | -1.1 | -3.1 |
| T-Fund Total | 287.9 | 258.6 | 275.0 | 16.4 | -12.9 |
| TIB Gasoline | 13.9 | 10.9 | 10.7 | -0.2 | -3.2 |
| TIB Diesel and Other | 2.1 | 1.9 | 1.9 | 0 | -0.2 |
| TIB Total | 16.0 | 12.8 | 12.6 | -0.2 | -3.4 |
| | | | | | |
| All State Transportation Revenue | 303.9 | 271.4 | 287.6 | 16.2 | -16.3 |

The January '21 forecast shows a significant upgrade (+16.2M) from the Aug '20 forecast.

However, FY21 collections are still projected to be \$16.3M less than originally projected for FY21 last January.

JANUARY 2021 REVENUE FORECAST

| Change in Forecast for FY21 and FY22 (\$ mil) | | | | | |
|---|--------------|--------------|--------------|---------------------|------------------|
| Revenue | January 2020 | August 2020 | January 2021 | Change Jan'21 - Aug | Change Jan - Jan |
| FY21 T-Fund | 287.9 | 258.6 | 275.0 | 16.4 | -12.9 |
| FY21 TIB | 16.0 | 12.8 | 12.6 | -0.2 | -3.4 |
| FY21 TOTAL | 303.9 | 271.4 | 287.6 | 16.2 | -16.3 |
| | | | | | |
| FY22 T-Fund | 291.2 | 275.7 | 285.1 | 9.4 | -6.1 |
| FY22 TIB | 16.6 | 13.7 | 13.9 | 0.2 | -2.7 |
| FY22 TOTAL | 307.8 | 289.4 | 299.0 | 9.6 | -8.8 |

The January '21 forecast also upgrades revenues for FY22 by \$9.6 mil compared to last August's forecast.

Upgrade for FY21 driven by strong P&U and DMV fees.

However, FY22 collections are still projected to be \$8.8 mil less than originally projected for FY22 last January.

TRANSPORTATION REVENUES OVER TIME

- Overall, the recent forecast is good news for transportation funding. Things are not projected to be as tight as projected last August.
- However, transportation revenues remain below pre-COVID levels and are projected to remain below the levels forecasted in January 2020 until approx. FY26.
- Motor fuel tax collections are projected to gradually rebound in future years, but they are projected to generate a shrinking percentage of total transportation funding as DMV Fees and Purchase & Use Tax are projected to grow as a percentage of total transportation funding.



ANTICIPATED FEDERAL FUNDING

FEDERAL DEVELOPMENTS

- The CARES Act (March 2020) provided funding for state and local governments and transportation providers that were impacted by the COVID-19 pandemic. Matching requirements were waived on the transportation funding.
- VT received the following allocations directed for transportation relief through CARES:
 - \$9 mil – [FAA Grants-in-Aid for Airports](#)
 - \$13,327,895 – [FTA 5311 Nonurbanized Formula](#)
 - \$7,682,069 – [FTA 5307 Urbanized Formula](#)
- Unlike the CRF, there was no December 30, 2020 deadline to spend these funds.
- The federal infrastructure stimulus that many hoped for in the spring and summer did not materialize.
- Congress extended the FAST Act for another federal fiscal year in September. FAST Act now authorized through FFY21. But then what?

H.R. 133 – DECEMBER 2020

- Massive omnibus included **\$900 billion for economic stimulus** and **\$1.4 trillion to fund the federal government** for FFY21.
- “Normal” transportation funding in FFY21 is relatively flat compared to FFY20 and will, generally, appropriate the funding to implement the one-year extension of the FAST Act that was approved in September.
- The economic stimulus portion of the bill, however, included **\$45 billion of additional funding for transportation.**
- Guidance is trickling out of federal agencies but early estimates indicate that VT is likely to receive the totals in the chart to the right in accordance with formulas. Note – these numbers represent funding from the COVID stimulus portion of the bill.
- AOT is currently planning how to deploy these funds and those plans are expected to be reflected in upcoming budget legislation this session.

| Estimated COVID-19 Relief Federal Transportation Funding for Vermont (H.R. 133) | |
|---|------------------------|
| Grant | Estimated Funding (\$) |
| FAA – Airport Coronavirus Response Grant | 3,922,116 |
| FHWA – Surface Transportation Block Grant | 50,411,349 |
| FTA Sec. 5307 - Urbanized Area Formula Grants | 2,480,670 |
| FTA Sec. 5310 - Enhanced Mobility of Seniors and Individuals with Disabilities | 89,028 |
| FTA Sec. 5311 – Rural Area Formula Grants | 26,725,119 |
| Total Transportation Investment Directed to Vermont | \$83,628,282 |
| <i>Estimates from Federal Funds Information for States. December 23, 2020.</i> | |

- <https://ljfo.vermont.gov/subjects/covid-19-documents/federal-covid-19-economic-relief-bill-december-2020>

H.R. 133 – COVID STIMULUS

- [FAA Airport Coronavirus Response Grant Program:](#)
 - “...economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease 2019 (COVID-19) public health emergency.”
 - Costs related to operations, personnel, cleaning, sanitization, janitorial services, combating pathogen spread at airport, and debt service payments.
 - Funding will also be available to airports to provide relief to certain on-site concessionaires
 - Funds are available until September 30, 2021 and must be obligated by that date. No match required.
 - \$2 billion nationwide. Estimated total for VT: **\$3,922,116**
 - **Largest recipient will be BTV but funds will also be made available to general aviation and non-primary airports. Official dollar amounts have not been released by FAA at this point.**



H.R. 133 – COVID STIMULUS

- [FHWA Surface Transportation Block Grant Program](#):
 - “...flexible funding that may be used by States and localities for projects to preserve and improve the conditions and performance on any Federal-aid highway, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals.”
 - COVID Stimulus funds may be used for preventive and routine maintenance, operations, personnel, contractors, debt service, and coverage for other revenue losses.
 - Funds are available until end of FFY24.
 - \$9.8 billion nationwide. Estimate for VT: **\$50,411,349**
 - **Up to 100% federal cost share for the COVID stimulus dollars.**
 - **Awaiting any revised guidance from FHWA**
 - For more about types of eligible STBG projects: <https://www.law.cornell.edu/uscode/text/23/133>



H.R. 133 – COVID STIMULUS

- FTA (Sec [5307](#), [5310](#), and [5311](#)) – Transit Funding
 - “Similar to the [CARES Act](#), the supplemental funding will be provided at 100-percent federal share, with no local match required. Funding will support expenses eligible under the relevant program, although the Act directs recipients to prioritize payroll and operational needs.”
 - Very flexible funding for general operations.
- Sec 5307 (Urban): \$13,271,310,572 nationwide. **Burlington VT: \$2,480,670**
- Sec 5310 (Elderly/Disabled): \$50,034,973 nationwide. **VT: \$89,028**
- Sec. 5311 (Non-urban): \$678,654,455 nationwide. **VT: \$26,725,119**



H.R. 133 – OTHER PROVISIONS

- Aid also authorized for **private transportation providers**.
 - **Sec. 421. Assistance for Providers of Transportation Services Affected By Covid-19.** Section 421 provides \$2 billion in economic assistance to motorcoach and bus operators, school bus companies, U.S. flag passenger vessel operators, **like passenger ferries**, and other U.S. transportation service providers.
 - US DOT anticipated to establish an application process.
- Aid also authorized for **Amtrak**.
 - \$174.9 mil for Amtrak in lieu of Section 209 payments from states to Amtrak for state-supported corridors.
 - Awaiting details from FRA and Amtrak

ANTICIPATED FFY21 FORMULA APPORTIONMENTS AS OF OCTOBER

| National Highway Performance Program | Surface Transportation Block Grants | Highway Safety Improvement Program | Railway-Highway Crossings Program | Congestion Mitigation & Air Quality Improvement | Metropolitan Planning | National Highway Freight Program |
|--------------------------------------|-------------------------------------|------------------------------------|-----------------------------------|---|-----------------------|----------------------------------|
| \$124,018,629 | \$62,113,118 | \$12,347,954 | \$1,225,000 | \$12,623,783 | \$2,246,963 | \$7,604,769 |

TOTAL

\$222,180,126

As of October 9, 2020. https://www.fhwa.dot.gov/legsregs/directives/notices/n4510847/n4510847_t1.cfm

SUMMARY

- **The January 2021 revenue forecast significantly upgraded the outlook for Vermont's transportation revenues (+ \$16.2M higher than the August 2020 forecast). However, revenues are still below pre-COVID projections (-\$16.3M lower than January 2020 forecast).**
 - Increase driven by higher P&U and DMV Fee revenue from stronger than anticipated vehicle sales.
 - Motor fuel taxes remain relatively weak as people drive less and buy less gas.
- **Significant additional funding from the federal government is coming!**
 - Stimulus funds from HR 133 are significantly more flexible than typical federal funding
 - Up to 100% cost share
 - Operating support and expenses
 - Guidance is still being developed by federal agencies, and a lot of details are still unknown.
 - Formula funds will benefit transit operators, airports, and AOT and will help all three pay for their operations and soften the impact of decreased revenues.
 - Additional grant opportunities will be available for private transportation operators and for Amtrak but details are not yet released.
 - **What will the next FAST Act look like?**

QUESTIONS?

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