

MEMORANDUM

TO: BOARD OF DIRECTORS & COUNCIL OF STATE EXECUTIVES

FR: ALISON BLACK, SENIOR VICE PRESIDENT & CHIEF ECONOMIST

RE: IMPACTS OF COVID-19 ON STATE & LOCAL TRANSPORTATION REVENUES & CONSTRUCTION PROGRAMS

DATE: MAY 4, 2020

State and local governments have begun to provide more detailed information about expected declines in transportation revenue and changes to current transportation construction programs and lettings as the COVID-19 pandemic continues, according to a review of publicly-available data conducted by the ARTBA through May 4, 2020.

While many projects continue as transportation construction is deemed essential, state and local governments and transportation authorities are beginning to feel the strain of declining revenues related to user fees and the overall slowdown in economic activity. The immediate economic impact and potential job losses are difficult to quantify at this time, but each \$1 billion in transportation construction investment supports an average of 13,000 jobs throughout all sectors of the economy, according to the Federal Highway Administration.

- Currently nine states have announced project delays or cancellations valued at nearly \$3.9 billion. These include Hawaii, Kentucky, Mississippi, Missouri, North Carolina, Ohio, Pennsylvania, Vermont and Washington. Details are below.
- There are seven local governments that have announced project delays or cancellations.
- Five states have vetoed, canceled, or postponed legislative initiatives or ballot measures related to transportation funding because of the pandemic.
- At least 14 states and one transportation authority have publicly projected declining revenues totaling a loss of \$2.64 billion. This does not mean that transportation programs will be cut by the same amount but point to growing pressure on transportation-related revenue sources and state and local budgets.

	Number of States	Number of Local/Regional Areas	Total Value (multi-year period)
Projects Delayed or Canceled	9	7	\$4.8 Billion
Funding Initiative/Ballot Measure Delayed or Canceled	1	4	\$734 Million
Concern Over Declining Revenues	13	1	\$2.64 Billion

ARTBA's review of news accounts revealed developments in the following states:

Arizona – Revenue Update

(4/17/2020): In a [presentation](#) to the Arizona State Transportation Board, ADOT Chief Financial Officer Kristine Ward emphasized that it will be some time before the economic impacts of COVID-19 are clear, but the immediate goal is to preserve state funding to match federal funds. Early estimates are that revenues to the State Highway Fund could be reduced by \$385 million over the next three years. This is a loss of 9 percent in FY 2020, 22 percent in FY 2021 and 12 percent in FY 2022. ADOT would also likely defer \$155.5 million in planned bonds, which would account for \$540.4 million in projects.

California – Bay Area – Postponed Legislative/Ballot Initiatives

(3/17/2020): Given the recent developments related to the COVID-19 pandemic, proponents of a Bay Area one-cent sales tax say they will not push for a vote to include the measure on the November 2020 ballot, according to a recent [news article](#). The measure would have raised over \$100 billion for projects over the next 40 years. Approval from 2/3 of the California State legislature and the Governor's signature by the end of June would have been required to move forward.

Colorado – Revenue Update

(4/21/2020): In a [report](#) to the Colorado Transportation Commission, CDOT estimated that the combined revenue decrease of motor fuel tax revenues, general fund revenues and other key funding sources could total as much as \$250 million for FY 2020 through FY 2023. The extent of project cuts will depend on the revenue situation.

Connecticut – Revenue Update

(4/30/2020): Expected revenues to the Connecticut Special Trust Fund are expected to be over \$800 million lower over the next five years compared to consensus [estimates](#) that were made in January 2020. This includes revenues from a variety of sources, including the motor fuels tax, oil companies tax and the sales and use tax.

Connecticut – Greenwich – Project Delays & Cancellations

(4/28/2020): The local Board of Estimate and Taxation cut \$4.9 million in road improvements as part of a \$24 billion reduction in the capital plan, according to a local [report](#). A bridge replacement project did remain in the plan- the \$3.5 million cost of the project will be reimbursed by the state.

Florida – Hillsborough & Pinellas Counties – Postponed Legislative/Ballot Initiatives

(4/6/2020): Hillsborough and Pinellas Counties have postponed a 1-cent sales tax measure that would have been on the November 2020 ballot, according to recent [news reports](#). Voters had approved the tax in 2018, but that measure has been tied up in the Florida Supreme Court. Local commissioners had planned to put a replacement measure on the ballot later this year. The measure would have raised about \$276 million per year.

Hawaii – Project Delays & Cancellations

(4/9/2020): COVID-19 is causing delays to the final \$1.4 billion construction contract to finish the Honolulu Rail project, according to recent news [reports](#). According to Honolulu Authority for Rapid Transportation Executive Director Andrew Robins, the bidders have had difficulty finalizing their bids because of the disruption of the pandemic.

Idaho – Postponed Legislative/Ballot Initiatives

(3/24/2020): Because of the uncertainty over COVID-19, Governor Brad Little [vetoed](#) a measure that would have doubled the current 1% state sales tax revenue used for roads. HB 325a would have increased the current amount from \$18 million to \$36 million a year. The revenue will stay in the General Fund. The Governor encouraged the Legislature to “pursue a comprehensive package when the state is facing a more positive economic outlook.”

Illinois – Revenue Update

(4/20/2020): In a [letter](#) to their congressional delegation, the Illinois Department of Transportation noted that based on a decline in traffic levels of 50 percent it expects a 30 percent decline in revenues will cost the state \$2.8 billion.

Iowa – Revenue Update

(3/31/2020): Facing a as much as a 40 percent decline in traffic volumes, Iowa DOT estimates revenues to the Road Use Tax Fund could be down 25 percent this year, according to a [memo](#) from the agency to local governments. Based on the timing of revenues, reduced allocations to Iowa DOT, cities and counties from the fund will likely start in May.

Kentucky – Project Delays & Cancellations

(4/23/2020): The Kentucky Transportation Cabinet [announced](#) April 23 it will cancel monthly lettings in May and June. Based on Kentucky’s annual program, lettings over those two months would likely have totaled \$83 million. The next scheduled letting will be July 24. The state is also [suspending work](#) on over 100 projects, which had a bid value of \$150 million.

Kentucky – Revenue Update

(5/4/2020): The Quarterly Economic & Revenue [report](#) is estimating a shortfall in the Kentucky Road Fund between \$116.4 million and \$194.6 million for FY 2020. The narrative noted that “much like the General Fund, the outlook for the Road Fund is highly correlated with the public health emergency.”

Louisiana – Revenue Update

(4/22/2020): The state is concerned about an estimated \$249 million shortfall in transportation revenues over the next 15 months, according to a [letter](#) from Louisiana DOT to their congressional delegation. Less revenue in the state Transportation Trust Fund would “jeopardize a substantial portion of our Federal share, resulting in a major disruption in our available funds.” Some of the 236 highway and bridge projects planned for letting between April 2020 and July 2021 could be at risk.

Maine – Revenue Update

(4/21/2020): While work continues on current projects and bids are being opened as usual, Maine DOT is expecting a loss of \$128 million to the Maine State Highway Fund over the next 18 months, according to a [letter](#) from Maine DOT to its congressional delegation. This includes a decline of 40 percent, or \$74 million, for the six months ending September 30, 2020, and an additional decline of 15 percent, or \$50 million, for FY 2021.

Missouri – Revenue Update

(4/14/2020): In a [letter of support](#) to members of Congress for additional federal funds to stabilize state transportation revenues, MoDOT said that a scenario with a 30 percent reduction in state transportation revenues would have an impact on capital projects and constructions. The agency noted that “approximately \$2.1 billion in federal funds would go unmatched by the loss of \$530 million in state funds for a total estimated construction awards reduction from an estimated \$4.9 billion (SFY 2021-2025) to \$2.3 billion. That is a reduction of approximately \$2.6 billion in contractor awards including no new awards in 2021 – 2023. Under this scenario, no funds would be available for consultant design work or to purchase right of way. To put this into perspective, that would equate to approximately 400 bridges and 20,000 lane miles of Missouri roadways NOT being repaired that are in our current plan.”

Michigan – Royal Oak – Project Delays & Cancellations

(4/13/2020): The Royal Oak City Commission has [cancelled](#) the spring 2021 sidewalk program and all road projects, with the exception of one funded by the Michigan Department of Transportation.

Michigan – Saint Clair County – Project Delays & Cancellations

(4/15/2020): The county road commission [plans](#) to cut seven transportation projects amid the economic uncertainty caused by the COVID-19 pandemic. The projects, valued at \$3.16 million, were supported by the local roads fund and did not include state funds.

Mississippi – Project Delays & Cancellations

(4/23/2020): The Mississippi Transportation Commission [announced](#) it will temporarily delay bidding state-funded pavement projects.

Missouri – Project Delays & Cancellations

(4/19/2020): With traffic volumes down more than 30 percent, MoDOT has delayed five projects valued at \$45 million, according to an [article](#) in the News Tribune.

New Jersey – Revenue Update

(3/23/2020): In a [statement](#) to bondholders, New Jersey Department of Treasury did not give specifics, but indicated they expect “precipitous declines in revenues in Fiscal Year 2020 and Fiscal Year 2021.” Although motor fuel tax collections were up in the [March 2020 report](#), the agency expects the impact of COVID-19 to be seen in the next month of data.

Port Authority of New York & New Jersey – Revenue Update

(4/29/2020): In a recent [presentation](#), the agency’s Executive Director Rick Cotton cited a 97 percent decrease in airport passengers, 95 percent decline in transit ridership and 67 percent decline in bridge and tunnel traffic. Absent additional federal funding, the ten-year capital plan will face significant cuts.

New York City – Project Delays & Cancellations

(4/27/20): [New York City](#) is not awarding any new roadway, pedestrian, bus or bike infrastructure projects, with the exception of emergency work, for the next few months.

The [Metropolitan Transit Authority](#) has put a 60-day hold on new capital commitments.

North Carolina – Project Delays & Cancellations

(4/23/2020): The NCDOT is facing a \$300 million budget shortfall for the fiscal year ending June 30, 2020, according to a [release](#) from the agency. As a result, all but 50 major projects scheduled to start in the next 12 months will be delayed. These projects are funded by GARVEE bonds, BUILD NC bonds and federal grants. Over [100 projects valued at \\$1.6 billion](#) will be delayed.

North Dakota – Moorehead – Project Delays & Cancellations

(4/13/2020): City officials proceeded with one road project but delayed a second project due to growing concern over the financial impact of COVID-19, according to a recent [news article](#). Assistant City Engineer Tom Trowbridge expressed concern that if they delay the project, the state will likely reallocate the \$1.8 million in funds, resulting in even more delays to completing the project.

Ohio – Project Delays & Cancellations

(3/25/2020): In a [notice](#) to the industry, ODOT said it made the decision to defer two projects from the FY 2020 Major New Construction Program to the first half of FY 2021. This included the Interstate 70/71 project in downtown Columbus (valued at \$114 million) and phase 5B of the I-75 widening project at I-74 (\$70 million).

Oregon – Bend City – Postponed Legislative/Ballot Initiatives

(3/18/20): The Bend City Council [removed](#) a \$190 million transportation bond from the May 2020 primary ballot.

Oregon – Pendleton – Postponed Legislative/Ballot Initiatives

(3/27/2020): The *Save Our Streets* campaign, led by Pendleton city councilors and the Mayor, decided to [postpone](#) their campaign supporting a four-cent local gas tax increase to support road construction and maintenance. The measure, which would have raised an additional \$1 million per year, will remain on the ballot. Mayor John Turner recognized that the situation was confusing, but “but we want voters to understand that we no longer endorse or support the fuel tax at this time.”

Pennsylvania – Project Delays & Cancellations

(4/27/2020): Construction work on most of the highway and bridge projects that were “put on pause” in March are expected to resume by May 1. The Governor originally [suspended](#) transportation construction activity March 17. PennDOT [announced](#) March 23 that 61 emergency and critical highway and bridge projects would reopen. Additional projects were announced April 20 and 27.

Pennsylvania – Revenue Update

(5/2/2020): PennDOT said that revenues from the liquid fuels tax receipts, a source of revenue for the state’s highway and bridge program, were down \$50 million in March, according to an [article](#). Revenues were \$270 million compared to an average of \$320 million a month.

Pennsylvania – Pittsburgh Airport – Project Delays & Cancellations

(3/27/2020): The \$1.1 billion modernization of Pittsburgh Airport has been postponed, according to a recent [news article](#). Work had stopped under the state-wide orders to halt all construction activity. However, because of the economic uncertainty related to COVID-19, the Allegheny County Airport Authority has said construction of the \$1.1 billion new terminal will likely be delayed.

South Carolina – Revenue Update

(4/10/2020): South Carolina motor fuel tax revenues may decline by as much as 30 percent, according to a recent [news article](#) featuring SCDOT Board Chairman Tony Cox. Chairman Cox also noted the state was taking advantage of lower traffic volume to accelerate work on some projects.

South Dakota – Revenue Update

(4/23/2020): South Dakota motor fuel revenue tax collections could be down as much as 40 percent, according to [comments](#) made by State Transportation Secretary Darin Bergquist to the state Transportation Commission. This would translate into \$6 million less per month in revenue. Usually the state highway fund receives an average of \$15 million per month from the motor-fuel tax.

Vermont – Project Delays & Cancellations

(4/12/2020): Most projects under construction or planned for the 2020 construction season were ordered shutdown by the Vermont Secretary of Transportation. A recent news article estimated the value of the program to be \$200 million. There are currently six construction projects on the [schedule](#) to be bid in May.

Vermont – Revenue Update

(4/29/2020): An [update](#) from the Vermont Joint Fiscal Office estimates that Transportation Fund revenues will be down \$44.4 million for FY 2020, compared to estimates from January 2020. The fund is expected to bring in \$243 million in FY 2020 and \$239 in FY 2021.

Washington – Project Delays & Cancellations

(4/6/2020): The [order](#) to stop work on most state transportation construction projects is extended until May 4, according to a notice published by Washington State DOT. In addition to [suspending](#) work on 65 highway and bridge construction projects and most maintenance activities, the state has also reduced Amtrak service, deferred new hires and maintained the winter schedule for ferry service. It expects the lost in transportation-related revenue will be as much as \$100 million per month.

Washington – Port of Seattle – Project Delays & Cancellations

(4/28/2020): The Port of Seattle commission [voted](#) to cut over \$70 million from the capital improvement plan after significant reductions in revenue from the COVID-19 pandemic. Projects impacted include port terminal and airport construction work.