

# WHY STATE DOTs NEED A \$50B FEDERAL REVENUE BACKSTOP FOR FY 2020 AND FY 2021

April 14, 2020

## OVERVIEW

On April 6, 2020, [AASHTO requested Congress](#) to provide \$49.95 billion as an immediate revenue backstop for state DOTs in order to prevent major disruptions in their ability to operate and maintain their transportation systems during this national emergency. Compared to \$111 billion in state transportation revenues in FY 2019 according to the National Association of State Budget Officers, preliminary projections from state DOTs show an estimated 30 percent decline on average for the next 18 months. In addition, the [most recent data](#) from INRIX shows that personal travel dropped 47 percent nationally through the week ending April 3, 2020, and is likely to worsen in the coming weeks.

AASHTO requests **\$16.7 billion for the remainder of FY 2020** based on an estimated 30 percent state revenue cut prorated over six months and **\$33.3 billion for all of FY 2021** based on an estimated 30 percent state revenue cut for a full year. All state DOTs surveyed in early April 2020 require the federal backstop in the coming months; for 39 percent of the surveyed states, this support is actually needed right now, not in a few weeks or months. This crucial federal backstop will prevent cancellations and delays of projects as well as potential job losses both in the state DOT workforce and the private sector.

## FINDINGS FROM SURVEY OF STATE DOTs CONDUCTED APRIL 6-10, 2020

### Impact of COVID-19 on State Transportation Revenues

- Individual state revenue impacts may be as high as 45 percent in the next 18 months.
- The highest reductions are expected for state motor fuel tax and toll receipts due to a 50 percent decline in vehicle traffic in most of the country due to travel and work restrictions in place.
- In certain states, toll road traffic is down 67 percent and ferry traffic is down 77 percent.
- State DOTs' ability to meet debt service will affect every financing tool including general obligation bonds, revenue bonds for toll roads, TIFIA loans, and GARVEE bonds backed with state revenues.
- State DOTs' ability to provide match for federal funds will be constrained.
- States DOTs' ability to pay contractors will be adversely impacted including being held liable for liquidated damages to contractors.

### The Federal Backstop is Crucial for Every State DOT Function

- Every state is expected to face challenges in delivering their [capital and construction program](#). Examples include delays in project design, bid lettings, and construction. In addition, projects planned to address recovery from prior natural disasters like hurricanes and flooding are unable to continue in certain states.
- Routine state DOT [operations](#) can be adversely impacted, including rest area operations to support the trucking industry, traffic and safety management including incident response and 511, and public transportation and ferry services.
- State DOTs' ability to implement asset management plans to [maintain their system](#) in a state of good repair is being challenged. Routine maintenance activities impacted include pavement repair and preservation, culvert replacement, ditch clearing, bridge repairs, signal maintenance, line painting, guardrail repair and replacement, and many other activities.
- State DOTs are facing unprecedented [administrative](#) issues, including meeting payroll to prevent furloughs and layoffs. Suspension of pay and hiring freezes are already being implemented and IT infrastructure is severely constrained.

### Impacts of Social Distancing on State DOT Activities

- Right-of-way work is severely constrained due to social distancing impact on field surveys, property appraisals, and notarization. Title research and deed filing cannot occur due to court closures.
- Supply chain issues are causing delivery delays for construction materials.
- Utility coordination is challenged due to limited services and closures of partnering entities.
- Planning and environmental requirements are not able to be met in a timely manner, including the ability to hold public involvement sessions, enacting transportation improvement program and long range plan changes, and obtaining federal permits.
- The need for personal protective equipment and access to lodging and food is being challenged for field workers.
- Tribal coordination is constrained due to community closures.

## Impacts of Low Traffic Volumes on Construction

- Some states are stopping all construction activities altogether or are reducing the delivery rates on active projects to preserve cash flow.
- Due to a severe drop in traffic volumes, some states are able to accelerate construction work by allowing more daytime work and relaxing predefined permitted closure requirements.
- Accelerated construction tends to be limited only to already-active projects with dedicated funding; planned projects are experiencing delays.

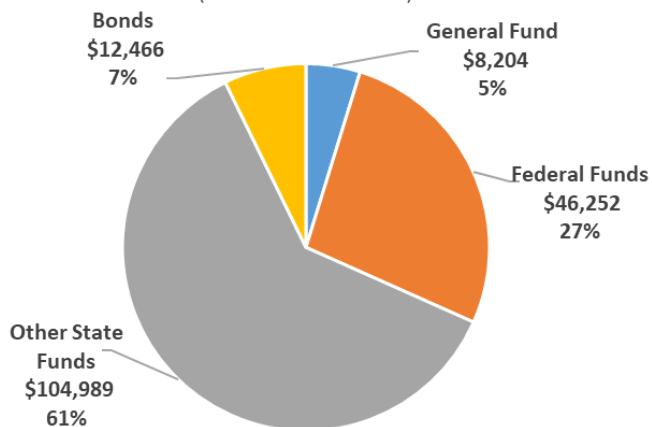
## POLICY RECOMMENDATIONS ON THE REVENUE BACKSTOP

- Given the urgent nature of states' needs in the coming weeks and months, backstop funds should be essentially treated as state revenues that would otherwise have been collected for a wide range of state DOT activities without the COVID-19 pandemic.
- State DOT operations, maintenance, and administrative activities should be fully eligible for funds provided as the revenue backstop.
- Backstop funds should be provided at 100 percent federal share as estimated state revenue cuts threaten the ability to provide state and local match in the near term for the traditional Federal-aid Highway Program, and for states' ability to meet debt obligations.
- Taking lessons learned from past recovery efforts, backstop funds should not include maintenance of effort requirements or overlapping reporting and oversight requirements from multiple entities.
- The backstop funds for both FY 2020 and FY 2021 should be available for obligation through September 30, 2021.

## STATE TRANSPORTATION REVENUES AND EXPENDITURES IN DETAIL

### State Transportation Funding Sources, 2019

(In millions of dollars)



Source: National Association of State Budget Officers [FY 2017-2019 State Expenditure Report](#) (PDF page 80)

#### Sources of Revenue Categorized as "Other State Funds"

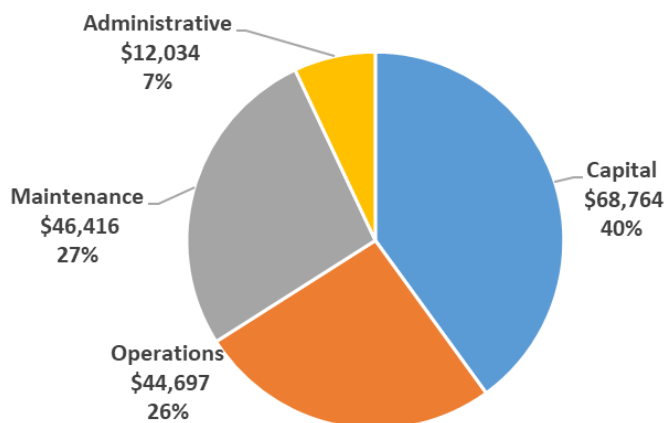
- Main sources: State fuel taxes, vehicle fees, sales taxes, tolls, mode-specific revenues
- Ancillary sources: congestion pricing, cigarette taxes, state lotteries, port authority and turnpike receipts

#### Categories of State Transportation Expenditures

- Capital includes capital projects and construction
- Administrative includes salaries, expenses, travel, employee retirement, compliance, legal, business support
- Operations includes system operations, planning, safety, technology and innovation, information systems, traffic and congestion management, design and engineering
- Maintenance includes system maintenance, equipment management, repairs, garages, fleet services

### Estimated 2019 State Transportation Expenditures

(Based on FY 2017 state budgets in millions of dollars)



Source: [AASHTO Transportation Governance and Finance, November 2016](#)

#### Modes of State Transportation Expenditures

- Roads, bridges, public transportation, rail, aviation, ports, active transportation (pedestrian, bicycle)

#### Notes on State Transportation Expenditure Estimates

- Based on FY 2016 and FY 2017 state transportation budgets contained for each state in the comprehensive [AASHTO report](#).
- Each state's classification of capital, administrative, operations, and maintenance is not exactly the same as other states, and thus required editorial harmonization for a nationwide total.
- Percentage of each category from FY 2017 was extrapolated to calculate total estimated expenditures in FY 2019.
- For states with biennial budgets, 50 percent of the applicable years was used.