

ALERTS

The Pandemic Impact on Transportation Funding

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In a few short weeks, shuttered doors and emptied streets have become characteristic of even the most robust urban centers of our country. In the face of the novel coronavirus (COVID-19) pandemic, nearly 95% of Americans currently are subject to government issued stay-at-home orders and non-essential businesses remain closed. We have progressed to the point where government and industry are working to develop plans to reopen the economy, but even those plans likely will require at least several more weeks under the current conditions. With the economy essentially grinding to a halt, the transportation sector has been hit hard. It has been said that weathering this pandemic may set transportation back decades if the right actions are not taken to stem the financial impact.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed by President Trump on March 27, 2020, is providing significant stimulus funding for transportation. The CARES Act will go a long way in helping to shore up the aviation sector, local level public transit systems, and Amtrak rail service. CARES Act funding, however, will not flow directly to state departments of transportation (DOTs). Under the CARES Act, \$114 billion of federal aid was made available for the transportation sector, including: (1) a \$25 billion allocation to local level public transportation systems to support capital, operating, and other eligible expenses, with \$22.7 billion going to large and small urban areas and \$2.2 billion going to rural areas; (2) a \$10 billion allocation for grants to commercial and general aviation airports for airport capital expenditures, airport operating expenses including payroll and utilities, and airport debt payments; and (3) a \$1.02 billion allocation to make or extend existing grants to Amtrak to cover lost ticket revenues, buy fuel and construction materials, and maintain its route network, with \$492,000,000 for the Northeast Corridor and \$526,000,000 for the National Network. Additional funds were made available under the CARES Act to provide financial assistance to the aviation sector through loans and loan guarantees and grants for worker and contractor pay and benefits. For a detailed breakdown of CARES Act funding for transportation read this article by Jeff Davis of the Eno Center for Transportation.

It is fair to say that every state DOT is suffering top line revenue problems due to COVID-19. The American Association of State Highway and Transportation Officials (AASHTO) recently reported that "some individual states are estimating that revenue impacts may be as high as 45 percent over the next 18 months, with the highest reductions expected in state motor fuel tax and toll receipts due a steep decline in vehicle traffic in most parts of the country...." There is a serious need for additional federal stimulus funding to state DOTs for shovel ready transportation infrastructure work. Next to sending individuals stimulus checks, this would be the most immediate way to get stimulus money into the economy. Earlier this month, AASHTO sent a letter to Congress requesting "\$49.95 billion as an immediate revenue backstop to state DOTs" and that Congress enact "a robust, long-term surface transportation package," doubling the amount of federal surface

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transportation funding available. The current Fixing America's Surface Transportation (FAST) Act is set to expire at the end of September 2020. AASHTO's letter to Congress came shortly after Speaker Nancy Pelosi reversed course on pursuing infrastructure needs in the next round of COVID relief legislation.

The COVID-19 pandemic has presented a very real and immediate need to address unprecedented DOT revenue shortfalls and it has amplified the need for future funding strategies to plan for potential emergencies like this. In North Carolina, the NC FIRST (Future Investment Resources for Sustainable Transportation) Commission has begun the work of developing a long-term strategy to address anticipated reductions in transportation funding due to a decline in future gas tax revenues and other disruptions to the transportation industry. We are continuing our work through this crisis and will meet as scheduled on April 24, 2020 in a virtual format.