

State Transportation Board

May 15, 2020

FY2021 – FY2025 Tentative Highway Construction Program

Revised Financial Plan (Covid – 19)

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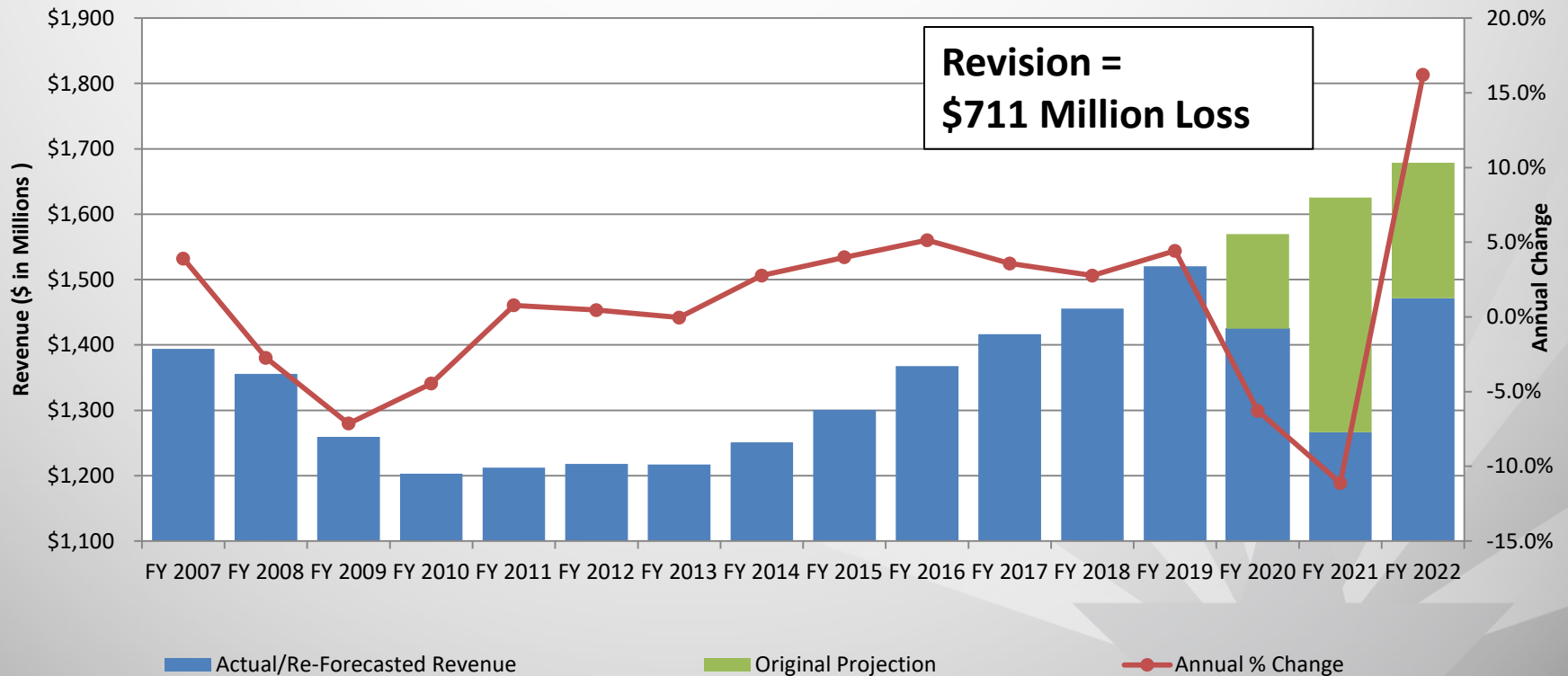
Word of Day: Uncertainty

- In April, the **unemployment rate increased by 10.3 percentage points to 14.7 percent**. This is the highest rate and the largest over-the-month increase in the history of the series (seasonally adjusted data are available back to January 1948).
- In last two months **36.5M Americans have filed for unemployment**.
- "**World GDP is now expected to fall by 3.9% in 2020, a recession of unprecedented depth** in the post-war period," said Brian Coulton, Chief Economist at Fitch Ratings. "This is **twice as large as the decline anticipated in our early April** GEO update and would be twice as severe as the 2009 recession."
- Facing a **multibillion-dollar drop in (Washington) state revenues**, Gov. Jay Inslee ordered government departments and agencies under his control to freeze all hiring and halt all personal service contracts and equipment purchases. At the same time, the state's budget office sent a letter to state agencies telling them to find ways to cut 15% from their current budgets. The freeze and cuts are needed to mitigate the impacts of the COVID-19 pandemic on Washington state's economy and financial outlook, Inslee said."
- CHICAGO, March 19 (Reuters) - Yields in the U.S. municipal bond market, where states, cities, schools and other issuers sell debt, skyrocketed on Thursday amid a **selling frenzy by virus-rattled investors who pulled a record amount of money out of muni funds in a race for cash**.

Financial Approach

- Preserve State Highway Fund (Cash) in light of economic uncertainty
- Ensure we have adequate funds to pay debt service, operate and maintain the highways, and meet match requirements for federal formula funding
- Maintain fiscal constraint
- Modify program in the short term FY2020-FY2022, monitor projections as data becomes available, and modify program accordingly

Highway User Revenue Fund (HURF): Revenue History and Forecast



Revenue in Millions

Highway User Revenue Fund (HURF): Revenue Forecast

FY 2020-2022 Comparative Forecast (Dollars in Millions)			
Fiscal	Sep. 19	Apr. 20	
<u>Year</u>	<u>Official</u>	<u>Revised</u>	<u>Difference</u>
	<u>Forecast</u>	<u>Forecast</u>	
2020	\$1,569.4	\$1,424.7	(\$144.7)
2021	1,625.4	1,266.4	(359.0)
2022	1,678.9	1,471.5	(207.4)
Total	\$4,873.7	\$4,162.6	(\$711.1)
Ave. CGR	3.4%	1.6%	

Highway User Revenue Fund (HURF): Revised Revenue Forecast

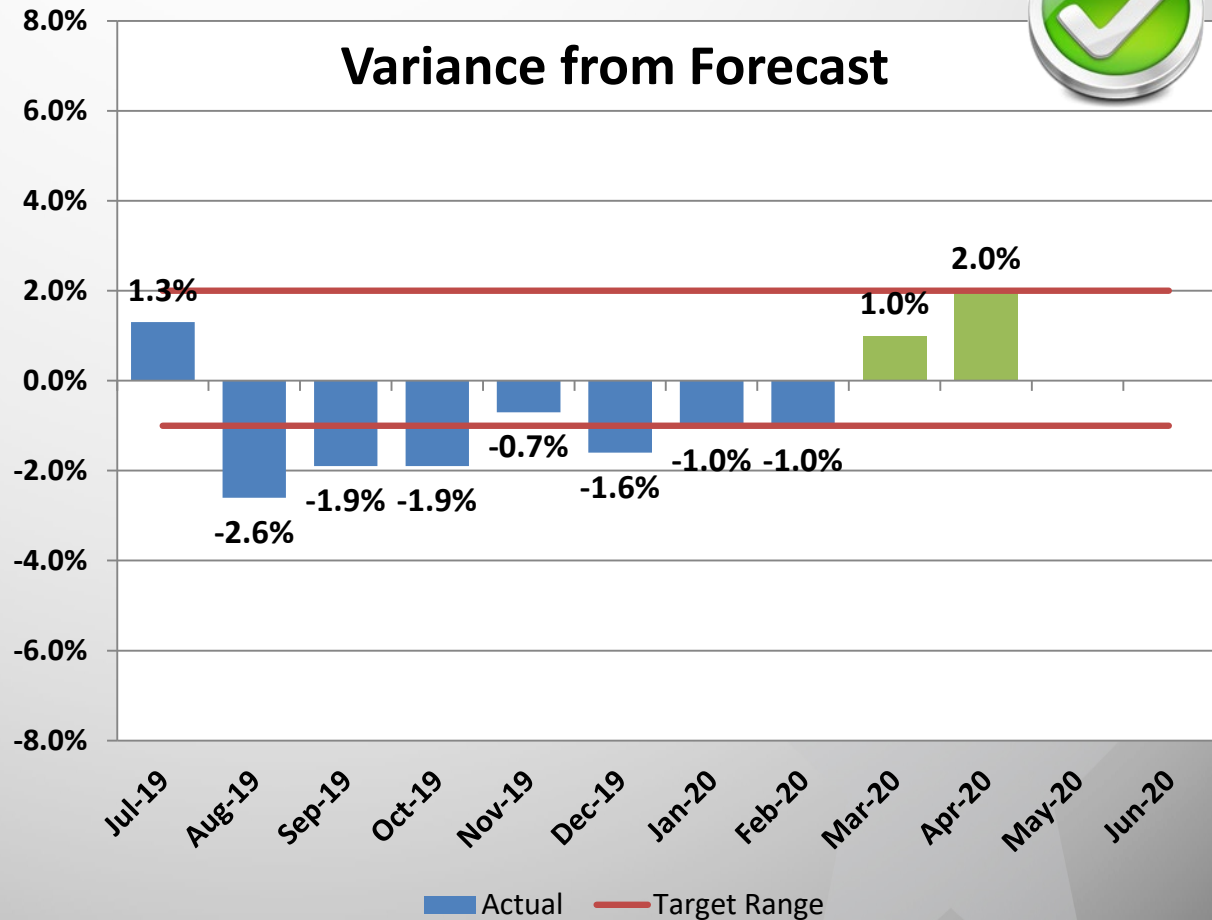
Revenue Category	FY 2020 % Chg from Official Forecast	FY 2020 Revised Yr over Yr % Change	FY 2021 % Chg from Official Forecast	FY 2021 Revised Yr over Yr % Change	FY 2022 % Chg from Official Forecast	FY 2022 Revised Yr over Yr % Change
Gasoline Tax	-8.3%	-7.4%	-27.0%	-17.8%	-16.1%	17.3%
Use Fuel Tax	-6.1%	-1.8%	-14.3%	-6.3%	-6.1%	13.6%
Motor Carrier Fee	-7.9%	-5.5%	-16.9%	-5.1%	-9.3%	12.2%
Vehicle License Tax Registration	-10.7%	-5.6%	-22.9%	-9.1%	-12.2%	19.5%
Other	-5.0%	-3.1%	-12.6%	-6.2%	-5.4%	10.6%
	-30.6%	-28.0%	-35.0%	-6.7%	-28.4%	13.5%
Total	-9.2%	-6.3%	-22.1%	-11.1%	-12.4%	16.2%

Revenue Report:

Highway User Revenue Fund (HURF)



- **Gas tax** – Strong decline month (-9.0%), moderate growth FY20 (2.3%)
- **Diesel tax** – Strong decline month (-5.1%), moderate growth FY20 (1.2%)
- **VLT** – Strong decline month (-5.9%), moderate growth FY20 (4.2%)

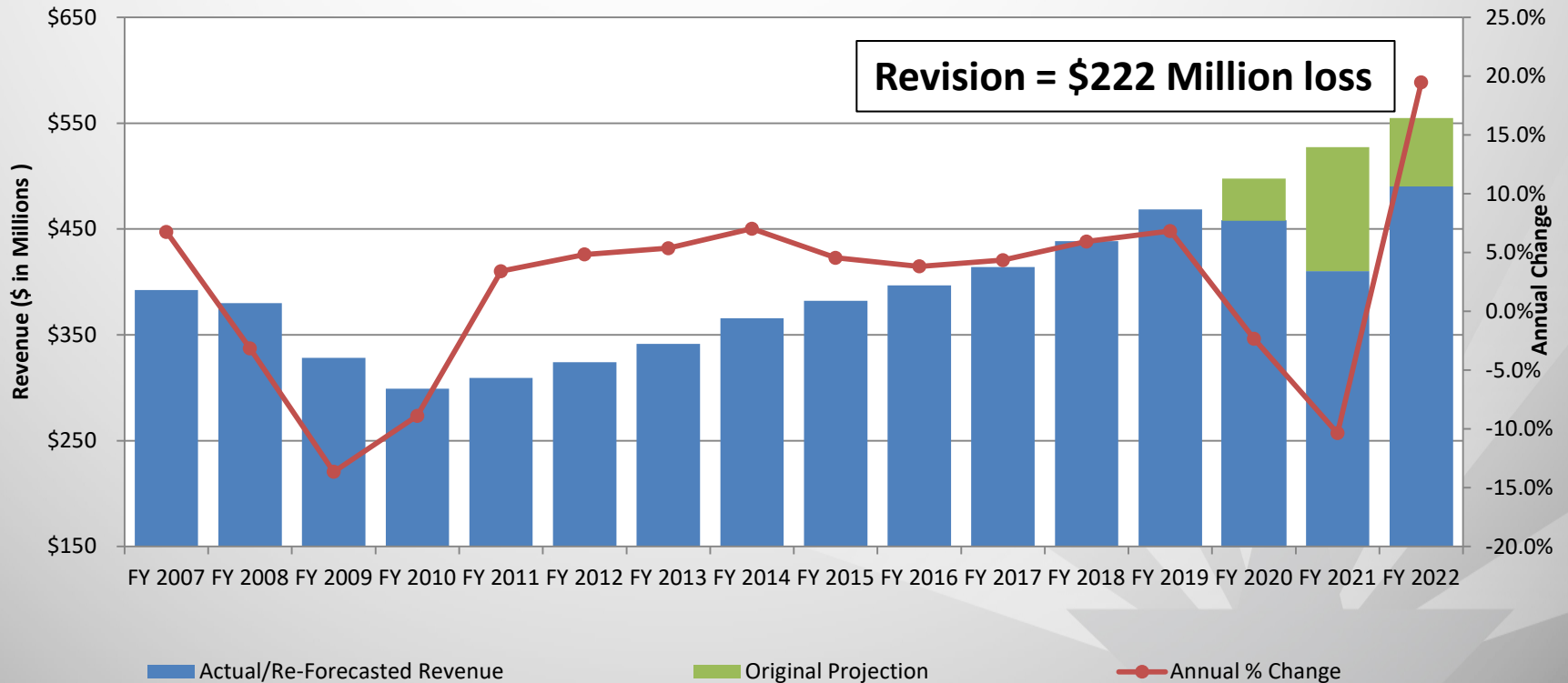


Highway User Revenue Fund (HURF): Revenue Re-Forecast vs. Actuals

Revenue Category	April			
	New Est.	Act.	Variance	% Chg
Gasoline Tax	\$33,189	\$41,481	\$8,292	25.0%
Use Fuel Tax	18,466	20,088	1,622	8.8%
Motor Carrier Fee	3,556	3,403	(153)	-4.3%
Vehicle License Tax	28,602	38,801	10,199	35.7%
Registration	17,034	14,143	(2,891)	-17.0%
Other	4,623	1,391	(3,232)	-69.9%
Total	\$105,470	\$119,307	\$13,837	13.1%

Revenue in Thousands

Regional Area Road Fund (RARF): Revenue History and Forecast



Revenue in Millions

Regional Area Road Fund (RARF): Revenue Forecast

FY 2020-2022 Comparative Forecast (Dollars in Millions)			
Fiscal Year	Sep. 19 Official Forecast	Apr. 20 Revised Forecast	Difference
2020	\$497.7	\$457.7	(\$40.0)
2021	527.3	410.3	(117.0)
2022	554.9	490.1	(64.8)
Total	\$1,579.9	\$1,358.1	(\$221.8)
Average CGR	5.6%	3.5%	

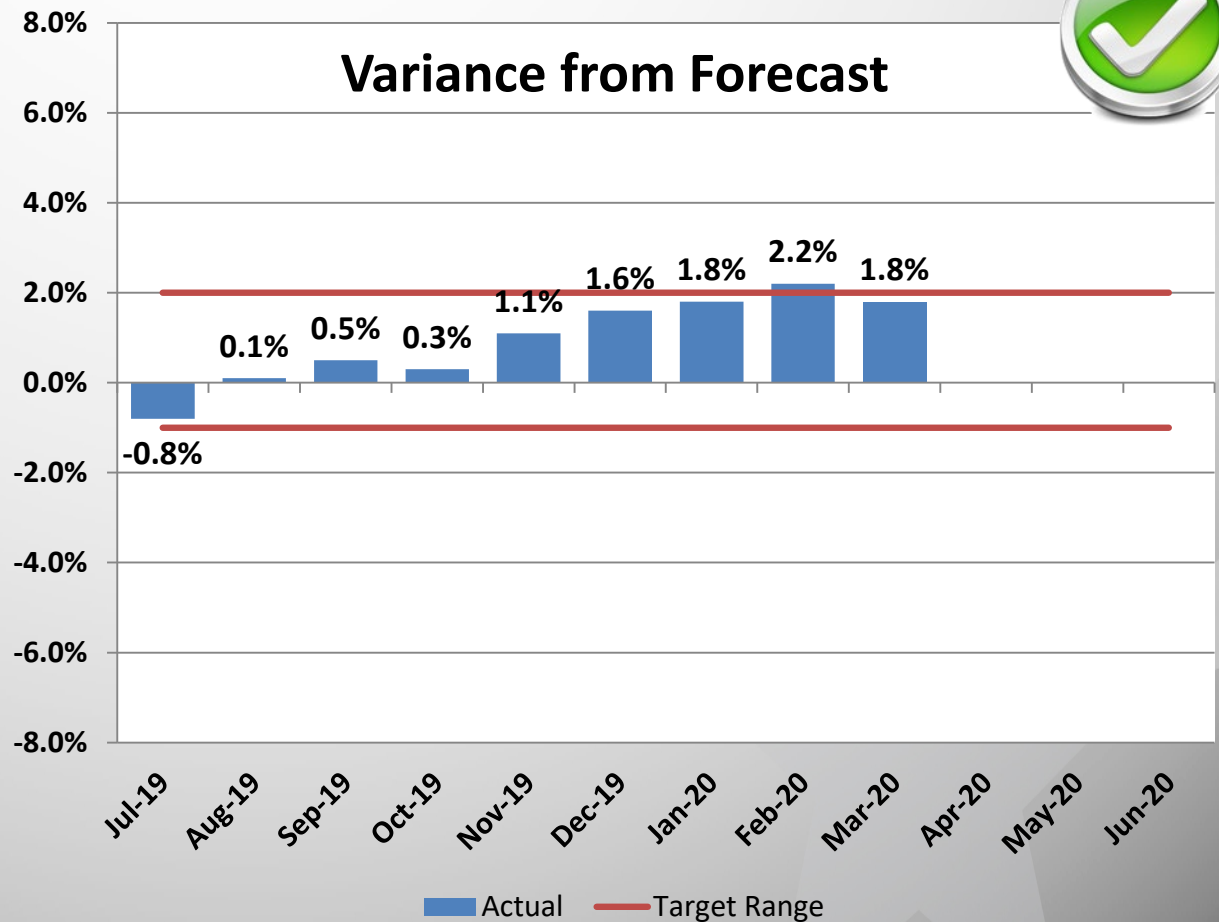
Regional Area Road Fund (RARF): Revised Revenue Forecast

Revenue Category	FY 2020 % Chg from Official Forecast	FY 2020 Revised Yr over Yr % Change	FY 2021 % Chg from Official Forecast	FY 2021 Revised Yr over Yr % Change	FY 2022 % Chg from Official Forecast	FY 2022 Revised Yr over Yr % Change
Retail Sales	-4.2%	0.7%	-14.4%	-4.6%	-5.0%	16.8%
Contracting	-2.2%	14.2%	-17.6%	-12.2%	-19.7%	4.7%
Utilities	-6.6%	-4.7%	-6.7%	4.0%	-6.7%	3.2%
Restaurant & Bar	-19.0%	-14.1%	-41.4%	-23.3%	-21.3%	41.8%
Rental of Real Property	-19.7%	-15.1%	-42.2%	-23.8%	-22.3%	41.4%
Rental of Personal Property	-18.5%	-11.2%	-41.7%	-23.7%	-21.4%	43.4%
Other	-5.6%	-6.0%	-42.7%	-38.9%	-24.8%	31.1%
Total	-8.0%	-2.3%	-22.2%	-10.4%	-11.7%	19.5%

Revenue Report: Regional Area Road Fund (RARF)



- **Retail sales** - Strong growth YTD (10.1%)
- **Contracting** – Strong growth YTD (18.1%)
- **Restaurant & Bar** – Moderate growth YTD (5.3%)

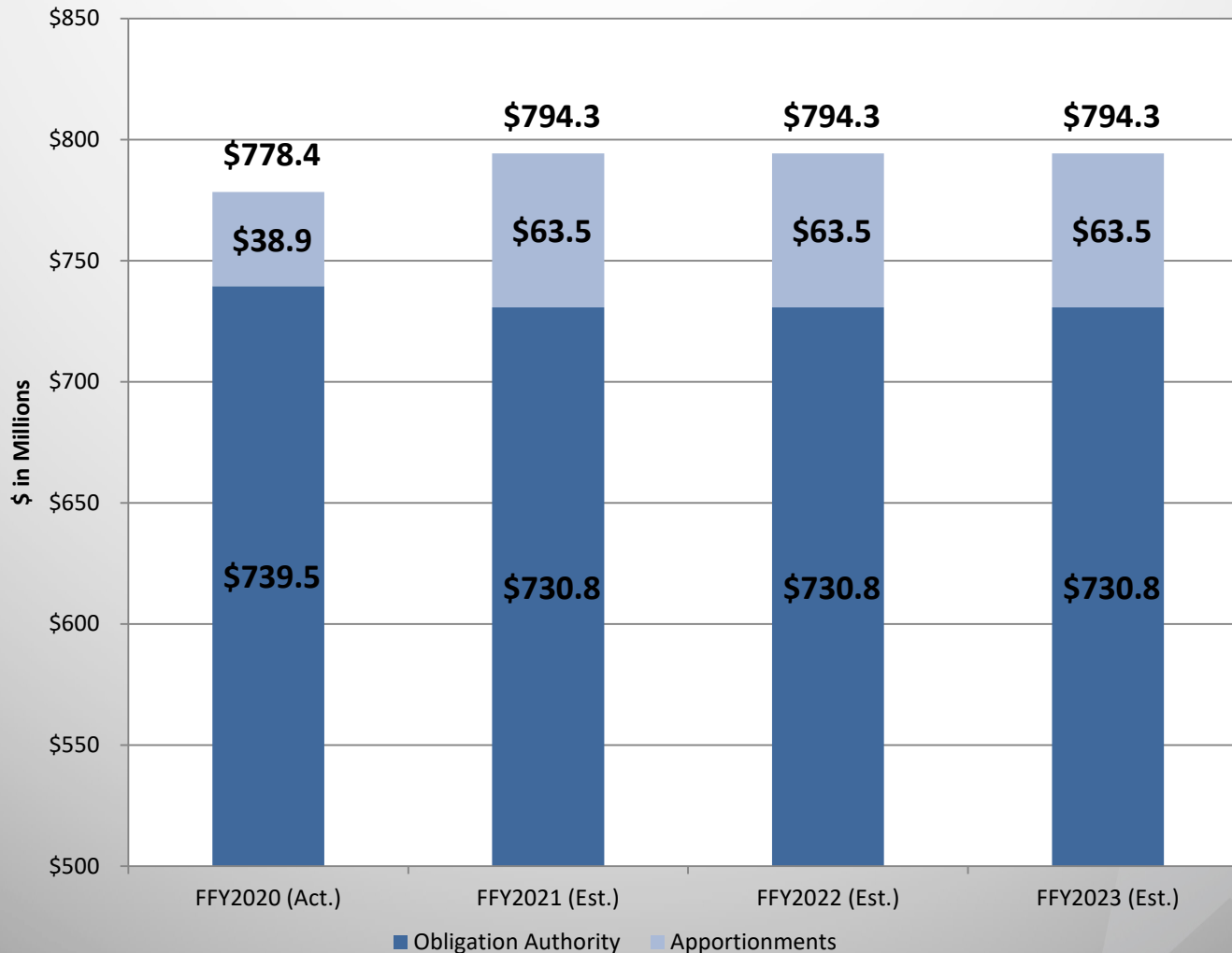


Regional Area Road Fund (RARF): Revenue Re-Forecast vs. Actuals

Revenue Category	April			
	New Est.	Act.	Variance	% Chg
Retail Sales	\$18,345			
Contracting	4,685			
Utilities	1,952			
Restaurant & Bar	2,297			
Rental of Real Property	2,190			
Rental of Personal Property	783			
Other	1,075			
Total	\$31,328			

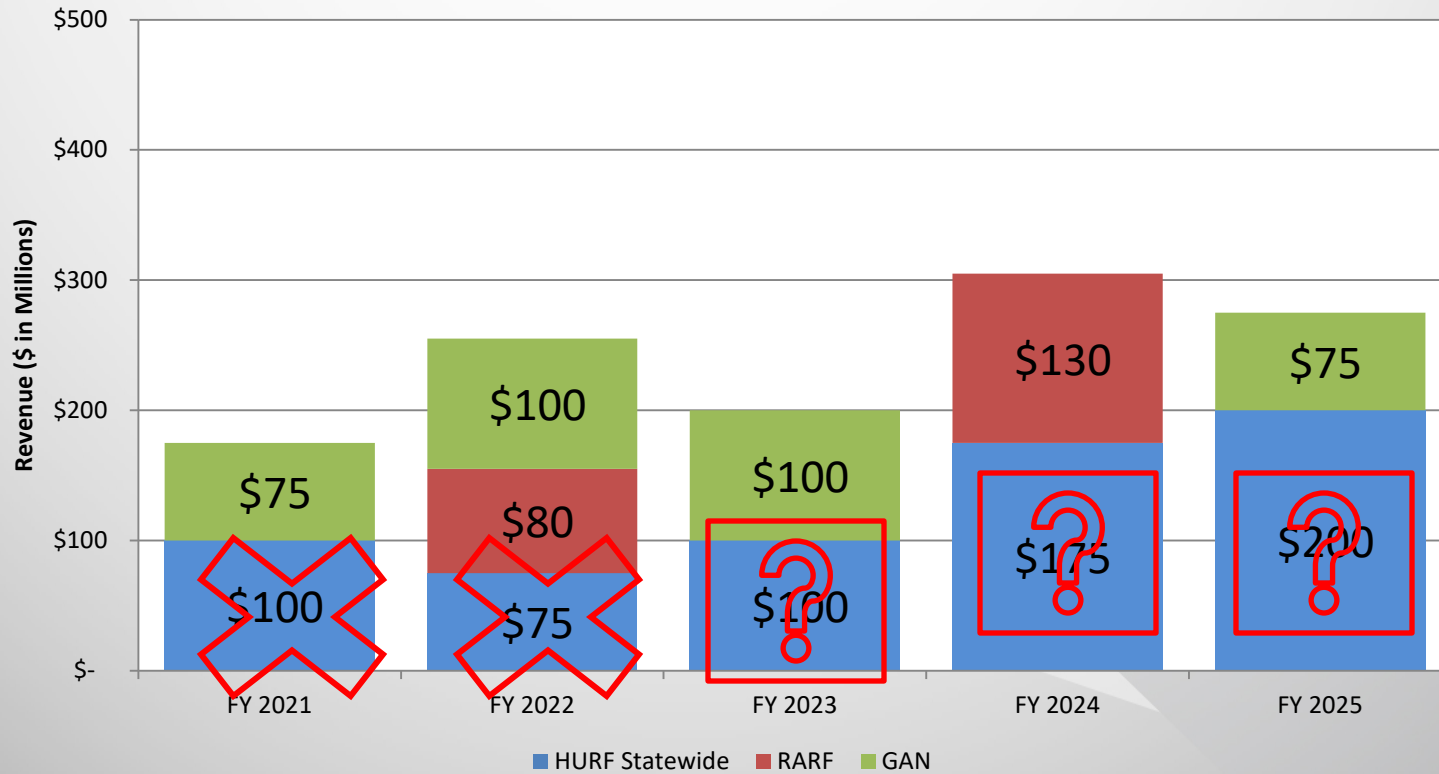
Revenue in Thousands

FAST ACT Formula Funds: Apportionments & Obligation Authority (OA) Estimates



**No
Change**

Total Planned Debt: FY2021 – FY2025



Tentative Program Funding

Uses:	FY2021 <i>Original</i>	FY2021 <i>Revised</i>	Difference	FY2022 <i>Original</i>	FY2022 <i>Revised</i>	Difference	Total Difference
5 Year Construction Program							
Statewide Program	535.2	321.5	(213.7)	500.9	359.0	(141.9)	(355.6)
PAG Program	79.4	65.9	(13.5)	81.2	75.6	(5.6)	(19.1)
MAG/RTP major projects	224.6	187.6	(37.0)	237.9	215.4	(22.5)	(59.5)
	839.2	575.0	(264.2)	820.0	650.0	(170.0)	(434.2)
Additions to FY20-24 Program	105.4	-	(105.4)	45.0	-	(45.0)	(150.4)
Total Uses:	944.6	575.0	(369.6)	865.0	650.0	(215.0)	(584.6)

Reductions & Program Modifications FY2020 – FY2022

- Operating & L,B,&I Budget Reductions
 - Cut \$10M from FY20 budget
 - No changes to approved FY21 “Skinny Budget” & 0% growth for FY22
- 5 Year Construction Program Reductions/Modifications
 - Delay I-17 indefinitely and return INFRA Grant
 - Convert SR-189 to formula funding and return TIGER Grant
 - Suspend Parks funding
 - Suspend P3 funding
 - Suspend State Design funding
 - Suspend Grant Application/Small Match funding
 - Delay of other projects
- Suspend HURF Swap program
- Fund remaining shortfall with SHF reserves

Potential Risks:

- **COVID-19 Wave2 ???**
- **Pandemic economic impacts ???**
- **Congressional Action**
 - **Stimulus package???**
 - **Highway Trust Fund deficit**
 - **Long-term Reauthorization**
- **State Legislative Action**
 - **Budgetary changes**
 - **Sweeps & Transfers**
 - **Special Distributions**

Questions

