



May 1, 2020

Dear Members of the Pennsylvania Congressional Delegation:

PennDOT took strong measures to help slow the spread of COVID-19 including the rapid closure of offices, driver's license centers, the suspension of the construction program, and provided much needed guidance and support to our transit providers. Additionally, the strong measures such as stay-at-home orders have had significant impacts on incoming revenues. Because travel overall is down, less fuel is being purchased, resulting in large impacts to our programs. A federal stimulus program could help, but we don't know what that looks like yet. At this point, it's too early to determine exactly what the impacts will be. We will need to evaluate the cumulative impact of these significant challenges in the months ahead.

COVID-19 is causing major reductions in State revenue sources in Pennsylvania. Revenue losses and delays are being seen in almost all revenue sources. The total estimated dollars lost are based on an impact into late summer. This estimate is difficult to calculate and could be greatly reduced, or increased, depending on the duration of the impact. Major revenue sources, and the program impact include:

Gas & Diesel Tax, Certain Licensing and Registration Fees

- *Estimated Dollar Loss - \$800 - \$900 million*
- Program Areas Impacts
 - Highway and Bridge Construction
 - Construction program - large reductions will be needed to align with current revenue expectations
 - Stimulus funds could replace some of the reduced program depicted
 - Stimulus funds could also create opportunity to advance an expanded program
 - Highway Maintenance
 - Lower standard of care as focus shifts to solely basic maintenance needs
 - Reduction in contract services (such as mowing contracts)
 - Significant reduction in the number of resurfacing projects which can be funded
 - Reduction of resurfacing will result in more lower level treatments such as patching vs. surface treatments, crack sealing and seal coats vs paving.
 - Municipal and Local Funding – liquid fuels revenue will be down, so distributions will also be less
 - PA Turnpike transfers revenue to PennDOT for gas taxes, this will also be lower

- PennDOT facilities
 - Less revenue will be available for needed improvements and repairs
- Municipal Traffic Signals – less revenue will be available for these programs
- Driver & Vehicle Services – while currently paused, must restart and customer volume has just been deferred. So, while the revenue from these facets will resume, the cost to operate DVS will still be a draw on the overall reduced revenue.

Sales Tax, PA Lottery Proceeds, Vehicle Rentals, Vehicle Leases, Tire Tax

- ***Estimated Dollar Loss - \$80 million***
- Program Areas Impacted
 - Public Transportation – direct reduction in distribution

Certain Multimodal Fees - Transit agencies and public transportation providers across the state had significant unmet infrastructure and services needs before COVID-19 impacted the state. It remains to be seen how or whether the federal stimulus will offset these losses.

- Funding from the Turnpike supports transit capital investments, including those needed for the Amtrak service used by more than 1 million riders annually. Half of the state's subsidy of the Amtrak service is supported by Turnpike payments.
- ***Estimated Dollar Loss - \$30 million***
- Program Areas Impacted by resulting reductions in funding distribution
 - Public Transportation
 - Rail Freight
 - Ports
 - Bicycle & Pedestrian
 - Pennsylvania Ports
 - Aviation
 - Multimodal Related Highway Projects
 - DCED – CFA Multimodal Projects

Jet fuel and Aviation Gas

- ***Estimated Dollar Loss - \$1 million***
- Impact
 - Airport Development Grants

In addition to the revenue losses detailed above, Pennsylvania has identified an annual need of \$1.2 Billion to meet cyclical asset management needs on our Interstate system. Currently, Pennsylvania spends between \$450 - \$500 million per year on the Interstate system. To address this need, Pennsylvania plans to increase our investment in the Interstate system by approximately \$150 million in Federal Fiscal Year (FFY) 2021 and grow that investment by \$50 million per year until overall investment reaches \$1.0 Billion (FFY 2028) annually. Even with

this increased investment, we are not able to address our cyclical asset management needs on the Interstate system. Also, this increased investment in our Interstate system, will have a direct impact on the balance of our National Highway System (non-Interstate) network that currently has an annual need of nearly \$2.2 Billion to address cyclical asset management, as well as, much of our remaining Federal Aid routes (Non-NHS). These routes serve as our backbone for farm to market, and we have seen how important they are to our overall supply chain with the current COVID-19 pandemic. As you can tell, prior to the COVID-19 pandemic, Pennsylvania was already being forced to make some very difficult decisions due to inaction at the Federal level to increase infrastructure funding. The current state revenue situation due to COVID-19 exacerbates this situation and will result in a reduction to Pennsylvania's maintenance & operations, as well as, our construction program moving forward.

Additional Federal Funds could possibly be used to offset these revenue losses. Pennsylvania Transportation funding is dedicated and directed to each program area through numerous legislative formulas and dedications. Additional Federal Funds could be directed to each program area to lessen, or offset, the impact of these losses. This could be in addition to other stimulus packages such as the already passed CARES Act that provides \$1 billion to Mass Transit Agencies across the Commonwealth. Of course, additional federal stimulus conditions can restrict where such funds could be spent.

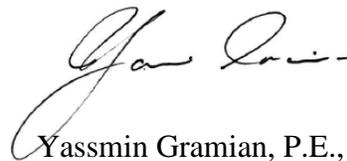
In fact, on April 6, 2020, the American Association of State Highway and Transportation Officials (AASHTO) sent a letter to Congressional Leadership requesting that the "Phase 4" emergency relief and economic relief and recovery package include an immediate \$49.95 Billion in flexible federal funding to offset any state transportation revenue impacts over the next 18 months. If passed and funding is distributed through existing Federal formula, Pennsylvania may potentially see an additional \$696 million in FFY 2020 and \$1.389 billion in FFY 2021. This proposed Federal funding will provide immediate assistance to Pennsylvania and allow the Pennsylvania Department of Transportation (PennDOT) to continue to operate and maintain our transportation network without disruption and allow current transportation projects and plans to continue. Pennsylvania fully supports AASHTO's proposal, and would offer the following suggestions, in regard to, a future infrastructure funding package:

1. Distribute Funding to states utilizing the existing formula.
2. Allow funding for all Project phases- reach all of industry, not just construction. Advances larger projects. Keeps smaller projects on schedule.
3. Percentage designated for direct distribution to maintenance to alleviate the burden of reduced State budgets and allow for the continuation of maintenance resurfacing projects.

4. Percentage allowed to be used on active projects that previously did not include Federal funding, if the work has not been done. Again, to reduce the financial burden on the States.
5. Apportion according to Surface Transportation Block Grant (STBG) formula without set-asides for Transportation Alternative Program (TAP) and Local Bridges. TAP and Local Bridge projects should be eligible, of course.
6. Do NOT require states to certify expenditure of state funds. During ARRA, our 'certification' did not keep up with the expenditures since revenues remained lower than expected.
7. 100% Federal Funding, no match required for National Highway System projects.
8. Allow funds to be used for projects that are already programmed but unable to be delivered due to new funding constraints rather than limiting use to unprogrammed projects that are obviously not as important since they are not programmed.
9. DO NOT require projects to spend funds at a certain rate or by a certain date. Rather, allow states to align expenditures and cash flow with established project delivery schedules.
10. Temporarily pause or adjust the FAST ACT/MAP-21 performance measures, since many states may not have the ability to make their goals due to the COVID-19 revenue impacts.

We appreciate your consideration of transportation needs within Pennsylvania. If you have any questions or concerns, feel free to contact me at 717.787.5574.

Sincerely,



Yassmin Gramian, P.E., Acting Secretary
Pennsylvania Department of Transportation

cc: Nicole R. Nasson, Highway Administrator, FHWA
Alicia Nolan, PA Division Administrator, FHWA