

COVID-19 IMPACTS ON SCDOT

Senate Finance Committee

September 1, 2020

Secretary Christy A. Hall, P.E.



Bottom Line Up Front

- Traffic Volumes have rebounded, but are still slightly off-pace.
- Gas Tax collections have fluctuated in timing and magnitude.
- Car Sales Tax collections have been stronger than anticipated.
- SCDOT has cut our internal operating budget by 12% in reaction to the revenue change. The road and bridge construction program has not been cut.



SCDOT Response to COVID-19

- Reduced traffic volumes and tax relief measures have influenced gas tax collections.
- Continued road and bridge construction with one of the first joint safety plans with road construction industry.
- Increased rest area cleaning to keep the supply chain moving.
- Stepped up early on to fill the sanitizer supply chain gap by resourcing approximately 57,000 gallons for state and local governments.

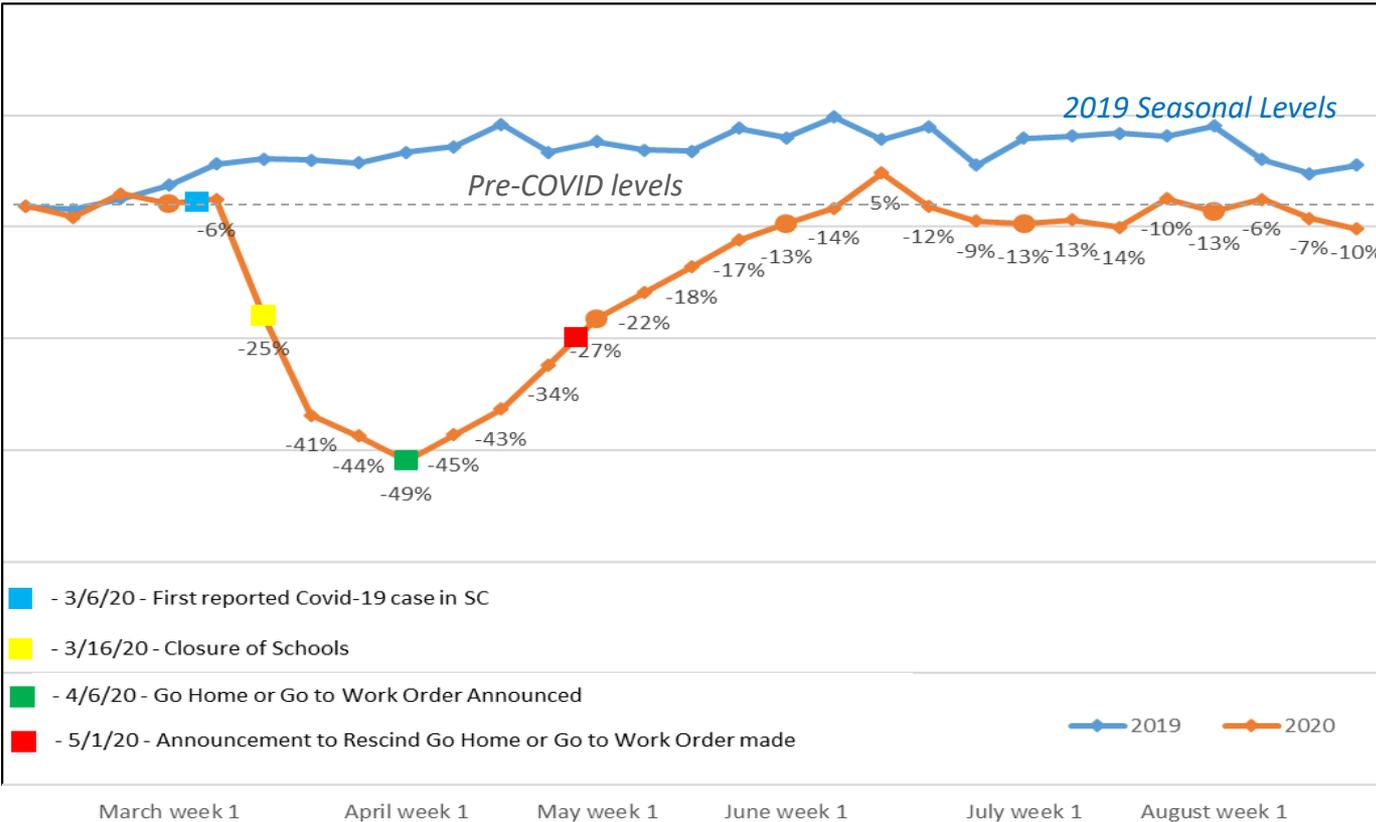


Traffic Volume Changes due to COVID-19

Traffic dropped-off very quickly once the schools closed.

Traffic levels bottomed out at 49% lower than normal seasonal volumes before it began a slow, steady climb between April and mid-June.

Since mid-June, traffic levels have hovered at pre-COVID levels which is about 5-15% lower than we would normally expect to see this time of year.



Gas Tax Collection Process

The point of taxation of motor fuel is when the product is removed from the terminal.



The majority of the gas tax is paid by the terminal operator on the twenty-second day of each month for the prior month's activity.



DOR typically processes the monthly returns and transmits the revenue for SCDOT's use by at the beginning of the following month.

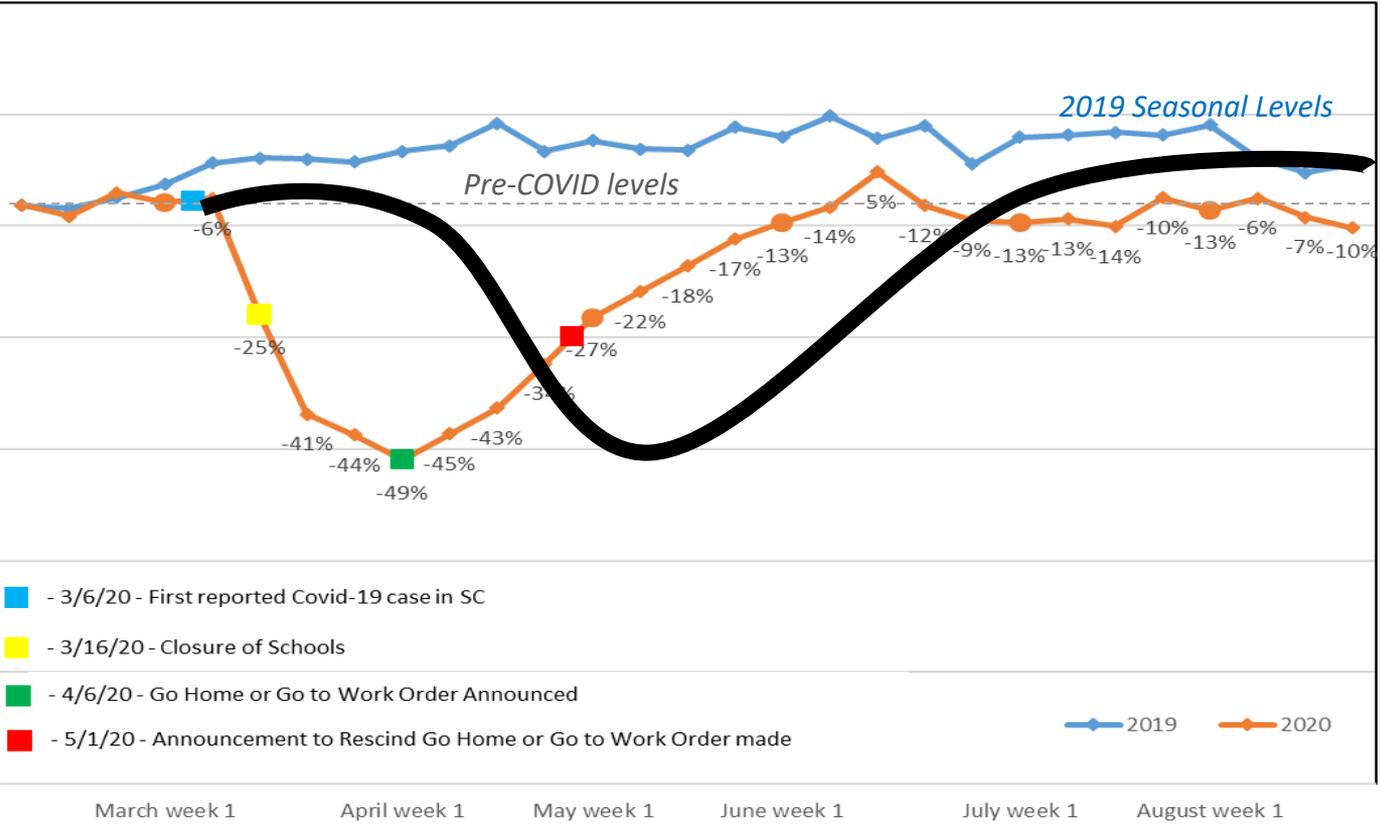


Motor Fuel Suppliers Monthly Return | L-2119

Revised 4/27/2020

File online at zytax.dor.sc.gov.





Potential Revenue Impact?



Coronavirus Tax Relief Measures Applied to Terminal Operators



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
300A Outlet Pointe Blvd., Columbia, South Carolina 29210
P.O. Box 125, Columbia, South Carolina 29214-0575

SC INFORMATION LETTER #20-3

SUBJECT: Tax Relief for Persons and Businesses Impacted by Coronavirus (COVID-19)

DATE: March 17, 2020

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #09-3

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

South Carolina Department of Revenue Tax Relief. The South Carolina Department of Revenue is providing special filing and payment relief to those impacted by Coronavirus (COVID-19) in South Carolina.

The tax relief postpones various tax filing and payment deadlines starting on April 1, 2020. As a result, affected individuals and businesses will have until June 1, 2020 to file and pay taxes for returns that are due between April 1, 2020 and June 1, 2020.

South Carolina Tax Relief. The South Carolina Department of Revenue is extending its tax relief to:

- individuals and businesses located in South Carolina who have been impacted by Coronavirus (COVID-19),
- taxpayers who have businesses in South Carolina with offices in South Carolina,
- taxpayers whose tax records are located in South Carolina, or
- taxpayers whose returns are prepared by tax professionals impacted by Coronavirus (COVID-19).

Tax Relief for Eligible Taxpayers and Businesses. Taxpayers who have been impacted by Coronavirus (COVID-19) may be eligible for the following relief with respect to any taxes administered by the Department or tax returns filed with the Department (e.g., income tax returns, sales and use tax returns, admissions tax returns, motor fuel user fee returns, etc.):

- Extensions of time to file tax returns and pay taxes (including estimated payments). The due dates for returns and payments due on or after April 1, 2020 have been postponed until June 1, 2020.
- Waiver of penalties and interest due as a result of any extensions.

Returns Filed by Affected Taxpayers. Returns filed electronically by impacted taxpayers through MyDORWAY do not require any action to qualify for this relief. Taxpayers filing by mail should write "CORONAVIRUS" or "COVID-19" at the top of any paper return relying on this relief or complete the "disaster area" check box if one is provided on the return.

Questions and Other Relief.

General Questions. Taxpayers with general tax relief questions should contact the Department at 1-844-898-8542 (toll free), Option 2.

Questions Concerning Current Audit and Collection Matters. Taxpayers with questions concerning a current Department audit or collection matter should contact the Department's revenue officer or auditor who is handling their specific audit or collection matter.

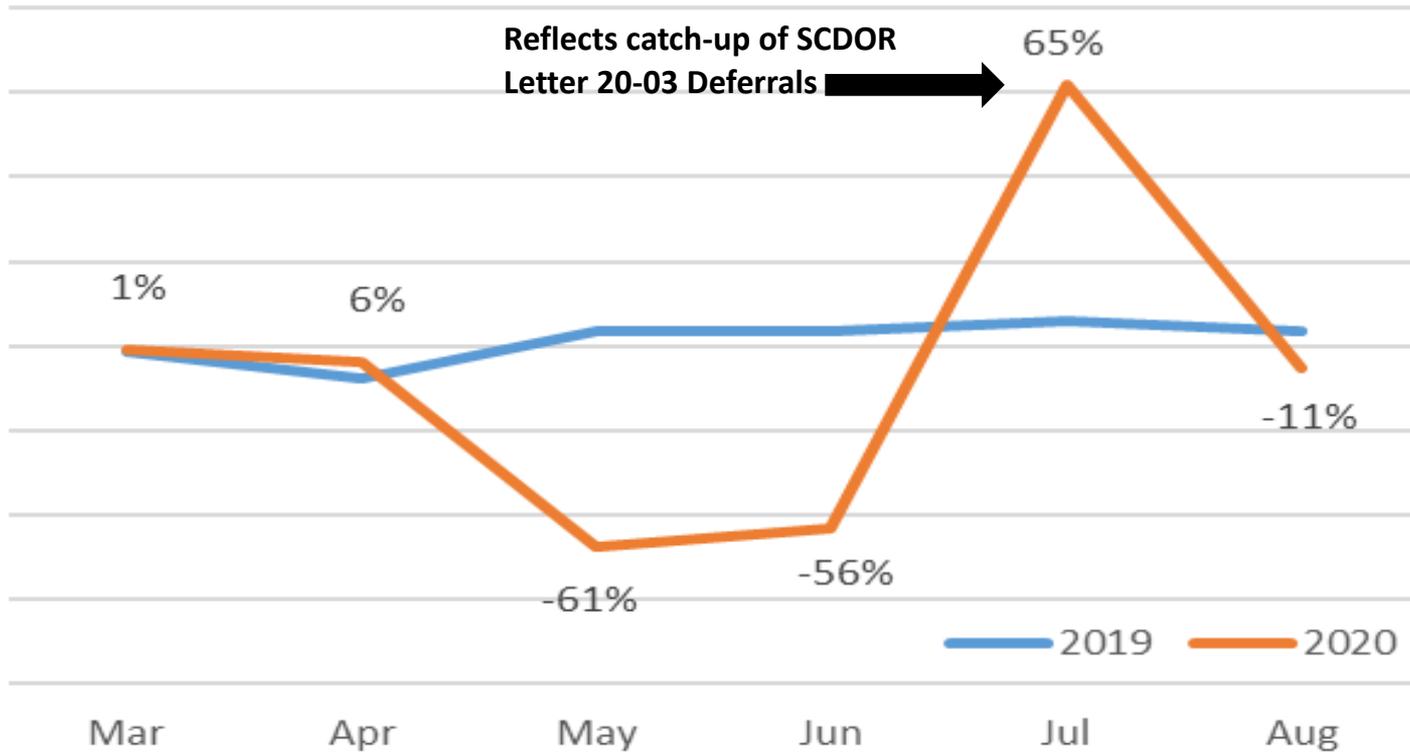
Questions Concerning County Property Taxes. Taxpayers with questions concerning county property taxes should contact the county government in which the property is located.

Website Information.

For up-to-date information concerning tax relief for persons and businesses impacted by Coronavirus (COVID-19), visit the Department's website at: www.dor.sc.gov.



Actual Gas Tax Revenue Deposits into SCDOT's Main Operating Account



COVID-19 Impacts on Key State Revenues

AUGUST COVID ACTUALS

	Original Projections					With COVID-19					Change					% Change				
	April	May	June	July	August	April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	April Actuals	May Actuals	June Actuals	July Actuals	August Actuals
Motor Fuel Tax																				
Gas	44,837	48,308	47,453	48,672	53,348	39,708	16,696	18,834	71,859	42,413	(5,129)	(31,612)	(28,619)	23,187	(10,935)	-11.4%	-65.4%	-60.3%	47.6%	-20.5%
Diesel	12,963	14,163	13,868	14,288	13,260	15,065	6,481	7,594	30,583	12,883	2,102	(7,682)	(6,274)	16,295	(377)	16.2%	-54.2%	-45.2%	114.0%	-2.8%
Total	57,800	62,471	61,322	62,960	66,608	54,773	23,177	26,428	102,442	55,296	(3,027)	(39,294)	(34,894)	39,482	(11,312)	-5.2%	-62.9%	-56.9%	62.7%	-17.0%
Car Sales Tax	18,783	18,783	18,783	18,783	18,783	23,419	15,182	20,067	24,644	25,449	4,636	(3,601)	1,284	5,861	6,666	24.7%	-19.2%	6.8%	31.2%	35.5%
Total Impact	76,584	81,255	80,105	81,743	85,391	78,192	38,359	46,495	127,086	80,745	1,608	(42,896)	(33,610)	45,343	(4,646)	2.1%	-52.8%	-42.0%	55.5%	-5.4%

- Total motor fuel tax down ~\$49M, or -15.8%, from internal estimates.
- Vehicle sales tax up ~\$14.8M, or +15.8%, from internal estimates.
- DMV fees and fines largely steady.
- Key state revenue impact of COVID is **\$34.2M loss since April.**

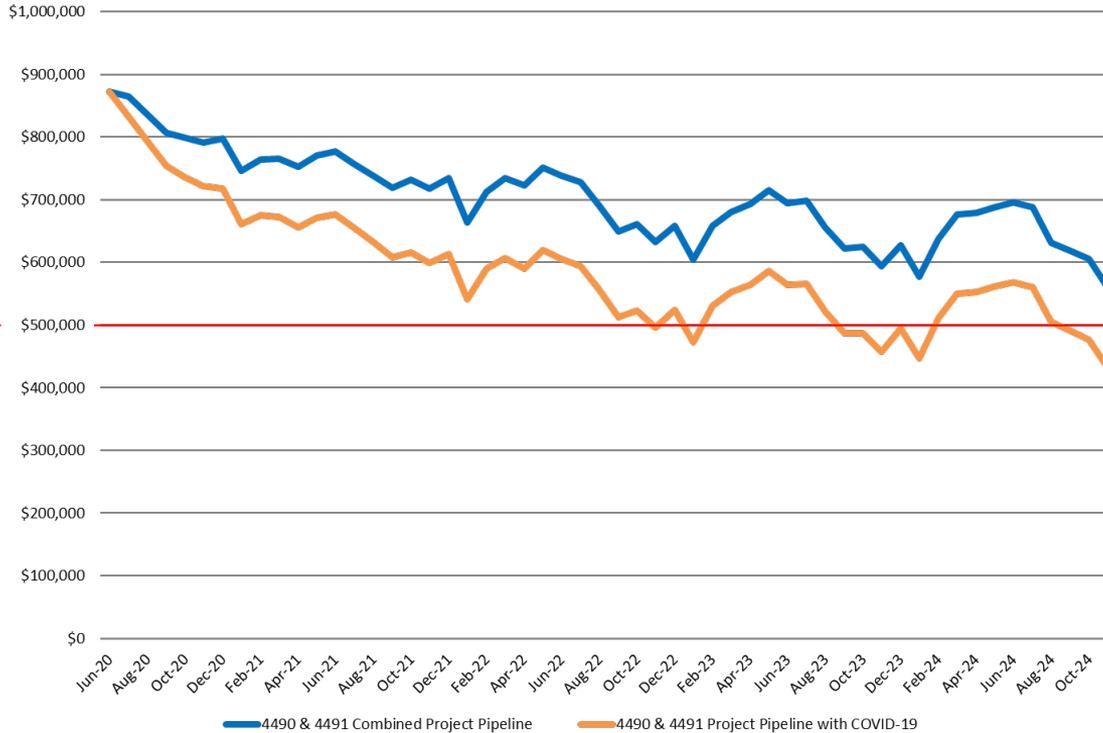


SCDOT's Long Term Outlook on Key State Revenues

- Planning for decreased traffic and economic activity through spring 2022.
- Forecasting gas tax collections down 10% September to December 2020, then off projection by 5% in January 2021 to April 2022.
- Forecasting car sales taxes down 30-35% in September-December 2020, then off projection 25% starting January 2021 to May 2021, then off projection 10% June 2021 to April 2022.
- **Net gas tax and car sales tax revenue decrease between 2020 thru 2022 is projected to be 6%.**

Main Operating Accounts Cash Projection: Pre-COVID & Post-COVID

August 2020
4490 & 4491 Combined



3-4 months peak cash demand.



SCDOT Main Operating Accounts	May 1, 2020 Balance	August 1, 2020 Balance
Highway Funds	\$340,436,861	\$278,273,230
Infrastructure Maintenance Fund	\$565,263,708	\$585,916,573
Non Fed Aid - Act 176	\$25,632,065	\$22,375,145
Non Fed Aid - Act 98	\$836,529	\$834,874
<i>Total Main Operating Accounts</i>	\$932,169,163	\$887,399,822
Other Transportation Entity Funds, Held by SCDOT	May 1, 2020 Balance	August 1, 2020 Balance
SPA Port Access Road Fund	\$36,858,030	\$14,637,714
Commerce - Berkeley Cty (Volvo)	\$305,236	\$263,995
Mark Clark Expressway - Charleston	\$481,002	\$8,490,445
Mark Clark Expressway - SCTIB	\$518,425	\$8,503,637
Highway Fund - Held in Trust	\$94,520,679	\$96,412,931
Berkeley County Sales Tax Program	\$27,997,490	\$21,728,667
Georgetown County Sales Tax Program	\$1,745,342	\$1,755,614
<i>Total Funds Held by SCDOT</i>	\$162,426,204	\$151,793,003
Funds to Support Programs & Operations	\$1,094,595,367	\$1,039,192,825

Internal Operating Budgets,
Maintenance Operating,
Fed Aid Match

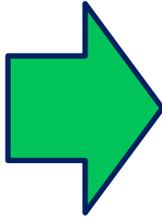
~\$745 Million in New Gas
Tax Trust Fund projects
remaining to pay out

Other people's
money held in
trust for specific
projects

New Gas Tax Trust Fund

As of June 30, 2020

\$ 1.3 Billion
In Revenue Deposited



\$ 1.3 Billion

In Road and Bridge work has
been advanced to
construction

\$611M in payouts made
\$745M in payouts remaining



New Gas Tax Trust Fund is invested in:

As of June 30, 2020



\$927M Pavements



\$154M Rural Road Safety



\$259M Interstates

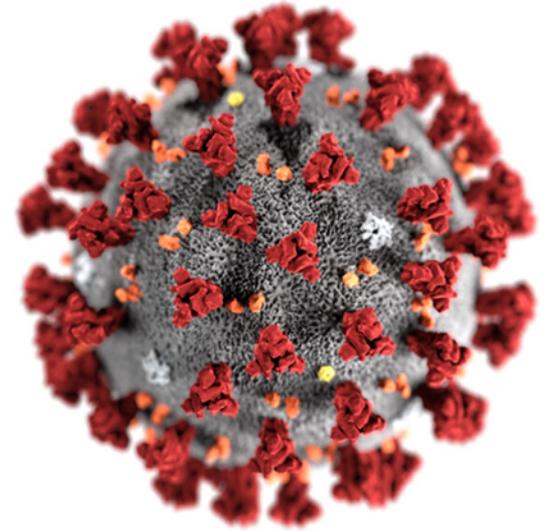


**\$17M in
Additional Bridges**



COVID-19 Financial Principles

- Maintain core operations.
- Continue road and bridge construction.
- Protect liquidity for a potential second wave of the virus or other shocks.
- Advance new projects aligned to revenue receipts.



Austerity Actions and Financial Response to COVID

Cut Internal Operating Costs

- Hiring was suspended.
- Enacted 12% cut to FY 21 operating budget (supplies, travel, etc.), ~\$34 million budget reduction.
- FY 22 submission will reflect constrained state revenues and budget levels consistent with FY 21 actions.

Strengthened Internal Controls

- Enhanced budgetary and procurement controls to prioritize critical expenditures.
- Continued prompt invoice payment to vendors and suppliers with no interruption to contracts or projects.
- Aligned construction lettings to actual cash received rather than anticipated cash flow to address uncertainty.

Next Steps with COVID-19

- Continue to track actual financial performance on a daily basis and adjust as needed.
- Based on robust financial and operational management, SCDOT expects to be able to effectively manage through the COVID-19 event based on current assumptions.
- Continue advance the 10-Year Plan by aligning construction lettings to revenues received.



Questions?





**4th largest state highway system
in the Nation**

serving the

**6th fastest population growth rate
in the Nation**

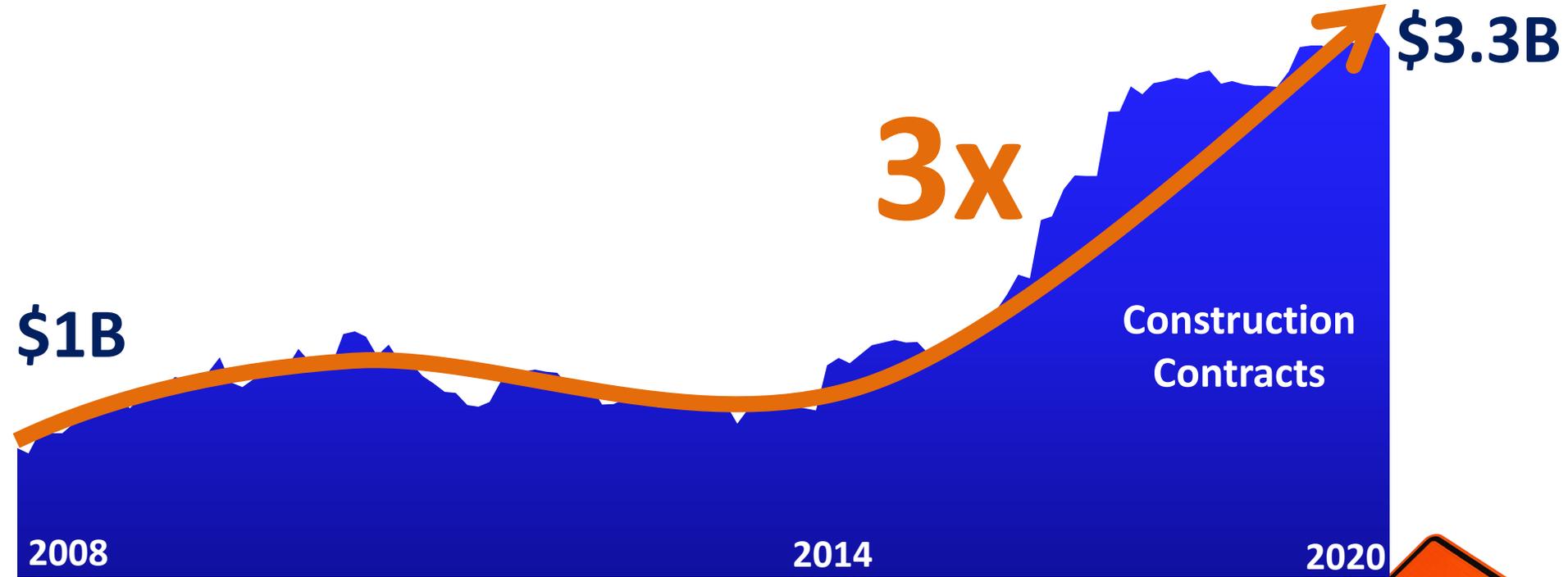


Overall Assessment of the State's Infrastructure:

Progress is being made towards addressing the 30 year backlog of deferred maintenance.



SCDOT has Dramatically Increased its Work Program



In Accordance with SCDOT's 4 Main Priorities

Safety



SC has the highest rural fatality rate in the Nation.

Paving



SC has a large road network that had been neglected for three decades.

Bridges



SC's bridges are vital links in the system and must keep pace.

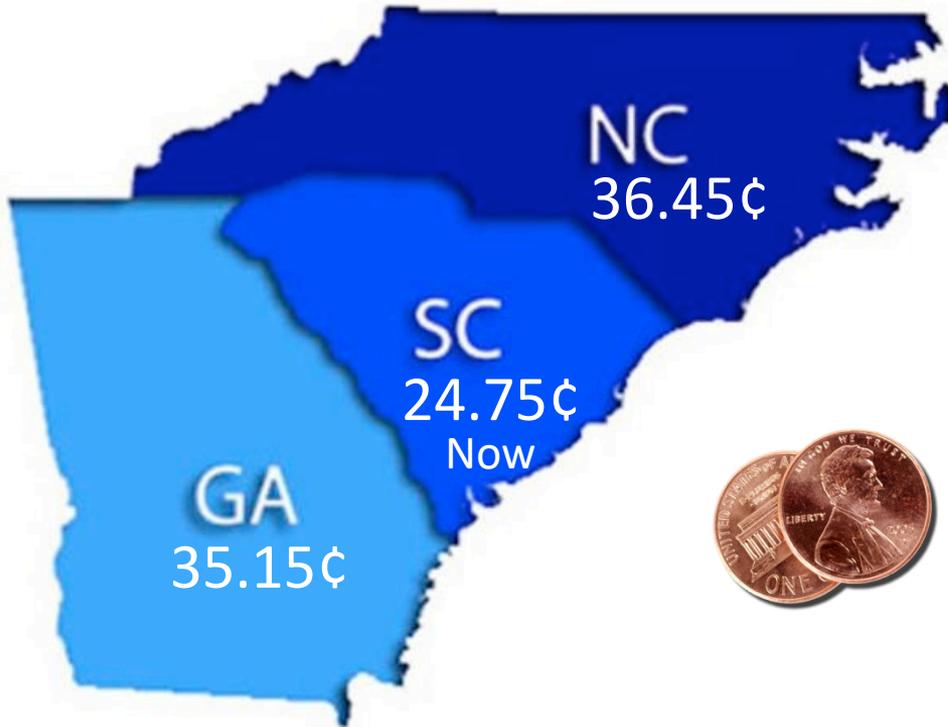
Interstates



SC is booming and our economy is dependent upon good interstates.



Year 4 of the Phased-in 12¢ Gas Tax Increase



**1¢ generates
≈ \$34 Million**





Infrastructure Costs

\$1M will repave \approx 3 miles of a two lane highway

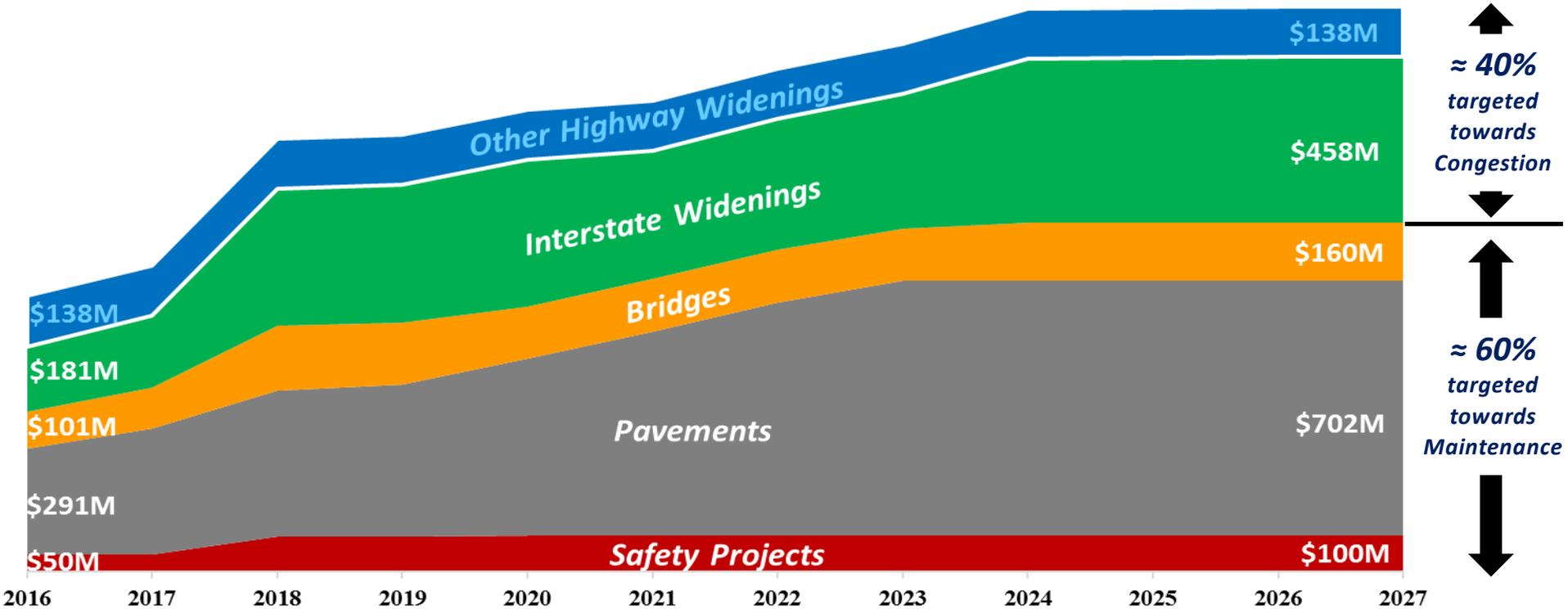
Bridge Replacements cost \approx \$1.5M each

Interstate Widening cost per mile \approx \$10M rural and \$30M urban

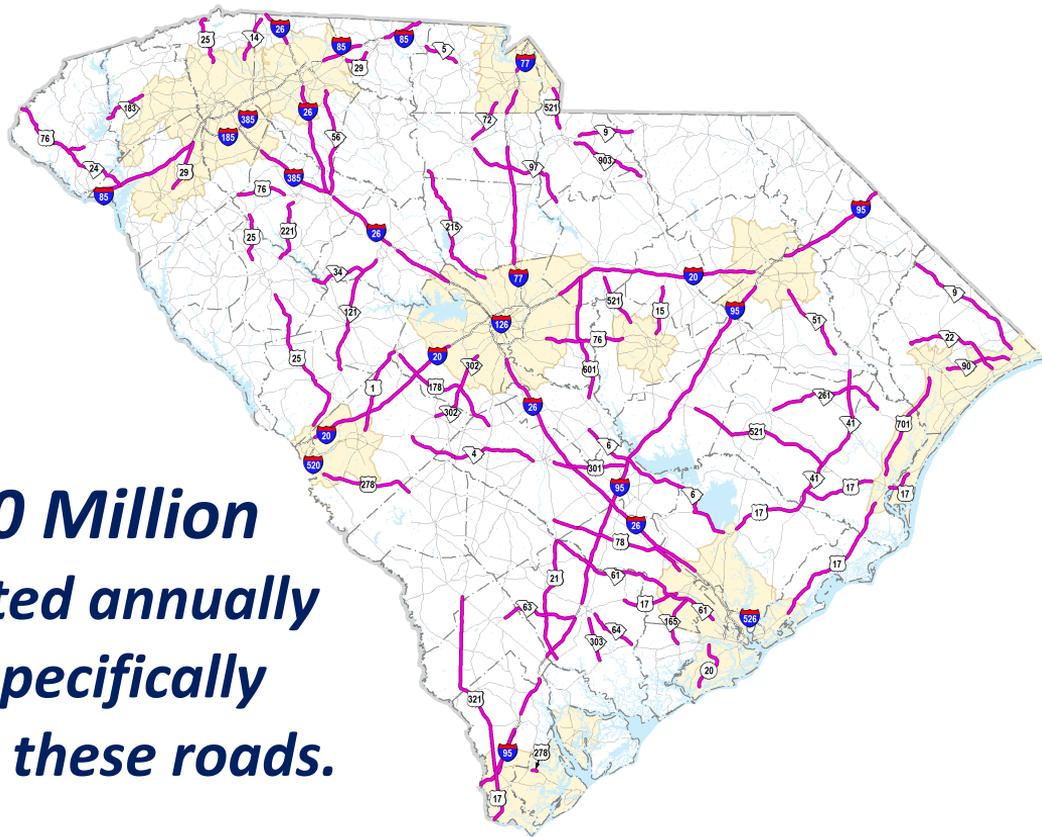
Interchange Upgrades cost \approx \$60-100M each



The 10-Year Plan Investment Areas: All Funds Combined



SC has the Highest Rural Fatality Rate in the Nation



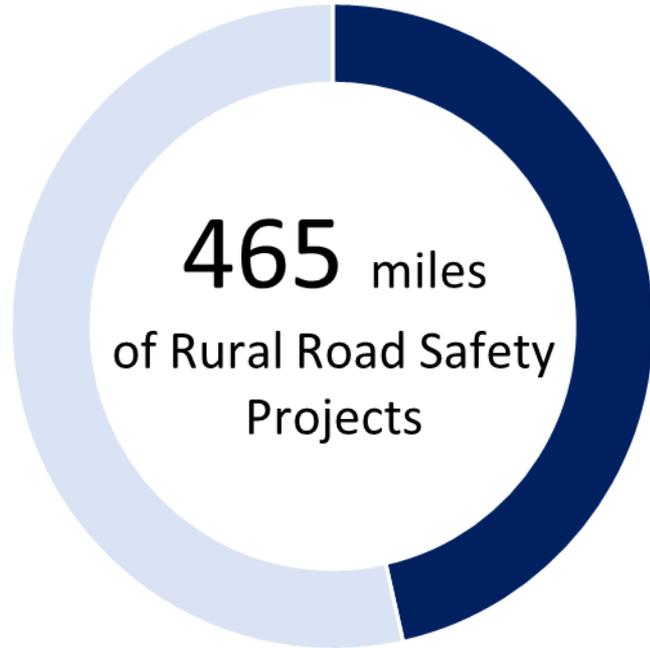
***\$50 Million
invested annually
to specifically
target these roads.***

**Nearly 30% of
fatalities and serious
injury crashes in our
rural areas are
occurring on just over
5% of our network.**

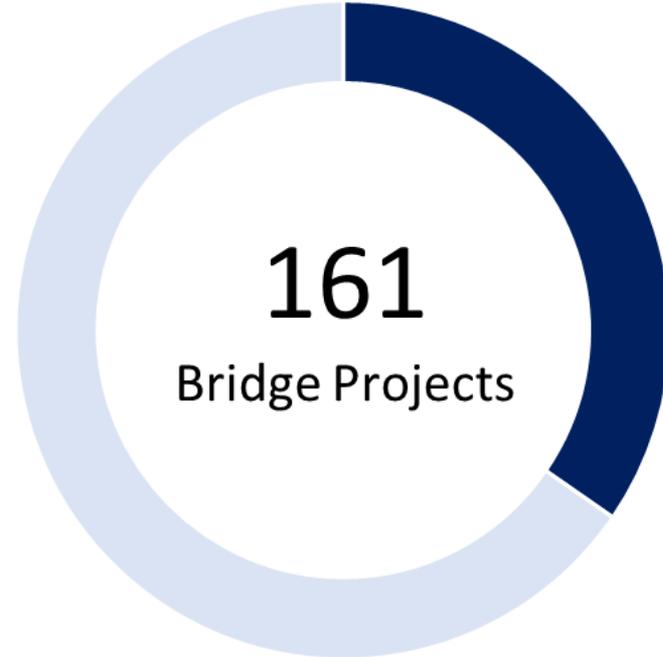


Progress towards Performance Targets

At the start of year 4 of the 10-Year Plan



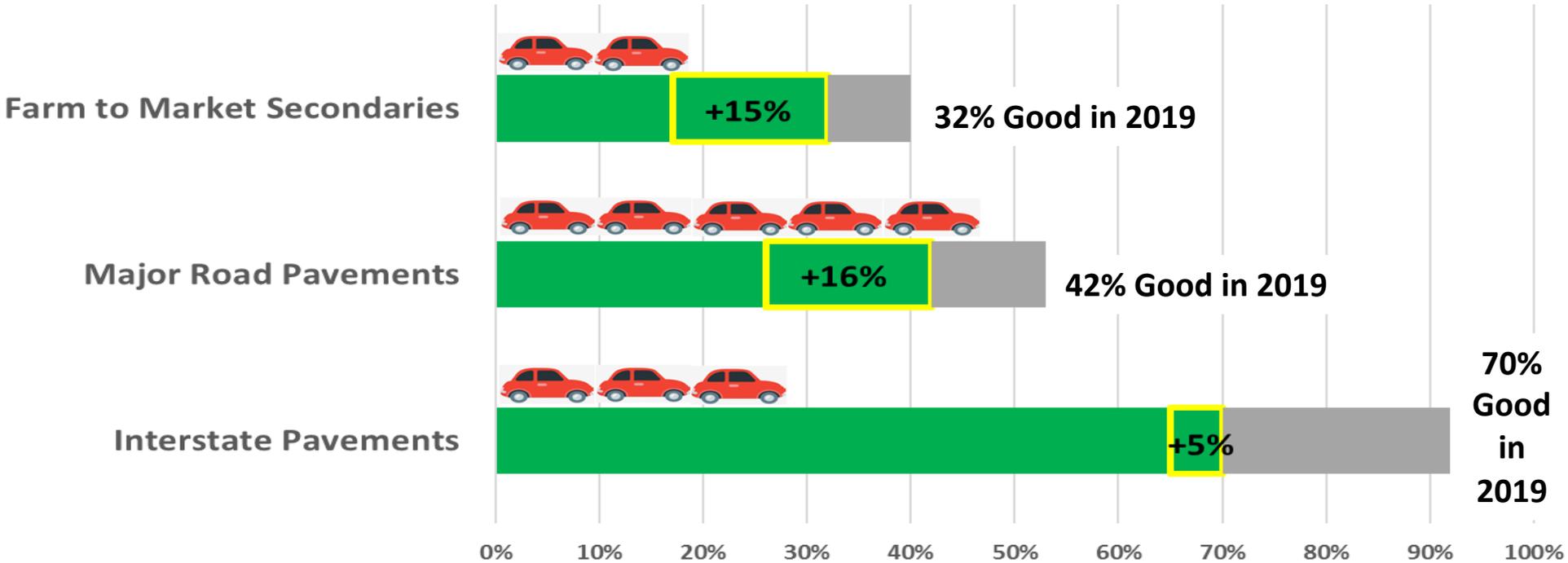
10-Year Target: 1000 miles



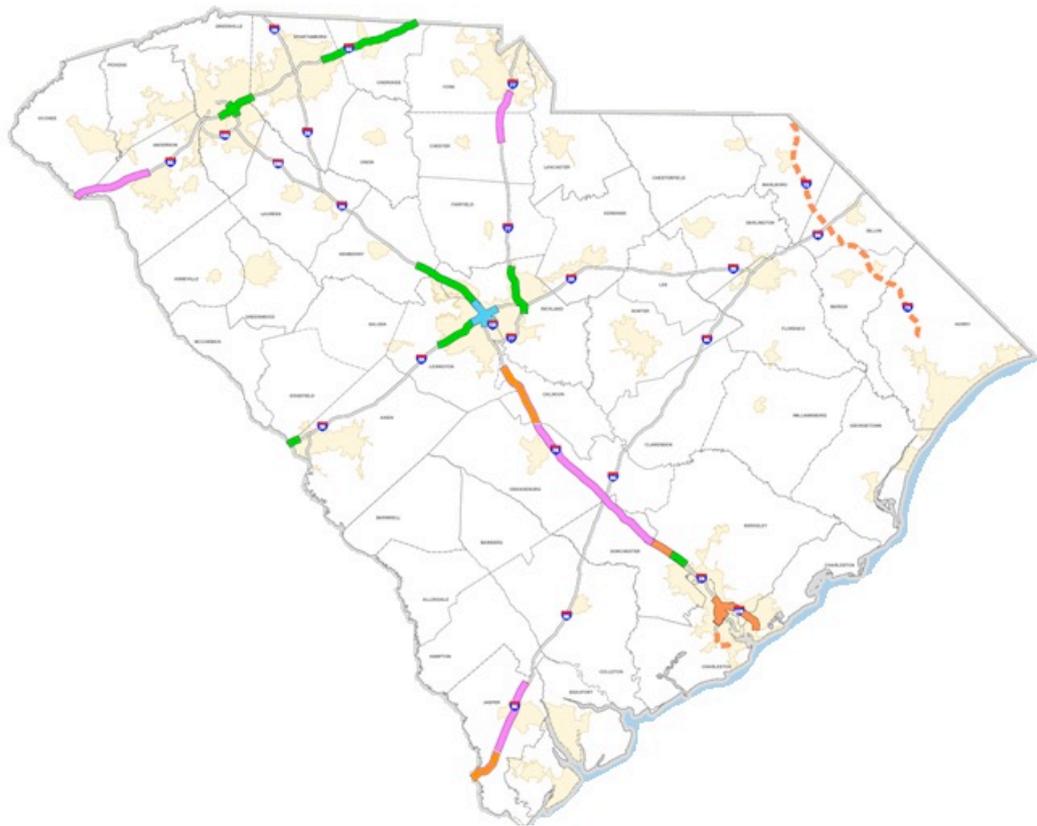
10-Year Target: 465 bridges



The new Gas Tax has funded 3,312 miles of Paving Projects



SC's Aggressive Interstate Widening Program



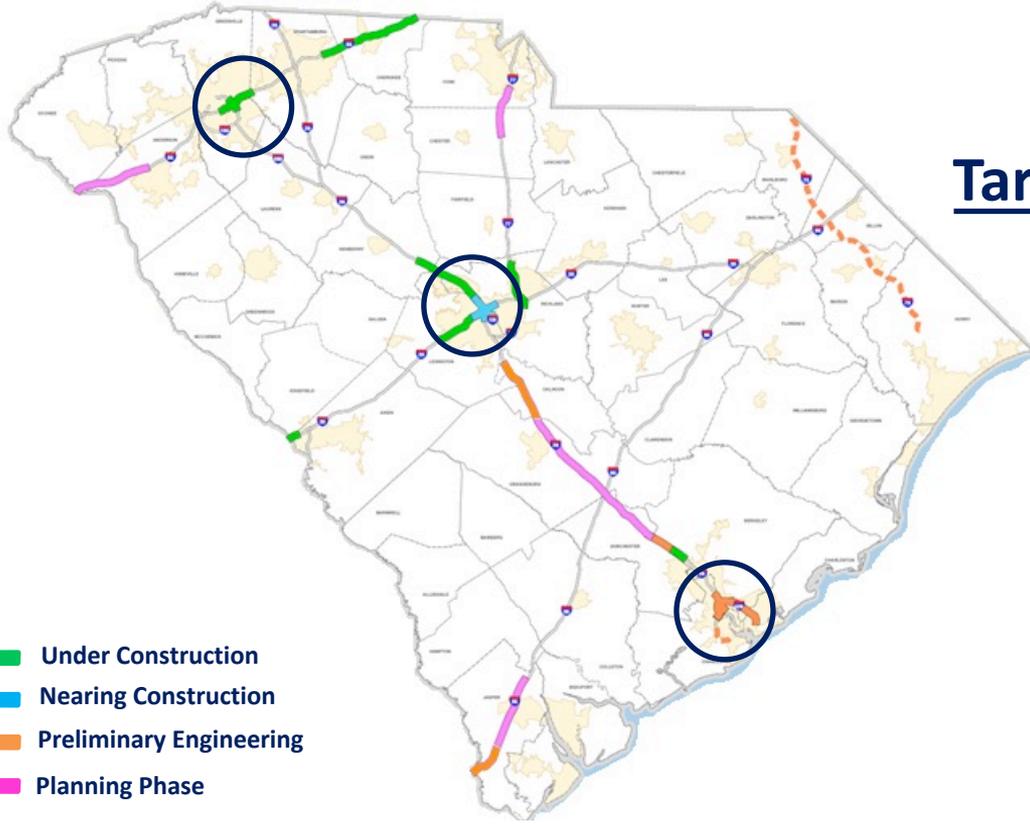
**Targets Bottlenecks in
Urban Areas**

And

**Key Rural Sections Needed
for Freight Movement**



SC's Aggressive Interstate Widening Program



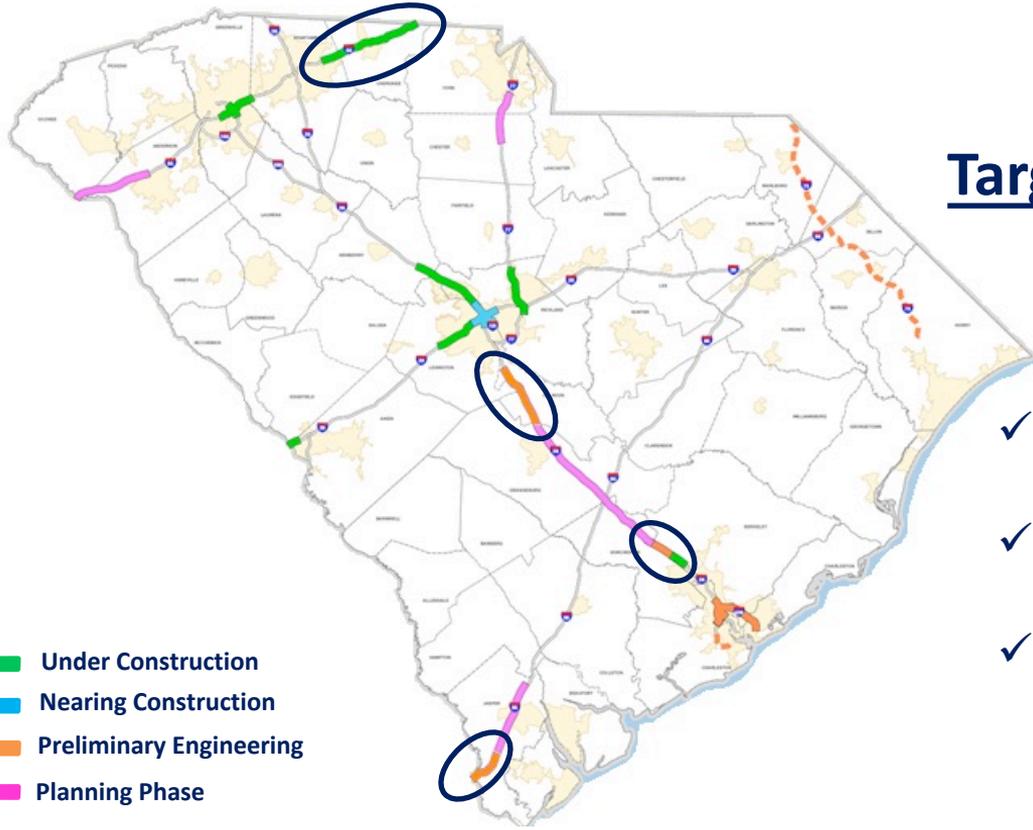
Targets Bottlenecks in Urban Areas

- ✓ I 85 / I 385 Interchange
- ✓ Malfunction Junction
- ✓ I 26 / I 526 Interchange

Under Construction
Nearing Construction
Preliminary Engineering
Planning Phase



SC's Aggressive Interstate Widening Program



Targets Key Rural Sections Needed for Freight Movement

- ✓ I 85 between Spartanburg & NC State Line
- ✓ I 95 from GA State Line to US 278
- ✓ I 26 between Charleston and Columbia



New Gas Tax Trust Fund
Monthly Account Statement
 through June 30, 2020

New Gas Tax Trust Fund Monthly Account Statement

	For the Month of June 2020	State Fiscal Year 2020 Year-To-Date	Cumulative Since July 1, 2017
Deposits (Revenues):			
Motor Fuel (@ 6 cents per gallon)	\$ 28,965,342.15	\$ 189,171,809.04	\$ 400,554,960.05
Infrastructure Maintenance Fee*	44,711,109.67	262,032,890.29	746,272,526.85
Registration Fees	7,669,836.01	37,194,279.58	92,646,116.14
Sales and Use Tax - Max Tax	735,383.65	4,220,633.96	11,290,104.22
Road Use Fee	1,573,157.85	7,791,120.12	11,686,521.32
Unclaimed Tax Credit		38,427,596.39	38,427,596.39
Investment Earnings	1,229,235.27	10,029,532.62	17,223,174.61
Total Deposits (Revenues) Received to Date	\$ 84,884,064.60	\$ 548,867,862.00	\$ 1,318,100,999.58

	In Development	Advanced to Construction	Total
Use of the Funds (Project Commitment List)			
Paving	\$ 9,858,899.17	\$ 916,932,375.61	\$ 926,791,274.78
Rural Road Safety	27,995,957.15	125,857,371.42	153,853,328.57
Interstate Widening	-	258,598,562.10	258,598,562.10
Additional Bridge Projects	12,792,821.75	4,334,244.33	17,127,066.08
Project Commitments Made to Date	\$ 50,647,678.07	\$ 1,305,722,553.46	\$ 1,356,370,231.53

Payments			
Vendor Payments for Completed Work	\$ (51,277,107.23)	\$ (367,139,083.34)	\$ (611,027,648.43)
County Transportation Program (CTC) Transfers	-	(17,640,424.71)	(52,283,901.68)
Income Tax Credit Transfers to Department of Revenue	-	(45,042,899.84)	(57,794,298.76)
Payments Made to Date	\$ (51,277,107.23)	\$ (429,822,407.89)	\$ (721,105,848.87)

Trust Fund Cash Balance			
Total Revenues Received Since July 1, 2017			\$ 1,318,100,999.58
Total Payments Made Since July 1, 2017			(721,105,848.87)
Cash Balance to Fund Project Commitments Made			\$ 596,995,150.71

* Includes approximately \$150M annually in funds that were previously deposited into SCDOT's main operating account.

