COVID-19 IMPACTS ON SCDOT

Senate Finance Committee
September 1, 2020

Secretary Christy A. Hall, P.E.
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.
Potential Revenue Impact?

- 3/6/20 - First reported Covid-19 case in SC
- 3/16/20 - Closure of Schools
- 4/6/20 - Go Home or Go to Work Order Announced
- 5/1/20 - Announcement to Rescind Go Home or Go to Work Order made

Pre-COVID levels
2019 Seasonal Levels
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 29214-0075

SC INFORMATION LETTER #20-3

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

DATE: March 17, 2020

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

Reflects catch-up of SCDOR Letter 20-03 Deferrals

-61%  -56%  65%  -11%

Mar  Apr  May  Jun  Jul  Aug

2019  2020
## COVID-19 Impacts on Key State Revenues

### AUGUST COVID ACTUALS

<table>
<thead>
<tr>
<th></th>
<th>Original Projections</th>
<th>With COVID-19</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>April</td>
<td>May</td>
<td>June</td>
<td>July</td>
</tr>
<tr>
<td>Motor Fuel Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td>44,837</td>
<td>48,308</td>
<td>47,453</td>
<td>48,672</td>
</tr>
<tr>
<td>Diesel</td>
<td>12,963</td>
<td>14,163</td>
<td>13,868</td>
<td>14,288</td>
</tr>
<tr>
<td>Total</td>
<td>57,800</td>
<td>62,471</td>
<td>61,322</td>
<td>62,960</td>
</tr>
<tr>
<td>Car Sales Tax</td>
<td>18,783</td>
<td>18,783</td>
<td>18,783</td>
<td>18,783</td>
</tr>
<tr>
<td>Total Impact</td>
<td>76,584</td>
<td>81,255</td>
<td>80,105</td>
<td>81,743</td>
</tr>
</tbody>
</table>

- 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

<table>
<thead>
<tr>
<th>Account</th>
<th>May 1, 2020 Balance</th>
<th>August 1, 2020 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway Funds</td>
<td>$340,436,861</td>
<td>$278,273,230</td>
</tr>
<tr>
<td>Infrastructure Maintenance Fund</td>
<td>$565,263,708</td>
<td>$585,916,573</td>
</tr>
<tr>
<td>Non Fed Aid - Act 176</td>
<td>$25,632,065</td>
<td>$22,375,145</td>
</tr>
<tr>
<td>Non Fed Aid - Act 98</td>
<td>$836,529</td>
<td>$834,874</td>
</tr>
<tr>
<td><strong>Total SCDOT Main Operating Accounts</strong></td>
<td><strong>$932,169,163</strong></td>
<td><strong>$887,399,822</strong></td>
</tr>
</tbody>
</table>

### Other Transportation Entity Funds, Held by SCDOT

<table>
<thead>
<tr>
<th>Fund</th>
<th>May 1, 2020 Balance</th>
<th>August 1, 2020 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPA Port Access Road Fund</td>
<td>$36,858,030</td>
<td>$14,637,714</td>
</tr>
<tr>
<td>Commerce - Berkeley Cty (Volvo)</td>
<td>$305,236</td>
<td>$263,995</td>
</tr>
<tr>
<td>Mark Clark Expressway - Charleston</td>
<td>$481,002</td>
<td>$8,490,445</td>
</tr>
<tr>
<td>Mark Clark Expressway - SCTIB</td>
<td>$518,425</td>
<td>$8,503,637</td>
</tr>
<tr>
<td>Highway Fund - Held in Trust</td>
<td>$94,520,679</td>
<td>$96,412,931</td>
</tr>
<tr>
<td>Berkeley County Sales Tax Program</td>
<td>$27,997,490</td>
<td>$21,728,667</td>
</tr>
<tr>
<td>Georgetown County Sales Tax Program</td>
<td>$1,745,342</td>
<td>$1,755,614</td>
</tr>
<tr>
<td><strong>Total Funds Held by SCDOT</strong></td>
<td><strong>$162,426,204</strong></td>
<td><strong>$151,793,003</strong></td>
</tr>
</tbody>
</table>

**Funds to Support Programs & Operations**

<table>
<thead>
<tr>
<th>Fund</th>
<th>May 2020 Balance</th>
<th>August 2020 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,094,595,367</td>
<td>$1,039,192,825</td>
</tr>
</tbody>
</table>

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**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
Includes $401 M generated from the increased Gas Tax

$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

South Carolina Department of Transportation
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

$1B to $3.3B in 3x increased construction contracts from 2008 to 2020.
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
$1M will repave ≈ 3 miles of a two lane highway

Bridge Replacements cost ≈ $1.5M each

Interstate Widenings cost per mile ≈ $10M rural and $30M urban

Interchange Upgrades cost ≈ $60-100M each
The 10-Year Plan Investment Areas: All Funds Combined

- Approximately 40% targeted towards Congestion
- Approximately 60% targeted towards Maintenance

Safety Projects: $100M
Pavements: $702M
Bridges: $160M
Interstate Widenings: $458M
Other Highway Widening: $138M

SC has the Highest Rural Fatality Rate in the Nation

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

$50 Million invested annually to specifically target these roads.
Progress towards Performance Targets
At the start of year 4 of the 10-Year Plan

- 465 miles of Rural Road Safety Projects
  - 10-Year Target: 1000 miles

- 161 Bridge Projects
  - 10-Year Target: 465 bridges
The new Gas Tax has funded 3,312 miles of Paving Projects

- Farm to Market Secondaries: 32% Good in 2019, +15%
- Major Road Pavements: 42% Good in 2019, +16%
- Interstate Pavements: 70% Good in 2019, +5%
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
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

PRELIMINARY Subject to 2020 Fiscal Year Close

<table>
<thead>
<tr>
<th>Deposits (Revenues):</th>
<th>For the Month of June 2020</th>
<th>State Fiscal Year 2020 Year-To-Date</th>
<th>Cumulative Since July 1, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Fuel (@ 6 cents per gallon)</td>
<td>$28,965,342.15</td>
<td>$189,171,809.04</td>
<td>$400,554,960.05</td>
</tr>
<tr>
<td>Infrastructure Maintenance Fee*</td>
<td>44,711,109.67</td>
<td>262,032,890.29</td>
<td>746,272,526.85</td>
</tr>
<tr>
<td>Registration Fees</td>
<td>7,669,836.01</td>
<td>37,194,279.58</td>
<td>92,646,116.14</td>
</tr>
<tr>
<td>Sales and Use Tax - Max Tax</td>
<td>735,383.65</td>
<td>4,220,633.96</td>
<td>11,290,104.22</td>
</tr>
<tr>
<td>Road Use Fee</td>
<td>1,573,157.85</td>
<td>7,791,120.12</td>
<td>11,186,521.22</td>
</tr>
<tr>
<td>Unclaimed Tax Credit</td>
<td></td>
<td>38,427,596.39</td>
<td>38,427,596.39</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>1,228,335.27</td>
<td>10,029,352.62</td>
<td>17,223,174.61</td>
</tr>
<tr>
<td><strong>Total Deposits (Revenues) Received to Date</strong></td>
<td><strong>$84,884,064.00</strong></td>
<td><strong>$548,887,862.00</strong></td>
<td><strong>$1,318,100,999.58</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of the Funds (Project Commitment List)</th>
<th>In Development</th>
<th>Advanced to Construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paving</td>
<td>$9,858,899.17</td>
<td>916,932,375.61</td>
<td>$926,791,274.76</td>
</tr>
<tr>
<td>Rural Road Safety</td>
<td>27,995,957.15</td>
<td>125,857,371.42</td>
<td>153,853,328.57</td>
</tr>
<tr>
<td>Interstate Widening</td>
<td>-</td>
<td>258,598,562.10</td>
<td>258,598,562.10</td>
</tr>
<tr>
<td>Additional Bridge Projects</td>
<td>12,792,821.76</td>
<td>4,334,244.33</td>
<td>17,127,066.08</td>
</tr>
<tr>
<td><strong>Project Commitments Made to Date</strong></td>
<td>$50,647,678.07</td>
<td>$1,305,722,535.46</td>
<td>$1,356,370,213.53</td>
</tr>
</tbody>
</table>

| 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    |                 |                          |      |
| 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.