

Transportation

Transportation

Summary

The transportation function of the State provides for the maintenance and construction of a quality infrastructure which reflects the transportation needs of the citizens of Rhode Island. The function is implemented by the Department of Transportation (DOT) through its core programs, transportation development and maintenance. Transportation development includes construction and design, traffic management, environmental and intermodal planning, capital programming, bridge rehabilitation/replacement, and highway safety. The DOT maintenance section engages in the routine maintenance of state highways, bridges, and associated roadsides and highway appurtenances.

In FY 1994, Rhode Island established the Intermodal Surface Transportation Fund (ISTF), to provide financing for transportation expenditures from dedicated user-related revenue sources. This dedicated highway fund establishes a direct relationship between transportation project financing and the end-users of the projects, with a stable revenue stream capable of financing the projects on a pay-as-you-go basis.

For FY 2009, the Intermodal Surface Transportation Fund (ISTF) is supported by 29.0 of Rhode Island's 30.0-cent per gallon gasoline tax. Gasoline tax receipts finance operating and debt service expenditures of the Department of Transportation, as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Department of Elderly Affairs. The revenue generated by the state's gasoline tax is allocated to these recipients on an individual cent basis. State law governs the distribution of the cents to the agencies as well as to the general fund. The anticipated current and upcoming fiscal year revenue collection for the gasoline tax is established at each Revenue Estimating Conference. The Conference estimates gasoline tax collections on a cent per gallon revenue yield. This yield is the basis for the development of budgets for the various gasoline tax supported operations.

Since the inception of this funding mechanism for transportation activities, there have been numerous revisions to the allocation plan. Each change has been initiated in order to direct more revenues to transportation operations rather than to the general fund. The last change to the disbursement schedule was in the enacted FY 2006 Budget, which increased the RIPTA allocation by one cent, with an offsetting reduction in the allocation of gasoline tax directed to the general fund.

Starting in FY 2009, 0.5 of the State's 1.0 cent per gallon environmental protection regulatory fee collected by distributors of motor fuel when the product is sold to owners and/or operators of underground storage tanks is recommended to support the Rhode Island Public Transit Authority (RIPTA). Also, starting in FY 2010, the remaining cent currently dedicated to the General Fund is recommended for dedication to the Department of Transportation.

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Current Law Gasoline Tax Allocation (in cents)							
<u>Recipient</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
DOT	20.75	20.75	20.75	20.75	20.75	20.75	21.75 ⁴
RIPTA	6.55 ¹	6.25	7.25 ²	7.25	7.25	7.75 ³	7.75
General Fund	1.70 ¹	2.0	1.0 ²	1.0	1.0	1.0	0 ⁴
DEA	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Underground Storage Tank	1.0	1.0	1.0	1.0	1.0	0.5 ³	0.5
Total:	31.0	31.0	31.0	31.0	31.0	31.0	31.0

¹ Average rate for year

² One additional cent is recommended for RIPTA with an offsetting reduction in the allocation of gasoline tax directed to the general fund starting in FY 2006 to finance a market survey of non-transit users and a management study of the agency

³ Starting in FY 2009, 0.5 of the 1.0 cent Underground Storage Tank fee is recommended for allocation to RIPTA

⁴ Starting in FY 2010, 1.0 of the remaining cent distributed to the General Fund is recommended to finance Department of Transportation operations

The Department of Transportation provides services through four programs: Central Management, Management and Budget, Infrastructure Engineering, and Infrastructure Maintenance. Primary funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA), under the authority of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This Act, passed in August 2005, authorizes funds for highway construction, highway safety programs, mass transit operations, and other surface transportation projects for the five-year period 2005 - 2009. The Act combines the improvements scheduled for current programs with new initiatives for improving transportation safety and traffic flow efficiency, enhancing communities, and advancing economic growth.

The DOT Highway Improvement Program (HIP) includes highway and intermodal projects that utilize federal funds administered by the FHWA, and highway transportation infrastructure projects financed by state matching funds, which include general obligation bonds and proceeds from certain land sales. The HIP implements DOT's capital program as identified in the State's Transportation Improvement Program (TIP). The TIP is a listing of transportation projects that the state plans to finance over a six-year period from federal highway funds. The Federal Highway Administration requires that all projects utilizing federal funds shall appear in a TIP adopted by the State Planning Council and approved by the Governor.

In Rhode Island, the TIP is the product of extensive public outreach to all communities, public interest groups, and citizens throughout the state by the agencies involved in transportation planning and project implementation. Following extensive public solicitation for the current TIP, highway projects are selected by a twenty-seven member public body, known as the Transportation Advisory Committee (TAC), using

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criteria based on six major categories: mobility benefits; cost effectiveness; economic development; environmental impact; degree of support to local and state goals and plans; and safety/security/technology. Certain projects are reviewed by special public committees prior to selection for the TIP by the TAC. The transportation air quality subcommittee, assisted by DOT staff, conducts a solicitation and evaluation of Congestion Mitigation and Air Quality (CMAQ) proposals. A TAC subcommittee reviews new bicycle/pedestrian projects, and a DOT advisory committee solicits and evaluates application for funds earmarked in SAFETEA-LU for transportation enhancement activities.

As part of the American Recovery and Reinvestment Act of 2009, the Rhode Island Department of Transportation is expected to receive a total of \$137.1 million for highway infrastructure investment, which will be spent over three years for fifty separate projects throughout Rhode Island including highway, road and bridge repair, pavement resurfacing, as well as enhancement projects, such as lighting and drainage improvements. The Department is also expected to receive a total of \$612,000 in fixed guideway infrastructure grants, which are expected to be spent over two years starting in FY 2010.

FY 2004 marked the beginning of a major effort on the part of Rhode Island government to address the rebuilding and modernization of the State's transportation systems. In November 2003, the State issued the first series in a bond program that authorizes \$709.6 million and currently programs \$668.1 million in construction funds for five major infrastructure projects to be completed over an 8 ½ year period. This undertaking will be primarily financed through two funding mechanisms. The majority of the costs (\$548.2 million) will be provided through Grant Anticipation Revenue Vehicle bonds (GARVEE). GARVEE represents a program approved by FHWA that allows states to borrow funds, which are backed and repaid by the annual allocation of Federal Highway Administration construction funds. A supplemental revenue bond issue known as the Motor Fuel Revenue Bonds program, which is secured by 2-cents of the department's gasoline tax allocation, will provide another \$119.9 million for this infrastructure initiative. The State has issued a second series of both the GARVEE and Motor Fuel Bonds program in 2006 and is preparing the issuance of a third series in the current year. The projects being financed under this program are the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, the construction of Quonset Rt. 403, and amounts for completion of the Freight Rail Improvement Program. The debt service on the GARVEE bonds in FY 2009 and FY 2010, to be paid through the FHWA allocation, is \$44.5 million and \$47.2 million, respectively and is reflected in the Department's operating budget as a federal fund source. The gasoline tax revenue supported debt service on the Motor Fuel Tax revenue bonds dedicated to the trust account is estimated to be \$8.1 million in FY 2009 and \$8.0 million in FY 2010.

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of \$33.9 million in FY 2009 and FY 2010 to the Rhode Island Public Transit Authority will be financed from a 7.25-cent allocation of the gasoline tax, as well as an additional 0.5 of the 1.0 Underground Storage Tank fee. Not recorded in the DOT budget, but presented in the RIPTA FY 2009 financial plans is RIPTA's current estimate of \$12.1 million in enhanced funding from Department of Human Services accounts for Medicaid client transit passes, which includes a \$5.2 million general revenue funded grant that is not recommended to continue in FY 2010. Another cent of the gasoline tax not included in the Department of Transportation budget supports the efforts of the Department of Elderly Affairs to streamline and enhance elderly and handicapped transportation services. Much of this allocation is transferred to RIPTA to underwrite pass programs for the elderly, and to finance compliance costs statewide associated with Americans with Disabilities Act requirements.

The revised FY 2009 budget for the Department of Transportation totals \$393.1, million including \$286.1 million in federal funds, \$99.2 million in other funds, and \$1.5 million in restricted receipts. This represents a \$23.0 million increase in all funds from the FY 2009 enacted budget. Federal funds increase a total of \$22.6 million, while restricted receipts increase \$2,754 from the enacted budget. Other funds for the

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Department increase a total of \$1.1 million from the enacted budget. The other funds total includes gasoline tax expenditures for the Department, RIPTA, and GARVEE/Motor Fuel Revenue Bonds, as well as Rhode Island Capital Plan Fund appropriations, land sale proceeds, nonland surplus property revenues, and other miscellaneous receipts.

The revised FY 2009 estimated revenue available within the ISTEIA fund is \$144.1 million, which represents the revised per penny gasoline tax yield estimate of \$4,475,000 as well as a carry forward from FY 2008 totaling \$7.6 million and an additional \$2.2 million from 0.5 cent of the 1.0 cent Underground Storage Tank fee. Gasoline tax funds within the Department of Transportation total \$94.9 million, \$52.0 is recommended for the operations of the Department, \$33.9 is the operating transfer to finance RIPTA, and \$9.0 million is associated with the GARVEE/Motor Fuel Revenue Bonds program. Gasoline tax funds within the Department increase \$5.0 million from the enacted budget. The increase is primarily a result of the carry forward surplus of \$7.6 million from FY 2008. The November Revenue Estimating Conference has revised the per penny gasoline tax estimate from \$4,630,000 in the FY 2009 enacted budget, to \$4,475,000 in the FY 2009 revised budget. Other adjustments to the total gasoline tax appropriation for the Department include projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs which total \$36.4 million for DOT and \$759,878 for RIPTA in FY 2009. The debt service adjustment to the Department represents a decrease of \$5.0 million from the enacted budget. A total of \$1.5 million represents the financing of Human Resources, Information Technology, and Legal Services positions consolidated within the Department of Administration. The total transfer amount of these positions represents a decrease of \$383,205 from the FY 2009 enacted budget and is partially a result of the transfer of 2.0 legal positions from the Department of Administration legal services consolidation to the Department of Transportation. The Governor recommends a \$1.5 million balance forecast for the end of FY 2009 to be carried forward into FY 2010.

A total recommendation of \$6.3 million in FY 2009 from the Rhode Island Capital Plan Fund finances the Pawtucket-Central Falls Train Station Study, RIPTA Elmwood Avenue Expansion Project, Cherry Hill/Lincoln Facility Project, Salt Storage Facilities, and Maintenance Facility improvements. This is a decrease of \$661,733 from the enacted budget due primarily to the delay of the East Providence Facility project to FY 2010.

Other funds changes also include a \$3.6 million decrease from the sale of land associated with the I-195 relocation project in order to reflect current project schedules and a total increase of \$335,000 from the FCC's sale of the path between two towers used as a backup signal transponder for the analog system. The Department has opted to utilize this revenue, received in FY 2008, to outfit Division of Maintenance and other select vehicles with digital radio sets which allows the Department to join the RISSCON system. The Department requires these funds to be carried forward as the purchases have been delayed until FY 2009. A decrease of \$1.0 million represents the elimination of Utility Permit Applications as a viable revenue source for the Department in FY 2009. The Department had estimated collecting a total of \$1.0 million in FY 2009 from a new revenue source: Utility Permit Applications. Currently, the Infrastructure Engineering division issues permits to perform utility work within a state right-of-way. The division averaged 923 utility permit applications yearly for the previous two fiscal years. Review and processing of applications is administered by two Engineering Technicians, a Billing Specialist, and a Senior Civil Engineer. The Department had developed a fee schedule for this work which it had planned to implement in April 2008. The fees associated with this service are governed by departmental procedure and not state law. This revenue source, as budgeted within the FY 2009 enacted budget, would have supplemented the Department's gasoline tax budget for highway lighting electricity costs. The Department also estimates collecting \$100,000 in FY 2009 from administering a new state highway logo sign program. This represents no change from the enacted budget. Unlike other states with such programs, the Department previously did not charge any fee

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for oversight to businesses utilizing the program. Revenue raised in FY 2009 is recommended to be used for operating expenses within the Division of Engineering which do not qualify for federal reimbursement.

Federal funds increase a total of \$22.6 million from the enacted budget. The substantial increase from the enacted budget is due to the incorporation of \$20.0 of highway infrastructure investment stimulus funds from the American Recovery and Reinvestment Act of 2009. This overall increase in federal funds is offset by a \$4.7 million decrease in National Highway Safety Administration grants to correct actual federal grants anticipated in FY 2009 and a decrease of \$8.1 million in Federal Transit funds due to project delays associated with the fixed guideway (commuter rail) project. National Highway Safety Administration grants total \$12.7 million while federal transit grants total \$7.3 million. In addition to federal stimulus funds Rhode Island is expected to receive, federal highway administration funds, which are part of the Department's regular highway improvement program, increase \$13.8 million, which represents the current expenditure estimate by the Department. GARVEE debt service is deducted from the total estimated obligation authority estimate for the federal highway fund, and totals \$44.5 million in the revised FY 2009 budget. The revised FY 2009 budget also includes a total of \$11.7 million related to personnel costs associated with the GARVEE program and general obligation bonds within the federal funds category.

Restricted receipts increase by \$2,754 from the enacted budget and total \$1.5 million in the revised FY 2009 budget.

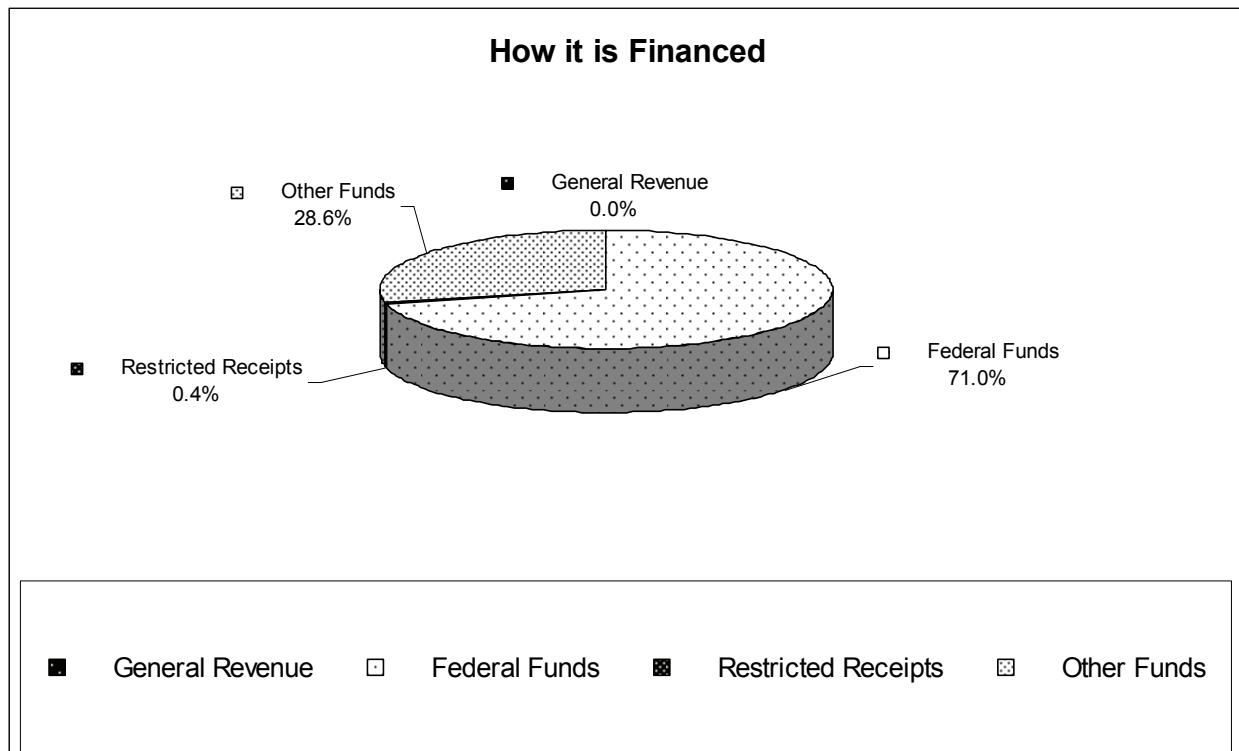
For the Department of Transportation, the Governor recommends 691.2 FTE positions for FY 2009. This is a decrease of 38.0 FTE positions from the enacted budget due to the elimination of vacant positions, primarily due to retirements within the Department.

In FY 2010, recommended expenditures from all sources for transportation activities total \$483.3 million, an increase of \$113.3 million from the FY 2009 enacted budget.

The following chart illustrates departmental expenditures by source of financing for FY 2010.

This chart does not include general obligation bond expenditures, GARVEE expenditures, and GARVEE debt service payments, with the exception of personnel costs financed by the GARVEE program and general obligation bonds.

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The other funds source represents 28.6 percent of the FY 2010 budget for the Department, or \$100.4 million. This represents a decrease of \$4.7 million from the FY 2009 enacted budget. Other funds is comprised of total gasoline tax expenditures of \$89.6 million, of which \$46.8 million represents the Department of Transportation budget, \$33.9 million is budgeted for RIPTA's allocation of the gasoline tax and \$9.0 million is budgeted for the Motor Fuel Bond allocation of the gasoline tax.

The total estimated receipts for the ISTEA fund in FY 2010 are \$138.0 million, which represents a gasoline tax yield estimate of \$4,475,000 per penny of the gasoline tax. The total gasoline tax budget within the Department of Transportation represents a reduction of \$226,782 from the FY 2009 enacted budget. Included in the FY 2010 gasoline tax budget for the Department is a general obligation bond debt service payment of \$41.4 million, a decrease of \$104,954 from the FY 2009 enacted budget. The RIPTA portion of the debt service payment in the Department of Administration totals \$826,370, an increase of \$60,886 from the FY 2009 enacted budget. A total of \$1.5 million represents reductions to the Department's allocation of the gasoline tax in order to finance Human Resources, Legal Services and Information Technology positions consolidated within the Department of Administration. The transfer represents a decrease of \$181,034 from the FY 2009 enacted budget. The FY 2010 budget also takes into account a \$1.5 million carry forward surplus budgeted from FY 2009 as well as an additional penny of the state gasoline tax. The Governor recommends budgeting a carry forward in order to supplement the Department's FY 2010 budget to meet an increase in debt service costs.

The FY 2010 recommendation includes Rhode Island Capital Plan Fund expenditures totaling \$5.9 million, of which \$2.6 million is for the RIPTA Elmwood Avenue Expansion project, \$20,000 for the Pawtucket – Central Falls Train Station Study, \$950,000 for the Cherry Hill/Lincoln Facility project, \$862,000 for the East Providence Facility project, \$1.0 million for the Salt Storage Facilities project, \$325,000 for Maintenance Facilities, and \$150,000 is recommended for outfitting of fire alarm systems for various maintenance facilities to comply with new fire code regulations.

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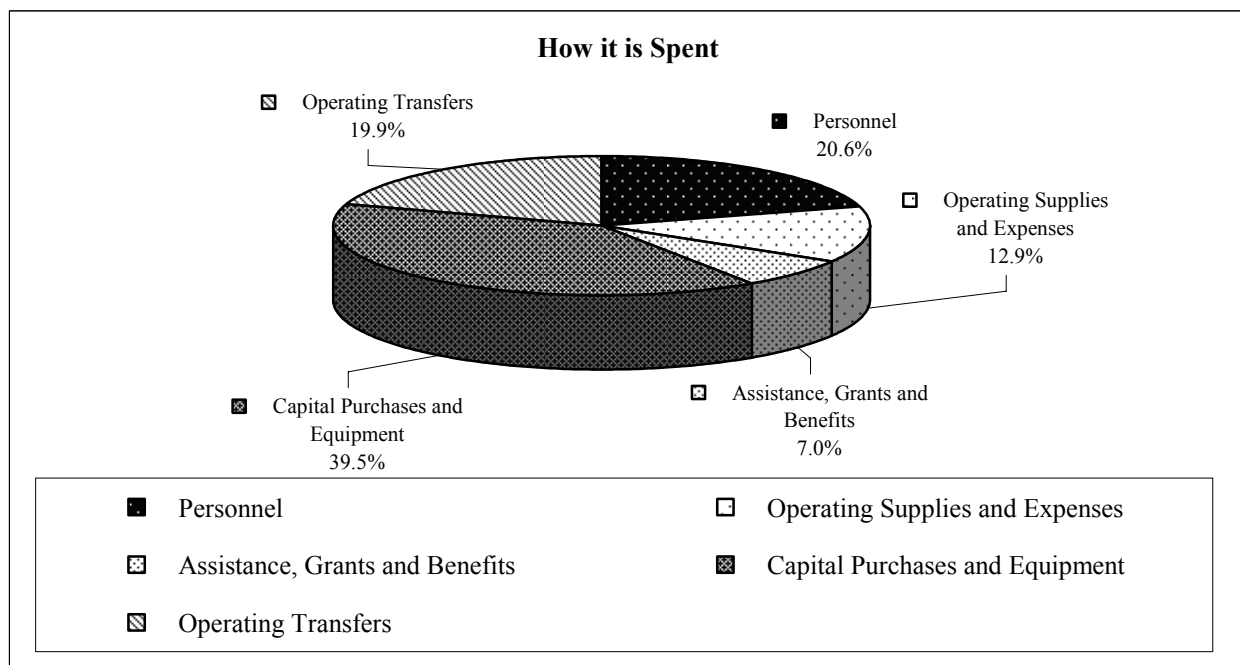
A total of \$2.0 million in other funds is from estimated land sale revenues. An additional \$1.2 million is estimated from land sales associated with the relocation of the I-195 project. The remaining other funds for the Department is comprised of \$1.4 million for the State Infrastructure Bank account, and \$325,000 for outdoor advertising, nonland surplus property collections and logo sign fee revenues for the budget year.

The total budget for federal grants for the department represents 71.0 percent of the budget, or \$381.3 million, of which \$189.3 million is federal highway funds, \$20.0 million represents federal highway infrastructure stimulus fund grants, \$306,000 is for fixed guideway stimulus funds, a total of \$47.2 million is GARVEE debt service payments from federal highway funds, \$6.0 million has been budgeted to account for personnel costs transferred to the GARVEE construction program, and \$5.8 million represents personnel costs allocated to general obligation bonds. Other federal grants for the Department are comprised of a total of \$11.4 million in Federal Transit funds and \$17.2 million in National Highway Safety funds. Federal transit funds decrease by \$4.0 million in FY 2010 primarily due to the acceleration of the Fixed Guideway (Commuter Rail) project. National Highway Safety funds decrease by \$168,129 over the FY 2009 enacted budget to correct actual federal grants anticipated in FY 2010 and includes \$4.6 in additional federal funds through the proposal of a Primary Seat Belt Law for Rhode Island.

Restricted receipts represent 0.4 percent of the total budget or \$1.5 million. Restricted receipts decrease \$52,754 from the FY 2009 enacted budget.

For FY 2010 the Governor recommends 780.2 FTE positions for the Department of Transportation, which represents an increase of 51.0 FTE positions over the FY 2009 enacted budget and an increase of 89.0 FTE positions over the FY 2009 revised budget. The positions are recommended in order to accommodate the additional stimulus funds Rhode Island is expected to receive for highway infrastructure investment projects.

The following chart illustrates departmental expenditures on an all funds basis by category of expenditure for FY 2010.



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The capital category of expenditure represents 39.5 percent of the total Department budget. Capital consists primarily of federal highway dollars located within the Engineering program for infrastructure construction costs, which have increased substantially due to the additional stimulus funds totaling \$97.1 million as well as an additional \$306,000 transit capital assistance grants the Department is expected to spend in FY 2010. Included in the Engineering program is \$3.2 million in estimated revenue from the sale and/or lease of properties. This revenue, along with \$40.0 million in general obligation bond funds (not included in the operating budget), is utilized to meet matching requirements to federal highway funds provided under SAFETEA-LU.

A total of 20.6 percent represents personnel costs of the Department, which includes contract services. Initiated in FY 2008, the Department's new federal indirect cost recovery plan will allow a portion of personnel as well as contract services and operating costs to be eligible for federal reimbursement. A total of \$16.7 million of personnel costs are located within the Maintenance program where the source of funding is the gasoline tax.

The category of operating transfers represents 12.9 percent of all funds total spending for DOT, which is comprised of \$5.9 million in Rhode Island Capital Plan Fund resources for the following projects: RIPTA Elmwood Avenue Expansion project (\$2.6 million), Pawtucket-Central Falls Train Station Study (\$20,000), Cherry Hill/Lincoln Facility (\$950,000), Maintenance Facility Improvements (\$325,000), East Providence Facility (\$862,000), Salt Storage Facilities (\$1.0 million), and Maintenance Facilities Fire Alarms (\$150,000).

The operating category represents 12.9 percent of all funds total spending for the Department with 32.1 percent of the category representing Maintenance activities, which include pavement repair, crack sealing, pothole repair, litter collection, vehicle fleet maintenance, street and sidewalk sweeping, signage, highway light maintenance, and bridge washing. Snow and ice removal operations also fall under the management of this program.

Assistance, grants, and benefits represent 7.0 percent of the FY 2010 budget and represent primarily Federal Highway Administration and Federal Transit Administration grant funds.