

State of Rhode Island and Providence Plantations

Budget



Fiscal Year 2016

Executive Summary

Gina M. Raimondo, Governor

Transportation

Transportation

Summary

The transportation function provides for the maintenance and construction of a quality infrastructure that reflects the transportation needs of the citizens of Rhode Island. The function is implemented by the Department of Transportation (DOT) through its core programs (Central Management, Management and Budget, Infrastructure Engineering, and Infrastructure Maintenance), 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 Department of Transportation 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 the goal of establishing a stable revenue stream capable of financing the projects on a pay-as-you-go basis.

For FY 2015, the Intermodal Surface Transportation Fund is supported by 32.5-cents of Rhode Island's total 33.0-cent per gallon gasoline tax. For FY 2016, the gasoline tax will increase by 1.0-cent based on the Consumer Price Index for all Urban Consumers (CPI-U). 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), the Rhode Island Turnpike and Bridge Authority (RITBA) and the Department of Human Services (formerly 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 of FY 2010, there is no longer any contribution to the general fund from the gasoline tax. The Office of Revenue Analysis within the Department of Revenue has provided the estimates for FY 2015 and FY 2016. The Office of Revenue Analysis 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. There was a change to the disbursement schedule in the enacted FY 2010 Budget, which increased the RIPTA allocation and the total gasoline tax by 2.0-cents, and an increase to the Department of Transportation of 1.0-cent, with an offsetting reduction and elimination of 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 has been recommended to support the Rhode Island Public Transit Authority (RIPTA).

The most recent change to this funding mechanism occurred when the 2014 General Assembly passed Article 21 of the FY 2015 Appropriations Act. Starting in FY 2015, 3.5-cents of the gasoline tax is transferred to the Turnpike and Bridge Authority, to be used for maintenance operations, capital expenditures and debt service on any of its projects in lieu of a toll on the Sakonnet River Bridge, with a corresponding decrease to the Department of Transportation. Furthermore, starting in FY 2016, the gasoline tax will be adjusted by the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Bureau of Labor Statistics. The adjustment will then be rounded to the nearest 1.0-cent increment while the total tax cannot be less than 32.0-cents per gallon on all taxable gallons of fuel sold or used in Rhode Island in any given year.

Transportation

	Current Law Gasoline Tax Allocation (in cents)						
	Fiscal Year						
<u>Recipient</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
DOT	21.75 ³	21.75	21.75	21.75	21.75	18.25 ⁶	19.25 ⁷
RIPTA ¹	9.75 ⁴	9.75	9.75	9.75	9.75	9.75	9.75
RITBA	0.0	0.0	0.0	0.0	0.0	3.5	3.5
General Fund ¹	0.0 ³	0.0	0.0	0.0	0.0	0.0	0.0
DEA/DHS	1.0 ⁵	1.0	1.0	1.0	1.0	1.0	1.0
Underground Storage Tank-DEM	0.5 ¹	0.5	0.5	0.5	0.5	0.5	0.5
Total:	33.0	33.0	33.0	33.0	33.0	33.0	34.0

¹Increased to 7.25 cents in May 2006 (FY 2006) with a corresponding decrease to the General Fund

²Starting in FY 2009, 0.5 of the 1.0 cent Underground Storage Tank fee was recommended for allocation to RIPTA

³Starting in FY 2010, 1.0 of the remaining cent distributed to the General Fund was recommended to finance Department of Transportation operations

⁴Starting in FY 2010, 2.0 new cents of gasoline tax were added to the total for 33.0 cents now collected; the additional two cents were allocated to finance RIPTA

⁵Starting in FY 2010, 1.0 cent formerly directed to DEA are now sent to DHS

⁶Starting in FY 2015, 3.5 cents of gasoline tax are distributed to Turnpike and Bridge Authority, with a corresponding decrease to the Department of Transportation

⁷Starting in FY 2016, the gasoline tax shall be adjusted by the percentage of increase in CPI-U

In recent years, the State of Rhode Island has modified its transportation financing system to reduce reliance on debt financing and to provide additional resources for state projects. Rhode Island General Law 39-18.1-4 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund. Article 22 included in the FY 2012 Budget as Enacted, passed by the General Assembly, increased registration and license fees and dedicated those new revenues to transportation purposes, namely as a piece of the state match used towards the department's federal highway program. The Article prescribed a three-year, phased increase in registration and license fees, which began in FY 2014. Two-year registrations and drivers licenses would each be increased by \$30 (\$10 per year for three-years), while one-year registrations would be increased by \$15 (\$5 per year for three-years). Article 21, which was included in the FY 2015 Budget as Enacted, passed by the General Assembly, allows for the flexibility to also use these funds towards eliminating the structural deficiencies of the state's road and bridge maintenance systems and infrastructure.

In the 2014 legislative session, the financing mechanism for transportation infrastructure and bridge repairs changed dramatically when the General Assembly, as part of the FY 2015 Budget as Enacted, passed Article 21 – Relating to Transportation. Article 21 furthered how the Rhode Island Highway Maintenance Account will be funded.

Transportation

- Raises the state vehicle inspection fee by \$16.00, from \$39.00 to \$55.00. Previously \$16.00 of this fee had been deposited into the general fund; now, a total of \$32.00 (\$16.00 previous funds and the \$16.00 increase) will be deposited into the Highway Maintenance Account;
- Added a \$25.00 surcharge on all dismissals based on a good driving record. The previous fee of \$35.00 covers court costs; the additional \$25.00 will be deposited into the Highway Maintenance Account;
- Transfers existing motor vehicle fees, surcharges and tax revenues from the general fund to the Highway Maintenance Account, including:
 - \$50.00 fee to receive a certificate of title for a purchased vehicle.
 - Rental Vehicle Surcharge – 8.0 percent of gross receipts per rental vehicle for the first thirty days.
 - A multi-year phase-in for all remaining motor vehicle fees

Federal Funding

Primary funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA). Federal highway funding is provided through the Highway Trust Fund and other sources, as appropriated and allocated by Congress through transportation authorization legislation. Typically, these authorization provisions extend five to six years, allowing for mid-range capital planning at the state level. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was passed in August 2005, authorized funding for highway construction, highway safety programs, mass transit operations, and other surface transportation projects over a five-year period, from 2005 to 2009. The Act expired in 2009, but was extended by Congress for one year in 2010. In subsequent years, SAFETEA-LU was extended for short periods with minor adjustments to the substantive provisions.

In June 2012, Congress approved a two-year transportation authorization, called Moving Ahead for Progress in the 21st Century (MAP-21). MAP-21 shifted the Federal planning and project model toward performance measurements. The limited time of the authorization was an improvement over short-term extensions, but the two-year authorization still required the state to make assumptions when projecting the availability of future Federal resources. MAP-21 intended to create a streamlined and performance-based surface transportation program and build on and refine many existing highway, transit, bike, and pedestrian programs and policies.

MAP-21 set forth the following goals:

- Strengthen America's highways
- Establish performance-based programs
- Create jobs and support economic growth
- Support the Department of Transportation's aggressive safety agenda
- Streamline Federal highway transportation programs
- Accelerate project delivery and promotes innovation

The Highway Trust Fund (HTF) is the source of funding for most MAP-21 programs. The HTF includes the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. Federal motor fuel taxes are the primary source of income for the HTF. MAP-21 extended highway-user fees (Federal gas tax and other related taxes), generally at the rates that were in place when the legislation was enacted.

Transportation

In MAP-21, the metropolitan and statewide transportation planning processes are continued and enhanced to incorporate performance goals, measures, and targets into the process of identifying needed transportation improvements and project selection. Requirements for a long-range plan and a short-term Transportation Improvement Program (TIP) continue, with the development of the Long-Range Transportation Plan (LRTP) incorporating the performance plans required by the Act for certain programs. The TIP must also be developed to make progress toward established performance targets and must include a description of the anticipated achievements. Overall, MAP-21 includes an array of provisions designed to increase innovation and improve efficiency, effectiveness, and accountability in the planning, design, engineering, construction and financing of transportation projects.

The Rhode Island Department of Transportation Highway Improvement Program (HIP) includes highway and intermodal projects that use Federal funds administered by the FHWA that are typically funded with 80.0 percent Federal funding and 20.0 percent State matching funds. Prior to FY 2013, the State had traditionally matched Federal highway funds with general obligation bonds, which were approved by the voters as referenda questions at the November general election every two years. Debt service on the general obligation bonds issued was paid with gas tax revenue. As a result of continued borrowing, less gas tax revenue remained available each year for operations and maintenance costs.

Rhode Island relies heavily on federal funds to finance its Highway Improvement Program and other operations of the department. It is important to note that at a national level, the Federal Highway Trust Fund is being depleted with funds being expended faster than they are being replenished from federal fuel and other fees. The impending shortfall of the fund was expected to occur in August 2014, however the United State Congress and ultimately the President approved a nearly \$11.0 billion short-term fix to address the looming shortfall in the HTF and extend surface transportation programs through May 31, 2015. Because of the multi-year nature of the Highway Improvement Program, the Rhode Island Department of Transportation continues to work on plans to cope with a lack of a long-term funding solution at the federal level. Based on the uncertainty at the federal level, the Department of Transportation's federal highway financing budget, as compared to the enacted budget reflects a conservative approach to expected funds along with various changes to statewide project construction schedules and the completion of projects.

Transportation Improvement Program

The Highway Improvement Program implements the Department'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 four-year period from Federal highway and transit funds. Federal law requires that all projects using Federal transportation 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 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 and DEM staff, conducts a solicitation and evaluation of Congestion Mitigation and Air Quality (CMAQ) proposals, a TAC subcommittee reviews new bicycle/pedestrian projects, and the RIDOT Advisory Committee solicits and evaluates applications for funds earmarked for Transportation Enhancements.

Transportation

Department of Transportation

The Governor recommends a revised FY 2015 of \$447.9 million for the Department of Transportation, including \$271.0 million in federal funds, \$143.5 million in other funds, \$32.4 million from the Rhode Island Capital Plan Fund, and \$1.0 million in restricted receipts. This represents a \$77.2 million decrease in all funds from the FY 2015 enacted budget. The revised FY 2015 Budget is inclusive of enacted statewide benefit savings distributed to state agencies, which resulted in \$207,402 of gasoline tax revenue savings being allocated to the Department of Transportation. Relative to FY 2015 enacted levels, recommended federal funds decrease by a total of \$81.1 million, Rhode Island Capital Plan Fund financing decrease by \$3.9 million, while restricted receipts decrease by \$11.4 million from the enacted budget (shifted to Highway Maintenance Account). Other funds for Transportation increase by a total of \$19.1 million from the enacted budget. The other funds total includes gasoline tax expenditures for the Department of Transportation, RIPTA, RITBA, and GARVEE/Motor Fuel Revenue Bonds, as well as land sale proceeds, non-land surplus property revenues and other miscellaneous receipts.

Inclusive of the other funds category listed above are revenues derived from the gasoline tax and the Rhode Island Highway Maintenance Account, which combined, make up the state funded portion of the Intermodal Surface Transportation Fund. The revised estimated state gas tax revenue available in FY 2015 is \$143.8 million, which represents the revised per penny gasoline tax yield estimate of \$4,299,099, as well as a positive carry forward from FY 2014 of \$3.9 million based on federal winter storm reimbursement carry forward funds that were previously paid using gas tax revenues due to a winter storm that occurred in FY 2014, \$207,402 from a statewide medical benefit savings distributed to state agencies, and an additional \$2.1 million from 0.5-cent of the 1.0-cent Underground Storage Tank fee.

Gas Tax Budget & RI Highway Maintenance Account – Expenditures: FY 2015	Gas Tax Revenues	RI Highway Account	FTE
<i>Department of Transportation – Non-Maintenance Functions</i>	\$2,912,797	\$0	0.0
The Governor’s FY 2015 revised recommendation includes a total of \$11.0 million of available gasoline tax revenues for personnel and operational costs for the Department of Transportation’s Central Management, Management and Budget, and Infrastructure-Engineering programs.			
<i>Department of Transportation – Maintenance Operations</i>	(\$30,050,223)	\$35,034,115	0.0
Under Article 21, the Rhode Island Department of Transportation will resume responsibility of payment of its general obligation bond debt service from its gas tax revenues. Previously, the General Assembly had authorized gradually shifting payment of transportation debt from gas tax revenue to general revenue in an effort to dedicate more gas tax for transportation infrastructure. Prior to the passage of Article 21, the state would have increased general revenue payments for transportation debt service annually by \$10.0 million, until general revenue covered full debt service payments, projected for FY 2018. Article 21 reversed that plan, requiring that the Department of Transportation assume responsibility for \$578.0 million in debt through FY 2033. Additionally, RIDOT also lost 3.5-cents of gasoline tax (\$15.0 million) to the Turnpike and Bridge Authority beginning in FY 2015. As such, the Governor recommends utilizing \$35.0 million through the Rhode Island Highway Maintenance Account towards maintenance operations of the Department of Transportation to replace the loss of gas tax revenues to the Turnpike and Bridge Authority and increased debt service payments. Inclusive of the \$35.0 million is \$500,000 towards the beginning stages of a Highway Drainage Program and \$361,619 needed as a small portion of the state match for federal highway funds.			
<i>Highway Lighting – Electricity Costs</i>	\$2,509,529	\$0	0.0
The Governor recommends an increase of \$2.5 million from the FY 2015 enacted budget for highway			

Transportation

lighting and electricity costs for a revised total of \$3.6 million. The revised recommendation is an increase of \$107,775 over actual FY 2014 costs. As noted, a portion of the highway lighting FY 2015 enacted budget allocation was shifted as a result of the 3.5-cent loss of gasoline tax the Department of Transportation experienced. The Governor's revised FY 2015 Budget seeks to adjust this allocation to appropriate levels.

<i>Winter Maintenance Operations</i>	\$10,722,890	\$0	0.0
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The Governor recommends an increase of \$10.7 million from the FY 2015 enacted winter maintenance budget for a revised total of \$19.1 million. Costs include private vendors conducting snow plowing operations, materials such as liquid deicers, sand and salt, and vehicle repairs, maintenance, and fuel costs incurred during winter storm operations. The revised recommendation is an increase of \$2.4 million over actual FY 2014 costs based on the severe 2014/2015 winter the state has experienced. As noted, a portion of the winter maintenance FY 2015 enacted budget allocation was shifted as a result of the 3.5-cent loss of gasoline tax the Department of Transportation experienced. The Governor's revised FY 2015 Budget seeks to adjust this allocation to appropriate levels.

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs as well. Operating assistance to the Rhode Island Public Transit Authority will be financed from a 9.25-cent allocation of the gasoline tax, as well as an additional 0.5 of the 1.0-cent Underground Storage Tank fee.

RIPTA: FY 2015	Gas Tax Revenue	RI Highway Account	FTE
<i>Operating Transfer to RIPTA</i>	\$1,019,743	\$0	0.0

The Governor recommends an operating transfer of \$41.9 million to RIPTA for operating assistance, which is an increase of \$1.0 million from the FY 2015 enacted budget based on revised estimates to the per penny gas tax yield.

The 2012 General Assembly had authorized the transfer of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge from the Department of Transportation to the Turnpike and Bridge Authority. In doing so, the General Assembly also authorized the Turnpike and Bridge Authority to toll the Sakonnet River Bridge, using the additional revenue generated to finance operations and maintenance on all four bridges making up what is known as the Eastbay Bridge System (Newport, Jamestown, Sakonnet, and Mount Hope Bridges). After public debate over tolling, the 2014 General Assembly removed the authority to toll the Sakonnet River Bridge. To make up for the loss of revenue, the General Assembly transfers 3.5-cents of the gasoline tax to the Turnpike and Bridge Authority beginning in FY 2015.

Turnpike and Bridge Authority: FY 2015	Gas Tax Revenue	RI Highway Account	FTE
<i>Operating Transfer to Turnpike and Bridge Authority</i>	\$366,062	\$0	0.0

The Governor recommends an operating transfer of \$15.0 million to the Turnpike and Bridge Authority for operating assistance, which is an increase of \$366,062 from the FY 2015 enacted budget based on revised estimates to the per penny gas tax yield.

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 2003, 2006 and 2009, the State completed the first, second and third parts of a three-part bond transaction that provided \$720.0 million in construction funds for five major infrastructure projects financed by two methods. The majority of the costs (\$544.4 million) have been financed through Grant Anticipation Revenue Vehicle bonds (GARVEE).

Transportation

GARVEE is a program approved by Congress that allows states to borrow funds, which are then repaid by the annual allocation of Federal Highway Administration construction funds. The remaining costs were provided through Motor Vehicle Tax Revenue Bonds. These bonds are financed through a 2.0-cent dedication of the Department's gasoline tax allocation. The projects financed under this program were the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, the Freight Rail Improvement Program and Quonset Rt. 403 construction.

GARVEE Program – Debt Service: FY 2015	Gas Tax Revenue	All Funds	FTE
<i>Federal Highway Administration Pledge to Trustee</i>	\$0	\$24,178	0.0
The debt service on the GARVEE bonds to be paid through the FHWA allocation is \$48.4 million in FY 2015 and is reflected in the Department's operating budget as a Federal fund source.			
<i>Operating Transfer – Motor Fuel Tax Revenue Bonds</i>	\$209,178	\$0	0.0
The gas tax funded debt service on the Motor Fuel Tax revenue bonds totals \$8.6 million in FY 2015, which is paid using 2.0-cents of total gas tax revenues.			

General obligation bonds have been used up until very recently as the state match piece for the state's Federal Highway Program as a means towards providing the twenty percent state match for eighty percent federal funded projects. Over the last few years, the state has moved away from using general obligation bonds as a match while the ballot of 2012 marked the first time in years that general obligation bonds for transportation funding was not on the ballot.

General Obligation Bonds – Debt Service: FY 2015	Gas Tax Revenue	All Funds	FTE
<i>Department of Transportation Debt Service</i>	\$19,352,125	\$102,125	0.0
Adjustments to the total gasoline tax appropriation for the Department of Transportation include projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs of \$46.2 million for DOT. In addition, the Department receives \$1.9 million through the Build America Bond rebates that will be used to reduce the amount of gasoline tax used for debt service. The increase of \$19.4 million in gasoline tax revenues towards debt service is due to the reversal of general revenue financing a portion of transportation debt service, which would have been \$19.3 million in FY 2015 had that plan continued. On an all funds basis, the total debt service RIDOT is responsible for paying in FY 2015 increased by \$102,125 from the enacted level of \$47.9 million to \$48.1 million total.			
<i>RIPTA Debt Service</i>	\$0	\$0	0.0
Due to projected deficits at the Rhode Island Public Transit Authority, the Governor recommends that debt service on outstanding RIPTA general obligation bonds be funded using \$1.7 million of general revenue in FY 2015 to supplement gas tax revenue previously used for debt service. Based on adjustments to debt service payments, the state will be responsible for \$50,706 less than the enacted level of \$1.8 million.			

Through consolidation efforts over the years, the Department of Transportation finances employees through gas tax revenues, but whose costs are budgeted within the Department of Administration. A total of \$2.8 million represents financing of Human Resources, Purchasing, and Information Technology positions that have been consolidated within the Department of Administration (DOA) for employees who work at the Department of Transportation.

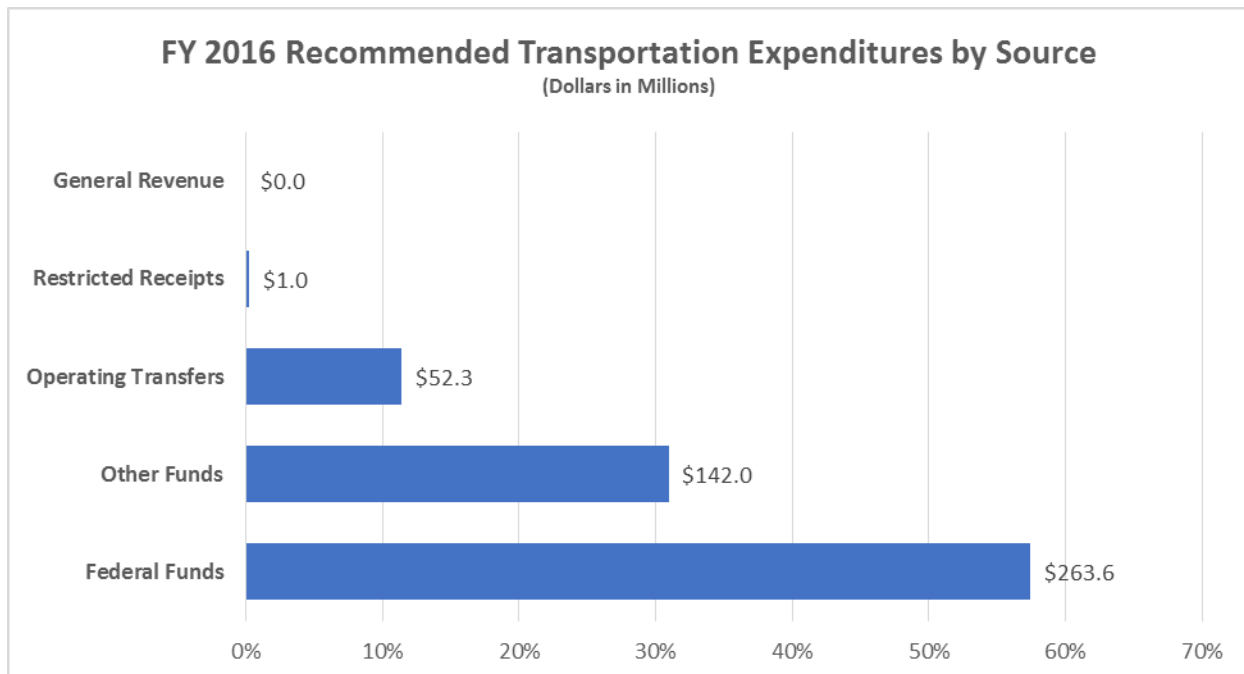
Transportation

Consolidation: FY 2015	Gas Tax Revenue	All Funds	FTE
<i>Personnel Consolidation Transfers to DOA</i>	\$335,420	\$335,420	0.0
The total transfer amount of these positions represents an increase of \$335,420 from the FY 2015 enacted budget. The increase represents financing for the first time of a Civil Rights Administrator, which had previously been financed through federal highway funds in addition to various personnel adjustments.			

In FY 2015 for the Department of Transportation, the Governor recommends 752.6 FTE positions, the same level authorized in the enacted FY 2015 Budget.

The Governor’s FY 2016 Budget for the Department of Transportation from all sources for transportation activities totals \$458.9 million, including \$263.6 million in federal funds, \$142.0 million in other funds, \$52.3 million from the Rhode Island Capital Plan Fund, and \$1.0 million in restricted receipts. This represents a \$66.3 million decrease in all funds from the FY 2015 enacted budget.

The following chart illustrates departmental expenditures by source of financing for FY 2016. 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.



Relative to FY 2015 enacted levels, recommended federal funds decrease by a total of \$88.5 million, Rhode Island Capital Plan Fund financing increase by \$16.0 million, while restricted receipts decrease by \$11.4 million from the enacted budget (shifted to Highway Maintenance Account). The other funds source represents 30.9 percent of the FY 2016 Budget for the Department, a total increase of \$17.6 million from the enacted budget. Other funds include total gasoline tax expenditures of \$89.7 million, of which \$24.5 million represents the Department of Transportation operating budget, \$39.5 million is budgeted for RIPTA's allocation of the gasoline tax, with an additional \$2.1 million for the 0.5 cents of the Underground Storage Fee allocated to RIPTA, \$15.0 million is budgeted for the Turnpike and Bridge Authority's allocation of the

Transportation

gasoline tax, and \$8.5 million for the Motor Fuel Bond allocation of the gasoline tax. Other funds also include total Rhode Island Highway Maintenance Account expenditures of \$41.4 million, of which \$39.3 million represents the Department of Transportation Budget and \$2.0 million is budgeted for RIPTA's allocation of five-percent of total estimated funds available in the account.

The total estimated receipts for the gasoline tax portion of the Intermodal Surface Transportation Fund in FY 2016 are \$143.2 million, which represents a gasoline tax yield estimate of \$4,274,912 per penny of the gasoline tax. Included in the total is an increase of 1.0-cent to the gas tax, adjusted by the percentage of increase in the CPI-U and rounded to the nearest 1.0-cent increment which will be allocated to the Department of Transportation, providing for an additional \$4.3 million in FY 2016. The following represents changes from the FY 2015 enacted budget based on revisions to the gasoline tax and per penny yield estimate:

Gas Tax Revenues - Distribution: FY 2016	Gas Tax Revenue	RI Highway Account	FTE
<i>Department of Transportation Allocation</i>	\$5,581,444	\$0	0.0
In FY 2016, the Governor recommends \$73.7 million of gasoline tax revenues be allocated to the Department of Transportation, or an increase of \$5.6 million from the FY 2015 enacted budget. The increase reflects an additional penny that will be allocated to DOT per RIGL 31-36-7(b) along with an increase in the estimated per penny gas tax yield.			
<i>RIPTA Allocation</i>	\$783,919	\$0	0.0
In FY 2016, the Governor recommends \$39.5 million of gasoline tax revenues and \$2.1 million from the Underground Storage Fee be allocated to the Rhode Island Public Transit Authority, or an increase of \$783,919 from the FY 2015 enacted budget. The increase reflects the estimated per penny gas tax yield.			
<i>Turnpike and Bridge Authority Allocation</i>	\$281,407	\$0	0.0
In FY 2016, the Governor recommends \$15.0 million of gasoline tax revenues be allocated to the Rhode Island Turnpike and Bridge Authority, or an increase of \$281,407 from the FY 2015 enacted budget. The increase reflects the estimated per penny gas tax yield.			

The total estimated receipts for the Rhode Island Highway Maintenance Account portion of the Intermodal Surface Transportation Fund in FY 2016 are \$41.4 million, which represents an increase of \$7.1 million from the FY 2015 enacted budget.

RI Highway Maintenance Account Revenues: FY 2016	Gas Tax Revenue	RI Highway Account	FTE
<i>Vehicle and License Registration Fees</i>	\$0	\$5,473,611	0.0
In FY 2016, the Governor recommends \$16.8 million, or an increase of \$5.5 million from the enacted budget, as FY 2016 represents year-three of a prescribed three-year phase in to increase registrations and driver's license fees. RIGL 39-18.1-5 allows for the flexibility to use these funds as a financing mechanism towards the state match for the federal highway program or towards eliminating the structural deficiencies of the state's road and bridge maintenance systems and infrastructure. The amount of the surcharge is deposited into the Rhode Island Highway Maintenance Account			
<i>Emissions Inspection Sticker</i>	\$0	\$1,334,272	0.0
In FY 2016, the Governor recommends \$11.8 million, or an increase of \$1.3 million from the enacted budget, through revenues generated from motor vehicle inspection fees per RIGL 31-47.1-11. Article 21			

Transportation

amended the fee of \$39.00 and increased said fee to \$55.00 (a \$16.00 increase) for each motor vehicle inspected. An updated schedule distributes the \$55.00, whereas \$19.00 is retained by the inspection station owner to cover the costs of performing the inspection. The remaining \$36.00 is then remitted to the program manager, who shall retain no more than \$4.00 of the fee and then remit no less than \$32.00 for deposit into the Rhode Island Highway Maintenance Account.			
<i>Motor Vehicle Title Fees</i>	\$0	\$275,968	0.0
In FY 2016, the Governor recommends \$9.3 million, or an increase of \$275,968 from the enacted budget, through revenues generated from a \$50.00 fee to receive a certificate of title to a vehicle purchased per RIGL 31-3.1-6. All fees that are collected are deposited into the Rhode Island Highway Maintenance Account.			
<i>Rental Car Surcharge</i>	\$0	\$215,352	0.0
In FY 2016, the Governor recommends \$3.0 million, or an increase of \$215,352 from the enacted budget, through revenues generated from a rental vehicle surcharge which requires each rental car company to collect, at the time a motor vehicle is rented in the State, a surcharge equal to eight-percent of gross receipts per vehicle on all rentals for each of the first thirty days per RIGL 31-34.1-2. The amount of the surcharge is deposited into the Rhode Island Highway Maintenance Account.			
<i>Good Driving Surcharge</i>	\$0	(\$200,00)	0.0
In FY 2016, the Governor recommends \$400,000, or a decrease of \$200,000 from the enacted budget, through revenues generated from a surcharge, per RIGL 31-41.1-7, on all dismissals based upon a good driving record. The downward revision is based on year-to-date collections for the new surcharge. The amount of the surcharge is deposited into the Rhode Island Highway Maintenance Account.			

These two funding mechanisms, which when combined, make up the state funded portion of the Intermodal Surface Transportation Fund. Expenditures from the two sources are as followed:

Expenditures:	Gas Tax Revenues	RI Highway Account	FTE
FY 2016			
<i>Department of Transportation – Non-Maintenance Functions</i>	\$3,344,857	\$0	0.0
The Governor's FY 2016 recommendation includes a total of \$11.5 million of available gasoline tax revenues for personnel and operational costs for the Department of Transportation's Central Management, Management and Budget, and Infrastructure-Engineering programs.			
<i>Information Technology Investment Strategy</i>	\$1,522,460	\$0	0.0
In FY 2016, the Governor recommends utilizing \$1.5 million in gasoline tax revenues for upgrades to the Department of Transportation's Financial Management System (FMS) and Project Management Portal (PMP) System. The Department's current Financial Management System's version is obsolete and will no longer be supported by Oracle, posing risks in the form of business downtime and economic hardships to the Department, contractors, and the public. The PMP system is a current application solution for addressing all phases of DOT Design and Construction projects, including Real Time Contract Bid Broadcasting. Upgrades to the existing software are considered necessary to achieve important new features of the system.			
<i>Department of Transportation – Maintenance Operations</i>	(\$30,624,449)	\$35,660,606	0.0
Under Article 21, the Rhode Island Department of Transportation will resume responsibility of payment of its general obligation bond debt service from gas tax revenues. Additionally, RIDOT also lost 3.5-cents of gasoline tax (\$15.0 million) to the Turnpike and Bridge Authority. As such, the Governor recommends			

Transportation

utilizing \$35.7 million in FY 2016 through the Rhode Island Highway Maintenance Account towards maintenance operations of the Department of Transportation to replace the loss of gas tax revenues to the Turnpike and Bridge Authority and increased debt service payments.			
<i>Highway Lighting – Electricity Costs</i>	\$2,618,529	\$0	0.0
The Governor recommends an increase of \$2.6 million from the FY 2015 enacted budget for highway lighting and electricity costs for a revised total of \$3.7 million in FY 2016. The revised recommendation is an increase of \$216,775 over actual FY 2014 costs. As noted, a portion of the highway lighting FY 2015 enacted budget allocation was shifted as a result of the 3.5-cent loss of gasoline tax the department experienced. The Governor’s FY 2016 recommendation seeks to adjust this allocation to appropriate levels.			
<i>Winter Maintenance Operations</i>	\$8,693,945	\$0	0.0
The Governor recommends an increase of \$8.7 million from the FY 2015 enacted winter maintenance budget for a revised total of \$17.1 million. Costs include private vendors conducting snow plowing operations, materials such as liquid deicers, sand and salt, and vehicle repairs, maintenance, and fuel costs incurred during winter storm operations. The revised recommendation is an increase of \$382,134 over actual FY 2014 actual costs. As noted, a portion of the winter maintenance FY 2015 enacted budget allocation was shifted as a result of the 3.5-cent loss of gasoline tax the department experienced. The Governor’s FY 2016 recommendation seeks to adjust this allocation to appropriate levels.			
<i>Highway Drainage Program</i>	\$0	\$3,661,421	
In FY 2016, the Governor recommends \$3.7 million as a dedicated source of funds from the Rhode Island Highway Maintenance account to implement a state-funded Highway Drainage Program. As mandated by the U.S. Environmental Protection Agency under the Municipal Separate Storm Sewer Systems permit, RIDOT must annually inspect and clean the state’s 25,000+ catch basins as needed. The department is not in compliance with the permit and has since been instructed by the U.S. Department of Justice that the state must commit funding to this project over the long-term. The department estimates that the program would require \$80.0 million over ten-years to clean and inspect all catch basins and associated closed drainage systems. Once the initial inspections and repairs are made, inspection and cleaning costs would average \$2.0 million annually.			

Operating assistance to the Rhode Island Public Transit Authority will be financed from a 9.25-cent allocation of the gasoline tax, as well as an additional 0.5 of the 1.0-cent Underground Storage Tank fee. Beginning in FY 2016, RIPTA will also receive five-percent of all available proceeds in the Rhode Island Highway Maintenance Account.

RIPTA: FY 2016	Gas Tax Revenue	RI Highway Account	FTE
<i>Operating Transfer to RIPTA</i>	\$783,919	\$0	0.0
In FY 2016, the Governor recommends an operating transfer of \$41.7 million to RIPTA for operating assistance, which is an increase of \$783,919 from the FY 2015 enacted budget.			
<i>Operating Transfer to RIPTA – 5% Allocation</i>	\$0	\$2,069,580	
Article 21 amended RIGL 39-18.1-5 by requiring that, beginning in FY 2016 and each year thereafter, the Rhode Island Public Transit Authority receive a transfer of five-percent of available proceeds in the Rhode Island Highway Maintenance Account for operating expenditures. Based on an estimated total of \$41.4 million expected to be deposited into the Highway Maintenance Account in FY 2016, RIPTA is scheduled			

Transportation

to receive \$2.0 million of total available revenues.

Operating assistance to the Rhode Island Turnpike and Bridge Authority will be financed from a 3.5-cent allocation of the gasoline tax.

Turnpike and Bridge Authority: FY 2016	Gas Tax Revenue	RI Highway Account	FTE
<i>Operating Transfer to Turnpike and Bridge Authority</i>	\$281,407	\$0	0.0
In FY 2016, the Governor recommends an operating transfer of \$15.0 million to the Turnpike and Bridge Authority for operating assistance, which is an increase of \$281,407 from the FY 2015 enacted budget.			

The FY 2016 recommendation continues paying debt service owed on the GARVEE bonds. The remaining costs were provided through Motor Vehicle Tax Revenue Bonds. These bonds are financed through a 2.0-cent dedication of the Department's gasoline tax allocation. The projects financed under this program were the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, the Freight Rail Improvement Program and Quonset Rt. 403 construction.

GARVEE Program – Debt Service: FY 2016	Gas Tax Revenue	All Funds	FTE
<i>Federal Highway Administration Pledge to Trustee</i>	\$0	\$4,258,524	0.0
The debt service on the GARVEE bonds to be paid through the FHWA allocation is \$52.6 million in FY 2016 and is reflected in the Department's operating budget as a Federal fund source.			
<i>Operating Transfer – Motor Fuel Tax Revenue Bonds</i>	\$160,804	\$0	0.0
The gas-tax funded debt service on the Motor Fuel Tax revenue bonds totals \$8.5 million in FY 2016, which is paid using 2.0-cents of total gas tax revenues.			

In October 2014, a major refunding and restructuring of transportation debt was completed that will greatly help level payments over time, eliminating the "spikes" that have caused additional pressure on the shrinking gas tax revenues for the Department of Transportation.

General Obligation Bonds – Debt Service: FY 2016	Gas Tax Revenue	All Funds	FTE
<i>Department of Transportation Debt Service</i>	\$19,182,675	(\$67,325)	0.0
Adjustments to the total gasoline tax appropriation for the Department of Transportation include projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs of \$46.0 million for DOT. In addition, the department receives \$1.9 million through the Build America Bond rebates that will be used to reduce the amount of gasoline tax used for debt service. The increase of \$19.2 million in gasoline tax revenues towards debt service is due to the reversal of general revenue financing a portion of transportation debt service, which would have been \$19.3 million in FY 2015 had that plan continued. On an all funds basis, the total debt service RIDOT is responsible for paying in FY 2016 decreases by \$67,325 from the enacted level \$47.9 million.			
<i>RIPTA Debt Service</i>	\$0	\$0	0.0
Similar to FY 2015 and due to projected deficits at the Rhode Island Public Transit Authority, the Governor recommends that debt service on outstanding RIPTA general obligation bonds be funded with \$1.7 million of general revenue in FY 2016 to supplement gas tax revenue generally used for debt service. Based on adjustments to debt service payments, the state will be responsible for \$75,545 less than the			

Transportation

enacted level of \$1.8 million.

Through consolidation efforts over the years, the Department of Transportation finances employees through gas tax revenues, but whose costs are budgeted within the Department of Administration. A total of \$3.3 million represents financing of Human Resources, Purchasing, and Information Technology positions that have been consolidated within the Department of Administration for employees who work at the Department of Transportation.

Consolidation: FY 2016	Gas Tax Revenue	RI Highway Account	FTE
<i>Personnel Consolidation Transfers to DOA</i>	\$843,427	\$0	0.0
The Governor's FY 2016 Budget proposes consolidating construction, property and asset management functions in numerous departments within the Department of Administration. The consolidation supports efforts to provide greater oversight of capital projects, as well as to develop a more strategic approach to project planning and management, as well as asset management.			

In addition to the gasoline tax revenues and the Rhode Island Highway Maintenance Account generated revenues, the Department of Transportation's Highway Improvement Program (HIP) represents those Highway and Intermodal projects that utilize federal funds administered by the Federal Highway Administration. Other than federal grant funds, the HIP utilizes state funds for matching and non-matching purposes. To begin the elimination of general obligation bond financing for the Department of Transportation's federal highway match, the General Assembly appropriated \$20.0 million in FY 2013 and \$21.1 million in FY 2014. The trend to use Rhode Island Capital Plan Fund financing as a portion of the state match was accelerated in the FY 2015 enacted budget, which contained \$27.7 million of state match financing. The Governor's FY 2016 recommendation includes an additional \$20.0 million from the Rhode Island Capital Plan Fund for transportation projects that can be started in FY 2016. The increase provides a total of \$47.7 million in Rhode Island Capital Fund financing directed to the Highway Improvement Program.

As part of the FY 2015 enacted budget, Article 21 amended RIGL 39-18.1-4 entitled "Rhode Island Highway Maintenance Account Created" by including a three-year phased-in schedule where all remaining Department of Motor Vehicle (DMV) related fees that were not specifically transferred from the general fund to the Highway Maintenance Account in FY 2015, be deposited into the account beginning in FY 2016. RIGL 39-18.1-4 transfers 25.0% of all existing DMV fees to the Highway Maintenance Account as of July 1, 2015. To tackle the structural deficit consuming the state's general fund, the Governor recommends suspending the transfer of remaining DMV related fees, only for FY 2016, by amending RIGL 39-18.1-4(i), and replacing the lost revenues with additional Rhode Island Capital Plan Fund financing in FY 2016. The Governor's transportation infrastructure financing plan will provide the Department of Transportation with \$6.8 million in new funds in FY 2016, while continuing to phase-in the remaining DMV related fees as planned in FY 2017 of 75.0% and in FY 2018 of 100.0%.

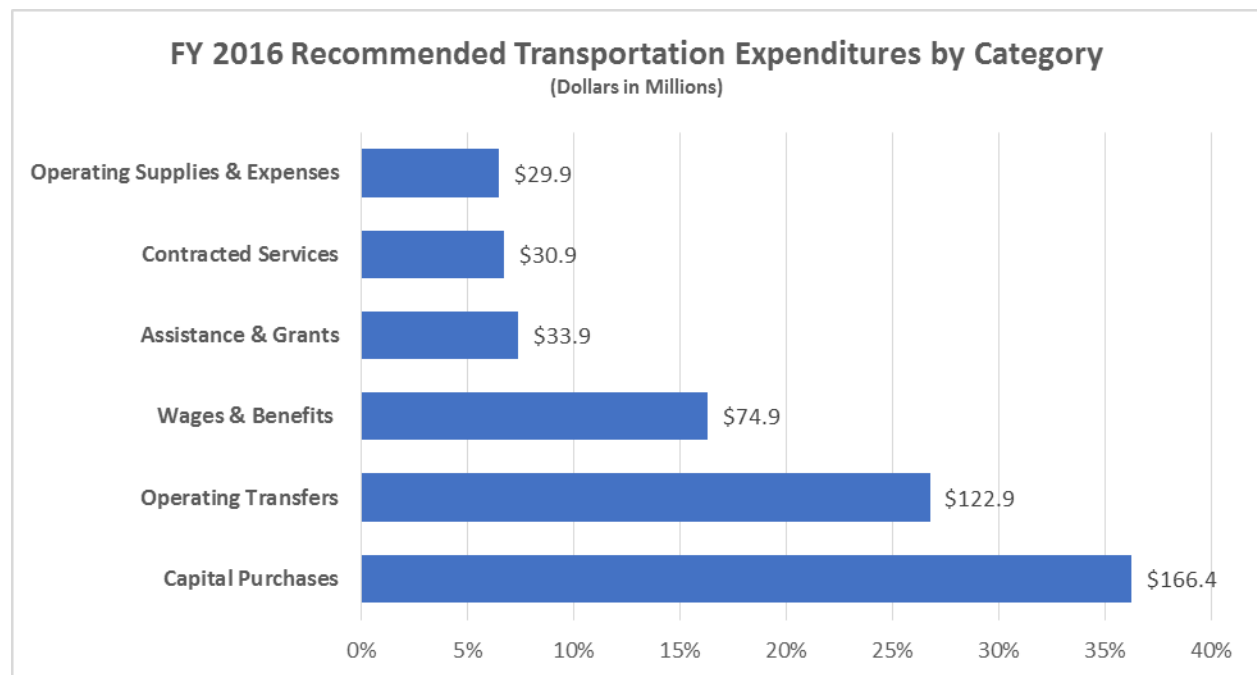
Transportation

The following table represents revised revenue estimates for the various fess and surcharges that will be deposited into the Rhode Island Highway Maintenance Account, to be utilized by the Department of Transportation for both department-wide operations and for transportation infrastructure projects to go along with financing from the Rhode Island Capital Plan Fund:

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Enacted	Recommend	Estimate	Estimate	Estimate	Estimate
Rhode Island Capital Plan Fund						
Highway Improvement Program - RICAP Fund Financing	\$27,650,000	\$47,650,000	\$27,200,000	\$27,200,000	\$27,200,000	\$27,200,000
Rhode Island Highway Maintenance Account						
<i>Surcharge & Fees</i>						
Inspection Sticker (Increase from \$39 - \$55)	\$4,800,000	\$5,919,536	\$6,009,600	\$6,073,312	\$6,150,112	\$6,243,616
Good Driving Surcharge (Increase of \$25)	\$600,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
License and Vehicle Registration Fees	\$11,352,760	\$16,826,371	\$16,826,371	\$16,826,371	\$16,826,371	\$16,826,371
Subtotal	\$16,752,760	\$23,145,907	\$23,235,971	\$23,299,683	\$23,376,483	\$23,469,987
<i>Existing General Revenue Transfers</i>						
Motor Vehicle Registration and License (Shift from General Fund)	\$0	\$0	\$39,290,733	\$50,326,472	\$49,667,157	\$49,307,786
Inspection Sticker (Shift from General Fund)	\$5,704,800	\$5,919,536	\$6,009,600	\$6,073,312	\$6,150,112	\$6,243,616
Motor Vehicle Title (Shift from General Fund)	\$9,034,844	\$9,310,812	\$8,849,294	\$8,356,766	\$8,301,377	\$8,426,212
Rental Car Surcharge (Shift from General Fund)	\$2,800,000	\$3,015,352	\$3,151,224	\$3,166,910	\$3,124,158	\$3,079,627
Subtotal	\$17,539,644	\$18,245,700	\$57,300,851	\$67,923,460	\$67,242,804	\$67,057,241
Total - Rhode Island Highway Maintenance Account	\$34,292,404	\$41,391,607	\$80,536,822	\$91,223,143	\$90,619,287	\$90,527,228

For the Department of Transportation, the Governor recommends 752.6 FTE positions, the same level authorized in the enacted FY 2015 Budget.

The following chart illustrates departmental expenditures on an all funds basis by category of expenditure for FY 2016.



Transportation

The capital category of expenditure represents 36.3 percent of the total department budget. Capital consists primarily of Federal highway dollars located within the Engineering program for infrastructure construction costs. Available funding drives the projections for the Department of Transportation.

A total of 23.0 percent represents personnel costs of the department, which includes contract services. Initiated in FY 2008, the department's Federal indirect cost recovery plan allows a portion of personnel, as well as contract services and operating costs to be eligible for federal reimbursement. The category of operating transfers represents 26.8 percent of all funds total spending for DOT, which includes the pass-through of gasoline tax, Rhode Island Highway Maintenance Account fund revenues, and underground storage tank fund revenues for RIPTA, gasoline tax revenues for the Turnpike and Bridge Authority, and for debt service payments for the GARVEE bonds through an operating transfer of federal highway funds.

The operating category represents 6.5 percent of all funds total spending for the department, 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 category.

Assistance, grants, and benefits represent 7.4 percent of the FY 2016 Budget and consist primarily of Federal Highway Administration and Federal Transit Administration grant funds.

