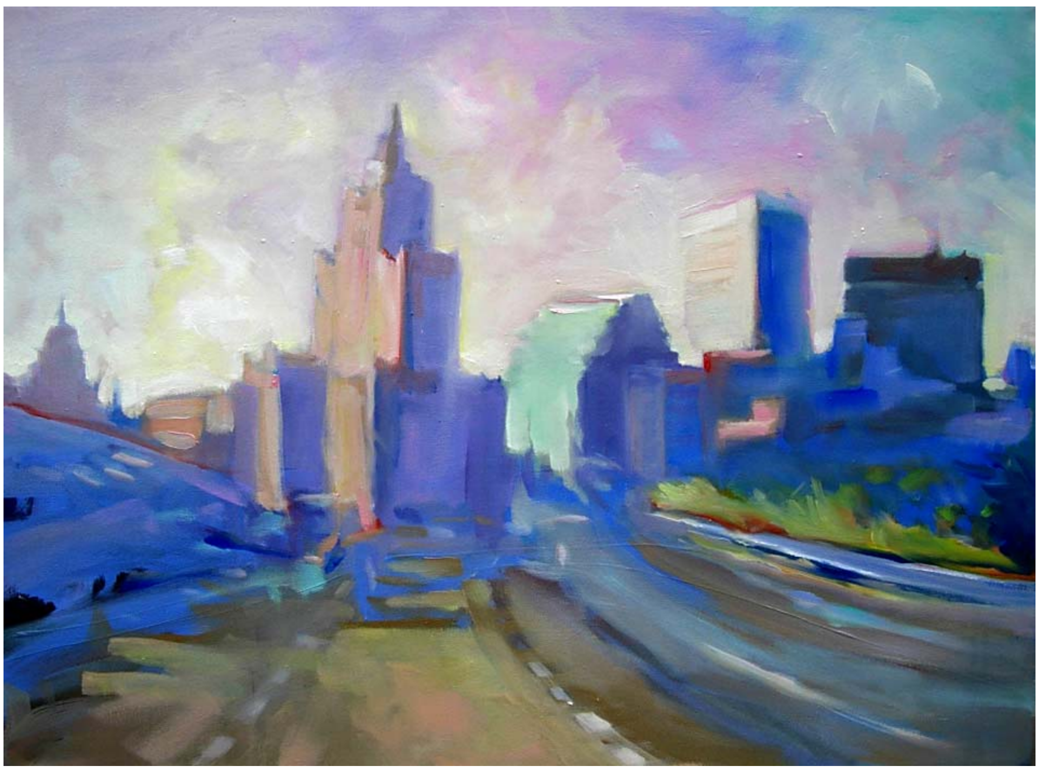
State of Rhode Island and Providence Plantations

# Executive Summary



# Fiscal Year 2009

Donald L. Carcieri, Governor

# 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, the state 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 2008, the Intermodal Surface Transportation Fund (ISTF) is supported by 29.0 of the state'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 and Advocacy (DEAA).

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 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.

**Current Law Gasoline Tax Allocation (in cents)**

| Recipient | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|
| **DOT** | **20.5** | **20.75** | **20.75** | **20.75** | **20.75** | **20.75** | **20.75** |
| **RIPTA** | **6.25** | **6.55*** | **6.25** | **7.25** | **7.25** | **7.25** | **7.25** |
| **General Fund** | **2.25** | **1.70*** | **2.0** | **1.0** | **1.0** | **1.0** | **1.0** |
| **DEA** | **1.0** | **1.0** | **1.0** | **1.0** | **1.0** | **1.0** | **1.0** |
| **Total:** | **30.0** | **30.0** | **30.0** | **30.0** | **30.0** | **30.0** | **30.0** |

*****_Average rate for year._

# Transportation

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 new 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 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.

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 to this infrastructure initiative. The State has issued a second series of both the GARVEE and Motor Fuel Bonds program in 2006 and is planning the issuance of a third series in 2009. 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 2008 and FY 2009, to be paid through the FHWA allocation, is $44.2 million and is reflected in the DOT'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 $7.0 million in FY 2008 and FY 2009. Unlike general obligation debt service costs that are budgeted in the Department of Administration, these debt service payments are reflected in the DOT operating budget.

# Transportation

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of $33.3 million in FY 2008 and $33.2 million in FY 2009 to the Rhode Island Public Transit Authority will be financed from a 7.25-cent allocation of the gasoline tax. Not recorded in the DOT budget, but presented in the RIPTA FY 2008 and FY 2009 financial plans is RIPTA's estimate of $14.1 million in enhanced funding from Department of Human Services accounts for Medicaid client transit passes. Another cent of the gasoline tax not included in the Department of Transportation budget supports the efforts of the Department of Elderly Affairs and Advocacy 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 2008 budget for DOT totals $349.5 million including $239.4 million in federal funds, $108.6 million in other funds, and $1.4 million in restricted receipts. This represents a $24.6 million decrease in all funds from the FY 2008 enacted budget. Federal funds decrease a total of $35.3 million while restricted receipts increase $782,874 from the enacted budget. Other funds for the DOT increase a total of $9.9 million from the enacted budget. The other funds total includes gasoline tax expenditures for the DOT, RIPTA, and GARVEE/Motor Fuel Revenue Bonds, as well as RICAP appropriations, land sale proceeds, nonland surplus property revenues, and other miscellaneous receipts.

The revised FY 2008 budget for the ISTEA fund is $140.6 million, which represents the revised gasoline tax yield estimate of $4,685,000 per cent as well as a carry forward from FY 2007 totaling $2.9 million. Gasoline tax funds within the Department of Transportation total $93.6 million, $50.9 is recommended for the operations of the DOT, $33.3 is the operating transfer to finance RIPTA, and $9.4 million is associated with the GARVEE/Motor Fuel Revenue Bonds program. Gasoline tax funds within the Department increase $1.2 million from the enacted budget. The increase is primarily a result of the carry forward surplus from FY 2007. There were no revisions to the gasoline tax estimate compared to the FY 2008 enacted 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 $33.6 million for DOT and $675,238 for RIPTA. The debt service adjustment to the DOT represents an increase of $1.9 million from the enacted budget. A total of $1.9 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 an increase of $750,240 from the FY 2008 enacted budget and is partially a result of the transfer of 3.0 Legal Services positions to the Department of Administration as part of the consolidation effort. The reduction also reflects the correct state matching proportion of the personnel costs based upon current year federal highway funding levels. The revised FY 2008 budget also takes into account a $2.9 million carry forward surplus from FY 2007. The Governor recommends a $4.3 million balance forecast for the end of FY 2008 to be carried forward into FY 2009 in order to finance a $6.0 million increase in debt service costs.

A total recommendation of $3.2 million from RICAP funds finances the Pawtucket-Central Falls Train Station Study, RIPTA Elmwood Expansion Project, the Cherry Hill/Lincoln Project, and Maintenance Facility improvements, which is consistent with the enacted budget.

Other funds increases also include essentially an additional $7.3 million from the sale of land associated with the I-195 relocation project and a total of $335,000 from the FCC's sale of the path between two towers used as a backup signal transponder for the analog system. DOT has opted to utilize the revenue to outfit Division of Maintenance and other select vehicles with digital radio sets which allows the DOT to join the RISCON system.

# Transportation

Federal funds decrease a total of $35.3 million from the enacted budget. The decrease is primarily due to a decrease of 30.8 million in Federal Highway Administration funds and 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 $44.2 million in the revised FY 2008 budget. The revised FY 2008 budget also includes a total of $9.8 million related to personnel costs associated with the GARVEE program and general obligation bonds within the federal fund category. Federal transit grants total $14.4 million, a decrease of $8.9 million over the enacted budget primarily for the Fixed Guideway (Commuter Rail) project. A total of $17.8 million is recommended for National Highway Safety Administration grants, which represents an increase of $621,162 from the enacted FY 2008 budget.

Beginning in FY 2008 the Department has instituted a new Central Services Cost Allocation Plan which will allow the Department to maximize federal reimbursement of overhead costs through an indirect cost rate to be applied to direct labor charges charged to projects. Eligible charges are those that advance DOT's federal programs and projects.

Restricted receipts increase by $782,874 million from the enacted budget and total $1.4 million in the revised FY 2008 budget.

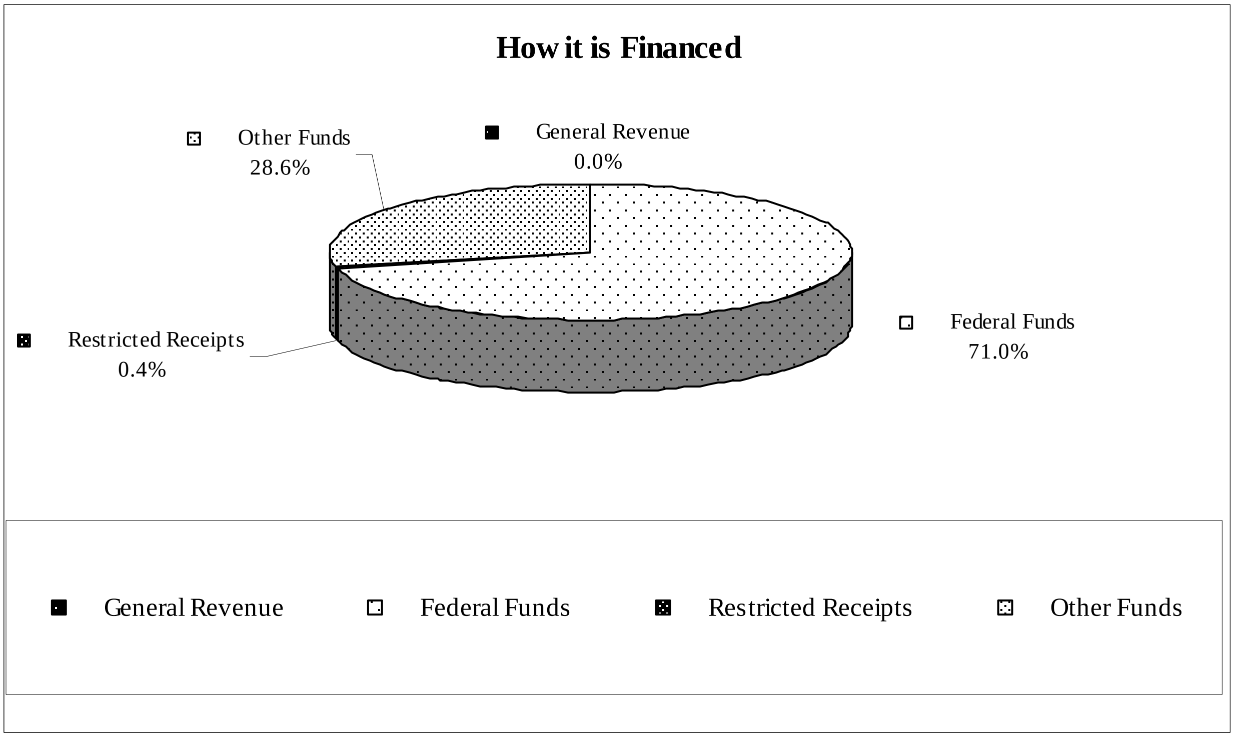
For the Department of Transportation the Governor recommends 733.2 FTE positions for FY 2008. This is a decrease of 40.5 FTEs from the enacted budget due to the elimination of 37.4 FTE positions vacant as of September 2007, and transfer of three legal positions to the Department of Administration.

In FY 2009, recommended expenditures from all sources for transportation activities total $370.8 million, a decrease of $3.4 million from the FY 2008 enacted budget.

The following chart illustrates departmental expenditures by source of financing for FY 2009.

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

# Transportation




The other funds source represents 28.6 percent of the FY 2009 budget for the Department, or $105.9 million. This represents an increase of $7.1 million from the FY 2008 enacted budget, including a decrease of $911,028 in gasoline tax funds for operating costs in order to appropriate additional funds towards increased debt service costs in FY 2009. Other funds is comprised of total gasoline tax expenditures of $93.6 million, of which $50.9 million represents the Department of Transportation budget, $33.3 million is budgeted for RIPTA's allocation of the gasoline tax and $9.4 million is budgeted for the Motor Fuel Bond allocation of the gasoline tax.

The budget for the ISTEA fund in FY 2009 is $140.6 million, which represents a gasoline tax yield estimate of $4,685,000 per cent. The total gasoline tax budget within the DOT represents a reduction of $916,004 from the FY 2008 enacted budget. Included in the FY 2009 gasoline tax budget for the DOT is a general obligation bond debt service payment of $41.5 million, an increase of $6.0 million from the FY 2008 enacted budget. The RIPTA portion of the debt service payment in the Department of Administration totals $765,484, an increase of $4,976 from the FY 2008 enacted budget. A total of $1.9 million represents reductions to the DOT'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 is an increase of $759,268 from the FY 2008 enacted budget. The FY 2008 enacted budget also takes into account a $4.3 million carry forward surplus budgeted from FY 2008. The Governor recommends budgeting a carry forward in order to supplement the Department's FY 2009 budget for increased debt service costs.

The recommendation includes RICAP expenditures totaling $6.2 million of which $2.8 million is for RIPTA Land and Buildings Elmwood Expansion project, $190,400 is for Paratransit Vehicles, $20,000 is for the Pawtucket – Central Falls Train Station Study, $750,000 is for the Cherry Hill/Lincoln Facility project, $862,000 is for the East Providence Facility project, $1.4 million is for the Salt Storage Facilities project and $1.5 million is recommended for outfitting of fire alarm systems for various maintenance facilities to comply with new fire code regulations.

A total of $2.0 million in other funds is from estimated land sale revenues. An additional $3.6 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 $1.3 million for the State Infrastructure Bank account, and $279,323 for outdoor advertising and nonland surplus property collections for the budget year.

The Department estimates 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 has developed a fee schedule for this work which it plans to implement in April 2008. There is no state law governing this DOT work or associated fees and departmental procedure governs this service. This revenue source has been recommended to supplement 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. Unlike other states with such programs, the DOT currently does not charge any fee 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 quality for federal reimbursement.

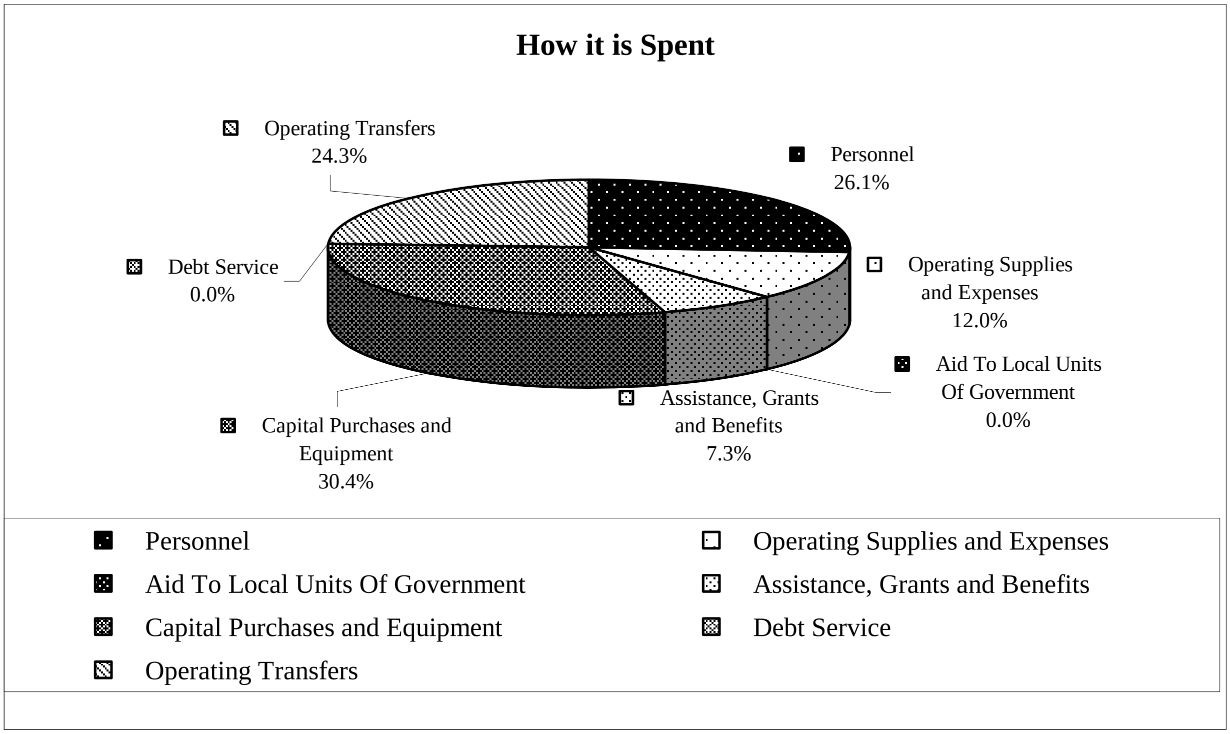
The total budget for federal grants for the department represents 71.0 percent of the budget, or $263.4 million, of which $169.2 million is federal highway funds, a total of $44.2 is GARVEE debt service payments from federal highway funds, $4.8 million has been budgeted to account for personnel costs transferred to the GARVEE construction program, and $5.6 million represents personnel costs allocated to general obligation bonds. Other federal grants for the Department are comprised of a total of $15.4 million in Federal Transit funds and $17.4 million in National Highway Safety funds. Federal transit funds decrease by $7.9 million in FY 2009 primarily for the acceleration of the Fixed Guideway (Commuter Rail) project. National Highway Safety funds increase by $204,826 over the FY 2008 enacted budget.

Restricted receipts represent 0.4 percent of the total budget or $1.4 million. Restricted receipts increase $785,412 from the FY 2008 enacted budget.

For FY 2009 the Governor recommends 729.2 FTE positions for the Department of Transportation, which represents a 44.5 position decrease from the FY 2008 enacted budget and a four FTE elimination from the FY 2008 revised budget. The positions are located within the Infrastructure Engineering Division.

The following chart illustrates departmental expenditures on an all funds basis by category of expenditure for FY 2009.

# Transportation




The capital category of expenditure represents 30.4 percent of the total DOT budget. Capital consists primarily of federal highway dollars located within the Engineering program for infrastructure construction costs. Included in the Engineering program is $5.6 million in estimated revenue from the sale and/or lease of DOT 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 26.1 percent represents personnel costs of the DOT. 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 $18.5 million of personnel costs are located within the Maintenance program where the source of funding is the gasoline tax.

RIPTA's portion of the state gasoline tax net of debt service costs, as well as the two cents allocated to the GARVEE/Motor Fuel revenue bonds are also appropriated within the Engineering program and represent 48.1 percent of the operating transfer category. A total of 49.1 percent of the operating transfer category represents GARVEE debt service.

The operating category represents 12.0 percent of all funds total spending for the DOT with 43.4 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 7.3 percent of the FY 2009 budget and represent primarily $18.3 million in National Highway Transportation Safety Administration federal grant funds.