

State of Rhode Island and Providence Plantations

Budget



Fiscal Year 2017

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 2016, the Intermodal Surface Transportation Fund is supported by 33.5-cents of Rhode Island's 34.0-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 2016 and FY 2017. 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.

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	Current Law Gasoline Tax Allocation (in cents)						
	Fiscal Year						
<u>Recipient</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
DOT	21.75 ³	21.75	21.75	21.75	18.25 ⁶	19.25 ⁷	19.25
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	3.5	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	34.0	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.

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- Raised 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) is 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 is 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 beginning in FY 2016.

While the passage of Article 21 was an important step to creating a state-funded program for transportation infrastructure and transit, during the 2015 General Assembly session, RIDOT and the Governor's Administration put forward the RhodeWorks proposal, which is a \$4.7 billion program funding Rhode Island's transportation infrastructure needs for the next decade. The program represents a \$900 million increase over the baseline program. Sources include \$500 million in new bond proceeds from a truck-toll backed revenue bond and \$400 million in additional federal discretionary funding from the Federal Transit Administration (FTA). Additionally, the Department has proposed refinancing existing GARVEE debt to shift payments into the future and make \$120 million in federal funds more immediately available (years 1 through 4 of the proposed program). The focus of the program is the reduction of the number of structurally deficient bridges in Rhode Island, from 22% in 2014 to 10% in 2025. Please note the RhodeWorks project is primarily found in the Department's Capital Improvement Plan request, found in the Highway Improvement Program and the 6/10 Reconstruction project, but is touched on within the operating budget analysis.

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.

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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.

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 short-term. After years of short-term fixes, on December 4, 2015, the President signed into law the Fixing America's Surface Transportation (FAST) Act that authorizes Federal highway, highway safety, transit, and rail programs for five-years from Federal fiscal year 2016 through 2020. The FAST Act represents the first long-term comprehensive surface transportation legislation since the SAFETEA-LU Act in 2005. The FAST Act provides a moderate increase in funding compared to MAP-21, adjusting for inflation, while continuing to distribute the Federal-aid Highway program contract authority to State departments of transportation through formula programs. Per the FAST Act, Rhode Island stands to receive an additional \$100.0 million in Federal-aid Highway funding over the next five-years.

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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. Rhode Island's current TIP, developed in 2012 and covered the four-year period from FY 2013 – FY 2016, expires on September 30, 2016

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.

In an effort to improve project planning and delivery, the Governor and her administration has proposed the adoption of a ten-year TIP, with updates and re-adoption of the TIP every year, instead of every four-years. This approach increases the frequency of public participation in transportation planning process, and allows transportation agencies throughout the state to more accurately plan their work. In order to facilitate the adoption of a ten-year TIP, the Rhode Island Department of Transportation has developed a ten-year plan, detailing proposed funding allocation for both categories of funding and specific projects for the ten-year period from Federal Fiscal Year 2016 – FFY 2025. The plan presents the projects and programs that would be funded with the resources provided by the proposed RhodeWorks initiative. The plan provides more funding for bridges, pavement, transit and transportation alternatives when compared to the existing funding option.

DEPARTMENT OF TRANSPORTATION

Source Of Funds	FY 2014 Actuals	FY 2015 Actuals	FY 2016 Enacted	FY 2016 Revised	FY 2017 Recommended
General Revenue	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$284,457,818	\$267,656,266	\$263,615,422	\$274,256,147	\$272,409,980
Restricted Receipts	\$7,202,773	\$2,411,276	\$1,000,000	\$159,506	\$180,219
Other Funds	\$98,353,122	\$122,893,604	\$159,901,056	\$161,454,726	\$173,024,202
RI Capital Plan Fund	\$11,465,302	\$22,679,324	\$39,300,000	\$46,988,530	\$33,843,444
Total Funding	\$401,479,015	\$415,640,470	\$463,816,478	\$482,858,909	\$479,457,845
FTE Authorization	752.6	752.6	752.6	752.0	741.0

FY 2016 Revised Budget

The Governor recommends revised FY 2016 appropriations of \$482.9 million for the Department of Transportation, including \$274.3 million from federal funds, \$161.5 million from other funds, \$47.0 million from the Rhode Island Capital Plan Fund, and \$159,506 in restricted receipts. Relative to FY 2016 enacted

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levels, recommended federal funds increase by \$10.6 million, Rhode Island Capital Plan Fund financing increases by \$7.7 million, while restricted receipts decrease by \$840,494 from the enacted budget. Other funds for Transportation increase by a total of \$1.6 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 Rhode Island Highway Maintenance Account funds, 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 2016 is \$153.4 million, which represents the revised per penny gasoline tax yield estimate of \$4,367,305, as well as a positive carry forward from FY 2015 of \$7.1 million, the majority of which is 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 2015, and an additional \$2.2 million from 0.5-cent of the 1.0-cent Underground Storage Tank fee.

The revised estimated receipts for the Rhode Island Highway Maintenance Account portion of the Intermodal Surface Transportation Fund in FY 2016 are \$59.1 million, which represents an increase of \$4.7 million from the FY 2016 enacted budget, primarily from a positive carry forward from FY 2015 of \$3.6 million.

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.

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. On an all funds basis, the total debt service RIDOT is responsible for paying in FY 2016 remained at the enacted level of \$47.9 million as there was no change in the debt service schedule.

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 2016 to supplement gas tax revenue previously used for debt service, consistent with the enacted budget.

Central Management

Within the Central Management program, the Governor recommends revised FY 2016 appropriations of \$12.6 million, including \$8.9 million from federal funds and \$3.8 million from gas tax revenues. Relative to FY 2016 enacted levels, recommended federal financing increases by \$312,846, while gas tax revenue financing increases by \$1.6 million, attributable to the following adjustments:

- *Contracted Professional Services.* As part of the RhodeWorks proposal, the Governor's recommendation includes \$100,000 for public relation services, \$300,000 for engineering services, and an additional \$450,000 for legal services, all of which would utilize gas tax revenues.

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- *Statewide Transportation Study.* The Governor includes \$350,000 from gas tax revenues for a statewide transportation study. The study will develop recommendations on the restructuring of the Department of Transportation internal procedures to include the administering of project management, reorganizing Department policies, and modifications to current personnel assignments as related to performing the Department's responsibilities to the State as efficiently as possible.

Management and Budget

Within the Management and Budget program, the Governor recommends revised FY 2016 appropriations of \$3.7 million, entirely from gas tax revenues. Relative to FY 2016 enacted levels, recommended gas tax revenues decrease by \$835,167.

Infrastructure-Engineering

Within the Infrastructure-Engineering program, the Governor recommends revised FY 2016 appropriations of \$384.2 million, including \$265.4 million from federal funds, \$72.5 million from gas tax revenues, \$43.6 million from the Rhode Island Capital Plan Fund, \$2.5 million from other funds, and \$159,506 in restricted receipts. Relative to FY 2016 enacted levels, recommended federal financing increases by \$10.3 million, gas tax revenues decrease by \$1.3 million, Rhode Island Capital Plan Funds increase by \$8.8 million, other funds decrease by \$8.3 million, and restricted receipt funds decrease by \$840,494, attributable to the following adjustments:

- *Highway Improvement Program – Rhode Island Capital Plan Fund Financing.* 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 and even more so in the FY 2016 enacted budget, which contained \$34.7 million of state match financing. Based on unspent carry forward Rhode Island Capital Plan Fund financing in FY 2015, \$8.8 million will also be available in FY 2016 and is reflected in the Governor's FY 2016 recommendation.
- *Operating Transfer to RIPTA.* 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. The Governor recommends an operating transfer of \$42.6 million to RIPTA for operating assistance, which is a decrease of \$596,437 from the FY 2016 enacted budget based on revised estimates to the per penny gas tax yield.
- *Operating Transfer to Rhode Island Turnpike and Bridge Authority.* 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

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Assembly transfers 3.5-cents of the gasoline tax to the Turnpike and Bridge Authority beginning in FY 2015. The Governor recommends an operating transfer of \$15.5 million to the Turnpike and Bridge Authority for operating assistance, which is a decrease of \$214,105 from the FY 2016 enacted budget based on revised estimates to the per penny gas tax yield.

- *Federal Highway Administration Pledge to Trustee.* 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). 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. The RhodeWorks supported ten-year plan includes a proposal to refinance GARVEE debt to shift payments into the future and make \$120 million in federal funds more immediately available. As such, the Governor's budget reflects the refinancing of the GARVEE bonds. In terms of the operating budget, this reflects a significant decrease as compared to the enacted budget in terms of the GARVEE debt service. In typical years, the Department has committed roughly \$50.0 million in federal highway funds be used to pay the debt service. The Governor's revised FY 2016 budget recommendation includes freeing up an additional \$40.3 million through GARVEE debt refinancing. The focus of the program is the reduction of the number of structurally deficient bridges in Rhode Island, from 22% in 2014 to 10% in 2025. The debt service on the GARVEE bonds to be paid through the FHWA allocation is \$12.3 million in FY 2016 and is reflected in the Department's operating budget as a Federal fund source.
- *Operating Transfer – Motor Fuel Tax Revenue Bonds.* The gas tax funded debt service on the Motor Fuel Tax revenue bonds totals \$8.7 million in FY 2016, which is paid using 2.0-cents of total gas tax revenues.

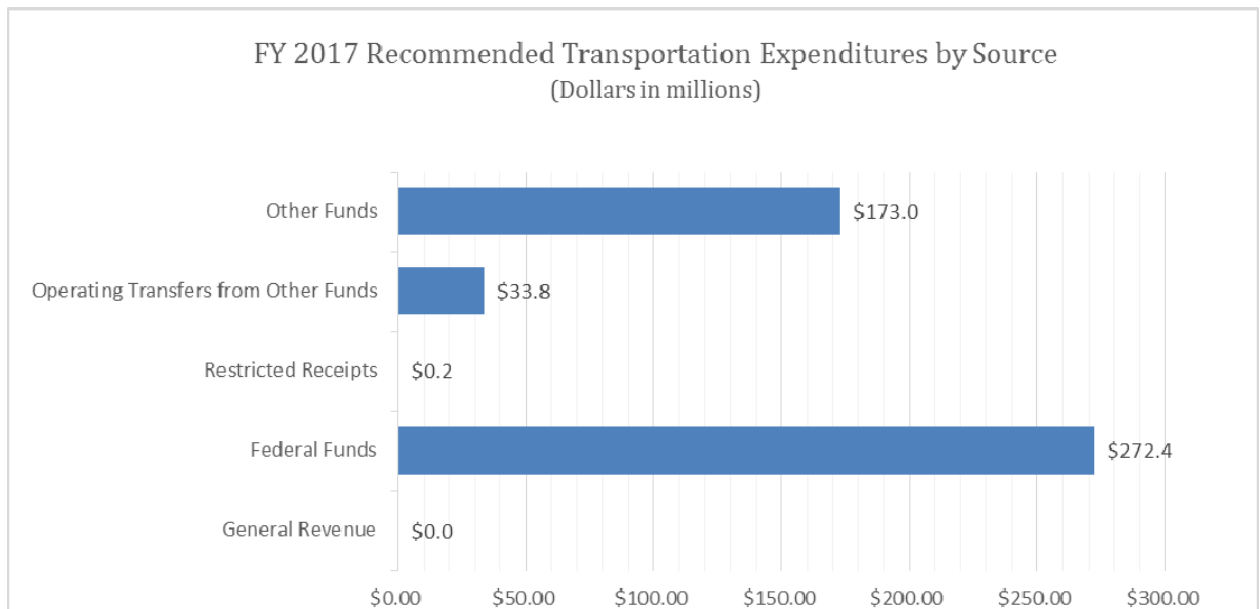
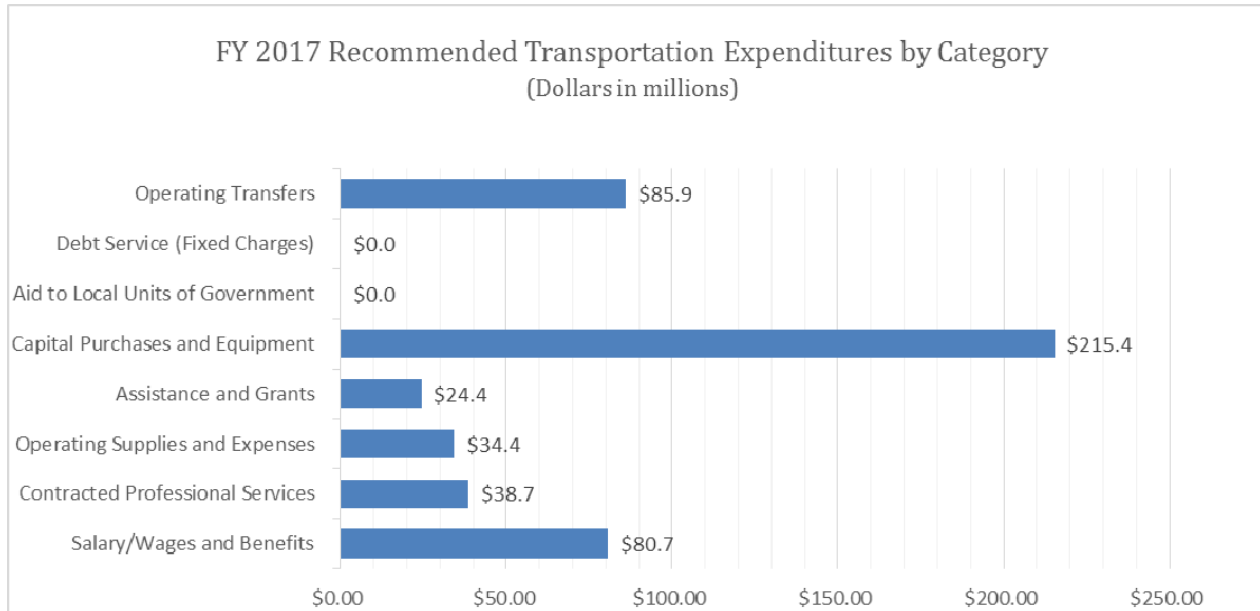
Infrastructure-Maintenance

Within the Infrastructure-Maintenance program, the Governor recommends revised FY 2016 appropriations of \$82.3 million, including \$59.1 million from the Rhode Island Highway Maintenance Account, \$19.8 million from gas tax revenues, \$3.4 million from the Rhode Island Capital Plan Fund, and \$110,000 from other funds. Relative to FY 2016 enacted levels, recommended Rhode Island Highway Maintenance Account revenues increase by \$4.7 million, gas tax revenues increase by \$5.7 million, Rhode Island Capital Plan Fund financing decreases by \$1.1 million, while other funds remain at the enacted level, attributable to the following adjustments:

- *Winter Maintenance Operations.* The Governor recommends an increase of \$3.5 million from the FY 2016 enacted winter maintenance budget for a revised total of \$20.6 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.
- *Operating Transfer to RIPTA – 5% Allocation.* 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

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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 \$55.4 million expected to be deposited into the Highway Maintenance Account in FY 2016, RIPTA is scheduled to receive \$2.8 million of total available revenues.



FY 2017 Recommended Budget

The Governor recommends FY 2017 appropriations of \$479.5 million for the Department of Transportation, including \$272.4 million from federal funds, \$173.0 million from other funds, \$33.8 million from the Rhode Island Capital Plan Fund, and \$180,219 in restricted receipts. Relative to FY 2016 enacted levels,

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recommended federal funds increase by \$8.8 million, Rhode Island Capital Plan Fund financing decreases by \$5.5 million, while restricted receipts decrease by \$819,781 from the enacted budget. Other funds for Transportation increase by a total of \$13.1 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 Rhode Island Highway Maintenance Account funds, land sale proceeds, non-land surplus property revenues and other miscellaneous receipts.

The total estimated receipts for the gasoline tax portion of the Intermodal Surface Transportation Fund in FY 2017 are \$145.1 million, which represents a gasoline tax yield estimate of \$4,332,792 per penny of the gasoline tax. The total estimated receipts for the Rhode Island Highway Maintenance Account portion of the Intermodal Surface Transportation Fund in FY 2016 are \$79.8 million, which represents an increase of \$25.4 million from the FY 2016 enacted budget. Rhode Island General Law 39-18.1-4 transfers 75.0% of all existing DMV fees to the Highway Maintenance Account as of July 1, 2016. In FY 2016, the transfer amount was 25.0%, as Article 21 included a three-year phase in schedule of all remaining DMV related fees. Beginning in FY 2018, 100.0% of all remaining DMV related fees will be transferred to the Highway Maintenance Account.

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. 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 \$45.9 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. On an all funds basis, the total debt service RIDOT is responsible for paying in FY 2016 decreases by \$68,461 from the enacted level \$47.9 million.

Similar to FY 2016 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 \$1.8 million of general revenue in FY 2017 to supplement gas tax revenue generally used for debt service. Based on adjustments to debt service payments, the state will be responsible for \$94,009 more than the enacted level of \$1.7 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 \$2.9 million represents financing of Human Resources, Purchasing, Information Technology positions, along with a Civil Rights Administrator position that have been consolidated within the Department of Administration (DOA) for employees who work at the Department of Transportation. The Governor’s FY 2017 Budget includes an additional \$421,999 by 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. Lastly, the Governor’s Budget includes \$302,948 by consolidating audit functions in numerous departments within the Department of Administration.

Central Management

Within the Central Management program, the Governor recommends FY 2017 appropriations of \$9.2 million, including \$6.6 million from federal funds and \$2.6 million from gas tax revenues. Relative to FY 2016 enacted levels, recommended federal financing decreases by \$1.9 million, while gas tax revenue financing increases by \$411,705.

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Management and Budget

Within the Management and Budget program, the Governor recommends FY 2017 appropriations of \$3.0 million, entirely from gas tax revenues. Relative to FY 2016 enacted levels, recommended gas tax revenues decrease by \$1.5 million.

Infrastructure-Engineering

Within the Infrastructure-Engineering program, the Governor recommends FY 2017 appropriations of \$367.9 million, including \$265.8 million from federal funds, \$72.1 million from gas tax revenues, \$27.3 million from the Rhode Island Capital Plan Fund, \$2.5 million from other funds, and \$180,219 in restricted receipts. Relative to FY 2016 enacted levels, recommended federal financing increases by \$10.7 million, gas tax revenues decrease by \$1.7 million, Rhode Island Capital Plan Funds decrease by \$7.5 million, other funds decrease by \$8.3 million, and restricted receipt funds decrease by \$819,781, attributable to the following adjustments:

- *Highway Improvement Program – Rhode Island Capital Plan Fund Financing.* The Governor’s FY 2017 recommendation includes \$27.2 million from the Rhode Island Capital Plan Fund for transportation projects that can be started in FY 2017 and directed to the Highway Improvement Program.
- *Operating Transfer to RIPTA:* 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. In FY 2017, the Governor recommends an operating transfer of \$42.2 million to RIPTA for operating assistance, which is a decrease of \$932,939 from the FY 2016 enacted budget.
- *Operating Transfer to Rhode Island Turnpike and Bridge Authority.* Operating assistance to the Rhode Island Turnpike and Bridge Authority will be financed from a 3.5-cent allocation of the gasoline tax. In FY 2017, the Governor recommends an operating transfer of \$15.2 million to the Turnpike and Bridge Authority for operating assistance, which is a decrease of \$334,901 from the FY 2016 enacted budget.
- *Federal Highway Administration Pledge to Trustee.* The FY 2017 recommendation continues the RhodeWorks supported ten-year plan proposal to refinance GARVEE debt to shift payments into the future and make \$120 million in federal funds more immediately available. As such, the Governor’s budget reflects the refinancing of the GARVEE bonds. In terms of the operating budget, this reflects a significant decrease as compared to the enacted budget in terms of the GARVEE debt service. In typical years, the Department has committed roughly \$50.0 million in federal highway funds be used to pay the debt service. The Governor’s FY 2017 budget recommendation includes freeing up an additional \$40.0 million through GARVEE debt refinancing. The focus of the program is the reduction of the number of structurally deficient bridges in Rhode Island, from 22% in 2014 to 10% in 2025. The debt service on the GARVEE bonds to be paid through the FHWA allocation is \$12.6 million in FY 2017 and is reflected in the Department’s operating budget as a Federal fund source.
- *Operating Transfer – Motor Fuel Tax Revenue Bonds.* The gas-tax funded debt service on the Motor Fuel Tax revenue bonds totals \$8.7 million in FY 2017, which is paid using 2.0-cents of total gas tax revenues.

Transportation

Infrastructure-Maintenance

Within the Infrastructure-Maintenance program, the Governor recommends FY 2017 appropriations of \$99.3 million, including \$79.8 million from the Rhode Island Highway Maintenance Account, \$12.8 million from gas tax revenues, \$6.5 million from the Rhode Island Capital Plan Fund, and \$110,000 from other funds. Relative to FY 2016 enacted levels, recommended Rhode Island Highway Maintenance Account revenues increase by \$25.4 million, gas tax revenues decrease by \$859,162, Rhode Island Capital Plan Fund financing increases by \$2.1 million, while other funds increase by \$365,017, attributable to the following adjustments:

- *Winter Maintenance Operations.* The Governor recommends an increase of \$4.6 million from the FY 2016 enacted winter maintenance budget for a revised total of \$21.7 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.
- *Highway Drainage Program.* In FY 2017, the Governor recommends \$5.0 million as a dedicated source of funds from the Rhode Island Highway Maintenance account to implement a state-funded Highway Drainage Program. The Department intends this funding to augment future financing for an organized plan for the cleaning and repairing of storm water catch basins around the State. Under a recently signed consent decree and as mandated by the United States Environmental Protection Agency under the Municipal Separate Storm Sewer Systems (MS4) permit, the Department must annually inspect and clean the state's more than 25,000 catch basins.
- *Operating Transfer to RIPTA – 5% Allocation.* 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 \$79.8 million expected to be deposited into the Highway Maintenance Account in FY 2017, RIPTA is scheduled to receive \$4.0 million of total available revenues. The increase is a direct result of transferring 75% of all remaining DMV fees to the Highway Maintenance Account in FY 2017.

The Governor recommends 752.0 FTE positions in the revised FY 2016 Budget, 0.6 less than the enacted FY 2016 level. In FY 2017, the Governor recommends 741.0 FTE positions or a decrease of 11.0 FTE positions from the enacted FY 2016 level. The decrease accounts for shifting 8.0 Audit FTE positions and 3.0 Capital related FTE positions to the Department of Administration as part of consolidation efforts. Lastly, the Governor's recommendation includes the reallocation of 40.0 previously vacant administrative FTE positions that were reclassified to 40.0 in-house maintenance FTE positions in an effort for the Department of Transportation to prevent infrastructure from falling into disrepair and to address drainage needs.