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MEMORANDUM

To: The Honorable Marvin L. Abney, Chairman, House Finance Committee
The Honorable Louis P. DiPalma, Chairman, Senate Finance Committee

From: Joseph Codega Jr., Budget Officer *Joseph M. Codega Jr.*

Date: May 6, 2024

Subject: Amendments to FY 2025 Appropriations Act (24-H-7225)

Governor's Budget Amendment #14

The Governor requests a new article be added to the FY 2025 Appropriations Act, entitled *Relating to Transportation Infrastructure*. This new article authorizes the issuance of Grant Anticipation Revenue Vehicle Program bonds ("GARVEE" Bonds) and State Match Motor Fuel Tax bonds ("State Match Bonds") for the purposes of emergency expenses, demolition, and construction of a new northern span of the Washington Bridge in Providence. This new article is included as an appendix to this memorandum.

The financing plan includes a total of \$455.22 million in capital costs, representing \$418.22 million in new funding from various sources and \$37.0 million repurposed from the prior Washington Bridge project. The major project components include \$46.4 million for emergency project expenses, \$40.5 million for demolition, and \$368.3 million for the bridge replacement. Project cost estimates were established from guidance from the State's owner's project managers and represent an upper-limit cost projection and contingency. The sources of financing are as follows:

- Repurpose Existing Appropriations - \$37.0 million
 - Funds previously allocated to Washington Bridge repairs will be repurposed to support the replacement project.
- Federal Grant Anticipation Vehicle (GARVEE) Bonds - \$334.6 million
 - This form of borrowing allows the state to borrow against future allocations of federal transportation infrastructure funding to accommodate projects larger than what could otherwise be financed with the state's annual formula allocation.

- Motor Fuel Tax Revenue Bonds – \$40.0 million
 - Gas tax is an important source of revenue for state transportation infrastructure and state law authorizes as much as two cents of the gas tax to be pledged as debt service to support the issuance of revenue bonds.
- American Rescue Plan Act (ARPA) State Fiscal Recovery Fund (SFRF) – \$20.0 million
 - Governor’s Budget Amendment #12 contained a request to allocate \$20.0 million of federal SFRF funds to support state match needs.
- Other Funds - \$23.6 million
 - If additional state matching funds are necessary, the Governor intends to identify other sources of funds including, but not limited to, future appropriations from the Rhode Island Capital Plan Fund, Motor Fuel tax proceeds, and the Highway Maintenance Account.

This amendment seeks borrowing authority, but the Governor and Department of Transportation are actively pursuing supplemental funding sources, including potential allocations of up to \$220 million from the Multimodal Project Discretionary Grant Program (Mega and INFRA) administered by the U.S. Department of Transportation, alongside a direct appropriation request of \$20 million from Congress. These efforts may reduce the actual need for borrowing and decrease the amount of this authorization that will be issued.

If you have any questions regarding these amendments, please feel free to call me or my staff at 222-6300.

Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Jonathan Womer, Director of Administration
Brian Daniels, Director, Office of Management and Budget

APPENDIX - Governor's Budget Amendment #14

NEW ARTICLE

RELATING TO TRANSPORTATION INFRASTRUCTURE

SECTION 1. This section shall serve as a joint resolution required pursuant to Rhode Island General Law § 35-18-1, et seq.

Issuance of GARVEE and State Match Bonds.

WHEREAS, The Rhode Island department of transportation ("the department" or "RIDOT") has completed a detailed review of available funding sources for transportation reconstruction, maintenance, and repair and has determined that the funding available to carry out an immediate program of bridge reconstruction and preventative maintenance (the "program") is insufficient; and

WHEREAS, Congress has enacted the Infrastructure Investment and Jobs Act (IIJA), which increases the federal investment in repairing and reconstructing our nation's roads and bridges; and

WHEREAS, The department has explored various options to finance the costs of a robust infrastructure program and concluded that the federal-aid financing program authorized in federal law by Section 311 of the National Highway System Designation Act of 1995 and commonly referred to as the Grant Anticipation Revenue Vehicle Program ("GARVEE program") represents the best financing mechanism for the state of Rhode Island inasmuch as the GARVEE program accelerates the funding available to ensure that the department may effectuate the expeditious reconstruction of a critical component of Rhode Island's highway transportation infrastructure; and

WHEREAS, The GARVEE program allows a state to issue bonds ("GARVEE Bonds") or other debt instruments backed by future appropriations for federal-aid transportation projects whereby such amounts are used to cover an assortment of bond-related costs, including principal and interest payments, issuance costs, insurance, and other costs incidental to financing; and

WHEREAS, Among other advantages, GARVEE Bonds may be issued as special revenue bonds without a full faith and credit pledge by the state of Rhode Island; and

WHEREAS, This general assembly finds that the reconstruction, maintenance, and repair of the transportation infrastructure of the state is critical for economic development and the general welfare of both businesses and residents; and

WHEREAS, The current Washington Bridge (the "Current Washington Bridge"), which carries approximately 90,000 vehicles per day and is one of the busiest sections of Interstate highway in Rhode Island, serving the citizens, businesses and port facilities of the State of Rhode Island both in the city of Providence and elsewhere, is in dire need of repair or reconstruction; and

WHEREAS, Based on studies and analysis of RIDOT, a newly constructed or reconstructed Washington Bridge (the "New Washington Bridge"), as opposed to repair of the Current Washington Bridge, is necessary for the continued economic success and viability of the citizens, businesses, transportation and port facilities of the city of Providence and elsewhere and otherwise in the best interests of the State of Rhode Island; and

WHEREAS, The general assembly has studied the issue of sustainable transportation funding and has determined that no single approach, instrument or method is able to provide sufficient revenue to construct the New Washington Bridge and to maintain the state transportation system in a state of good repair; and

WHEREAS, The department has determined that GARVEE Bonds should be utilized to fund the construction, replacement, or reconstruction of the New Washington Bridge in a timely manner; and

WHEREAS, In connection with the issuance of GARVEE Bonds, the state of Rhode Island, acting by and through RIDOT, may elect to receive in lieu of certain monies which would otherwise have been received as reimbursement from FHWA for project costs for the New Washington Bridge, debt service payments to repay indebtedness in the form of bonds or notes issued to finance the costs of the construction and financing the New Washington Bridge; and

WHEREAS, The Rhode Island public corporation debt management act (chapter 18 of title 35) requires the general assembly to provide its consent to the issuance of certain obligations for essential public facilities of the type referenced herein; and

WHEREAS, The design, construction, equipping and completion of these improvements will be financed in whole or in part through revenue bonds issued pursuant to the GARVEE program by the Rhode Island commerce corporation ("commerce corporation") or through revenue bonds issued pursuant to the GARVEE program by another agency, instrumentality or quasi-public corporation established by the state of Rhode Island now or hereafter and otherwise authorized and empowered pursuant to law to issue bonds of the type referenced herein for the types of projects described herein, with such issuance having an expected term of fifteen (15) years, and annual revenues for the operation and maintenance of the New Washington Bridge to be included in the annual operating budget of RIDOT; and

WHEREAS, The capital costs and anticipated bond issuance amounts associated with the New Washington Bridge are estimated to be (a) a total additional capital cost of four hundred fifty-five million two hundred twenty thousand dollars (\$455,220,000); (b) the total debt issuance of GARVEE and/or other than GARVEE Bonds associated with payment of the capital costs, financing costs, costs of issuance or insurance or credit enhancement would be an amount not to exceed three hundred seventy-four million five hundred eighty thousand dollars (\$374,580,000); (c) with respect to the total debt issuance of \$374,580,000 referenced in subsection (b) above, an amount not to exceed forty million dollars (\$40,000,000) of bonds would be repaid by the state of Rhode Island with other than FHWA funds (the "State Match Bonds"); (d) total debt service payments on the State Match Bonds over an expected fifteen (15) year period on the forty million dollars (\$40,000,000) issuance are projected to be fifty-nine million eight hundred seventy thousand dollars (\$59,870,000), assuming an average coupon rate of five percent (5%) and (e) the debt service payments on the State Match Bonds would be supported from the per gallon allocation of the gas tax imposed in order to satisfy debt service payments on such bonds pursuant to Section 31-36-20(a)(v)(iii) of the general laws (the "Motor Fuel Tax Allocation"); and (f) total debt service on GARVEE Bonds and State Match Bonds of five hundred ninety-eight million five hundred thousand dollars (\$598,500,000); and

WHEREAS, In addition to proceeds of the State Match Bonds, the state may utilize other sources of funds, including, but not limited to, appropriations of State Fiscal Recovery Funds, Rhode Island Capital Plan Funds, Rhode Island Highway Maintenance Account proceeds, and motor fuel tax revenue, as state matching funds to the extent required to receive federal aid from the FHWA related to the New Washington Bridge project; and

WHEREAS, If the state receives federal funds allocated for use on the New Washington Bridge project that allow the state to complete the project and issue a lesser amount of debt than is authorized hereunder, the state may issue such lesser amount as it determines is appropriate to adequately finance and timely complete the project; now, therefore, be it

RESOLVED AND ENACTED, That the New Washington Bridge is an essential public facility and critical to ensure the economic viability of the citizens, businesses, transportation, marine trades and port facilities of the state of Rhode Island and otherwise in the best interests of the state of Rhode Island, and that this general assembly hereby approves the following financing: the issuance of an amount not to exceed three hundred thirty-four million five hundred eighty thousand dollars (\$334,580,000) in GARVEE Bonds, the repayment of which shall be derived from and supported by FHWA funds due the state of Rhode Island and an amount not to exceed forty million dollars (\$40,000,000) in State Match Bonds to be issued by the state of Rhode Island or the commerce corporation or a subsidiary thereof or other agency, instrumentality or quasi-public corporation established by the state of Rhode Island now or hereafter and otherwise authorized and empowered pursuant to law to issue bonds of the type referenced herein for the project described herein and to incur and pay debt service payments for such State Match Bonds in an amount not to exceed fifty-nine million eight hundred seventy thousand dollars (\$59,870,000), and total debt service on GARVEE Bonds and State Match Bonds of five hundred ninety-eight million five hundred thousand dollars (\$598,500,000) as specified above for bonds issued for the New Washington Bridge such debt service payments to be made from the Motor Fuel Tax Allocation, or such other revenue source as the Rhode Island general assembly shall designate from time to time for the construction, design,

maintenance, completion, finance costs, including, but not limited to, costs of issuance, credit enhancement, legal counsel and underwriter fees and expenses and other costs associated with the New Washington Bridge; and be it further

RESOLVED, That the governor of the state of Rhode Island or the director of the department of transportation or the director of the department of administration or the chief executive officer or the chief operating officer of the commerce corporation each be and each hereafter are, acting singly, authorized and empowered by the general assembly to enter into a financing lease, guarantee, loan and trust agreement, indenture or other obligations or contracts or agreements and to take such other actions as such official shall deem necessary or appropriate in order to issue or facilitate the issuance of the GARVEE Bonds and/or other bonds referenced herein and to provide the commerce corporation or any subsidiary thereof or other instrumentality, agency or quasi-public corporation otherwise authorized and empowered to issue the bonds specified in this Joint Resolution and Act for the New Washington Bridge project with the necessary debt service payments up to the amount specified above and the necessary security for such bonds consistent with the provisions of this Joint Resolution and Act, including any action to pledge, assign or otherwise transfer the right to receive all or any portion of future FHWA appropriations for federal-aid transportation projects or other revenues permitted by the laws of the state of Rhode Island to secure or provide for the payment of any such GARVEE Bonds or other bonds; and be it further

RESOLVED, That any issuance of bonds or notes authorized in the preceding paragraphs may be effectuated in an aggregate principal amount representing the sum of the authorized GARVEE Bonds and State Match Bonds; and be it further

RESOLVED, That this Joint Resolution shall take effect upon passage.

SECTION 2. Section 31-36-20 of the General Laws in Chapter 31-36 entitled "Motor Fuel Tax" is hereby amended to read as follows:

§ 31-36-20. Disposition of proceeds.

(a) Notwithstanding any other provision of law to the contrary, all moneys paid into the general treasury under the provisions of this chapter or chapter 37 of this title, and title 46 shall be applied to and held in a separate fund and be deposited in any depositories that may be selected by the general treasurer to the credit of the fund, which fund shall be known as the Intermodal Surface Transportation Fund; provided, that in fiscal year 2004 for the months of July through April six and eighty-five hundredth cents (\$0.0685) per gallon of the tax imposed and accruing for the liability under the provisions of § 31-36-7, less refunds and credits, shall be transferred to the Rhode Island public transit authority as provided under § 39-18-21. For the months of May and June in fiscal year 2004, the allocation shall be five and five hundredth cents (\$0.0505). Thereafter, until fiscal year 2006, the allocation shall be six and twenty-five hundredth cents (\$0.0625). For fiscal years 2006 through FY 2008, the allocation shall be seven and twenty-five hundredth cents (\$0.0725); provided, that expenditures shall include the costs of a market survey of non-transit users and a management study of the agency to include the feasibility of moving the Authority into the Department of Transportation, both to be conducted under the auspices of the state budget officer. The state budget officer shall hire necessary consultants to perform the studies, and shall direct payment by the Authority. Both studies shall be transmitted by the Budget Officer to the 2006 session of the General Assembly, with comments from the Authority. For fiscal year 2009, the allocation shall be seven and seventy-five hundredth cents (\$0.0775), of which one-half cent (\$0.005) shall be derived from the one cent (\$0.01) per gallon environmental protection fee pursuant to § 46-12.9-11. For fiscal years 2010 and thereafter, the allocation shall be nine and seventy-five hundredth cents (\$0.0975), of which of one-half cent (\$0.005) shall be derived from the one cent (\$0.01) per gallon environmental protection fee pursuant to § 46-12.9-11. One cent (\$0.01) per gallon shall be transferred to the Elderly/Disabled Transportation Program of the department of human services, and the remaining cents per gallon shall be available for general revenue as determined by the following schedule:

(i) For the fiscal year 2000, three and one-fourth cents (\$0.0325) shall be available for general revenue.

(ii) For the fiscal year 2001, one and three-fourth cents (\$0.0175) shall be available for general revenue.

(iii) For the fiscal year 2002, one-fourth cent (\$0.0025) shall be available for general revenue.

(iv) For the fiscal year 2003, two and one-fourth cent (\$0.0225) shall be available for general revenue.

(v) For the months of July through April in fiscal year 2004, one and four-tenths cents (\$0.014) shall be available for general revenue. For the months of May through June in fiscal year 2004, three and two-tenths cents (\$0.032) shall be available for general revenue, and thereafter, until fiscal year 2006, two cents (\$0.02) shall be available for general revenue. For fiscal year 2006 through fiscal year 2009 one cent (\$0.01) shall be available for general revenue.

(2) All deposits and transfers of funds made by the tax administrator under this section, including those to the Rhode Island public transit authority, the department of human services, the Rhode Island turnpike and bridge authority, and the general fund, shall be made within twenty-four (24) hours of receipt or previous deposit of the funds in question.

(3) Commencing in fiscal year 2004, the Director of the Rhode Island Department of Transportation is authorized to remit, on a monthly or less frequent basis as shall be determined by the Director of the Rhode Island Department of Transportation, or his or her designee, or at the election of the Director of the Rhode Island Department of Transportation, with the approval of the Director of the Department of Administration, to an indenture trustee, administrator, or other third party fiduciary, in an amount not to exceed two cents (\$0.02) per gallon of the gas tax imposed, in order to satisfy debt service payments on aggregate bonds issued pursuant to a Joint Resolution and Enactment Approving the Financing of Various Department of Transportation Projects adopted during the 2003 session of the General Assembly, and approved by the Governor, and pursuant to a Joint Resolution and Enactment Approving the Financing of a New Washington Bridge adopted during the 2024 session of the General Assembly.

(4) Commencing in fiscal year 2015, three and one-half cents (\$0.035) shall be transferred to the Rhode Island Turnpike and Bridge Authority to be used for maintenance, operations, capital expenditures and debt service on any of its projects as defined in chapter 12 of title 24 in lieu of a toll on the Sakonnet River Bridge. The Rhode Island turnpike and bridge authority is authorized to remit to an indenture trustee, administrator, or other third-party fiduciary any or all of the foregoing transfers in order to satisfy and/or secure its revenue bonds and notes and/or debt service payments thereon, including, but not limited to, the bonds and notes issued pursuant to the Joint Resolution set forth in Section 3 of Article 6 of Chapter 23 of the Public Laws of 2010. Notwithstanding any other provision of said Joint Resolution, the Rhode Island turnpike and bridge authority is expressly authorized to issue bonds and notes previously authorized under said Joint Resolution for the purpose of financing all expenses incurred by it for the formerly authorized tolling of the Sakonnet River Bridge and the termination thereof.

(b) Notwithstanding any other provision of law to the contrary, all other funds in the fund shall be dedicated to the department of transportation, subject to annual appropriation by the general assembly. The director of transportation shall submit to the general assembly, budget office and office of the governor annually an accounting of all amounts deposited in and credited to the fund together with a budget for proposed expenditures for the succeeding fiscal year in compliance with §§ 35-3-1 and 35-3-4. On order of the director of transportation, the state controller is authorized and directed to draw his or her orders upon the general treasurer for the payments of any sum or portion of the sum that may be required from time to time upon receipt of properly authenticated vouchers.

(c) At any time the amount of the fund is insufficient to fund the expenditures of the department of transportation, not to exceed the amount authorized by the general assembly, the general treasurer is authorized, with the approval of the governor and the director of administration, in anticipation of the receipts of monies enumerated in this section to advance sums to the fund, for the purposes specified in this section, any funds of the state not specifically held for any particular purpose.

However, all the advances made to the fund shall be returned to the general fund immediately upon the receipt by the fund of proceeds resulting from the receipt of monies to the extent of the advances.

SECTION 3. This article shall take effect upon passage.