

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2012

Lincoln D. Chafee, Governor

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Summary

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

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

For FY 2011, the Intermodal Surface Transportation Fund (ISTF) is supported by 32.5 of Rhode Island's 33.0-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 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 anticipated current and upcoming fiscal year revenue collection for the gasoline tax was established at each Revenue Estimating Conference; however, as there is no longer an impact on general revenues, the Conference is no longer determining the gasoline tax estimate. The Office of Revenue Analysis within the Department of Revenue has provided the estimates for FY 2011 and FY 2012. 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 two cents, and an increase to the Department of Transportation of one 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 is recommended to support the Rhode Island Public Transit Authority (RIPTA).

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<u>Recipient</u>	Current Law Gasoline Tax Allocation (in cents)						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
DOT	20.75	20.75	20.75	20.75	21.75 ³	21.75	21.75
RIPTA	7.25 ¹	7.25	7.25	7.75 ²	9.75 ⁴	9.75	9.75
General Fund	1.0 ¹	1.0	1.0	1.0	0.0 ³	0.0	0.0
DEA/DHS	1.0	1.0	1.0	1.0	1.0 ⁵	1.0	1.0
Underground Storage Tank-DEM	1.0	1.0	1.0	0.5 ²	0.5	0.5	0.5
Total:	31.0	31.0	31.0	31.0	33.0	33.0	33.0

¹ One additional cent was recommended for RIPTA with an offsetting reduction in the allocation of gasoline tax directed to the general fund starting in FY 2006 to finance a market survey of non-transit users and a management study of the agency

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

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

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

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

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, authorized funds for highway construction, highway safety programs, mass transit operations, and other surface transportation projects for the five-year period 2005 - 2009. The Act combined the improvements scheduled for current programs with new initiatives for improving transportation safety and traffic flow efficiency, enhancing communities, and advancing economic growth. However, the Act expired in FY 2009, but was extended by Congress for one year in 2010. In 2011 financing for the federal highway program has relied on short term continuing resolutions to provide funding. No new program has been introduced to replace the SAFETEA-LU program. The uncertainty of these conditions has impacted the Department of Transportation's budget, causing more conservative estimates to be employed.

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 four-year period from

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federal highway and transit funds. Federal law requires that all projects utilizing 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 a DOT advisory committee solicits and evaluates application for funds earmarked in SAFETEA-LU for transportation enhancement activities.

As part of the American Recovery and Reinvestment Act of 2009, the Rhode Island Department of Transportation is expected to receive a total of \$137.1 million for highway infrastructure investment, of which \$70.7 million has been expended prior to FY 2011, an estimated \$53.1 million in FY 2011, and \$13.2 million remaining to be spent in FY 2012. Sixty-eight separate projects throughout Rhode Island including highway, road and bridge repair, pavement resurfacing, as well as enhancement projects, such as lighting and drainage improvements. The Department is expecting to receive a total of \$4.8 million in ARRA funds and fixed guideway infrastructure grants, which are expected to be spent over two years starting in FY 2011. An ARRA grant has been received for \$350,000 which will provide training, scheduled to be expended over the next two years.

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 \$695.9 million in construction funds for five major infrastructure projects to be completed over an 8 ½ year period. This undertaking was primarily financed through two funding mechanisms. The majority of the costs (\$548.2 million) 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, provides another \$105.6 million for this infrastructure initiative. The State issued a second series of both the GARVEE and Motor Fuel Bonds program in 2006 and completed the issuance of a third series in FY 2009. The projects 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 2011 and FY 2012, to be paid through the FHWA allocation, is \$48.4 million each year and is reflected in the Department's operating budget as a federal fund source. The gasoline tax revenue supported debt service on the Motor Fuel Tax revenue bonds dedicated to the trust account is estimated to be \$8.5 million in FY 2011 and \$8.6 million in FY 2012.

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of \$40.6 million in FY 2011 and \$40.8 million in FY 2012 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. Another cent of the gasoline tax not included in the Department of Transportation budget supports the efforts of the Department of Human Services to streamline and enhance elderly and handicapped transportation services. Much of this

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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 2011 budget for the Department of Transportation totals \$451.4 million, including \$340.1 million in federal funds, \$110.3 million in other funds, and \$1.0 million in restricted receipts. This represents a \$22.5 million increase in all funds from the FY 2011 enacted budget. Federal funds increase a total of \$21.3 million, while restricted receipts do not vary from the enacted budget. Other funds for the Department decrease a total of \$391,413 from the enacted budget. The other funds total includes gasoline tax expenditures for the Department, RIPTA, and GARVEE/Motor Fuel Revenue Bonds, as well as Rhode Island Capital Plan Fund appropriations, land sale proceeds, nonland surplus property revenues, and other miscellaneous receipts.

The revised FY 2011 estimated revenue available within the ISTEAs fund is \$141.1 million, which represents the revised per penny gasoline tax yield estimate of \$4,267,700, as well as a carry forward from FY 2010 totaling \$2,423,055 and an additional \$2.1 million from 0.5 cent of the 1.0 cent Underground Storage Tank fee. Gasoline tax funds within the Department of Transportation total \$103.3 million, \$54.1 is recommended for the operations of the Department, \$40.6 is the operating transfer to finance RIPTA, and \$8.5 million is associated with the GARVEE/Motor Fuel Revenue Bonds program. Gasoline tax funds within the Department increase \$1.8 million from the enacted budget. The increase is primarily a result of the revision in the gasoline tax estimate. The original estimate used in the FY 2011 Enacted Budget was \$4.2 million. The estimate provided by the Office of Revenue Analysis has revised the per penny gasoline tax up to \$4,267,700, an increase of \$57,700 per penny. 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 of \$43.6 million for DOT and \$981,691 for RIPTA in FY 2011. Due to the projected deficit caused by the continued pressure on the Department's budget with increasing debt service, stagnant gasoline tax, and a very high level of winter maintenance expenses for FY 2011, general revenue will be used to fund \$12.6 million of the department's debt service for FY 2011. The level of gasoline tax expenditure will fall to \$31.1 million. The debt service adjustment to the Department represents a decrease of \$13.4 million from the enacted budget. A total of \$1.6 million represents the financing of Human Resources and Information Technology positions consolidated within the Department of Administration. The total transfer amount of these positions represents an increase of \$267,286 from the FY 2011 enacted. It should be noted that no offset account has been utilized in the FY 2011 revised budget as the deficit has been addressed with the move of a portion of the department's deficit to general revenue. The Governor recommends a \$0 balance forecast for the end of FY 2011 to be carried forward into FY 2012.

A total recommendation of \$3.9 million in FY 2011 from the Rhode Island Capital Plan Fund finances the Pawtucket-Central Falls Train Station Study, RIPTA Elmwood Avenue Expansion Project, Salt Storage Facilities and Maintenance Facility improvements, and construction on the East Providence Facility. The total decrease of \$343,805 represents a decline in financing available for the East Providence project.

Other funds changes also include a \$16.2 million decrease from the sale of land associated with the I-195 relocation project in order to reflect current project schedules. Most of the land sales are expected to take place in FY 2012. The Department estimates collecting \$525,000 in FY 2011 from a maintenance fee for outside advertising. Estimates have increased \$225,000 from the enacted budget. Revenue raised in FY 2011 is recommended to be used for operating expenses within the Division of Engineering that do not qualify for federal reimbursement.

Federal funds increase a total of \$21.3 million from the enacted budget. Part of the increase from the enacted budget is due to the Federal Highway Program projects. These expenditures are projected to

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increase by \$5.5 million from the enacted level due to the availability of earmarks from SAFETEA-LU, which has expired. Only short-term extensions have been enacted to date, as Congress wrestles with the shortfall in the Federal Highway Trust Fund. Therefore, the DOT has been conservative in their construction scheduling as the construction budget of the Department is driven by the availability of funding.

There is an increase attributable to the infrastructure investment stimulus funds from the American Recovery and Reinvestment Act of 2009. Expected expenditures on highway projects increase \$9.3 million from the enacted level. The total funding available for highway projects has not changed, only the timing of the expenditures. The Department has made commitments for all funds and expects to expend the remaining funds by the end of FY 2012. Stimulus funds totaling \$4.1 million are included in FY 2011 for the Wickford Junction Commuter Rail Station. These funds reflect a \$765,000 increase over the enacted level.

The overall increase in federal funds is offset by several decreasing federal grants, such as a \$1.7 million decrease in National Highway Safety Administration grants to correct actual federal grants anticipated in FY 2011 and an increase of \$3.5 million in Federal Transit funds associated with the fixed guideway (commuter rail) project. National Highway Safety Administration grants total \$3.0 million while federal transit grants total \$26.1 million. GARVEE debt service is deducted from the total estimated obligation authority estimate for the federal highway fund, and totals \$48.4 million in the revised FY 2011 budget. The revised FY 2011 budget includes a total of \$12.2 million related to personnel costs associated with the GARVEE program and general obligation bonds within the federal funds category.

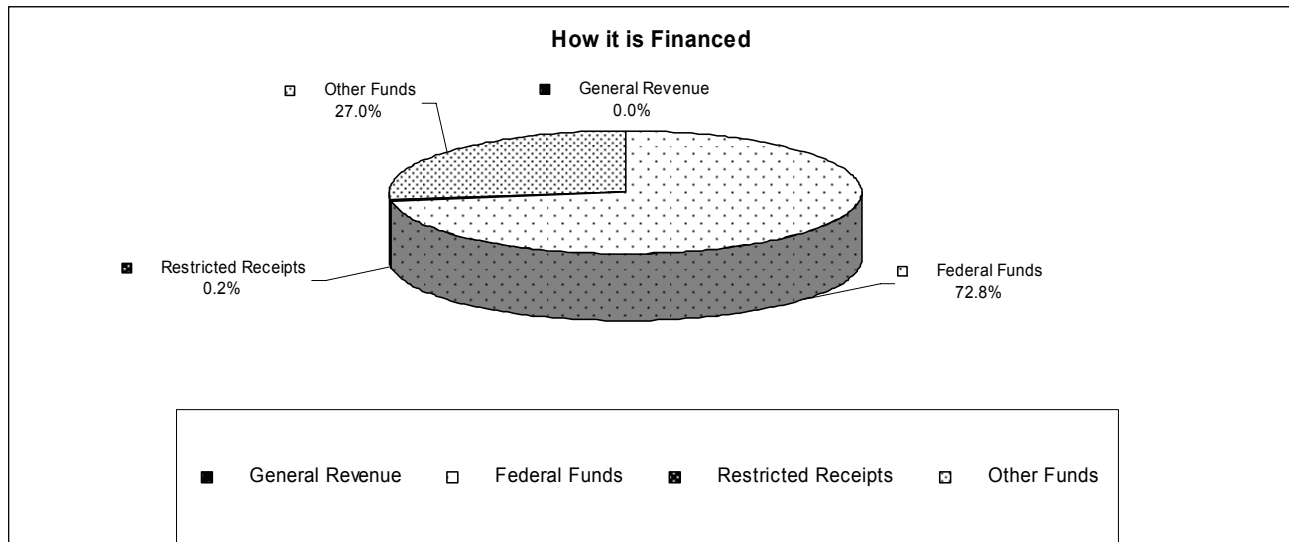
For the Department of Transportation, the Governor recommends 772.6 FTE positions for FY 2011. The enacted budget included 772.2 positions, and includes 89.0 FTE stimulus funded positions. An addition of 0.4 FTE brought a 0.6 FTE Legal Counsel position to a full time position.

In FY 2012, recommended expenditures from all sources for transportation activities total \$434.9 million, an increase of \$61 million from the FY 2011 enacted budget.

The following chart illustrates departmental expenditures by source of financing for FY 2012.

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

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The other funds source represents 27.0 percent of the FY 2012 budget for the Department, or \$117.4 million. This represents an increase of \$8.3 million from the FY 2011 enacted budget. Other funds includes of total gasoline tax expenditures of \$97.2 million, of which \$48.0 million represents the Department of Transportation budget, \$38.5 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 beginning in FY 2010, and \$8.6 million is budgeted for the Motor Fuel Bond allocation of the gasoline tax.

The total estimated receipts for the ISTEAE fund in FY 2012 are \$151.5 million, which represents a gasoline tax yield estimate of \$4,290,400 per penny of the gasoline tax. Total ISTEAE receipts for FY 2012 include an additional \$12.0 million, which represents 20.0 percent of the Division of Motor Vehicles fees for registration and license fees; commercial drivers license fees; Operator Control registration reinstatement fees; drivers license reinstatement and assessment fees; and motor vehicle title fees. These revenues reflect a proposal to provide a stable revenue stream for the Department of Transportation, which has suffered a structural deficit caused by declining collection in gasoline tax and rising debt service. The additional revenues, which phase in an additional 20.0 percent per year, will be fully available to the DOT in FY 2016. Operating surpluses from the additional revenue will be used to reduce the issuance of G.O. bonds which have been issued at \$40.0 million per year as the State's match to the federal funds received. In FY 2016, when the entire proceeds from the specified DMV fees are available to DOT, no G.O. bond issue will be required by the Department. The additional funding source is discussed separately in this report.

The total gasoline tax budget within the Department of Transportation represents an increase of \$11.8 million from the FY 2011 enacted budget. However, the FY 2011 enacted budget included an offset to gas tax revenue account which reduced expenses by \$6.3 million, to \$85.4 million. Without the offset account, the total of DOT gasoline tax operating budget would have been \$91.7 million, and the increase for the FY 2012 would be \$5.5 million. Included in the FY 2012 gasoline tax budget for the Department is a general obligation bond debt service payment of \$46.2 million, an increase of \$1.7 million from the FY 2011 enacted budget. The RIPTA portion of the debt service payment in the Department of Administration totals \$1.2 million, an increase of \$87,495 from the FY 2011 enacted budget. A total of \$1.6 million represents reductions to the Department's allocation of the gasoline tax in order to finance Human Resources and Information Technology positions consolidated within the Department of Administration. The transfer represents an increase of \$267,286 from the FY 2011 enacted budget. The FY 2012 budget takes into account a \$0 carry forward budgeted from FY 2011.

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The FY 2012 recommendation includes Rhode Island Capital Plan Fund expenditures totaling \$3.5 million, of which \$1.0 million is for Salt Storage facilities, \$70,000 for RIPTA Land and Buildings, \$190,400 for RIPTA Paratransit vehicles, \$650,000 for Maintenance Facilities, \$337,000 for the Cherry Hill facility, \$300,000 for Maintenance facilities, \$1.4 million for capital equipment replacement, and \$125,000 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 \$14.6 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 \$110,000 for outdoor advertising and non-land surplus property collections for the budget year.

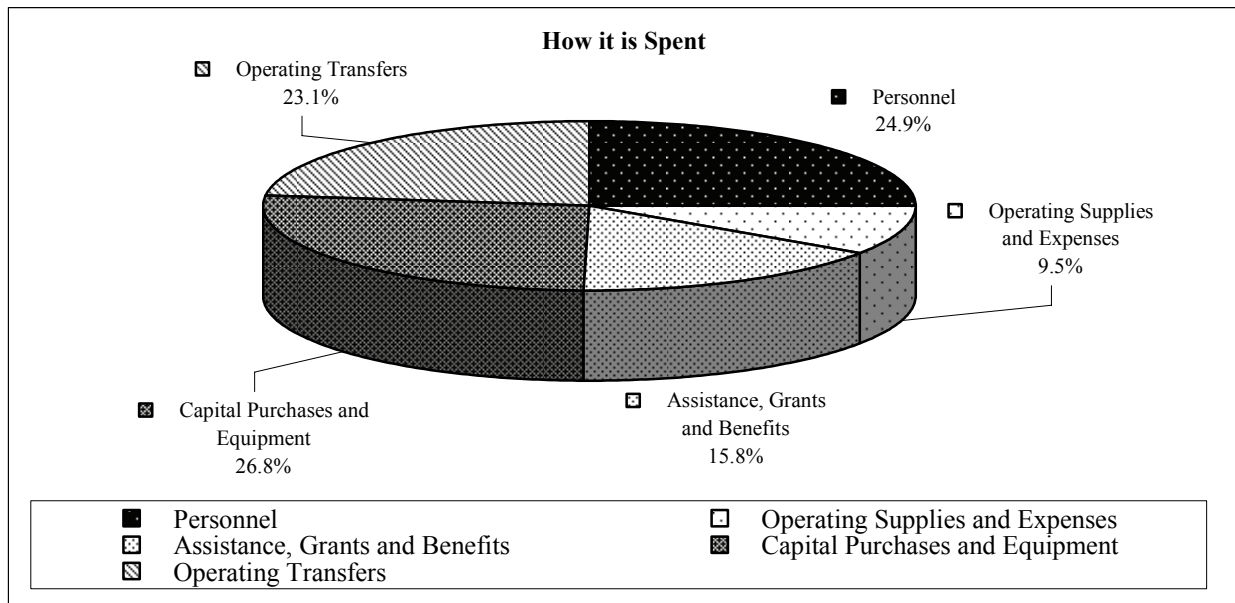
The total budget for federal grants for the department represents 72.8 percent of the budget, or \$316.6 million, including \$202.8 million is federal highway funds, \$13.2 million represents federal highway infrastructure stimulus fund grants, \$260,000 is for fixed guideway stimulus funds, a total of \$48.4 million is GARVEE debt service payments from federal highway funds, \$7.3 million has been budgeted to account for personnel costs transferred to the GARVEE construction program, and \$6.1 million represents personnel costs allocated to general obligation bonds. Other federal grants for the Department are comprised of a total of \$18.7 million in Federal Transit funds and \$11.4 million in National Highway Safety funds. Federal transit funds decrease by \$9.2 million in FY 2012 from the enacted level. National Highway Safety funds decrease by \$2.7 million over the FY 2011 enacted budget to correct actual federal grants anticipated in FY 2012.

Restricted receipts represent 0.2 percent of the total budget or \$1.0 million. Restricted receipts do not vary from the FY 2011 enacted budget.

For FY 2012 the Governor recommends 772.2 FTE positions for the Department of Transportation, which represents an increase of 0.4 FTE from the FY 2012 enacted budget. Consistent with FY 2011 discussion, the increase reflect the change of a 0.6 Legal Counsel to a 1.0 Legal Counsel.

The following chart illustrates departmental expenditures on an all funds basis by category of expenditure for FY 2012.

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The capital category of expenditure represents 26.8 percent of the total Department budget. Capital consists primarily of federal highway dollars located within the Engineering program for infrastructure construction costs, which have increased due to the availability of earmarks on federal highway projects, and the timing of the receipt of federal funds. There is still uncertainty associated with the expiration of the SAFETEE-LU program, which has caused the Department to be conservative in its estimates. Available funding drives the projections for the Department of Transportation. Included in the Engineering program is \$16.6 million in estimated revenue from the sale and/or lease of properties. Included in this estimate is \$14.6 for the sale of land associated with the relocation of Route 195. 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 24.9 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. A total of \$18.1 million of personnel and contract services costs are located within the Maintenance program where the source of funding is the gasoline tax.

The category of operating transfers represents 23.1 percent of all funds total spending for DOT, which includes the pass-through gasoline tax and underground storage tank fund revenue for RIPTA of \$40.6 million, and \$48.4 million which is paid for the GARVEE bonds through an operating transfer of federal highway funds.

The operating category represents 9.5 percent of all funds total spending for the Department with 57.4 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.

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Assistance, grants, and benefits represent 15.8 percent of the FY 2012 budget and consist primarily of Federal Highway Administration and Federal Transit Administration grant funds.