



**Gina M. Raimondo,
Governor**

**State of Rhode Island and
Providence Plantations
Fiscal Year 2018
Budget**

Executive Summary

Transportation

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Summary

The transportation function provides for the maintenance and construction of quality infrastructure that reflects the transportation needs of the citizens of Rhode Island. The function is implemented by the Department of Transportation through its core programs (Central Management, Management and Budget, Infrastructure Engineering, and Infrastructure Maintenance) and 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 2017, the Intermodal Surface Transportation Fund is supported by 32.5-cents of Rhode Island's 34.0-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), 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 gasoline tax collections estimates for FY 2017 and FY 2018 on a cent-per-gallon revenue yield. This yield is the basis for the development of budgets for the various gasoline tax-supported operations. For FY 2018, the gasoline tax is not estimated to increase by 1.0-cent based on the Consumer Price Index for all Urban Consumers (CPI-U), as the Office of Revenue Analysis does not predict enough growth to produce an increase.

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 from motor fuel sales to owners and/or operators of underground storage tanks has been used to support 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 RITBA, 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's share of the gasoline tax. Furthermore, starting in FY 2016, the gasoline tax will be adjusted biennially 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 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
DOT	21.75 ³	21.75	21.75	18.25 ⁶	19.25 ⁷	19.25	19.25 ⁸
RIPTA ¹	9.75 ⁴	9.75	9.75	9.75	9.75	9.75	9.75
RITBA	0.0	0.0	0.0	3.5	3.5	3.5	3.5
General Fund ¹	0.0 ³	0.0	0.0	0.0	0.0	0.0	0.0
DHS/DEA	1.0 ⁵	1.0	1.0	1.0	1.0	1.0	1.0 ⁹
Underground Storage Tank-DEM	0.5 ²	0.5	0.5	0.5	0.5	0.5	0.5
Total:	33.0	33.0	33.0	33.0	34.0	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 Department of Elderly Affairs are now sent to Department of Human Services.

⁶Starting in FY 2015, 3.5 cents of gasoline tax are distributed to the 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 the CPI-U.

⁸The Office of Revenue Analysis estimated that CPI-U growth will not be high enough to increase the gasoline tax for FY 2018.

⁹Of the 1.0-cent allocated to the Department of Human Services, 0.79-cent is transferred by the Department to RIPTA to support elderly and disabled transportation services. Starting in FY 2018, the Governor recommends that the 0.79-cents be transferred from the Department of Revenue directly to RIPTA instead of through Human Services.

In recent years, 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 Enacted Budget, increased registration and license fees and dedicated those new revenues to transportation purposes, namely as a piece of the state match used toward 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 Enacted Budget, allows for

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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 Enacted Budget, passed Article 21 – Relating to Transportation:

- 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 Rhode Island 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.
- Transferred 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, the Department of Transportation and the Governor's Administration put forward the RhodeWorks proposal to fund Rhode Island's transportation infrastructure needs for the next decade. Passed in early 2016, the plan includes the refinancing of existing Grant Anticipation Revenue Vehicle (GARVEE) debt to shift payments into the future and make \$120 million in federal funds more immediately available (during the first three years of the proposed program), as well as the issuance of \$300 million in new GARVEE bonds. Additionally, the plan includes the tolling of large commercial trucks beginning in FY 2018, resulting in an estimated \$45.0 million of revenue per year when implemented. The focus of the program is the reduction of the number of structurally deficient bridges in Rhode Island, from 22.0 percent in 2014 to 10.0 percent in 2025.

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. Requirements for a long-range plan and a short-term Transportation

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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 anticipated achievements.

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. 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 FFY 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.

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 set period from federal highway and transit funds. The development of 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. 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. Up until FY 2017, Rhode Island developed four-year TIPs, with the last one expiring on September 30, 2016. Moving forward, the State will develop a 10-year TIP, with updates and re-adoption each year. This approach increases the frequency of public participation and allows for more accurate planning. The first four years of the TIP will be fiscally constrained, meaning that the projects included may not exceed the anticipated funding that is reasonably expected to be available over the four-year time period. The FFY 2017 – 2025 TIP was passed on September 8, 2016.

DEPARTMENT OF TRANSPORTATION

Source Of Funds	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Enacted	FY 2017 Revised	FY 2018 Recommended
General Revenue	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$267,656,266	\$254,067,959	\$272,409,980	\$271,544,359	\$275,390,062
Restricted Receipts	\$2,411,276	\$2,890,620	\$180,219	\$3,610,153	\$3,168,128
Other Funds	\$122,893,604	\$126,118,709	\$173,024,202	\$219,780,977	\$193,781,930
RI Capital Plan Fund	\$22,679,324	\$12,052,271	\$32,843,444	\$39,522,975	\$38,150,208
Total Funding	\$415,640,470	\$395,129,559	\$478,457,845	\$534,458,464	\$510,490,328
FTE Authorization	752.6	701.0	701.0	741.0	775.0

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FY 2017 Revised Budget

The Governor recommends revised FY 2017 appropriations of \$534.5 million for the Department of Transportation, including \$271.5 million from federal funds, \$219.8 million from other funds, \$39.5 million from the Rhode Island Capital Plan Fund, and \$3.6 million in restricted receipts. Relative to FY 2017 enacted levels, recommended federal funds decrease by \$865,621, Rhode Island Capital Plan Fund financing increases by \$6.7 million, while restricted receipts increase by \$3.4 million from enacted levels. Other funds increase by a total of \$46.8 million from enacted levels. The other funds total includes gasoline tax expenditures for the Department of Transportation, RIPTA, Turnpike and Bridge Authority, 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 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 2017 is \$158.0 million, which represents the revised per-penny gasoline tax yield estimate of \$4,458,825, as well as a positive carry forward from FY 2016 of \$8.7 million.

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. In addition, the Department of Transportation receives \$1.9 million through the Build America Bond rebates that will be used to reduce the amount of gasoline tax used for debt service. The total general obligation debt service the Department of Transportation is responsible for paying in FY 2017 remained at the enacted level of \$47.8 million, as there was no change in the debt service schedule.

Due to projected deficits at RIPTA, the Governor recommends that debt service on outstanding RIPTA general obligation bonds be funded using \$1.2 million of general revenue in FY 2017 to supplement gas tax revenue previously used for debt service.

Through consolidation efforts over the years, the Department of Transportation finances employees through gas tax revenues and budgeted those positions within the Department of Administration. A total of \$3.7 million represents financing of human resources, purchasing, information technology, audit, and asset management positions that have been consolidated within the Department of Administration for employees who work at the Department of Transportation.

The revised estimated receipts for the Rhode Island Highway Maintenance Account portion of the Intermodal Surface Transportation Fund in FY 2017 are \$110.2 million, which represents an increase of \$30.4 million from the enacted FY 2017 Budget due to a positive carry forward from FY 2016.

Central Management

Within the Central Management program, the Governor recommends revised FY 2017 appropriations of \$13.3 million, including \$8.7 million from federal funds and \$4.6 million from gas tax revenues. Relative to FY 2017 enacted levels, recommended federal financing increases by \$2.1 million, while gas tax revenue financing increases by \$2.0 million. The gas tax increase is largely due to salaries and wages for an additional 12.0 FTE positions as compared to enacted levels. These positions include policy and communications management staff that are part of a department-wide staff reorganization.

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Management and Budget

Within the Management and Budget program, the Governor recommends revised FY 2017 appropriations of \$4.1 million, entirely from gas tax revenues. Relative to FY 2017 enacted levels, recommended gas tax revenue financing increases by \$1.1 million. This is mostly due to information technology expenditures on a new financial management system.

Infrastructure-Engineering

Within the Infrastructure-Engineering program, the Governor recommends revised FY 2017 appropriations of \$377.5 million, including \$262.8 million from federal funds, \$75.8 million from gas tax revenues, \$32.7 million from the Rhode Island Capital Plan Fund, \$2.5 million from other funds, and \$3.6 million in restricted receipts. Relative to FY 2017 enacted levels, recommended federal financing decreases by \$3.0 million, gas tax revenues increase by \$3.6 million, Rhode Island Capital Plan Funds increase by \$5.4 million, other funds increase by \$41,771, and restricted receipt funds increase by \$3.4 million, attributable to adjustments detailed below.

- *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 from the Rhode Island Capital Plan Fund. The trend to use Rhode Island Capital Plan Fund financing as a portion of the state match was accelerated in the enacted FY 2015 Budget, which contained \$27.7 million and even more so in the enacted FY 2016 Budget, which contained \$34.7 million of state match financing. The enacted FY 2017 Budget dropped back down to \$27.2 million. Based on unspent carry forward Rhode Island Capital Plan Fund financing in FY 2016, \$31.5 million will also be available in FY 2017. This carry forward will be programmed over the next six years; as such, only \$5.2 million of the carryforward is reflected in the Governor’s FY 2017 revised recommendation. The Governor’s total recommendation for the revised FY 2017 Budget is \$32.7 million.
- *Operating Transfer to Rhode Island Public Transit Authority (RIPTA).* The continued emphasis toward a more balanced multimodal transportation system extends to statewide mass transit programs as well. Operating assistance to RIPTA will be financed from a 9.25-cent allocation of the gasoline tax, as well as an additional 0.5-cent of the 1.0-cent Underground Storage Tank fee. The Governor recommends an operating transfer of \$44.4 million to RIPTA for operating assistance, which is an increase of \$2.1 million from the enacted FY 2017 Budget based on revised estimates to the per-penny gas tax yield.
- *Operating Transfer to Rhode Island Turnpike and Bridge Authority.* As referenced earlier, the General Assembly authorized the transfer of 3.5-cents of the gasoline tax to the Turnpike and Bridge Authority beginning in FY 2015 in place of toll revenues on the Sakonnet Bridge. For FY 2017, the Governor recommends an operating transfer of \$15.9 million to the Turnpike and Bridge Authority, which is an increase of \$759,654 from the enacted FY 2017 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

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third parts of a three-part bond transaction that provided \$680.0 million in construction funds for five major infrastructure projects financed by two methods. The majority of the costs 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 10-year plan includes a proposal to refinance GARVEE debt to shift payments into the future and make \$120.0 million in federal funds more immediately available. In FY 2016, an additional \$300.0 million in new GARVEE bonds was made available, which require only interest payments for the first nine years. As such, the Governor's recommendation reflects the refinancing of the GARVEE bonds. In terms of the operating budget, this reflects a significant decrease as compared to past budgets 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 debt service on the GARVEE bonds to be paid through the FHWA allocation is \$19.1 million in the Governor's recommendation for the revised FY 2017 Budget, which is \$6.5 million more than enacted levels (to include the additional interest payments on the new issuances). The expense 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 the enacted FY 2017 Budget, which is paid using 2.0-cents of total gas tax revenues. The Governor recommends \$9.1 million in the revised FY 2017 Budget, based on revised estimates to the per-penny gas tax yield.
- *Restricted Receipts.* The Governor recommends \$3.6 million in the revised FY 2017 Budget, which is an increase of \$3.4 million from enacted levels. This revenue source comes from third-party reimbursements from municipal projects.

Infrastructure-Maintenance

Within the Infrastructure-Maintenance program, the Governor recommends revised FY 2017 appropriations of \$139.6 million, including \$110.2 million from the Rhode Island Highway Maintenance Account, \$22.4 million from gas tax revenues, \$6.8 million from the Rhode Island Capital Plan Fund, and \$150,000 from other funds. Relative to FY 2017 enacted levels, recommended Rhode Island Highway Maintenance Account revenues increase by \$30.4 million, gas tax revenues increase by \$9.8 million, Rhode Island Capital Plan Fund financing increases by \$1.3 million, while other funds remain at the enacted level, attributable to adjustments detailed below.

- *Maintenance Vehicles/Heavy Equipment Rental.* The Governor recommends \$2.0 million in gas tax funding for the rental of vehicles and heavy equipment for maintenance staff in the FY 2017 revised budget, which is \$1.7 million higher than enacted levels. The increase is due to the planned accelerated hiring of maintenance staff and additional maintenance projects that are part of RhodeWorks.
- *Infrastructure Projects.* The Governor recommends \$43.8 million in Highway Maintenance Account funding, which is \$12.0 million more than enacted levels, for various transportation capital projects. Approximately \$6.3 million of the increase is for immediate needs projects, which include emergency-type bridge and pavement projects. The other \$5.6 million of the

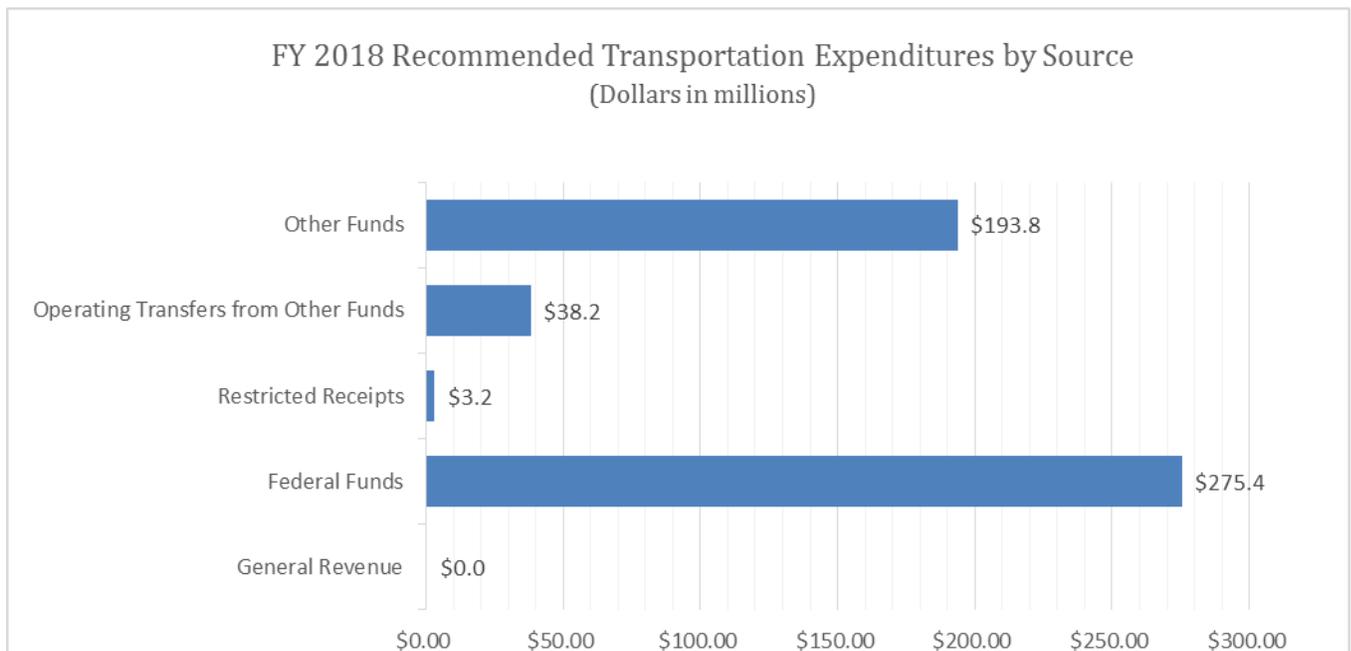
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increase is for non-emergency infrastructure projects that are part of the Department’s 10-year capital plan.

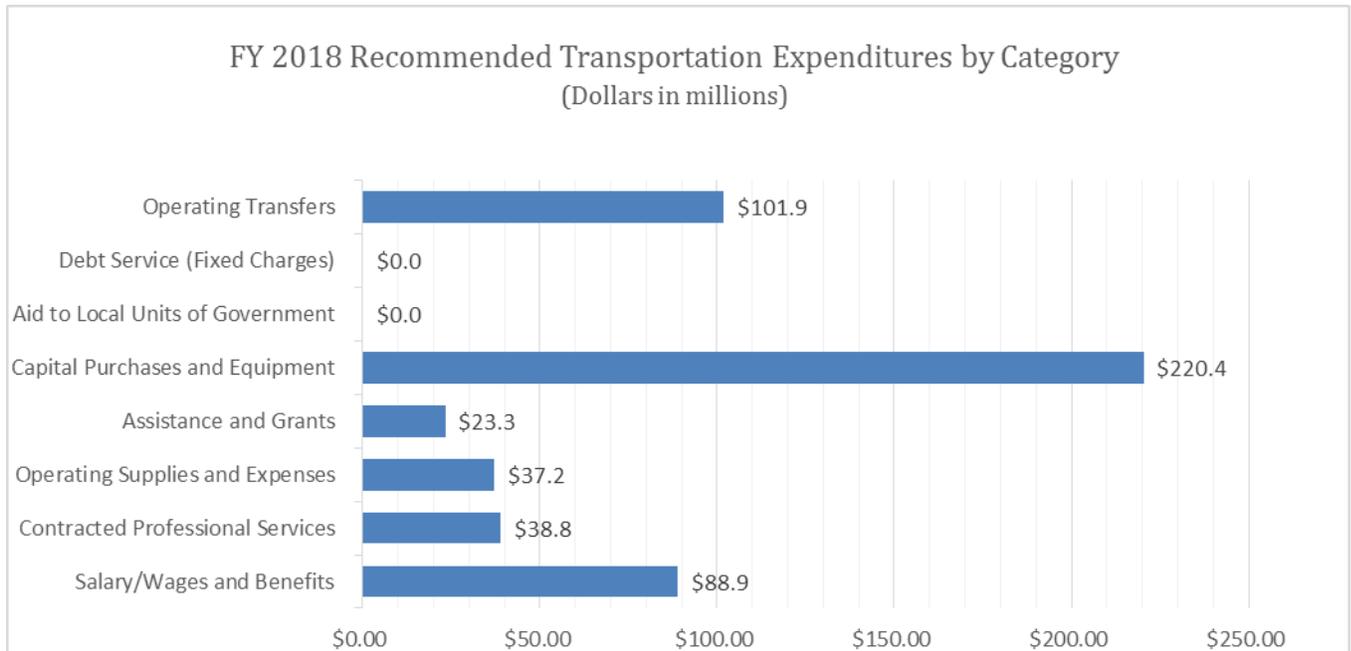
- *Maintenance Vehicle/Heavy Equipment Purchases.* The Governor recommends \$28.2 million in the revised FY 2017 Budget, which is \$26.2 million higher than enacted levels. The additional vehicles and equipment are required for the planned increase of maintenance staff as part of the RhodeWorks program.
- *Train Station and Maintenance Facility Improvements.* The Governor recommends \$6.8 million in Rhode Island Capital Plan Fund financing in the revised FY 2017 Budget for repairs and renovations to the Department of Transportation’s operated train stations and various maintenance and salt storage facilities. The increase from enacted levels is due to slightly delays in projects creating \$1.3 million in carryforward funds from FY 2016.

FY 2018 Recommended Budget

The Governor recommends FY 2018 appropriations of \$510.5 million for the Department of Transportation, including \$275.4 million from federal funds, \$193.8 million from other funds, \$38.2 million from the Rhode Island Capital Plan Fund, and \$3.2 million in restricted receipts. Relative to FY 2017 enacted levels, recommended federal funds increase by \$3.0 million, Rhode Island Capital Plan Fund financing increases by \$5.3 million, and restricted receipts increase by \$3.0 million from the enacted budget. Other funds for the Department of Transportation increase by a total of \$20.8 million from FY 2017 enacted levels. The other funds total includes gasoline tax expenditures for the Department of Transportation, RIPTA, Turnpike and Bridge Authority, 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.



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The total estimated receipts for the gasoline tax portion of the Intermodal Surface Transportation Fund in FY 2018 are \$147.7 million, which represents a gasoline tax yield estimate of \$4,545,480 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 2018 are \$86.9 million, which represents an increase of \$7.1 million from FY 2017 enacted levels. Rhode Island General Law 39-18.1-4 transfers 100.0 percent of all existing Department of Motor Vehicle (DMV) fees to the Highway Maintenance Account as of July 1, 2017. In FY 2017, the transfer amount is 75.0 percent, as Article 21 included a three-year phase-in schedule of all remaining DMV-related fees. This is offset by legislation passed by the 2016 General Assembly that lowers the registration fee for commercial trucks beginning on July 1, 2017. Based on current estimates, this will reduce the Highway Maintenance Account revenues by \$4.2 million in FY 2018.

Projected transfers to the Department of Administration to finance transportation-related general obligation bond debt service costs are estimated at \$39.4 million in FY 2018. This includes \$1.9 million through Build America Bond rebates that are used to reduce the amount of gasoline tax used for debt service. Total general obligation bond debt service the Department of Transportation is responsible for paying in FY 2018 decreases by \$6.6 million from the FY 2017 enacted level of \$45.9 million.

Similar to FY 2017 and due to projected deficits at RIPTA, the Governor recommends that debt service on outstanding RIPTA general obligation bonds be funded with \$1.6 million of general revenue in FY 2018 to supplement gas tax revenue generally used for debt service.

Through consolidation efforts over the years, the Department of Transportation finances employees through gas tax revenues and budgeted those positions within the Department of Administration. A total of \$3.8 million represents financing of Human Resources, Purchasing, Information Technology, Audit, and Asset Management positions that have been consolidated within the Department of Administration for employees who work at the Department of Transportation.

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Beginning in FY 2018, the Governor recommends transferring 0.5-percent of all collected receipts in the Highway Maintenance Account to the Department of Revenue. These funds will help offset personnel costs associated with the collection of fees in the Department of Motor Vehicles. In FY 2018, the estimated revenue transfer will be \$471,785.

Central Management

Within the Central Management program, the Governor recommends FY 2018 appropriations of \$11.6 million, including \$6.8 million from federal funds and \$4.8 million from gas tax revenues. Relative to FY 2017 enacted levels, recommended federal financing increases by \$145,757, while gas tax revenue financing increases by \$2.2 million. This is mainly due to the shifting of 12.0 FTE positions from other programs in the revised FY 2017 Budget, as well as two new incremental positions in FY 2018.

Management and Budget

Within the Management and Budget program, the Governor recommends FY 2018 appropriations of \$2.9 million, entirely from gas tax revenues. Relative to FY 2017 enacted levels, recommended gas tax revenues decrease by \$66,843, mostly due to the shifting of one FTE position to another program.

Infrastructure-Engineering

Within the Infrastructure-Engineering program, the Governor recommends FY 2018 appropriations of \$384.0 million, including \$268.6 million from federal funds, \$76.2 million from gas tax revenues, \$33.3 million from the Rhode Island Capital Plan Fund, \$2.7 million from other funds, and \$3.2 million in restricted receipts. Relative to FY 2017 enacted levels, recommended federal financing increases by \$2.8 million, gas tax revenues increase by \$4.0 million, Rhode Island Capital Plan Funds increase by \$6.0 million, other funds increase by \$173,125, and restricted receipt funds increase by \$3.0 million, attributable to adjustments detailed below.

- *Highway Improvement Program – Rhode Island Capital Plan Fund Financing.* The Governor’s FY 2018 recommendation includes \$32.5 million from the Rhode Island Capital Plan Fund for transportation projects that can be started in FY 2018 and directed to the Highway Improvement Program. The increase from the FY 2017 enacted budget is due to \$31.5 million in carryforward from FY 2016 that is spread across the next six years of the budget. Funding in FY 2018 is \$5.3 million higher than FY 2017 enacted levels.
- *Rhode Island Public Transportation Authority (RIPTA) – Rhode Island Capital Plan Fund Financing.* The Governor’s FY 2018 recommendation includes Rhode Island Capital Plan Funds for three different RIPTA capital projects. A total of \$90,000 is recommended in FY 2018 as the match to an ongoing transit and security enhancement project. Match funding in FY 2018 is also recommended for two new RIPTA projects: the Downtown Providence Transit Connector project (\$470,588), which will provide enhanced service through the heart of city; and the Downtown Pawtucket Bus Hub and Transit Corridor project (\$313,018), which will encompass the construction of a new bus hub and infrastructure adjacent to the future Pawtucket-Central Falls Train Station.
- *Federal Highway Administration Pledge to Trustee.* As described earlier, part of the RhodeWorks legislation included a refinancing of GARVEE debt to make \$120.0 million in federal funds more immediately available to the Department of Transportation. In addition, a total of \$300.0 million in GARVEE bonds was issued in 2016. The debt service on the GARVEE bonds to be paid through the FHWA allocation is \$23.6 million in the Governor’s FY 2018 recommendation for the revised FY 2017 Budget, which is \$10.9 million more than enacted levels (to include the additional

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interest payments on the new issuances). The expense is reflected in the Department's operating budget as a federal fund source.

- *Operating Transfer to Rhode Island Public Transit Authority (RIPTA).* Operating assistance to RIPTA will be financed from a 9.25-cent allocation of the gasoline tax, as well as an additional 0.5-cent of the 1.0-cent Underground Storage Tank fee. In FY 2018, the Governor recommends an operating transfer of \$44.3 million to RIPTA for operating assistance, which is an increase of \$2.1 million from FY 2017 enacted levels. Outside of the Department of Transportation's budget, RIPTA also receives 0.79-cents of the 1.0-cent of the gas tax yield allocated to the Department of Human Services to support elderly and disabled transportation services. Beginning in FY 2018, the Governor recommends that this pass-through become a direct transfer from the Department of Revenue to more efficiently make available the funding for RIPTA.
- *Operating Transfer to Rhode Island Turnpike and Bridge Authority.* Operating assistance to the Turnpike and Bridge Authority will be financed from a 3.5-cent allocation of the gasoline tax. In FY 2018, the Governor recommends an operating transfer of \$15.9 million to the Turnpike and Bridge Authority for operating assistance, which is an increase of \$744,408 from FY 2017 enacted levels.
- *Operating Transfer – Motor Fuel Tax Revenue Bonds.* The gas-tax funded debt service on the Motor Fuel Tax revenue bonds totals \$9.1 million in FY 2018, which is paid using 2.0-cents of total gas tax revenues. This is a \$425,376 increase from FY 2017 enacted levels.
- *Personnel Costs.* The Governor recommends gasoline tax funding of \$6.7 million for salaries and wages in FY 2018, which is \$1.0 million more than FY 2017 enacted levels. The recommendation also includes \$48.2 million in federal funding, which is \$2.2 million higher than the enacted FY 2017 Budget. The increases are due to the addition of 21.0 FTE positions, some of which are transfers from another program. The new positions are mostly for new divisions in charge of project management, transit and stormwater drainage.

Infrastructure-Maintenance

Within the Infrastructure-Maintenance program, the Governor recommends FY 2018 appropriations of \$112.0 million, including \$86.4 million from the Rhode Island Highway Maintenance Account, \$20.6 million from gas tax revenues, \$4.8 million from the Rhode Island Capital Plan Fund, and \$150,000 from other funds. Relative to FY 2017 enacted levels, recommended Highway Maintenance Account revenues increase by \$6.6 million, gas tax revenues increase by \$7.8 million, Rhode Island Capital Plan Fund financing decreases by \$698,188, while other funds remain the same, attributable to adjustments detailed below.

- *Winter Maintenance Operations.* The Governor recommends a decrease of \$1.7 million from the enacted FY 2017 winter maintenance budget for a revised total of \$19.6 million. Costs include maintenance staff overtime, as well as private vendors conducting snow plowing operations, materials such as liquid deicers, sand and salt, and vehicle repairs, maintenance, and fuel costs incurred during winter storm operations. The decrease in costs is due to the planned increase of maintenance staff, which will reduce the reliance on outside contractors for snow plowing.
- *Personnel Costs.* The FY 2018 Governor's recommendation includes \$26.1 million for personnel costs, which is \$2.7 million more than the enacted FY 2017 Budget. This is due to a different combination of types of FTE positions than in the enacted FY 2017 Budget leading to slightly

Transportation

higher salary and benefit costs, as well as an additional \$650,000 in overtime expenses for the additional work planned as part of RhodeWorks.

- *Road and Bridge Maintenance.* The FY 2018 Governor's recommendation includes \$64.3 million in Highway Maintenance Account funds for road and bridge maintenance, which is \$6.3 million higher than FY 2017 enacted levels. This is due to additional revenues from the final phase in the remaining Department of Motor Vehicles fees transferred from the General Fund that will be used for road and bridge maintenance.
- *Vehicle/Heavy Equipment Purchases.* FY 2018 recommended appropriations include \$6.8 million for the purchase of vehicles and heavy equipment for maintenance staff, which is \$4.7 million higher than FY 2017 enacted levels. Similar to the revised FY 2017 Budget recommendation, this increase is for vehicles for the additional maintenance staff and RhodeWorks projects in the pipeline.
- *Operating Transfer to Rhode Island Public Transit Authority (RIPTA) – 5.0 Percent Allocation.* Based on an estimated total of \$86.9 million expected to be deposited into the Highway Maintenance Account in FY 2018, RIPTA is scheduled to receive \$4.3 million of total available revenues, an increase of \$353,750 over the enacted FY 2017 Budget. The increase is a result of transferring 100 percent of all remaining Department of Motor Vehicle fees to the Highway Maintenance Account in FY 2018.
- *Train Station and Maintenance Facility Improvements.* In FY 2018, the Governor recommends \$4.8 million in Rhode Island Capital Plan Fund financing for repairs and renovations to state owned train stations and various maintenance and salt storage facilities. The decrease from the enacted FY 2017 Budget is due to the construction of the new Portsmouth Maintenance Facility, of which project spending will be \$1.7 million less in FY 2018 than in the enacted FY 2017 Budget.

The Governor recommends 741.0 FTE positions in the revised FY 2017 Budget, 40.0 more than the enacted FY 2017 level. Of note, the General Assembly reduced the Department's authorized FTE positions by 40.0 in the final enacted FY 2017 Budget, but the funding for these positions was preserved. In FY 2018, the Governor recommends 775.0 FTE positions or an increase of 74.0 authorized FTE positions from the FY 2017 enacted level. The increase in positions is part of the Department's re-organization, and reflects additional project managers, engineers and maintenance staff, as well as the creation of new divisions with the Department, including planning, stormwater drainage, transit, civil rights, external affairs, and safety.