THE SPECIAL LEGISLATIVE COMMISSION TO STUDY THE FUNDING OF EAST BAY BRIDGES

REPORT TO THE GENERAL ASSEMBLY

JANUARY 15, 2014

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As Co-Chairmen of the Special Legislative Commission to Study the Funding for East Bay Bridges, we are pleased to submit the Commission's report of findings and results as required by the enabling legislation. We would like to take this opportunity to thank all Commission members, those who testified, both in person and in writing, for their commitment and dedication to tackling this issue.

While the Commission's title focuses on funding for a few bridges, the legislation tasked the Commission with identifying sustainable funding mechanisms for broader transportation infrastructure. This broader mission reflects the fact that challenges of maintaining those bridges must be viewed in the context of a larger problem with our infrastructure. As noted in the report, Rhode Island is anticipated to require more than $1.0 billion in transportation infrastructure improvement funding over the next ten years for which no funding source has been identified.

The Commission explored numerous options, including, but not limited to, bridge and highway tolling, motor vehicle-related fee increases, gas and mileage-based taxes, and alternative debt issuance mechanisms. The information reinforced the challenges that have faced other commissions and study groups that came before. Clearly, sustainably funding the state's road and bridge infrastructure will require a multi-faceted approach to ensure equity and reliability of the system.

The report, and valuable testimony received, provides a basis for continuing transportation financing discussions during the 2014 legislative session. As Chairmen of the House and Senate finance committees, we are charged with folding transportation finance options into the overall budget picture not only in the current appropriations cycle, but also with a mind towards the next several years where we face forecasts of revenues that do not keep pace with the cost of the current level of government service.

We look forward to continuing the discussion about long-term, sustainable transportation funding solutions, and want to reiterate our appreciation for those who participated in the Commission process.

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Executive Summary

The 2013 Assembly enacted legislation contained in Article 5 of 2013-H 5127 Substitute A, as amended and 2013-H 6329 Substitute A, which established a Special Legislative Commission to Study the Funding for East Bay Bridges. Although the title of the Commission is specific to the study of funding for the East Bay Bridges, the purpose of the Commission is expressly stated in the legislation, "*to make a comprehensive study of all types of equitable and reliable funding mechanisms and/or strategies to support Rhode Island's Infrastructure*".

The Commission held four meetings from September to December 2013, which included multiple presentations from House and Senate Fiscal staffs, as well as testimony from the Rhode Island Turnpike and Bridge Authority's financial advisor First Southwest, and a transportation expert from the National Conference of State Legislatures. The Commission reviewed the conclusions and recommendations of prior state-level studies, and examined national transportation funding mechanisms and proposals. Additionally, the Commission took public testimony, much of it specific to the East Bay bridge issue. A compilation of information provided to the members, along with agendas and on-demand video of the testimony can be accessed at http://webserver.rilin.state.ri.us/bridgefunding/. A section of this report contains summaries of the testimony.

The Department of Transportation is the lead state agency for infrastructure creation and maintenance, and its sources and uses of those funds are the primary focus of this report. Rhode Island also has established over time a number of quasi-public agencies that are responsible for distinct transportation-related functions. Although established under the Rhode Island General Laws for a specific purpose, quasi-public agencies have more independence from direct state budgetary and operating control. Quasi-state agencies are typically governed by a board of directors, with members of the board appointed by the Governor. Their operations are typically funded through revenues generated by their activities. The use of debt by these operations to finance capital improvements is viewed differently by external agencies evaluating the potential liabilities of the state.

The largest source of the Department of Transportation's infrastructure funding is through the Federal Highway Administration. These are the funds primarily used to build the state's infrastructure and come with a 20 percent state match requirement. Rhode Island historically provided this match by borrowing the money through voter-approved general obligation bonds and paid that debt back with gas tax proceeds. Gas tax proceeds also support maintenance and operations and in recent years became insufficient to cover increasing debt loads and current operating levels. Structured on consumption rather than cost basis, gas tax revenues not only did not keep pace with inflation, but suffered a significant decline as factors combined to reduce statewide usage.

A 2008 Blue Ribbon Panel convened by Governor Carcieri also identified the ineffectiveness of gasoline tax funding, lack of other dedicated funding sources as problems to address the need for major investments needed in order to bring Rhode Island's infrastructure into a state of good repair. Over the past several years, most of the recommendations that emerged from that exercise were enacted in some form. Further information on that work as well as other similar studies is contained in a section of this report for reference.

The report does note that there are areas that can be considered for expenditure savings, but the testimony was clear that Rhode Island's infrastructure needs are under resourced by tens of millions of dollars annually. Options for generating resources include both new ways to raise revenue and current resources that could be redirected from other uses Some would impact specific users, a common practice in transportation funding, some are from universal sources The challenge then is adopting the right mix of resources designed to balance the need to restore and maintain our infrastructure against the current demands on taxpayer dollars for other essential services

The table below summarizes some of the options considered and discussed in greater detail in the findings section of this report.

Type of Funding	Flat/Indexed	Affects Instate/Out of State	Residential / Commercial
New Funding Options			
Toll Interstate 95	Either	Both	Both
Gas tax indexing	Indexed	Both	Both
Increase Gas Tax	Flat	Both	Both
Vehicle miles traveled (VMT) fee	Either	Instate	Both
Increase fees for traffic violations	Flat	Both	Both
Surcharge or fee on alternative fuel vehicles	Flat	Instate	Both
Toll Sakonnet	Either	Both	Both
Redirect Existing Resources			
RICAP	Either	Instate	Both
General Revenue	Either	Depends	Both
Motor Vehicle Registrations, Licenses, CDL	Flat	Instate	Both
Operator Control Registration Reinstatement	Flat	Instate	Residential
Drivers License Reinstatement & Assessment	Flat	Instate	Residential
Motor Vehicle Title	Flat	Instate	Both
Inspection Fees	Flat	Instate	Both

SUMMARY OF KEY FINDINGS

Current Transportation Structure

The Department of Transportation is the lead state agency for infrastructure creation and maintenance. Rhode Island also has established over time a number of quasi-public agencies to be responsible for distinct transportation-related functions. Although established under the Rhode Island General Laws for a specific purpose, quasi-public agencies have more independence from direct state budgetary and operating control. Quasi-state agencies are typically governed by a board of directors, with members of the board appointed by the Governor. Their operations are typically funded through revenues generated by their activities. The following table summarizes the Agency's structures.

Agency	Established	Type	Board	FTE	RIGL
Department of Transportaion	1956	State	N/A	772.6	42-13
RI Public Transit Authority	1964	Quasi-Public	8 members	826.0	39-18
RI Turnpike and Bridge Authority	1954	Quasi-Public	5 members	33.0*	24-12
RI Airport Corporation	1993	Quasi-Public	7 members	150.0	1-2

Does not include seasonal or casual employees

As the table below shows, the Turnpike and Bridge Authority relies almost entirely on toll revenues for its operations. As with the Airport Corporation, there are no state sources being used to fund the agency. Both entities are self-supporting and use revenue bonds to finance large projects. The Turnpike and Bridge Authority uses almost half of its revenues to service that debt and cover related renewal and replacement funds.

Source	RIDOT*	RIPTA	RITBA	RIAC	Total
Federal Funds	$ 316,969,784	$ 20,786,968	$ -	$ 352,000	$ 338,108,752
Gasoline Tax	90,284,066	41,177,370	-	-	131,461,436
RICAP (State)	24,789,511	-	-	-	24,789,511
Tolls	-	-	18,300,000	-	18,300,000
Fares/Passenger Fees	-	24,531,109	-	21,395,000	45,926,109
Enterprise Funds	-	887,290	-	17,312,500	18,199,790
Other	33,802,367	12,625,278	510,000	9,607,600	56,545,245
*General Revenue***	8,000,000	1,620,472	-	-	9,620,472
Total	**$ 473,845,728**	**$ 101,628,487**	**$ 18,810,000**	**$ 48,667,100**	**$ 642,951,315**

$23.6 million in bond proceeds used in FY 2013 are not reflected in the Department's operating budget
*****General Revenues being used to fund debt service are paid through the Department of Administration's budget***

As the above table illustrates, the Department of Transportation and the Rhode Island Public Transit Authority benefit from state-collected sources including the state gas tax, general revenues and Rhode Island Capital Plan funds which are derived from state general revenues. The Transit Authority generates about one fourth of its operating resources through the collection of fares. As shown in the table, each transportation agency receives funding from sources referred to as "other". These revenues reflect multiple smaller funding streams, and are combined for illustrative purposes. Examples of these funds include advertising revenue and income received from interest.

State Issued Debt and Quasi-State Issued Debt

The State of Rhode Island has traditionally classified its general obligation debt in the following four categories: direct debt; guaranteed debt; contingent debt and other obligations subject to appropriation. These are used by investment rating agencies to determine the state's *Direct Debt,* which is the general obligation debt authorized by the voters on biennial referenda. These require the state to make annual payments of principal and interest on bonds outstanding, and the capital appreciation bonds of the state require the payment of principal and interest at maturity.

In the determination of the total debt burden of the state, the rating agencies take into account all tax supported debts which are or could be a future liability of the state. Therefore, the definition of "tax supported debt" includes other debt besides the general obligation bonds described above. In Rhode Island's case, the state has indirectly extended its credit to quasi-public agencies and authorities, such as the Rhode Island Turnpike & Bridge Authority. This bonding authority is not immediately backed by state general revenues; there is another source of revenue that is included to make debt service payments. In the case of the Authority, that source would be toll revenue. These instruments are typically referred to as revenue bonds or anticipation notes. They do not require voter approval, but do require the authorization of the General Assembly.

TRANSPORTATION FUNDING IN RHODE ISLAND

Intermodal Surface Transportation Fund - Operating Funds

Prior to FY 1994, funding for transportation was provided through general revenues, restricted receipts and federal funds. In FY 1994, Rhode Island established an Intermodal Surface Transportation Fund to finance all Department of Transportation personnel, operating, and ongoing repair and renovation expenditures for its facilities. In addition, the fund includes highway debt service, Rhode Island Public Transit Authority operating funds, and funds dedicated to elderly transportation.

Most of the financing for the Fund is provided by the $0.33 per gallon Motor Fuel tax. The following table represents the gas tax rate and distribution history for Rhode Island since 1990:

Rhode Island General Law 31-36-7 sets the gasoline tax at 33 cents per gallon. The disposition of proceeds is outlined in Section 31-36-20 of the General Laws. Upon receipt, all gasoline proceeds are deposited into the Intermodal Surface Transportation Fund from which statutory transfers are made to the Department of Transportation, the Rhode Island Public Transit Authority (RIPTA), the elderly/disabled transportation program and the Environmental Protection Fee. The disposition of gasoline tax proceeds is included below.

	General Revenue	Highway	Transit*	Total	UST*	Grand Total
FY 1990	21.00	0.00	0.00	21.00	0.00	21.00
FY 1991**	22.25	0.00	0.00	22.25	0.00	22.25
FY 1992	21.00	5.00	0.00	26.00	0.00	26.00
FY 1993	16.00	7.00	3.00	26.00	0.00	26.00
FY 1994	11.00	13.00	4.00	28.00	0.00	28.00
FY 1995	11.00	13.00	4.00	28.00	1.00	29.00
FY 1996	10.00	14.00	4.00	28.00	1.00	29.00
FY 1997	10.00	14.00	4.00	28.00	1.00	29.00
FY 1998	8.00	16.00	4.00	28.00	1.00	29.00
FY 1999	4.50	17.50	6.00	28.00	1.00	29.00
FY 2000	3.25	18.25	6.50	28.00	1.00	29.00
FY 2001	1.75	19.50	6.75	28.00	1.00	29.00
FY 2002	0.25	20.50	7.25	28.00	1.00	29.00
FY 2003	2.25	20.50	7.25	30.00	1.00	31.00
FY 2004***	1.40	20.75	7.85	30.00	1.00	31.00
FY 2005	2.00	20.75	7.25	30.00	1.00	31.00
FY 2006	1.00	20.75	8.25	30.00	1.00	31.00
FY 2007	1.00	20.75	8.25	30.00	1.00	31.00
FY 2008	1.00	20.75	8.25	30.00	1.00	31.00
FY 2009*	1.00	20.75	8.25	30.00	1.00	31.00
FY 2010	0.00	21.75	10.75	32.50	0.50	33.00
FY 2011	0.00	21.75	10.75	32.50	0.50	33.00
FY 2012	0.00	21.75	10.75	32.50	0.50	33.00
FY 2013	0.00	21.75	10.75	32.50	0.50	33.00
FY 2014	0.00	21.75	10.75	32.50	0.50	33.00

*One-cent regulatory fee on fuel sold to owners and operators of underground storage tanks. One-half of this is dedicated to the Rhode Island Public Transit Authority beginning in FY 2009. One-cent for elderly transportation shown in Transit Total.

**The rate changed from 21 cents to 26 cents effective April 1991.

***The distribution for May and June included 3.2 for general revenue and 6.2 for Transit.

During the past ten years, the per-penny yield has steadily declined for an overall drop of $0.7 million or 14.1 percent. With only one additional cent dedication of the gas tax, the Department's main non-federal revenue source has not kept pace with expenses. The absolute per penny decline of $0.7 million equates to approximately $15 million less for a single year's funding based on the Department's current allocation of the tax. The impact, however, is greater than that because of inflation. The Consumer Price Index, a measure of inflation, rose 24 percent during that same period, effectively decreasing the "buying power" of each dollar and compounding the effect of the decline in collections. The following table shows the annual decline of one cent of the gasoline tax.

Fiscal Year	Per Penny Yield	Annual Difference		Inflation (CPI-U)
2005	$4,834,986	$ -	0.0%	3.0%
2006	$4,805,619	$ (29,367)	-0.6%	3.8%
2007	$4,707,603	$ (98,016)	-2.0%	2.6%
2008	$4,513,744	$(193,859)	-4.0%	3.7%
2009	$4,327,710	$(186,034)	-3.8%	1.4%
2010	$4,289,568	$ (38,142)	-0.8%	1.0%
2011	$4,210,324	$ (79,244)	-1.6%	2.0%
2012	$4,205,959	$ (4,365)	-0.1%	2.9%
2013	$4,137,712	$ (68,247)	-1.4%	1.8%
2014 (est)	$4,170,507	$ 32,795	0.7%	1.9%
10 Year Change		**$(664,479)**	**-14.4%**	**24.09%**

The gasoline tax has been a declining revenue source because it is tied to consumption. Decreased consumption of gasoline is generally based on two factors. First, the increase in fuel efficiency and alternative fuel vehicles has lowered the amount of gas necessary to drive the same distances. Secondly, the extended economic downturn and high unemployment has reduced both discretionary income as well as the need for travel.

Rhode Island's gas tax is the second highest in New England, though it is far behind Connecticut's 49.3 cent tax and very close to Vermont and the national and regional averages. The below table shows how the New England states rank.

State	Gas Tax (In cents)
Connecticut*	49.3
Rhode Island	***33.0***
Vermont**	32.2
New England Average	32.0
Maine	31.5
U.S. Average	31.1
Northeast Average	30.9
Massachusetts***	26.5
New Hampshire	19.6

***Increased 4.0 cents on 7/1/13**

****Increased 5.9 cents on 5/1/13**

*****Increased 3.0 cents on 7/1/13**

Federal Highway Administration - Capital Funds

A major source of the Department of Transportation's funding is through the Federal Highway Administration. These are the funds primarily used to build the state's infrastructure and come with a 20 percent state match requirement. Rhode Island historically provided this match by borrowing the money through voter approved general obligation bonds. The recent change in this practice is covered in greater detail in the general obligation discussion later in this section.

The Department receives an average of $200.0 million annually from the Federal Highway Administration. The Department's annual allotment of funds is based on existing and prior year contracts for projects, anticipated new construction, design and engineering costs, and other planning activities such as traffic studies.

The Highway Improvement Program represents those highway and intermodal projects that utilize federal funds administered by the Federal Highway Administration. Until recently, the program included state funds for matching purposes in the form of proceeds from general obligation bonds. Federal funds earmarked for the Department's transit projects administered by the Federal Transit Administration are not included under this project, but are included in the Fixed Guideway Project. Rhode Island Public Transit Authority projects using transit funds are included in the Authority's capital budget submission.

The Highway Improvement Program is directed towards implementing the Department's capital program as identified in the Transportation Improvement Program. This is adopted by the State Planning Council and approved by the Governor and establishes priorities for planning, design, and project implementation. The Department, in conjunction with the State Planning Council, has completed the 2013 through 2016 Transportation Improvement Program.

The Transportation Improvement Program (TIP) establishes priorities for planning, design, and project implementation. Federal regulations require states and metropolitan areas to undertake an extensive public planning process resulting in an eligible project list, the Transportation Improvement Program, as a prerequisite for receipt of federal highway and transit funds. No highway or transit project can utilize federal funds unless it appears in an approved Transportation Improvement Program.

In Rhode Island, the Transportation Improvement Program is a culmination of a public outreach process to all communities, public interest groups and citizens throughout the state by the agencies involved in transportation planning and project implementation. The following table summarizes the reported expenditure amounts for each element included in the Transportation Improvement Program for FY 2013.

Program Area	FY 2013 Final	Share of Total
Administrative Program	$ 6,613,472	3%
Bike/Pedestrian Program	6,549,872	3%
Bridge Program	30,145,689	14%
CMAQ Program	6,526,393	3%
Highway Program	18,435,295	8%
Interstate Program	11,980,077	5%
GARVEE Projects	32,870,590	15%
Federal Highway Earmark Projects	21,794,119	10%
Pavement Management Program	20,468,527	9%
Traffic Safety Program	23,147,891	11%
Transit	32,691,179	15%
Other Programs	6,718,086	3%
Total	**$ 217,941,190**	**100%**

In June of 2012, Congress approved a new two year transportation authorization titled "Moving Ahead for Progress in the 21st Century", which is known as MAP-21. This was enacted after several years of continuing resolutions; however, this authorization is only valid for two years. The federal highway trust fund, which is funded through the federal gasoline tax of 18.4 cents per gallon, is projected to be insolvent by December of 2015. If there is no further action by the federal partners, the trust fund cannot be used for state programs and the majority of all federal funds that are part of the annual Transportation Improvement Program will not be available.

Infrastructure Financing - Borrowing

General Obligation Bonds

Beginning in FY 2011, the Assembly adopted legislation that addressed two of the major issues affecting the Department: over reliance on debt and a limited number of funding sources.

Every other year, an $80 million referendum was placed on the ballot and approved by the voters. The proceeds from these general obligation bonds served as the match to federal funds received in those years. However, the state paid the debt back over 20 years using gas tax revenues. Over time, a greater share of gas tax collections had to be used to service this debt, leaving less from this source to finance regular maintenance and operations. The 2011 Assembly transferred the match to pay as you go sources. The 2012 referenda did not include new bonds to match the state's share of federal funds for the infrastructure program.

Part of the solution involved establishing motor vehicle fee surcharges that would be held in a trust fund. These funds, combined with Rhode Island Capital Plan funds, will provide the $40 million of annual match instead of borrowing. The pay-go funding sources are shown in the table below:

Fiscal Year	Biennial Registrations	Annual Registrations	Licenses	RICAP	Previous G.O. Bonds	Total
2014	$ 3,817,669	$ 791,140	$ 1,260,140	$21,131,051	$13,000,000	$40,000,000
2015	$ 7,384,812	$ 1,530,362	$ 2,437,586	$21,647,240	$ 7,000,000	$40,000,000
2016	$10,945,319	$ 2,268,210	$ 3,612,842	$23,173,629	$ -	$40,000,000

The state also reduced the amount of debt service paid by the Department through the targeted use of general revenues in lieu of gasoline tax revenues, as well as the restructuring of debt in order to adjust the upcoming debt service payments to a more consistent amount.

As recommended in Governor Chaffee's FY 2013 budget, the state began to use general revenues to pay a portion of the Department's debt service beginning in FY 2013. The FY 2014 Budget includes $9.3 million and the plan calls for increasing this in $10 million increments until no more gasoline tax is used for debt service. This is projected to occur in FY 2018. The debt restructuring and the use of general revenues for debt service is illustrated in the following table.

Debt Service on Outstanding DOT Debt

Fiscal Year	Outstanding Debt Service	Build America Bonds Reimbursement	Projected Restructuring	General Revenues	Net Gas Tax Funded Debt Service
2013	$ 55,266,134	$ (2,015,980)	$ (10,932,201)	$ (8,000,000)	$ 34,317,953
2014	50,527,797	(2,015,980)	(6,468,780)	(9,250,000)	32,793,037
2015	54,580,237	(2,015,980)	(4,143,035)	(19,250,000)	29,171,222
2016	50,237,900	(2,015,980)	2,048,000	(29,250,000)	21,019,920
2017	49,933,531	(2,015,980)	1,998,000	(39,250,000)	10,665,551
2018	41,392,238	(2,015,980)	3,733,000	(43,109,258)	-
2019	40,396,506	(2,015,980)	3,733,750	(42,114,276)	-
2020	36,445,414	(2,015,980)	3,737,500	(38,166,934)	-
2021	43,706,060	(2,015,980)	3,733,750	(45,423,830)	-
2022	39,758,229	(1,868,570)	3,737,500	(41,627,159)	-
2023	38,969,053	(1,710,900)	3,738,000	(40,996,153)	-
2024	34,172,285	(1,544,080)	-	(32,628,205)	-
2025	31,042,260	(1,367,622)	-	(29,674,638)	-
2026	30,881,740	(1,179,140)	-	(29,702,600)	-
2027	27,331,961	(958,514)	-	(26,373,447)	-
2028	25,529,306	(730,480)	-	(24,798,826)	-
2029	18,763,869	(494,898)	-	(18,268,971)	-
2030	18,515,394	(251,496)	-	(18,263,898)	-
2031	8,726,730	-	-	(8,726,730)	-
2032	8,724,622	-	-	(8,724,622)	-
2033	1,604,852	-	-	(1,604,852)	-
2034	481,456	-	-	(481,456)	-

GARVEE Borrowing

To respond to the need to accelerate transportation project implementation, the Rhode Island General Assembly on July 15, 2003, enacted legislation which authorizes the state to advance certain projects with GARVEE bonds (Grant Anticipation Revenue Vehicles). GARVEE represents a program approved by Congress that allows states to borrow funds, which are then backed and repaid by the annual allocation of Federal Highway Administration construction funds. In 2003, 2006 and 2009, the state completed phases of the three-part bond transaction that will provide approximately $600 million in construction funds for five major infrastructure projects: Interstate 195 Relocation, Sakonnet River Bridge, Washington Bridge, Route 403 Interchange and Freight Rail Improvement Project.

The costs for these projects not funded with GARVEE bond proceeds are funded through Motor Vehicle Tax Revenue bonds. This funding is financed through a two-cent dedication of the department's gasoline tax allocation. Since these bonds were issued in 2003, the value of two cents of the gasoline tax is used for the annual debt service prescribed for in the bond indenture. These bonds are not backed by the state, but by future federal transportation funds for Rhode Island. The GARVEE debt service is paid by annual federal highway apportionments. The debt service must be paid first each federal fiscal year and averages approximately $50 million annually. It should be noted that the GARVEE debt is scheduled to be defeased in FY 2021, which will free up the approximate $50 million of federal funds currently being used as debt service. The motor fuel tax revenue bonds will be defeased in FY 2026, which will make available two cents of the gasoline tax, which are currently dedicated as debt service for the motor fuel tax revenue bonds

CURRENT STATE OF INFRASTRUCTURE

The current state of Rhode Island s infrastructure is poor by many measures, including pavement condition, functionality and bridge condition. The following information provides some insight into how these conditions are defined, and how they rank nationally.

The Department of Transportation is responsible for the maintenance of approximately 1,100 road miles throughout the state. Bridges that are maintained by local or state authorities are found on the National Bridge Inventory, which is a database compiled by the Federal Highway Administration with information on all bridges and tunnels in the United States that have roads passing above or below. This bridge information includes the design of the bridge and the dimensions of the usable portion. The data is used to analyze bridges and judge their conditions

According to the Federal Highway Administration, the bridge inventory is developed with the purpose of having a unified database for bridges, including identification information, bridge types and specifications, operational conditions, bridge data including geometric data and functional description. Any bridge more than 20 feet long used for vehicular traffic is included

The state has a total of 763 bridges on the inventory list, including 611 that are state owned and 152 that are owned by municipalities, private enterprises or residences. The following table illustrates the status of these bridges as of July 1, 2013. It should be noted that the table below shows only those bridges that appear on the National Bridge Inventory. There are an additional 389 bridges that are less than 20 feet and do not appear on the inventory. However, these bridges are also maintained by the Department, which brings the total number of bridges under their purview to 1,152 bridges

Status	State Owned	Municipal/ Other	Total Bridges	Percent of Total
Structurally Deficient	129	34	163	21.4%
Functionally Obsolete	178	43	221	29.0%
Weight Restricted	73	22	95	12.5%
Closed	6	6	12	1.6%
Fair	225	47	272	35.6%
Total	**611**	**152**	**763**	**100%**

As the above table indicates, more than one-third of all the bridges in the state are in fair condition. The next largest category is functionally obsolete, which is described by the Federal Highway Administration as a bridge that was built to standards that are not used today. These bridges are not automatically rated as structurally deficient, nor are they inherently unsafe. Functionally obsolete bridges are those that do not have adequate lane widths, shoulder widths, or vertical clearances to serve current traffic demand, or those that may be occasionally flooded. Approximately 29 percent of all bridges in the state are included under this category.

The next category of bridge classification is structurally deficient, which includes over 21 percent of Rhode Island s bridges. Bridges are considered structurally deficient if they have been restricted to light vehicles, closed to traffic or require rehabilitation. Structurally deficient means there are elements of the bridge that need to be monitored and/or repaired. The fact that a bridge is "structurally deficient" does not imply that it is likely to collapse or that it is unsafe; rather, it means the bridge must be monitored, inspected and maintained.

The determination of whether or not a bridge is structurally deficient is done by using a nationally used rating scale of 0 to 9 (with 9 being "excellent" and zero being "failed"). A structurally deficient bridge is one for which the deck (riding surface), the superstructure (supports immediately beneath the driving surface) or the substructure (foundation and supporting posts and piers) are rated in a condition 4 or less.

A "deficient" bridge typically requires maintenance and repair and eventual rehabilitation or replacement to address deficiencies. To remain open to traffic, structurally deficient bridges are often posted with reduced weight limits that restrict the gross weight of vehicles using the bridges. This makes up the weight restricted category of bridges, approximately 12 percent of all bridges in the state. If unsafe conditions are identified during a physical inspection, the structure must be closed. This is the case for 12 bridges throughout the state, or less than 2 percent of all bridges statewide.

It is also important to note the geographic disbursement of structurally deficient and functionally obsolete bridges throughout the state. Although bridge sizes vary dramatically, and are more prevalent in areas with multiple highway overpasses, each section of the state has its own problem areas. The table below shows bridge conditions by county, relative to each county's share of state road miles and population.

County	State Roads	All Bridges	Deficient Bridges	Population
Bristol	4.2%	0.8%	1.0%	4.7%
Kent	17.3%	14.0%	13.4%	15.8%
Newport	10.7%	5.5%	5.6%	7.9%
Providence	44.7%	61.6%	62.8%	59.5%
Washington	23.1%	18.1%	17.3%	12.1%

As the above table indicates, the problem of structurally deficient and functionally obsolete bridges is statewide. It should be noted that although the amount and proportions of deficient bridges are higher in areas outside of the East Bay, the distribution of deficiencies is consistent with an individual county's proportionate share of road miles and population. Much like overall road conditions, factors such as traffic volume, materials used and maintenance schedules have a large influence over the conditions. Infrastructure concerns are prevalent throughout the state, and this notion may be included in any possible solutions.

ESTIMATE OF NEED

The funding included in the following table reflects the Department of Transportation's ten year need. It should be noted that there are currently no fund sources identified for these projects.

Project	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Bridge Rehabilitation	$ 61.6	$ 61.4	$ 82.0	$ 61.6	$ 55.6	$ 20.0	$ 19.7	$ 19.7	$ 19.9	$ 401.5
Statewide Resurfacing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	225.0
Routes 6 and 10	60.1	120.3	120.3	120.3	60.1	-	-	-	-	481.0
Total	***$ 146.7***	***$ 206.6***	***$ 227.2***	***$ 206.9***	***$ 140.7***	***$ 45.0***	***$ 44.7***	***$ 44.7***	***$ 44.9***	***$ 1,107.5***

(In millions)

As the above table indicates, the annual funding need expressed by the Department ranges from approximately $50 million to over $200 million. This reflects an early infusion of funding for the Department to not only fix deficient bridges, but also to perform enough preventative maintenance at the earlier stages of the lifecycle of the bridges in order to reduce out year repair costs. Although this expression of need shows a large infusion at the beginning, it does not necessarily mean that the Department or its contractors would have the capacity to perform that level of work in the early years of the program. The average annual need is closer to $100 million.

The following table expresses the need for the Turnpike and Bridge Authority over the next ten years. The table deducts the toll revenue from Newport Pell illustrate an approximation of the need net of this revenue.

Project	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Newport/Mount Hope	$ 36.2	$ 36.6	$ 33.9	$ 39.8	$ 55.4	$ 25.4	$ 15.5	$ 30.9	$ 33.1	$ 10.2	$ 317.0
Jamestown	4.6	12.3	5.1	1.8	2.5	1.7	0.7	2.0	0.7	7.8	39.2
Sakonnet	5.4	4.8	4.2	4.1	4.0	4.0	3.6	4.0	3.8	6.7	44.6
Subtotal	***$ 46.2***	***$ 53.7***	***$ 43.2***	***$ 45.7***	***$ 61.9***	***$ 31.1***	***$ 19.8***	***$ 36.9***	***$ 37.6***	***$ 24.7***	***$ 400.8***
Newport Toll Revenue	(17.5)	(17.4)	(17.4)	(18.7)	(18.2)	(18.0)	(18.1)	(17.8)	(18.3)	(18.3)	(179.7)
Total (Need)	***$ 28.7***	***$ 36.3***	***$ 25.8***	***$ 27.0***	***$ 43.7***	***$ 13.1***	***$ 1.7***	***$ 19.1***	***$ 19.3***	***$ 6.4***	***$ 221.1***

(In millions)

The original toll structure on the Sakonnet River Bridge approved by the Authority was projected to generate approximately $20 million annually. Although the annual maintenance costs would be far below that amount, this Authority planned for those resources to help support all four bridges under its purview. This mitigated the need for increases on the Newport Bridge that had been envisioned.

It should be noted that this statement of need does not address any concerns of public transit. Although the funding of public transit was not part of the Commission's purview, it is important to highlight that over 40 percent of the Rhode Island Public Transit Authority's funding comes from the gas tax; therefore, it faces some of the same challenges of buying power loss shown in the first table on page 12, which is the same problem facing the Department of Transportation.

There has been considerable discussion and proposals the past few legislative sessions to change the funding and subsidy structure for transit away from the gas tax. Although the scope of the potential out year funding concerns is not clear, it is important to recognize public transit will be competing for the same resources as transportation infrastructure. For that reason, transit should not be excluded from the equation.

Additionally, the needs included above do not address all of the state's infrastructure issues. For example, the Providence Viaduct project has been widely discussed as both a necessary and costly project. It is in the early design stages and the exact cost is still unknown; however, it is projected to be approximately $170 million. With infrastructure funding at a premium, and large scale projects still unfunded, the Providence Viaduct project illustrates how vulnerable the state's infrastructure can be when one singular project could cost the same amount as an entire year of the Federal Highway Administration program. It should also be noted that the needs presented by the agencies do not include any major improvements or expansion of any systems; rather, they reflect the amount of funding it would take to maintain the infrastructure currently in place, and allow for enough funding to maintain that infrastructure.

The main issue facing the Commission has been to identify *sustainable* funding sources for infrastructure that is *equitable*. There is no single measure of equity, but consideration should be given to the geographic impact of solutions as well as the impact to residents versus nonresidents and households versus businesses.

As previously shown, deficient roads and bridges are spread throughout the state, with more densely populated and travelled areas having a higher proportion of deficiencies. Both the federal government and individual states are moving in the direction of user based fees for transportation. Another consideration is the cost of the infrastructure compared to its use.

Project	Status	Estimated/Actual Cost	Average Daily Traffic	Ratio of Cost to ADT
Providence Viaduct	Design	$ 169,900,000	236,230	715
Sakonnet River Bridge	Near Complete	$ 163,700,000	40,000	4,093
Providence River Bridge	Complete	$ 96,800,000	180,000	538
Washington River Bridge	Near Complete	$ 79,100,000	149,000	531
Pawtucket River Bridge	Complete	$ 83,000,000	185,000	449

The above table utilizes a ratio of cost to average daily traffic. This is shown to illustrate the relationship between the costs of infrastructure compared to the amount of people receiving the benefit of the infrastructure. As the table illustrates, the ratio for the Sakonnet River Bridge far exceeds the other major projects, which is due to the relatively low amount of users, as represented by the average daily traffic.

OPTIONS AND CONSIDERATIONS

Expenditure Options

Although much of the Commission's focus concerned revenue enhancements, another way to increase available resources is to reduce expenditures. It is always important to consider ways to cut expenditures through both administrative and technical means.

Administrative - Over the last two years, the Office of Management and Budget has been studying transportation services including the overall structure and possible economies of scale that could be achieved by combining or otherwise integrating certain transportation agencies. The original report completed by the Office is titled "Rhode Island Transportation: Review of Functions and Organization", and the Office's website contains additional information on transportation performance. It can be accessed at www.OMB.RI.Gov. The General Assembly can also use its standard means of financial reporting and oversight to ensure greater accounting of the agencies involved.

Technical - Another way to reduce expenditures both currently and in the out years is the concept of prevention as maintenance. As the availability of the Department's gasoline tax revenues gradually increase due to the shift of debt service to general revenues, there will be more funding available for preventative maintenance. This increase in preventative maintenance will not only increase the integrity of current infrastructure, it will also increase the useful life of infrastructure on any new projects.

During the Commission's discussion about financing options for the state's infrastructure funding, the idea of general obligation bonds versus debt issued by a quasi-state agency was discussed. One way to lower expenditures is to reconsider the current debt situation, and possible future debt authorizations. This would produce some debt service savings based on lower interest rates, but has other implications as discussed in the paragraphs that follow.

General Obligation Bonds (Net Tax Supported Debt). The State of Rhode Island has traditionally classified its general obligation debt in the following four categories: direct debt, guaranteed debt, contingent debt and other obligations subject to appropriation. These fall into the broader category of tax supported debt used by investment rating agencies. Within the category of obligations subject to annual appropriations, there are certain performance-based agreements associated with debt issued to promote economic development. Generally speaking, the state's requirement to make appropriations on these obligations is based upon achievement of certain predetermined benchmarks that would increase state tax revenues. The state's general obligation debt is rated by the three major credit rating agencies, which have reviewed all state debt since FY 2008.

Direct Debt is authorized by the voters as general obligation bonds, which require the state to make annual payments of principal and semi-annual payments of interest on bonds outstanding, and the capital appreciation bonds of the state require the payment of principal and interest at maturity. As of January 1, 2013, the state had $1.192 billion of general obligation tax supported bonds outstanding.

Guaranteed Debt includes bonds and notes issued by, or on behalf of, certain agencies, commissions and authorities created by the General Assembly and charged with enterprise undertakings, for the payment of debt under which the full faith and credit of the state are pledged in the event that the revenues of such entities may at any time be insufficient. As of January 1, 2013, there was no outstanding or authorized but unissued guaranteed debt.

Contingent Debts are those debts or obligations of certain Rhode Island agencies for which the state has pledged its full faith and credit. Such debt includes mortgages insured by the Rhode Island Industrial-Recreational Building Authority. Voter approval enabled the Authority to pledge the state's full faith and credit up to $80,000,000, reduced by the General Assembly in 2008 to $20,000,000 and increased back to $60,000,000 in 2010 for the following purposes: to insure eligible mortgages for new construction, acquisition, and rehabilitation or expansion of facilities used for manufacturing, processing, recreation, research, warehousing, retail, wholesale or office operations. New or used machinery, equipment, furniture, fixtures or pollution control equipment required in these facilities is also authorized for mortgage insurance. Mortgages insured by the Authority are limited to certain specified percentages of total project cost. The Authority is authorized to collect premiums for its insurance and to exercise rights of foreclosure and sale as to any project in default.

Resources

When considering options for sustainable infrastructure financing, it is important to note that the main strategies for developing these sources will involve either creating new ones, or redirecting those funding streams that already exist. When considering a redirection of sources, it is important to note whether those sources are specific to transportation, or whether they are more general in nature.

Transportation Specific – These sources involve revenues derived from transportation related activities, for example, fees generated by the Division of Motor Vehicles. While many feel that transportation related fees should be linked to this type of revenue, it is important to note that redirecting any of these sources in one area of the budget will result in a shortfall elsewhere in the budget. An example of this is the redirection of motor vehicle fees to transportation. If $10 million is shifted to transportation activities, another area of the budget must be reduced by the same amount in order to maintain a balanced budget.

General – Similar to a redirection of transportation related fees, it is important to realize that a large drawback to using a more general source, such as a percentage of the sales tax, for transportation activities, is that it will create a deficit elsewhere in the budget. It is imperative to note that neither of these approaches will be viable if there is not an effort to reorganize and prioritize current spending.

The discussion of revenue sources for transportation often includes the disposition of proceeds collected from transportation related activities. Mainly, this concerns fees and surcharges collected by the Division of Motor Vehicles. Revenues collected by the Division are deposited into the state's General Fund, and are projected to account for approximately $65.7 million in FY 2014. The revenues derived from these sources are shown in the table below.

Fee	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Final	FY 2014 Estimate
Motor Vehicle Reg. & License	$45,810,625	$44,953,190	$45,877,868	$45,815,459	$47,700,000
Commercial Drivers License	377,456	361,647	368,115	309,322	309,322
Operator Control Reg. Reinst.	814,828	809,657	843,629	849,332	849,332
Drivers License Reinst. & Assmnt.	3,250,922	3,141,909	3,169,983	3,199,333	3,199,333
Inspection Stickers	5,355,360	5,492,416	5,702,640	5,704,800	5,704,800
Motor Vehicle Title	6,462,335	6,932,055	7,096,498	7,897,032	7,897,032
Total	**$62,071,526**	**$61,690,874**	**$63,058,733**	**$63,775,278**	**$65,659,819**

One concept that began with the 2008 Governor's Blue Ribbon Panel that has continued through the Commission is that the funds discussed above should go towards transportation initiatives. As noted earlier, the state is on target to dedicate close to $550 million over the next 20 years from general revenues to pay the debt service on the Department's general obligation bonds.

As mentioned in the financing section of this analysis, the payment of debt service for previously authorized general obligation bonds issued by the state for the Department is being shifted from Department sources to general revenues. The debt service for these bonds has historically been paid with gasoline tax revenues, which decreased the amount of available funding for the Department's operations. For FY 2011, the Assembly instituted a strategy that shifts the outstanding debt service to general revenues in annually increasing $10 million increments until all of the Department's debt is paid with state sources, which is projected to occur in FY 2018. This will total approximately $43 million, which results in approximately $20 million of related fees not directly dedicated to transportation.

Generate New Resources - The toll revenue on the Sakonnet River Bridge was one option to add resources for a finite infrastructure need. The original tolls included by the Authority were projected to generate approximately $20 million annually, despite the fact that annual maintenance costs would be far below that amount. It is important to note that the Authority was looking at the revenue source of tolls to support all four bridges under its purview. This meant that all four major bridges in the East Bay would be paid for with revenue derived from two bridges, the Newport and the Sakonnet. This meant that the toll on the Sakonnet was determined based on what amount would be necessary to maintain all four bridges. The toll that was established on Sakonnet prevented toll increases on the Newport Pell because the pool of resources was increased when Sakonnet toll revenue was considered.

General Revenues. Less than half of the total funds collected or received from all sources are considered as general revenues; $3,381.0 million, 41.1 percent of all sources. They can be used for any legitimate purpose in contrast to federal funds, restricted receipts, and certain other sources that may only be used for specific purposes. The following table shows FY 2014 sources with items contributing to general revenues in bold type. It also shows the total percent it contributes to all funds and general revenues for each source. Sales and personal income taxes combine for 24.2 percent of all revenues in FY 2014 and 59.0 percent of all general revenues. Combined with federal funds, they total over half, 56.6 percent.

All Sources	*All Funds*	*Contribution*	*General Revenue*	*Contribution*
Federal Grants	$ 2,662.9	32.3%	$ -	0.0%
Personal Income	1,109.2	13.5%	1,109.2	32.8%
Sales	887.2	10.8%	887.2	26.2%
University and College	834.7	10.1%	-	0.0%
UI & TDI	492.7	6.0%	-	0.0%
Business Taxes	384.4	4.7%	384.4	11.4%
Lottery	394.1	4.8%	394.1	11.7%
Departmental	348.7	4.2%	348.7	10.3%
Other Taxes	242.2	2.9%	242.2	7.2%
All Other	485.6	5.9%	15.2	0.5%
Restricted Receipts	255.0	3.1%	-	0.0%
Gas Tax	137.6	1.7%	-	0.0%
Total	**$ 8,234.3**	**100.0%**	**$ 3,381.0**	**100.0%**

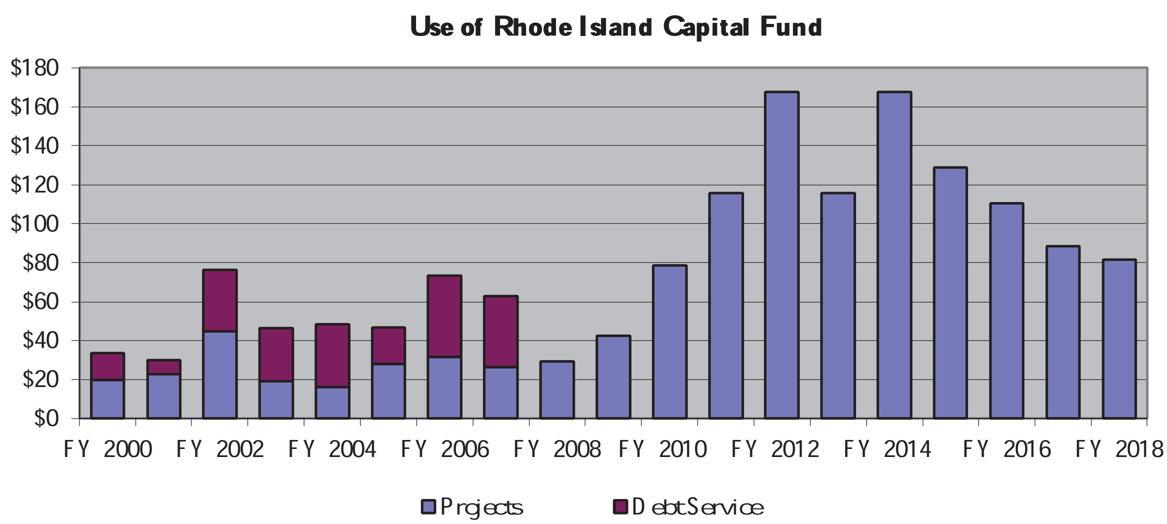
Available general revenues also include a recommended balance forward from FY 2013 of $93.4 million minus transfer of $104.2 million to the Budget Stabilization and Cash Reserve Account, or "rainy day fund" to be used in case of emergency, and then only by legislative action. Three percent of the opening surplus plus all revenues must be deposited in the account in FY 2013. These amounts had been increasing by 0.2 percent per year until reaching 3.0 percent in FY 2013. Any amounts used must be replaced in the following year.

The account is limited; once the limit is reached, the excess revenues are transferred to the Rhode Island Capital Plan account, where they may be used to fund capital projects. Maximum amounts in the budget reserve are also defined by statute and increased to a maximum of 5.0 percent in 0.4 percent increments in FY 2013. Amounts above the maximum amount transfer to the Rhode Island Capital Plan funds for use for capital projects. The table below shows the percents.

Percents of Revenues	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Transfer to Budget Reserve	2.0%	2.2%	2.4%	2.6%	2.8%	3.0%
Budget Reserve Maximum	3.0%	3.4%	3.8%	4.2%	4.6%	5.0%

The voters approved a constitutional amendment in 2006 to allow the capital account to be used solely for capital projects beginning in FY 2008 and to increase the Budget Stabilization and Cash Reserve Account to five percent and mandating that three percent of the opening surplus and all revenues must be deposited in the account by FY 2013.

Rhode Island Capital Plan Fund. A primary source of state pay-go funding is the Rhode Island Capital Plan Fund. These revenues are derived from the amounts exceeding 2.0 to 5.0 percent of revenues in the state's Budget Stabilization and Cash Reserve Account, or "rainy day fund." The rainy day fund received 2.0 percent of all revenues and opening surpluses in FY 2008, increasing by 0.2 percent per year until reaching 3.0 percent in FY 2013. It was capped at 3.0 percent in FY 2008, increasing by 0.4 percent per year until reaching a 5.0 percent cap in FY 2013. Resources above the cap are transferred to the Rhode Island Capital Plan Fund.



The fund was used nearly exclusively for debt service in the early 1990s. Governor Almond began moving debt service back to general revenues as the economy improved in the latter half of that decade, reserving the capital fund for pay-go capital projects so as not to use any for debt service by FY 2002. However, the economic slowdown caused that to reverse beginning in FY 2002, with significant amounts again used for debt service. The 2006 Assembly noted that the Governor's budget was increasingly relying on these funds for debt service, while increasing the amounts being financed. It submitted a constitutional amendment to limit the use of the fund to capital projects beginning in FY 2008, which the voters approved.

With the transition to the 5.0 percent cap complete, resources in the Rhode Island Capital Plan Fund have grown and begun to fulfill the purpose of lowering borrowing needs. An example of this is the annual funding being used in lieu of borrowing to match federal transportation funds. This includes

$21.1 million for FY 2014, $21.7 million for FY 2015 and $23.2 million for FY 2016 and each year thereafter. This annual use of funds will save debt issuance and service costs in future years.

Approximately $100 million is transferred to this fund annually and programmed for use through the five-year capital plan. In addition to the transportation uses noted above, additional spending on transportation related expenses mean that over 25 percent of Rhode Island Capital Plan funds are now dedicated to transportation uses. Another primary use of the fund is for asset protection and other projects at the state's public higher education institutions. These account for about one fourth of the use of the fund. The remaining half is used for the asset protection and improvements for state buildings including courts, prisons, hospitals and other state facilities such as dams, piers, parks and office buildings. Many of these ongoing investments are designed to extend the life of facilities and prevent the need for costly replacements.

New Resources

The Commission considered other new funding options, and looked at a number of measures for how they may be viewed in the context of new revenue sources.

Unit	Total	Cost per Unit to Generate					
		$	1,000,000	$	5,000,000	$	20,000,000
State Population	1,052,567	$	0.95	$	4.75	$	19.00
1,000 Vehicle Miles per Year	7,901,000	$	0.13	$	0.63	$	2.53
Gallons of Gas per Year	428,000,000	$	0.00	$	0.01	$	0.05
2-Year Registrations	390,000	$	2.56	$	12.82	$	51.28
1-Year Registrations	320,000	$	3.13	$	15.63	$	62.50
Annual License Renewals	149,000	$	6.71	$	33.56	$	134.23
Annual Safety Inspections	300,000	$	3.33	$	16.67	$	66.67
Traffic Violations Issued	168,800	$	5.92	$	29.62	$	118.48
Alternative Fuel Vehicles	1,100	$	909	$	4,545	$	18,182

The above table provides a view into the range of options that could be explored for further transportation revenue. Although not transportation related, the population measure simply illustrates the relationship of population to general revenues. For example, to generate $5.0 million of revenue would equate to $4.75 for every individual resident in the state, and generating $20.0 million would equate to $19.00 per resident. This measure is provided to show the magnitude of what any new revenue source would be, relative to the entire state population. The more traditional transportation related measures are described in greater detail below.

<u>Vehicle Miles Travelled</u>. A vehicle miles travelled (VMT) tax is a policy of charging motorists based on how many miles they have travelled. It has been proposed in various states as an infrastructure funding mechanism to replace, or supplement the gasoline tax. Instead of using a tax on fuel consumption as a way of financing transportation infrastructure, a VMT fee charges motorists based on their road usage measured in mileage. These charges can be either a flat fee (e.g., a fixed number of cents per mile, regardless of where or when the travel occurs) or a variable fee based on considerations such as time of travel, congestion levels on a facility, type of road, type and weight of the vehicle and vehicle emission levels.

There are different ways a VMT fee can be implemented. In general, the implementation of VMT fees would be accomplished through the use of an onboard vehicle device to capture the distance driven by a vehicle through a global positioning system or other technology, and relate that to a method of charging which could involve payments at the gas pump, billing or automatic deductions for a prepaid customer account. Global positioning units on board a vehicle can record distance, assign it to the appropriate taxing jurisdiction, and calculate the amount owed. The Governor's Blue Ribbon Panel of 2008 recommended the exploration of vehicle miles travelled, and during the FY 2010 session, the House Finance Committee heard 2010-H 7845 which would have established a commission to study the feasibility of implementing this type of user fee. Beyond the discussion in other legislative committees and during the commission, the implementation of a vehicle miles travelled fee has not moved forward in Rhode Island.

Discussion involving this type of system has elicited concerns over privacy, due to the tracking used to record mileage. There are alternative means to collect the same data, but due to the lack of actual implementation in any states, there is not a large amount of available information. In 2013, Oregon passed the first legislation in the United Sates to establish a permanent road usage charge system for transportation funding. The law authorizes the Oregon Department of Transportation to establish a mileage collection system for 5,000 volunteer motorists beginning July 1, 2015.

According to statistics provided by the Federal Highway Administration, the number of vehicle miles travelled in Rhode Island is 7.9 billion. If the state implemented a one cent tax per mile travelled, it would generate approximately $79 million.

Gasoline Tax. As previously mentioned in the analysis, gasoline tax is a declining revenue source because it is tied to consumption which is declining due to increased fuel efficiency and the extended economic downturn.

Each penny of the gasoline tax presently generates approximately $4.2 million. If recent trends continue, this amount may decrease even further, or at best, stay flat. A ten cent increase in the state's gasoline tax would yield approximately $42 million. The table below includes the current gasoline taxes in New England as well as national and regional averages.

State	Gas Tax (In cents)
Connecticut*	49.3
Rhode Island	***33.0***
Vermont**	32.2
New England Average	32.0
Maine	31.5
U.S. Average	31.1
Northeast Average	30.9
Massachusetts***	26.5
New Hampshire	19.6

****Increased 4.0 cents on 7/1/13***
*****Increased 5.9 cents on 5/1/13***
******Increased 3.0 cents on 7/1/13***

Because Rhode Island is a small state with two borders, changes to the gasoline tax in either direction could be impacted by other states. For instance, even though Connecticut's gas tax is more than $0.16 higher per gallon than Rhode Island's, there are not as many accounts of consumers crossing state lines to get gas in Rhode Island. In Massachusetts the gasoline tax is almost $0.07 lower than in Rhode Island, and there are numerous accounts of Rhode Island residents crossing into Massachusetts for gas. This paradigm may be influenced by the number of places people cross borders, and possibly even the distance that must be travelled to reach the other state. In the summer of 2013, the Department of Transportation conducted a study to determine the impact of gasoline prices on border communities. The results of the study were inconclusive, but it does appear that staying competitive with gasoline tax for Rhode Island may play an important role in securing more reliable funding sources.

Indexing Gasoline Taxes. One options for combating the continued loss of buying power, other than raising the gas tax, is to link (or "index") fuel taxes rate directly to a measure of inflation, such as the Consumer Price Index. Most variable-rate taxes are based on the wholesale or retail price of fuel. As of December 2013, there are 15 states that are either currently assessing some form of variable-rate tax on fuel or had enacted legislation to do so. Variable-rate taxes take multiple forms. Some states. The paragraphs below give additional details about three states that index, or have enacted a law to index, fuel taxes to inflation.

Florida. Florida assesses a cents-per-gallon fuel tax that is indexed to the Consumer Price Index, on top of other state gas taxes. This indexed component is called the "fuel sales tax" in state law. The state department of transportation annually determines the rate of fuel sales tax applicable to both gasoline and diesel for the next 12-month period beginning Jan. 1, rounded to the nearest tenth of a cent, by adjusting the initially established tax rate of 6.9 cents per gallon by the percentage change in the average of the Consumer Price Index issued by the U.S. Department of Labor for the most recent 12-month period ending Sept. 30, compared to the average for the base year (the 12-month period ending Sept. 30, 1989). However, the tax rate would not be lower than 6.9 cents per gallon. The current gasoline tax is 35 cents per gallon.

Maryland. Starting July 1, 2013, motor fuel tax rates for gasoline, diesel and clean-burning fuels are increased on July 1 of each year. On or before June 1 of each year, the state comptroller determines the percentage growth in the Consumer Price Index (issued by the U.S. Department of Labor) for all urban consumers. This growth is determined by comparing the average of the index for the 12 months ending on the preceding April 30 to the average of the index for the prior 12 months. On July 1, the specified motor fuel tax rates are increased by the product of multiplying the existing motor fuel tax rate by the assessed growth in the Consumer Price Index, rounded to the nearest one-tenth of a cent. If there is a decline or no growth in the Consumer Price Index for all urban consumers, motor fuel tax rates remain unchanged. Any increase in tax rates cannot exceed 8 percent of the rate effective in the previous year.

Massachusetts. The state gas tax rate was increased from 21 cents per gallon to 24 cents per gallon starting July 1, 2013. On Jan. 1, 2015, the state gas tax rate will return to 21.5 cents per gallon, but shall be adjusted at the beginning of each calendar year by the percentage, if any, by which the Consumer Price Index for the preceding year exceeds the Consumer Price Index for the calendar year that ends before such preceding year. The tax shall not be less than 21.5 cents per gallon.

<u>Registrations</u>. A majority of vehicles in the state are registered annually and biennially, and fees attached to those registrations could be explored for use as additional transportation revenue as they are considered a user fee. This was also a recommendation of the 2008 Blue Ribbon Panel that has been acted upon to a degree through the phased in surcharge for both annual and biennial registrations, which began in FY 2014.

Fiscal Year	Biennual Registration Fee	Annual Registration Fee
2013	$60.00	$30.00
2014	$70.00	$35.00
2015	$80.00	$40.00
2016	$90.00	$45.00

The new surcharge revenues, combined with surcharges on license renewals, are being used to provide the state match for Federal Highway Administration funds. They are combined with Rhode Island Capital Plan funds to provide the approximately $40 million needed each year. This is shown in the table below.

Fiscal Year	Biennial Registrations	Annual Registrations	Licenses	RICAP	Previous G.O. Bonds	Total
2014	$ 3,817,669	$ 791,140	$1,260,140	$21,131,051	$ 13,000,000	$40,000,000
2015	$ 7,384,812	$ 1,530,362	$2,437,586	$21,647,240	$ 7,000,000	$40,000,000
2016	$ 10,945,319	$ 2,268,210	$3,612,842	$23,173,629	$ -	$40,000,000

There are 390,000 biennial registrations each year. If this fee were raised by $12, it would yield an additional $5 million. If it were raised by $50, it would raise approximately $20 million. There are 320,000 annual registrations carried out each year, which if increased by $15, an additional $5 million would be generated. An increase of $60 would yield an additional $20 million annually.

When considering registrations for larger vehicles, it should be noted that the state currently utilizes a weight based registration system. The weight ranges and fees are included below.

Weight Range		Fee	Weight Range		Fee
-	4,000	$ 30	28,001	30,000	$ 316
4,001	5,000	$ 40	30,001	32,000	$ 422
5,001	6,000	$ 48	32,001	34,000	$ 448
6,001	7,000	$ 56	34,001	36,000	$ 476
7,001	8,000	$ 64	36,001	38,000	$ 502
8,001	9,000	$ 70	38,001	40,000	$ 528
9,001	10,000	$ 78	40,001	42,000	$ 554
10,001	12,000	$ 106	42,001	46,000	$ 608
12,001	14,000	$ 124	46,001	50,000	$ 660
14,001	16,000	$ 140	50,001	54,000	$ 712
16,001	18,000	$ 158	54,001	58,000	$ 768
18,001	20,000	$ 176	58,001	62,000	$ 816
20,001	22,000	$ 194	62,001	66,000	$ 876
22,001	24,000	$ 210	66,001	70,000	$ 924
24,001	26,000	$ 230	70,001	74,000	$ 972
26,001	28,000	$ 296			

<u>License Renewals</u>. Most licenses are renewed every five years, and are another example of a user based fee that could be dedicated directly to transportation. However, an increase to this fee would face similar challenges as registration fee increases, as they were assigned additional surcharges to be phased in beginning in FY 2014.

Fiscal Year	License Fee
2013	$30.00
2014	$40.00
2015	$50.00
2016	$60.00

There are approximately 149,000 license renewals each year. For every $7 increase, an additional $1 million would be generated annually. If the fee were increased by $33, an additional $5 million would be generated.

Safety Inspections. Safety inspections are required every two years by statute, and can be considered a transportation related user fee. The current fee is $39, with $20 going to the state General Fund and the remaining $19 retained by the vendor providing the inspection, which covers the cost of providing the service. This generates approximately $5.7 million annually.

Rhode Island is one of 17 states requiring some type of annual or biennial safety inspection. Of the New England states, Massachusetts, New Hampshire and Vermont also require this type of testing. In Massachusetts the inspection is required annually, with a fee of $29. In New Hampshire, the inspection is required annually with a fee between $20 and $50 depending on the type of vehicle. Vermont requires an annual inspection, with the fee established by each inspection station according to its hourly rate. Although the state does not set the fee, staff research shows the average annual inspection fee to be approximately $50. There are 300,000 inspections performed each year, and an increase of $17 on the state's portion of revenue would yield an additional $5 million.

Traffic Violations. Another area considered for additional revenue is a surcharge on traffic violations. Currently, the data collected by the Department of Motor Vehicles does not distinguish between moving and non-moving violations. Also, the Department can only provide the number of violations issued, and cannot account for how many of those violations may be dismissed.

In order to estimate the impact of this type of surcharge, it would be under the assumption that the surcharge would apply to all violations issued, regardless of their final disposition. Based on approximately 300,000 traffic violations per year, a surcharge of $30 would yield an additional $5 million per year.

Alternative Fuel Vehicles. Because the nationwide trend in alternative fuel vehicles has become more prevalent, some states are considering a separate fee for these vehicles to account for the wear and tear they put on roads. Essentially, these vehicles are paying little or no gasoline tax which is a primary source for road funding. In order to capture lost gasoline tax revenue, a separate fee is placed upon the alternative fuel vehicle.

The Commonwealth of Virginia has recently imposed a $64 fee on hybrid and electric vehicles in order to make up for the lack of gasoline tax paid by the vehicle owners. Rhode Island's Department of Motor Vehicles does not track alternative fuel vehicles. However, the Department of Revenue has previously utilized information provided by the Alternative Fuels Data Center of the United States Department of Energy to estimate the amount of these vehicles in the state, which is estimated at 1,100 vehicles. It would require a fee of approximately $900 in order to raise $1 million from this type of fee.

COMMISSION MEETINGS - SUMMARIES

SUMMARY OF THE FIRST MEETING – SEPTEMBER 26, 2013

Representative Helio Melo, Commission Co-chair, called the meeting to order and explained that the purpose of the Commission is to examine the entire transportation infrastructure system. Today's meeting will focus on what areas have been studied in the past and what areas the commission can look at going forward. Senator Daniel DaPonte, Commission Co-chair, stated that Committees in both the House and the Senate held hearings on this issue during the past legislative session, and asked, to be most helpful and productive, that testimony before the Commission focus on what the State can do or what it should consider doing in light of the many hearings on this issue during the last session, which focused on the problem, rather than the solution.

Other Commission members in attendance included: Senator Louis DiPalma; Senator Christopher Ottiano; Representative John Edwards; Representative Antonio Giarusso; Michael Lewis, Executive Director of the Rhode Island Department of Transportation (RIDOT); Buddy Croft, Executive Director of the Rhode Island Turnpike and Bridge Authority (RITBA); and Peter Marino, Director of the Rhode Island Office of Management and Budget, representing the Department of Administration. Other members of the General Assembly who attended this meeting included Senator Walter Felag, Representative Dennis Canario and Representative Raymond Gallison.

Commission members received binders which included reports issued by previous transportation study commissions, state and national articles and documents on transportation issues, and information being presented at today's hearing. Members were informed that all documents provided and additional resources are available on the General Assembly's website.

The establishment of the Commission arose from specific concerns raised about tolls that were imposed on the Sakonnet River Bridge. In Article 5 of 2013-H-5127 Substitute A, as amended in 2013-H-6239 Substitute A, the General Assembly established this special legislative commission "to make a comprehensive study of all types of equitable and reliable funding mechanisms and/or strategies to support Rhode Island's Infrastructure." Findings of the Commission are to be reported to the General Assembly by January 15, 2014. Sharon Reynolds Ferland, House Fiscal Advisor, and John-Paul Verducci of the House Fiscal Advisory staff, gave a PowerPoint presentation entitled "Transportation Funding" consisting of an overview of the State's transportation agencies, organization and structure, and how they are funded; the current state of infrastructure in the State, including bridges, drainage, and pavement; an estimate of funding needs; and economic considerations. The presentation also included a synopsis of recent transportation initiatives, including changes enacted by the General Assembly since 2009.

Director Lewis explained the current condition and future outlook of the Federal Highway Trust Fund. The Fund will reach a negative balance next year without additional funding, resulting in states receiving no federal funding in FY 2015. The Director stated that to maintain level funding of $15.0 billion per year, nationally, an additional federal gas tax of 10 cents per gallon would be necessary. The Director also provided an update on the status of the State's request to the federal government to be allowed to toll Interstate 95.

Senator DiPalma presented the Commission members with a list of 12 criteria by which to align a funding approach, including fairness and equity, diversity, and sustainability for the long-term.

The Chairmen recommended that a representative of the National Conference of State Legislatures provide testimony on national studies it has undertaken at a future meeting. A future meeting should also include information on the East Bay Bridge system and specifically, the Sakonnet River Bridge. The next meeting will be held on October 16, 2013.

SUMMARY OF THE SECOND MEETING – OCTOBER 16, 2013

Representative Helio Melo, Commission Co-chair called the meeting to order and explained that today's meeting will focus on funding for East Bay Bridges.

Other Commission members in attendance included: Co-chairman Senator DaPonte, Senator Louis DiPalma, Senator Christopher Ottiano, Representative John Edwards, Representative Antonio Giarusso, Michael Lewis, Executive Director of the Rhode Island Department of Transportation (RIDOT); Buddy Croft, Executive Director of the Rhode Island Turnpike and Bridge Authority (RITBA); and Richard Licht, Director of the Department of Administration. Other members of the General Assembly who attended this meeting included Senator Walter Felag, Representative Dennis Canario, Representative Linda Finn, and Representative Raymond Gallison.

Commission members received binders which included gas prices by zip code and a RIDOT analysis from August 2013; an updated bridge inventory, both by state (5 feet or greater in length) and federal definition (20 feet or greater in length); a 10-year unmet infrastructure funding need as estimated by RIDOT, and an update on the Turnpike and Bridge Authority's 10-year funding plan, as well as information being presented at today's hearing. Members were informed that all documents provided and additional resources are available on the General Assembly's website.

Sharon Reynolds Ferland, House Fiscal Advisor, and John-Paul Verducci of the House Fiscal Advisory Staff, gave a PowerPoint presentation entitled "East Bay Bridge System and Other Issues," consisting of updates from the first meeting of the Commission, an overview of the East Bay Bridge System legislation and funding mechanisms associated with the system, bridges under the purview of the Rhode Island Turnpike and Bridge Authority (Newport Pell Bridge, Mount Hope Bridge, Jamestown Verrazzano Bridge and Sakonnet River Bridge), tolling history, and other information regarding the Rhode Island Turnpike and Bridge Authority, including recent legislation. The presentation also included data to be considered as the Commission discusses potential solutions, their impacts, and refining of findings and potential recommendations.

Buddy Croft, Executive Director of the Rhode Island Turnpike and Bridge Authority (RITBA), presented how the Authority establishes its renewal and replacement plan, and how the Authority determines its costs. The Director presented 3 alternative tolling scenarios for the four-bridge system as detailed in a report by the Jacobs Engineering Group, Inc.: (1) if there is no toll on the Sakonnet River Bridge and no toll increase on the Newport Pell Bridge, the Authority will experience a deficit of \$222.0 million over a ten-year period; (2) if tolls increase on the Newport Pell Bridge from \$0.83 to \$1.00 for drivers with a Rhode Island EZ-Pass, and from \$4.00 to \$5.00 for other drivers, with an indexed increase every 3 years, but there is no toll instituted on the Sakonnet, the Authority will experience a \$75.0 million deficit; and (3) if tolls of \$0.75 for drivers with a Rhode Island EZ-Pass and \$3.75 for other drivers are instituted on the Sakonnet Bridge, and the Authority maintains current toll rates on the Newport Pell until 2020, the Authority does not believe it will incur a shortfall. These figures do not include debt service costs.

A representative from First Southwest, the Authority's Fiscal Advisor, presented the Authority's debt service, debt coverage ratios, and rating agency status.

The Commission received the following public testimony:

Ray Berberick, Portsmouth Business Association, recommended a one percent across-the-board budget cut to all agencies, and that this money be directed to transportation funding.

Representative Ray Gallison made the following recommendations: eliminate the Turnpike and Bridge Authority and transfer its responsibilities to RIDOT; that further bonding for East Bay Bridges be transacted by the RI Treasurer's Office; continue to seek tolling of Interstate 95; dedicate $3.4 million of current meals and beverage tax collections to the maintenance of the Sakonnet River Bridge and allocate the balance of collections to municipalities under the current formula.

Senator Walter Felag stated that a Sakonnet toll would be unfair to his constituents and inhibit tourism and economic development in the East Bay. He recommends an economic impact study be performed to determine revenue loss in other areas based on the implementation of a toll.

Antone Viveiros, a Middletown resident, recommended that all revenue collected from automobile-related taxes and fees be directed to infrastructure maintenance, and that the state adopt a pay-go system to maintain infrastructure.

Representative Dennis Canario stated that it appears that tolls are being collected to pay for the collection of tolls – collection costs are very high, and the maintenance costs of the bridges appears to change frequently. He believes that there are costs that can be cut from RIDOT due to waste. He recommends a forensic audit be performed on the RITBA and also recommended the elimination of RITBA, and the responsibilities of RITBA be assumed by RIDOT.

John Vitkevich, a Portsmouth resident and realtor, stated that hydrokinetic electricity generation at the Sakonnet River Bridge would generate enough income to pay for the maintenance of the bridge. He also recommended that an economic impact study be conducted.

A representative from the National Conference of State Legislatures will attend the next meeting on November 20, 2013.

SUMMARY OF THE THIRD MEETING – NOVEMBER 20, 2013

Representative Helio Melo, Commission Co-chair, called the meeting to order and introduced Jamie Rall, a transportation expert from the National Conference of State Legislatures (NCSL), who presented information on what other states are doing to tackle the transportation infrastructure problem.

Other Commission members in attendance included: Co-chairman Senator DaPonte, Senator Louis DiPalma, Senator Christopher Ottiano, Representative John Edwards, Representative Antonio Giarusso, Michael Lewis, Executive Director of the Rhode Island Department of Transportation (RIDOT); Buddy Croft, Executive Director of the Rhode Island Turnpike and Bridge Authority (RITBA); and Richard Licht, Director of the Department of Administration. Other members of the General Assembly who attended this meeting included Senator Walter Felag, Representative Dennis Canario, and Representative Raymond Gallison.

The NCSL is a bi-partisan organization which represents and serves 7,383 state legislators across the 50 states and more than 20,000 legislative staff by providing information, lobbying at the federal level for state's interests, and bringing policymakers together to discuss options for their states.

Ms. Rall outlined the transportation funding crises, including the prediction that the Federal Highway Trust Fund will reach insolvency in FY 2015. She presented a 50-state view of what states are doing to fund and finance transportation infrastructure, and provided an update on legislation concerning transportation funding that was enacted by other states in the last legislative session. Five states enacted gas tax increases; Pennsylvania has enacted a $2.3 billion increase in transportation funding by eliminating a 12-cent-per gallon flat tax and replacing it with a rate hike in the oil company franchise tax. This will result in a $0.28 per gallon price increase. Oregon has instituted a Vehicle Miles Traveled (VMT), allowing owners of up to 5,000 vehicles to opt-in to a program to pay $0.015 cents per miles traveled in lieu of paying a gas tax, beginning in July 2015. Virginia repealed its gas tax entirely, and in place established a percentage-of-wholesale price tax on fuels and a larger designated portion of sales tax. Virginia also instituted a $64 annual fee on hybrid, alternative fuel and electric vehicles. In terms of transportation financing options, 33 states allow for Public/Private Partnerships for financing roads and bridges, and several states have enacted protections or bans on transfers or diversions of transportation revenues.

The Commission received testimony from Antone Viveiros and John Vitkevich, who testified at the October 16, 2013, meeting and have submitted testimony on the Commission's website. Mike Smith suggested that if marijuana were to be legalized in the State, the tax revenue generated could be used to fund transportation maintenance, a "Pot for Potholes" program.

Buddy Croft, Executive Director of RITBA, asked that the commission adhere to the January 2014 deadline for submitting findings and recommendations to the General Assembly. This would provide RITBA with clarity in terms of its bonding commitments.

The next meeting will be held either the second or third week of December.

SUMMARY OF THE FOURTH MEETING – DECEMBER 19, 2013

Representative Helio Melo, Commission Co-chair, called the meeting to order and stated that today's presentation by House and Senate Fiscal staff would recap previous meetings and present funding sources and options that the Commission could investigate.

Other Commission members in attendance included: Senator Louis DiPalma; Senator Christopher Ottiano; Representative John Edwards; Representative Antonio Giarusso; Michael Lewis, Executive Director of the Rhode Island Department of Transportation (RIDOT); Buddy Croft, Executive Director of the Rhode Island Turnpike and Bridge Authority (RITBA); and Richard Licht, Director of the Department of Administration. Other members of the General Assembly who attended this meeting were Representative Dennis Canario and Representative Linda Finn.

Sharon Reynolds Ferland, House Fiscal Advisor, gave a PowerPoint presentation entitled "Issues and Options" which provided a recap of outstanding questions and issues and a review of funding sources and options. The Commission was provided with additional information from Jamie Rall of the NCSL which was requested at last month's Commission meeting, and clarified issues related to the cost of tolling the Sakonnet River Bridge. The presentation detailed differences between General Obligation Debt and Revenue Bonds and how if the State were to issue GO bonds on behalf of RITBA, there would be an increase in the State's tax supported debt. This increased debt burden could weaken the state's credit profile and potentially negate any savings realized on a lower interest rate. The presentation also included information on tolling of Interstate 95. Fiscal staff presented a geographic distribution of need, showing bridge deficiency by county, and provided an estimate of need for RIDOT bridge and infrastructure, and the East Bay Bridge System, while recognizing that although transit was not part of the Commission's purview, they are competing for the same pool of resources.

Options for reducing expenses would not produce the enough savings to make up the funding gap. Other options include redirecting existing resources, including $2.8 million from the uninsured motorist initiative; increasing the gas tax; and increasing existing transportation related fees, which are currently deposited into the General Fund. The State has between $80.0 and $100.0 million in RICAP funds available each year. Currently, $20.0 million is dedicated as the Federal Highway Trust Fund match. The Commission also has the option of generating new resources, such as raising the fee for annual vehicle inspections, increasing fees for traffic violations, the implementation of a fee for vehicle miles traveled, or assessment of a fee on alternative fuel vehicles.

Testimony was received from the public as follows:

Larry Fitzmorris, Vice Chair of the Sakonnet Tolls Opposition Platform Committee (STOP), suggested that transportation-related revenue be dedicated to transportation issues. He submitted written testimony with his calculations of how much money transportation-related fees generate annually.

John Vitkevich of Portsmouth recommended that the General Assembly allow RITBA to increase tolls on the Newport Bridge, increase the frequency of motor vehicle inspections to annually to increase revenue, and remove tolls on the Sakonnet Bridge.

Ginny White recommended that a study be undertaken to determine if there would be savings if RITBA were eliminated.

Peter Hewett recommended that $10.0 million from the existing State budget be allocated to RITBA to maintain the four bridge system.

Ray Berberick, Portsmouth Business Association, recommended removing tolls on the Sakonnet and that a study be completed to determine the economic impact to Aquidneck Island and the surrounding area from the implementation of a toll. He also recommended a 1.0 percent across-the-board cut to state agencies to raise $35.0 million for transportation infrastructure, and recommended the appointment of an Inspector General to find waste, fraud and abuse in State government.

Chairman Melo asked Commission members to submit a personal statement with their recommendations in writing to the fiscal staff to be included in a final report of the Commission.

Senator DiPalma suggested that recommendations be phased in, short-term, medium-term, and long-term, and that the Commission reconvene in the future to monitor progress on the implementation of recommendations.

PREVIOUS TRANSPORTATION FUNDING STUDIES

GOVERNOR'S BLUE RIBBON PANEL - RHODE ISLAND'S TRANSPORTATION FUTURE: INVESTING IN OUR TRANSPORTATION SYSTEM

In March 2008, Governor Donald Carcieri established a Blue Ribbon Panel to assess Rhode Island's transportation needs and to identify options for potential funding sources. The mission of this panel was threefold: to understand the transportation financing needs of Rhode Island, to analyze and assess funding options, and to recommend funding mechanisms. The Panel met 12 times and held four public meetings. On December 23, 2008, the Panel released the report along with its findings.

Major Report Findings

This report cites three main sources of transportation funding for the state: federal funds (approximately $220.0 million); general obligation (GO) bonds ($40 million); and gas tax revenue ($137.0 million). The Panel commissioned a needs assessment of the highway system and found that there are several reasons the current transportation financing system is inadequate:

- Funding is based on available revenues and not on need;
- There is an over-reliance on federal funds (Rhode Island supports 27.0 percent of transportation spending with state funds, compared to a national average of 63.0 percent);
- The transportation infrastructure is aging; and
- The cost of highway and bridge construction has increased at a rate higher than that of inflation.

The report estimates that $640.0 million per year is the optimal funding level. The 2008 levels of combined state and federal transportation funding provided only $354.0 million, leaving a funding gap of $285.0 million. Closing this gap would assist road and bridge repair, provide alternate modes while protecting the environment, and complete projects important to local communities.

The Panel presented two new funding plans that would provide target funding levels of $150.0 million (Scenario 1) and $300.0 million (Scenario 2) each state fiscal year to help close this funding gap. These two scenarios were not mutually exclusive and the Panel recommended that regardless of the scenario selected, all new funding should be placed in a transportation trust fund dedicated to transportation purposes only.

Scenario One

Scenario One relied on increases in the state's gas tax and vehicle registration fees, and the imposition of a new petroleum products gross receipts tax similar to Connecticut's tax. Tolling was also proposed for the RI-Connecticut border on Interstate 95. Scenario One also transferred the Sakonnet River Bridge to the RI Turnpike and Bridge Authority (RITBA).

Revenues from Scenario One would be used to address RIPTA's funding shortfall, to replace the loss of RIDOT maintenance funding from increasing bond debt service and decreasing gas tax revenues, and to fill the gap in funding for commuter rail expansion in Rhode Island. The funding would also be used to match federal highway funds, ultimately phasing out the practice of using GO bonds to provide this match.

Though this plan did not provide sufficient funding to meet all identified transportation needs, it provided enough funding to address RIPTA's shortfall and improve the condition of highway infrastructure. The state's contribution to the highway program would increase to 53.0 percent of all funding used.

Scenario Two

Scenario Two relied on most of the same revenue sources as Scenario One, with more revenue generated from the gas tax, petroleum products gross receipt tax, and from tolling. The increase in tolling revenue is a result of tolling at all Interstate highway borders of RI (not just at CT's border). Scenario Two also includes two new funding mechanisms: the implementation of an annual vehicle mileage fee on all RI registered vehicles, and the redirection of existing vehicle registry fee revenues from the General Fund to the transportation trust fund. Since no other state has a vehicle mileage fee program and since the removal of funds from the General Fund would be difficult, the Panel acknowledged that these funding mechanisms might face implementation challenges.

In Scenario Two, not only would RIPTA's funding deficit be addressed, but RIPTA services would be enhanced. Scenario Two also called for the phase out of GO bonds to provide the state match to federal transportation funding. Unlike Scenario One, no revenue bonding is proposed in Scenario Two.

Rhode Island's Transportation Future: Investing In Our Transportation System

Scenario I			Scenario II		
Date	Option	Annual Amount	Date	Option	Annual Amount
9-Feb	5 cent gas tax increase to 35 cents	$22.0	9-Feb	10 cent gas tax increase to 40 cents	$44.0
2012	5 cent gas tax increase to 40 cents	44.0	2012	5 cent gas tax increase to 45 cents	64.0
2009	$40 increase in bi-annual vehicle registration fee	23.0	2009	$40 increase in bi-annual vehicle registration fee	23.0
2013	$20 increase in bi-annual vehicle registration fee	34.0	2013	$40 increase in bi-annual vehicle registration fee	46.0
2010	Petroleum products tax equivalent to 10 cent increase in gas tax	44.0	2010	Petroleum products tax equivalent to 10 cent increase in gas tax	44.0
2014	Petroleum products tax equivalent to 5 cent increase in gas tax	66.0	2014	Petroleum products tax equivalent to 5 cent increase in gas tax	66.0
			2015	Petroleum products tax equivalent to 5 cent increase in gas tax	88.0
2014	Interstate toll established at CT border in each direction at $3/car, $6/truck	39.0	2014	Toll established at all interstate borders	60.0
2010	Revenue bond issued for bridge improvements	75.0	2010	-	-
2012	Revenue bond issued for major improvements	75.0	2012	-	-
2013	Revenue bond issued for major improvements	100.0	2013	-	-
2015	Revenue bond issued for major improvements	100.0	2015	-	-
2016	Revenue bond issued for major improvements	100.0	2016	-	-
2013	Transfer of Sakonnet Bridge		2013	Transfer of Sakonnet Bridge	
2014	Revenues received from RITBA	210.0	2014	Revenues received from RITBA	210.0
-	-	-	2015-2018	Mileage fee set at half cent per mile	50.0
-	-	-		Redirected registration fees from General Fund	15.0-45.0
2010-2018	Land sales - increase in fines	$2.0	2010-2018	Land sales - increase in fines	$2.0

$ in millions

Major Recommendations

The Panel listed several benefits from funding increases, such as the ability to complete projects, reduced reliance on federal funding, phasing out of biennial GO bonds, a diverse portfolio of revenue sources, equitable contributions among system users, responsible asset management, job creation in design and construction fields, greater overall economic competitiveness, and a reliable transportation system. Possible consequences of inaction listed include increases in structural deficiencies, increased congestion on roadways, increased costs to drivers, projects deferred to future, reductions in transit services, and increased debt service payments.

The Panel's recommended next steps of action were threefold:

- Draft legislation to enact most of the funding strategies;
- Produce publicly available, detailed studies on several funding strategies (tolling, petroleum products gross receipts tax, vehicle miles traveled fee & transfer of the Sakonnet River were specifically mentioned for further study); and
- Cooperate with the federal government to enact a higher level of transportation funding in upcoming federal authorization bill.

REPORT OF THE SPECIAL LEGISLATIVE COMMISSION TO STUDY TRANSIT SERVICES IN THE STATE OF RHODE ISLAND

In May 2004, the Rhode Island General Assembly authorized the creation of a Special Legislative Commission to study transit services in Rhode Island. The Commission was established in March 2006 and released its final report in May 2007. Initially, the Commission was charged with identifying ways to optimize the functionality of a legacy transit system. Over the course of its research, the Commission enhanced the scope of its study to include recommendations proposing a major restructuring, reinvestment and refinancing of the Rhode Island Public Transit Authority (RIPTA). The Commission was co-chaired by Senator Daniel Connors and Representative Edwin Pacheco and was comprised of representatives from the Department of Transportation (DOT), RIPTA, the Department of Elderly Affairs (DEA) and the Governor's Commission on Disabilities.

Major Report Findings

This report provided an overview of public transit in Rhode Island using previously conducted research projects and studies such as the Senate Policy Office's *Legs, Loops and Links* study and the State Planning Council's *Transportation 2025* long-range transportation plan. This report includes a detailed vision for RIPTA's future, including suggested improvements to:

- Maintenance
- Investments
- Driver training
- Safety
- Para-transit operations
- Decision-making structure
- RIde program
- Flex service

Throughout the report, the Commission refers to its vision of RIPTA as Rhode Island's future "Mobility Manager." The report provides an overview of national transportation funding perspective, state transit funding sources, and federal transportation funding trends.

The report discussed fiscal obstacles facing transportation and illustrated examples of financing strategies that have been used by regional transit agencies such as state infrastructure banks (SIBs), interagency partnering, pooled financing, and tax increment financing (TIF). Table 3.1 of the report lists major overall sources of transit funding for all 50 states.

In particular, Rhode Island is considered to be in-line with national transportation funding patterns, except for its increased reliance on federal funding for operating costs, and its decreased reliance on local governments for transit funding. Though the percentage of state funding for operating costs is slightly above the national average (as a result of a relatively high state gas tax), the fact that local government does not provide comparable transit funding means that total state and local transit funding for operating costs is below the national average. This report cites a US Department of Transportation Bureau of Transportation Statistics (BTS) report to illustrate that nationally, state funding for transit grew from $7.5 billion in 2000 to $9.5 billion in 2005. Transit funding in Rhode Island during this time period, however, declined from $36.8 million in 2000 to $34.8 million in 2005.

Major Recommendations

The Commission offered seven major recommendations to transform RIPTA into Rhode Islands "Mobility Manager."

- **Funding:** Provide predictable, long-term funding sources by reducing the reliance on the state gasoline tax; establishing local and/or regional public transit districts with the ability to collect fees; and by providing additional state and local funding for RIPTA's operating expenses (which will free up federal funding for capital investments).
- **Redefine the Mission:** Update RIPTA's enabling statute to reflect its broader mission and programs (*This was done in the 2007 General Assembly session*).
- **Planning:** Rely on previous transit studies to develop short-term and long-term recommendations for a public transit strategy for RI that maximizes investments and connects all forms of transit.
- **Expand Services:** Establish new transit connections to other modes of public transportation in and across state lines.
- **Paradigm Shift:** Include public transit services as *the defining element* of new construction, planning and re-development.
- **Invest in Efficiency:** Invest in new technology and equipment so that information, scheduling and data are accurate and efficient.
- **Identify Revenue:** Study other states to identify new revenue sources for Rhode Island transit.

NEW PUBLIC TRANSIT ALLIANCE - RECOMMENDATIONS FOR FUNDING PUBLIC TRANSIT IN RHODE ISLAND

The New Public Transit Alliance (NuPTA) is a coalition of stakeholders representing the business, environment, smart growth, labor and public health communities dedicated to strengthening transportation and its role in Rhode Islands economy. On September 23, 2008 NuPTA convened 70 businesses, civic and political leaders to discuss the Rhode Island Public Transportation Authority's (RIPTA) short-term and long-term funding crises.

Included in this coalition were the Governor, Lieutenant Governor, state legislators, the Directors of the Departments of Administration and Transportation, RIPTA Board and staff, members of the Governor's Blue Ribbon Panel for Transportation Funding and other prominent business and interest group leaders. NuPTA's final recommendations were released on December 19, 2008.

Major Report Findings

NuPTA's report included an introduction, a large matrix of recommendations, and several appendixes in which case studies detailing how NuPTA's proposed recommendations have been tested elsewhere. In the report's introduction, NuPTA stated that the best options for Rhode Island transit funding have to be divided into short-term and long-term plans. The report also acknowledges that the best sources of funding will interact positively with the transit system (meaning they will grow with demand, which the gasoline tax does not). At several points throughout its report, NuPTA recommends the Scenario Two findings of the *Governor's Blue Ribbon Panel on Transportation Funding* report.

Major Recommendations

Category One: RIPTA Savings/New Revenue:

Funding Source	Description	Est. New Annual Revenue
Half rate fares to replace free fairs	Requires General Assembly approval. The policy change would eliminate income eligibility for free fares and everyone would pay full fare during peak and half fare during off-peak	$2.0 million
Management deferred pay increase	This measure has already been implemented by RIPTA Board of Directors	$100,000
Limit liability claims	Requires General Assembly approval. Has been previously introduced but has failed to win passage.	$500,000
Service reductions	Reduce services to underperforming routes	$2.5 million
Zone fares	This would assess higher fares for longer distances traveled by zone	$200,000
Business Pass (public/private partnership)	Similar to RIPTA UPass Program. RIPTA would target corporations with employees who could benefit from public transit	$250,000

Category Two: Additional Revenue Sources That Can Be Enacted Quickly

Funding Source	Description	Est. New Annual Revenue
Petroleum Products Gross Receipts Tax	As recommended by the Governor's Blue Ribbon Panel, the tax proposed is an equivalent of a 10 cent increase in the gas tax	$44.0 million
Gasoline Tax Hybrid	Change the current "cents per gallon" gas tax to a tax based on percentage of cost.	$9.0 million
RIDOT/RIPTA Annual Budget Conference	RIDOT should allocate a minimum of 1% of its annual budget to RIPTA as a means to reduce RIDOT's maintenance costs by reducing wear and tear	$3.0 million
Sales Tax	Either enact a small increase in sales tax rate or reform sales tax to lower the rate and broaden the base	$15.6 Million for each 1/8 % point equivalent
Motor Vehicle Registration Fees	Increase fees by $40 in 2009 and an additional $40 in 2013 (consistent with the Blue Ribbon Panel's recommendation)	$23.0 million in 2009, $46.0 million in 2013
Freeze the Phase-out of the Motor Vehicle Excise Tax	Any net savings within the state budget due to this should be allocated for transportation purposes	Estimate not available at this time
Building Permit Fee (with "location efficiency incentives")	Relate new development impacts to the transportation infrastructure and public transit. Potential increase to the municipal permit fee would be approximately $1 per $1000 of estimated building construction costs. This would be combined with a location efficiency incentive	$1.5 million

Category Three: Additional Revenue Sources Requiring a Longer Timeframe for Enactment

Funding Source	Description	Est. New Annual Revenue
Parking Tax	Based off the British Columbian model, the tax would be on all commercial parking areas within the transportation authority district (and amounted to approximately $30 per space per year)	$8.0 million-$15.0 million
Tolls, Congestion Fees	Like the Blue Ribbon Panel's recommendation, this recommendation is for polls at both Interstate borders. Pricing will vary based on time of day or amount of congestion	$60.0 million
Vehicle Miles Traveled Tax (VMT)	Like the Blue Ribbon Panel's recommendation, this recommendation would charge a 1/2 cent charge per mile (costing average motorist approximately $60 per year)	$50.0 million
Land Value Capture	Properties which are primarily adjacent to transportation projects contribute to the cost of such investments	Estimate not available at this time
Public Private Partnerships	It is often the local investment of the private sector that generates a long-term commitment to transit funding	$600,000-$3 million

Category Four: Potential New Federal Sources of Revenue

Funding Source	Description	Est. New Annual Revenue
HR. 6052 (Saving Energy through Public Transp. Act)	House bill introduced 5/08, Provides $1.7 Billion for FY2008/2009	$4.7 million
Federal GreenTEA Reauthorizaiton	Need to advocate for restoring balance between highway expansion and public transportation federal matching support	Estimate not available at this time
Climate Security Act	National Cap & Trade Program to cut greenhouse gas emission. Mass transit receives 2.5%	$10.0-$17.0 million

RHODE ISLAND PUBLIC EXPENDITURE COUNCIL - TRANSPORTATION FUNDING ISSUE BRIEF

The Rhode Island Public Expenditure Council (RIPEC) Public Policy Issue Brief addressed two issues related to transportation in Rhode Island finance and governance. It assessed current circumstances and described possible options for action. The report did not address air, water or rail transportation. RIPEC cooperated with the staff of the Department of Administration (DOA), the Statewide Planning Program, the Department of Transportation (DOT), the Rhode Island Public Transit Authority (RIPTA) and the Senate Policy Office to prepare this brief. RIPEC also convened an Infrastructure and Capital Budgeting Committee of private and public sector stakeholders, which oversaw the development of its research.

Major Report Findings

This report found that there were two main problems associated with transportation in Rhode Island

- The state has inadequate resources to finance transportation needs; and
- The state does not have an integrated system for transportation decision making

Though an integrated system is important to establishing future funding plans, the focus of this report summary concerns RIPEC's findings and recommendations related to transportation funding

This report compared Rhode Island's method of financing transportation to national averages and specific transportation systems in other states. This comparative analysis found that nationally, about 25.0 percent of all funding for highway purposes come from federal sources, compared to 52.0 percent in Rhode Island. Nationally, 17.0 percent of highway funds are derived from motor vehicle fees and taxes, while in Rhode Island no highway funding comes from motor vehicle fees and taxes. However, in Rhode Island, gasoline taxes make up a slightly larger share of funding for highways (32.2 percent) than elsewhere (31.1 percent). Rhode Island is also more dependent on bond proceeds to fund highways (11.7 percent) than the rest of the U.S. (9.9 percent).

The difference found to be most significant between the State and US averages is the manner in which the state allocates its motor fuels tax receipts. Nationally, 8.4 percent of gasoline tax receipts pay for debt service, whereas in Rhode Island this proportion is 30 percent. Nationally, states use 28 percent of their gasoline tax revenues to support local roads, whereas Rhode Island does not appropriate any gas tax revenue for local roads.

RIPEC's comparative analysis also suggested that transportation funding systems elsewhere rely on more diverse revenue sources. Also, four systems analyzed in other states make use of some form of transportation trust fund to finance their transportation systems. For example, Maryland self-finances its Department of Transportation through a trust fund that does not receive general fund appropriations. Sources of funds in Maryland include motor fuel and motor vehicle excise taxes, motor vehicle fees, federal aid, corporate income taxes, transit, port and airport operating revenues and bond proceeds.

This report also highlights two interrelated gaps in Rhode Island transit funding: the first gap is between needs and resources, and the second is the potential inability of the state to match federal highway funds. From 2003 to 2012, when system restoration is included, the shortfall between needs and resources is expected to be $1,775.2 million. In terms of the second funding gap, the following table illustrates the federal match deficit increase from 2003-2012. The deficit is expected to increase from $37.9 million in 2003 to $41.6 million in 2012. As these numbers illustrate, debt service and operating expenses are consuming gas tax revenues that would otherwise be used to match future federal aid.

Gasoline Proceeds Available to DOT and Estimated Operational, Debt Service and Match Funding

Fiscal Year	DOT Earmarked Gas Tax	Debt Service	DOT Operations	Available for Federal Match[a]	Federal Match Deficit[1]
2003	$96.4	$41.3	$48.0	$7.1	($37.9)
2004	99.3	45.5	49.2	4.6	(40.4)
2005	101.0	47.2	50.4	3.4	(41.6)
2006	102.9	48.7	51.7	2.5	(42.5)
2007	104.7	49.1	53.0	2.6	(42.4)
2008	106.6	52.4	54.3	(0.1)	(44.9)
2009	108.5	51.7	55.7	1.1	(43.9)
2010	110.4	52.0	57.1	1.3	(43.7)
2011	112.4	51.3	58.5	2.6	(42.4)
2012	114.4	50.9	50.1	3.4	(41.6)

[1]Assumes $45.0 million needed annually for Federal match

Source: Department of Transportation

Major Recommendations

RIPEC proposed four major, multi-year recommendations that include increasing revenue and improving operating economies.

- Earmark user fees, which include:
  - Dedicate 100.0 percent of the gas tax to support transportation;
  - Dedicate non-gasoline tax user fees, such as license, registration and miscellaneous vehicle fees to support transportation; and

  - Consider tolls.
- Enhance and diversify transportation funding sources by using a combination of debt and concurrent revenue streams (which should be based on land-use related options like impact fees, special assessments and tax increment financing);
- Establish a transportation trust fund; and
- Reinvent and re-evaluate RIPTA's role and desired level of transit service.

RIPEC addressed the problem of coordination and system-wide planning with another set of recommendations that included creating a Transportation Secretariat, establishing a RI Transportation Project Corporation and establishing a transportation trust fund.

RHODE ISLAND STATEWIDE PLANNING PROGRAM - TRANSPORTATION 2030

In August 2008, the Rhode Island Statewide Planning Program prepared a long-range transportation plan as part of the Rhode Island State Guide Plan. This transportation plan has two main purposes: to set the direction for state transportation policy and action and to fulfill federal transportation planning requirements for statewide and metropolitan planning. This plan contains goals, policies objectives and strategies to fulfill a twenty-year planning time frame. Staff from the Rhode Island Division of Planning, Department of Transportation, Public Transit Authority, Department of Environmental Management, and the Transportation Advisory Committee contributed to this plan.

Major Report Findings

The report provided background information on demographic and travel trends; an inventory of the current transportation system; a needs assessment of the current transportation system; a discussion of funding scenarios for state and federal funding; an environmental analysis; and recommendations for action. This brief focuses on the plan's transportation funding findings and recommendations.

The funding section of this report began with a needs assessment, which defined four levels of transportation investment. Specific funding needs per transportation program were listed for each scenario. The needs assessment also identified potential sources of new revenue. The report discussed federal highway funds projections, Grant Anticipation Revenue Vehicle (GARVEE), and motor fuel tax revenue bond authorization, issuance and debt service. The following tables illustrate the estimated needs and revenue enhancements under each of the four scenarios (including current available funding).

Transportation Needs

Transportation Programs	"Sink"	"Tread Water"	"Swim"	"Win the Race"
RIDOT Maintenance and Operations	$45.0	$109.0	$114.0	$128.0
Capital Maintenance	20.0	45.0	71.0	113.0
Highway	42.0	177.0	245.0	342.0
Traffic Safety	6.0	18.0	25.0	40.0
Bridge	67.0	128.0	128.0	128.0
Bike/Pedestrian	9.0	16.0	24.0	32.0
SPR/PL	5.0	8.0	8.0	8.0
Enhancements	4.0	13.0	15.0	25.0
CMAQ	10.0	16.0	20.0	20.0
Personnel (deduct from proj. cost)	0.0	(40.0)	(40.0)	(40.0)
Commuter Rail/Warwick Station	20.0	14.0	32.0	60.0
ROW	0.0	1.0	5.0	10.0
Design	21.0	25.0	40.0	60.0
RIPTA Bus	112.0	155.0	175.0	225.0
Total	**$361.0**	**$683.0**	**$862.0**	**$1,150.0**
GARVEE[1]	58.0	0.0	0.0	0.0
Other debt service[2]	35.0	0.0	0.0	0.0
Total with debt service	**$454.0**	**$683.0**	**$862.0**	**$1,150.0**

$ in millions

[1] Ends in 2022 at $16.5m per year (peaks 2017-2019 at $51.0m).

[2] Increases from $41.0m in 2009 to $63.0m in 2023 per year if this practice continues

Potential Transportation Revenue Sources (in millions of dollars per year)

Revenue Sources	"Sink"	"Tread Water"	"Swim"	"Win the Race"
State:				
Gas Tax	$132.0	$205.0	$273.0	$341.0
Registration Fees	0.0	50.0	75.0	100.0
Tolls	0.0	30.0	50.0	60.0
Vehicle Sales Tax	0.0	80.0	80.0	80.0
Gas Sales Tax	0.0	0.0	0.0	80.0
General Obligation Bonds	40.0	0.0	0.0	0.0
Farebox	20.0	35.0	40.0	55.0
Other	12.0	15.0	17.0	20.0
State Subtotal	**$204.0**	**$415.0**	**$535.0**	**$736.0**
Federal				
FHWA	$200.0	$210.0	$250.0	$310.0
NHTSA	6.0	2.0	2.0	5.0
FTA	45.0	55.0	75.0	100.0
Federal Subtotal	**$251.0**	**$267.0**	**$327.0**	**$415.0**
Total State and Federal	**$455.0**	**$682.0**	**$862.0**	**$1,151.0**

$ in millions

The report discussed state transportation funding sources and levels. The motor vehicle fuel tax (gas tax) revenue distribution and trends associated with general revenue bond financing were also discussed.

Major Recommendations

The goal of the plan's recommendations was to provide a sustainable financial base for the transportation system while adequately supporting needed infrastructure and services. To meet this goal, 21 recommendations were identified.

1	Convert the remaining auto user fees into a transportation fund.
2	Continue increased allocation of gas tax revenues to RIPTA and RIDOT and maintain tax level appropriate to support the system needs. Index the gas tax to the inflation rate.
3	Consider tolls as another form of user fee where feasible. Study an automated cashless system of collection where toll facilities are or could be used. Also, study variable toll structures based on time of day and vehicle weights.
4	Use debt financing judiciously for major capital projects.
5	Provide sufficient seed funding for the new RI State Infrastructure Bank.
6	Consider Special Benefit Assessment Districts and Business Improvement Districts (BID). Property owners would be assessed for new highway improvements that support an area.
7	Designate Transit Services Districts (TSD). Property owners would be assessed for transit service in lieu of creating parking facilities in urban areas.
8	Allow Infrastructure Equity Contributions by abutters, also known as stakeholders' investments.
9	Consider the use of dedicated sales tax to reduce transportation bond indebtedness.
10	Phase out reliance on bonds to fund system preservation costs, by shifting to user fees and tax revenues.
11	Recognize that even allocation of all gas tax revenues will not be sufficient to meet RIDOT and RIPTA needs for operations, debt service, and match for federal capital funds. New financing sources must be developed as soon as possible, with the intent to reduce reliance on bonding and debt service.
12	Develop a fare structure for paratransit service and charge a fare for all of these services. Reform the current incentives and fees of the paratransit service use.
13	Work to achieve RIPTA's target revenues as a percentage of operating costs, and promote early accomplishment.
14	Quantify unfunded federal mandates, particularly ADA service.
15	Work on the development of a fare structure for human and educational services that purchase and/or provide transportation services in conjunction with their primary responsibilities.
16	Established a state-funded grant program for municipalities to help fund local road improvements. Use a formula that includes factors such as road mileage, functional classification, and vehicle registrations.
17	Continue to develop and distribute the Transportation improvement Plan (TIP) using an extensive public involvement process. Periodically review and amend the TIP.
18	Calculate and publicize the costs and benefits of major transportation investments.
19	Select more projects that are lower in cost, faster to implement, and give more transportation performance for the dollar.
20	Provide TIP status reports (including project and funding status) periodically to the Transportation Advisory Committee.
21	Install an accounting system that can track all project costs, including design.

COMMISSION MEMBERS PERSONAL STATEMENTS

Senator Christopher Ottiano
District 11
Bristol, Portsmouth, Tiverton

The Rhode Island state infrastructure funding commission was born out of the conclusion our state legislature made that the use of a toll to fund our infrastructure around the state was very shortsighted. Essentially, we tried to balance the funding needs of our entire state on a few residents. Not only was this unfair but there were clearly unintended financial losses that would be suffered by the state's general revenues as the loss of economic and tourism dollars developed in the East Bay.

The commission's objective at this point is to put forward findings that will allow for the creation of a piece of legislation – either individually or as a part of our state's budget – that will help solve the significant funding needs of the Department of Transportation and the Turnpike and Bridge Authority. I am very thankful to Chairman Melo and Chairman DaPonte for their time and energy on the commission. I would also like to thank my fellow commission members for the dozens of hours that we have spent together working on this process. Below are the key points of infrastructure funding that I feel will need to be considered to play a part of our legislation.

One of the most difficult issues that we have dealt with over several years of these debates regarding infrastructure funding is trying to pin down the exact goals for our revenue needs. We have seen on many occasions that one's perspective and interpretation often lead to varying estimates. Based upon the data that I have reviewed, I find that the target projection presented at our last meeting of $60-$100 million per year over the next 10 to 15 years would meet the state's shortfall needs for infrastructure. With this assumption in place, I would recommend that the following options are all viable enough to be included in a legislative funding strategy. The actual size of the role that any individual option plays is up for debate, but what cannot be argued is that the state of Rhode Island is now in a position where infrastructure funding as one of the primary functions of government must now come to the forefront. The following options represent reasonable and rational ways of having an entire state's population take responsibility for its roads and bridges.

Option 1
Currently our state budget allows for us to spend up to 97 percent of our revenue. The 3 percent that is held out of the budget represents somewhere between $100 and $120 million a year. This 3 percent level has changed through the years but no one can question that the decision to increase to 3 percent is very wise. I find that a measured and cautious approach to increasing this by 1/4% each year over four years would allow us to obtain a level of 4% of general revenue held back each year. Ultimately this would represent approximately $35 million of additional budget money to be held for road and bridge maintenance on an annual basis. Clearly this money would have to be found within the budget. This is why a slow transition over four years for this one percent budget cut would seem very reasonable. This represents $300 million over 10 years.

Option 2
One of the most significant issues that we have tackled to improve the Department of Transportation's finances has been a five-year process to slowly assume all of their long-term debt which we have created in the past as a way of sustaining our road maintenance. Within five fiscal years, the Department of Transportation will essentially have $50 million at its disposal each year which it has not had up to this point because it was being used to service debt. I would suggest that at the five-year mark

this money should also be targeted to road and bridge maintenance. This would represent $250 million in the next 10 years.

Option 3

Another item that we have focused on over the course of our study is the fees charged by the Division of Motor Vehicles. The three most significant of these are the biennial inspection fees, license renewals, and registration fees. The transition of these revenues from the general fund over to debt service for the DOT is a significant part of our initiatives to fund road maintenance. I would suggest that these annual revenues of $65-$70 million could be enhanced by 10% allowing for an additional $7 million a year of funding annually. This revenue would be available during the early years of our process and would carry through for as much as $70 million over the next over that time period.

Option 4

A great deal of discussion has centered on the gas tax. Our data has made it crystal clear that this is a tax which has lost its revenue value by at least 20% over the last few decades. While this may not be a long-term sustainable source of revenue given the improvements in vehicle gas efficiency and the reduction in overall motor vehicle use, I still think it has a great deal of value in the early stages of our funding process. With an estimated $3-$5 million of revenue from every additional cent added, a two-cent increase could represent $6-$10 million per year with a 10 year projection as high as $100 million. Naturally the significance of border issues and competition with other states has to be considered, but with recent increases from our neighboring states this represents a potential source of revenue.

Option 5

While the options discussed to this point represent more than $700 million of revenue for road and bridge maintenance over the next 10 years, I think it is important to additionally discuss the strategy put forward during our commission hearings. Potential additional revenue could be covered by general obligation bonds. I would be prepared to place more emphasis on this point if any question is raised that more revenue is required than the $700+ million I have estimated. These bonds would generally be at a cost savings when compared to revenue bonds through Turnpike and Bridge Authority. As Sen. DiPalma rightly mentioned, it would allow us to extend over 20 years any potential additional revenue that may be required sooner in our 10 year process.

Summary

When looked at as a whole, during the early years, the above options for road and bridge maintenance around the state would generate $22-23 million a year. It is no coincidence that this is about the target rate that was intended with a tolling proposal. My opinion is that these sources of revenue are a far better way of achieving our early goals. The above revenue sources only become greater as we reach years five through 10 when the amount of additional revenue goes as high as $85 million in addition to that. Given that the most significant funding issue is the increasing capital expenditures that will come in those out years due to the needs for substantial work to be completed in the future, I think that this makes a reasonable match for our funding needs.

This mixture of old and new money provides adequate funding levels for us to achieve our primary mission, which is maintenance of our roads and bridges so that we never revisit the replacement of a major piece of capital as we recently had to. Even more importantly, we have met the needs of the state's funding without unfairly placing the burdens on any one geographical region. No increase in the Pell Bridge toll or new tolls are required. In a time where so much emphasis is being placed on economic development, this also achieves the very important goal of not harming the East Bay's local businesses and tourism industry which are a driving force in creating our general fund revenue in the first place.

Once again I would like to sincerely thank Chairman Melo and Chairman DaPonte for all of their efforts. It has been an honor to serve on this commission. I feel our entire legislature stands in a very important position to do something that places Rhode Island in a good position for its future. A comprehensive funding plan that rests on the above principles and revenue does us all well as Rhode Island residents. I look forward to reviewing all of the individual findings of our commission members and submitting a comprehensive piece of legislation that is a joint effort of the House and Senate and encapsulates the strategies we have identified in our findings.

Representative John Edwards
District 70
Portsmouth, Tiverton

I looked at the Special Legislative Commission to Study the Funding of the East Bay Bridges (the Commission) as having two distinct and connected goals. The first was to review the transfer of the Sakonnet River Bridge and Jamestown/Verrazano Bridge to the Rhode Island Turnpike & Bridge Authority and the subsequent tolling of the Sakonnet River Bridge. The second and most daunting charge was to review the current funding methods for our entire statewide infrastructure and the Rhode Island Dept. of Transportation (RIDOT), to see what other state are doing , to weigh all options available and to come up with a plan to put into place funding that will bring our roads & bridges back into repair. Without a reliable, safe and up-to-date infrastructure, Rhode Island will continue to struggle economically. The following is my personal view of what was brought forward in the Commission and some possible solutions to those issues going forward.

East Bay Bridge System

The local issue, at least local for my district, dealing with the Sakonnet River Bridge (SRB) toll is the easiest to address. The 2012 General Assembly enabled the transfer of the SRB to the RITBA thus giving them the ability to toll the bridge. What was widely known and clarified during the first hearing of the Commission is that the toll charged on the SRB was not for just the maintenance of the that span but rather to support all four spans (Pell, Verrazano, Mt. Hope & SRB) within the East Bay Bridge System. Other items that were brought before us were the complete lack of an economic impact study on the effect of a toll on Newport County residents and businesses. The cost of actually tolling the SRB was also revealed to be three times the cost to maintain the structure while the actual financial need of the RITBA was not explained.

The anecdotal testimony offered at both RIDOT meetings last year in Portsmouth and Tiverton was almost universally against ANY toll on the SRB due to what the community and businesses correctly perceive to be an unfair burden on the East Bay, namely 2 tolled bridges here and none anywhere else in the State. Also, it was clear that a toll in the amounts proposed by RITBA, to support the other structures, would have a long term detrimental effect on all of Newport County and the State of Rhode Island through lower tourist and general traffic across the bridge due the toll. RIDOT estimates predict a decrease in excess of 20% in traffic across the bridge once the full toll was put in place. Tolls are basically a regressive form of taxation, hurting those who can least afford them the most. The SRB is a commuter bridge used primarily by working class families on both sides to get work on the other side, to transport goods to the and from the local businesses and keeping local families connected.

The cost to maintain the SRB by RITBA was given at $4.5M. The cost to maintain the structure has been estimated to be between $1.2M to $1.5M per year, annualized over 10 years. The remaining costs are the cost of collecting the tolls, some $3M. This is clearly not a good use of our dollars.

Finally, RITBA has stated that they are experiencing a shortfall of $4.2 annually (however, their 10 year forecast in 2009 predicted a shortfall of only $2.09M). They currently take in roughly $18.8M on the Pell so their overall budget should be around $23M. If they add the cost of the Verrazano, roughly $1.3M and the SRB, including the cost to collect the tolls at $3.9M, their total costs should be $28.2M. The estimated toll revenue from both RIDOT and RITBA from the SRB was supposed to be around $22M making the total revenue approximately $40.8M per year. That would leave about $12-13M in excess which neither organization could explain or account for.

I suggest the following solutions be considered to remedy the issues facing the East Bay Bridge System;

1- Consolidate RITBA & RIDOT functions where possible. If RITBA is truly just a toll taking entity, let RIDOT handle everything else. This will reduce overlap between the two entities. This will also allow more of the money taken from the existing tolls to be used for maintenance of the structures. Furthermore, RIDOT has a statewide presence while RITBA only has the 4 bridges. RIDOT should be able to get more competitive pricing for its contracts and suppliers, again saving dollars to be used for infrastructure only. This may reduce or eliminate the current shortfall and take away the need for any increase on the Pell and the toll on the SRB.

2- Restrict all RITBA funds for use on the bridges alone, nothing for advertising, fireworks, trips for board members, legal expenses, etc. A more thorough and comprehensive review of RITBA expenses is required so that the public can be assured their dollars are being used most effectively. It has been frustrating that the members of the Commission have not been able to receive accurate financial information from RITBA during the course of this Commission.

3- The tax payers need more control over RITBA; perhaps a change in makeup of the board of directors. People on the board need to be more responsive to the people who use the system not be completely removed as it is now. The dollars used to maintain these structures are not just toll revenue, they are the treasure from the hard working people in this State and need to be treated as such.

4- Since RIDOT, RITBA and the Governor have never made a solid, common sense case where the toll on the SRB makes economic sense for Rhode Island & Newport County, the SRB should be transferred back to RIDOT, the toll removed and if after a thorough and complete audit of RITBA, any real shortfall should be made up by the State of Rhode Island. This should also remove the need for any increased toll on the Pell Bridge. The bridges in our state are assets of the entire state not just the RITBA or the East Bay.

State Infrastructure

Solving the infrastructure funding gap for the entire State of Rhode Island is a much more formidable task. One of the biggest obstacles to coming up with a hard solution is the exact need cannot be defined by RIDOT. The total required is currently estimated at between $700M and $1B over the next 10 years on top of what is already allocated for them. In reality, whatever amount RIDOT receives, they will use in total to bring our roads and bridges up to standard. One of the biggest problems facing the State is the diminishing gas tax. As more fuel efficient and alternative fuel vehicles come into play, the less the State will receive in revenues. All of the revenues from the RI Dept. of Motor Vehicles (DMV) are currently deposited into the general fund. RIDOT is only one of the many departments drawing on this very limited pool of funds. Up until this past fiscal year, Rhode Island borrowed the amount required by the Federal government as a match in order to receive the 80% Federal grant. The 2013 budget set aside the funds necessary to eliminate the need to borrow our match, thus making more funds available to RIDOT within 5 fiscal years. This pay as you go method will eventually allow the funds currently being used to pay off debt to be used for their intended purpose. Tolling was discussed but, this is not one of the top options currently being used outside of Rhode Island so I decided not employ that as an option.

1- We need an alternative to the gas tax eventually. This is a long term issue, not something that is going to be implemented in the near future. Alternative fuel cars and high efficiency vehicles are using the roads today and either not contributing or are contributing less than equitably. The revenue from the gas tax has decreased by 14.1% over the past decade. Value for Miles Travelled is being piloted in Oregon and currently there are a number of issues to be worked out before this method can be fully vetted. Another method is a tax based on vehicle weight since heavier trucks take more of a toll on our roads than do lighter cars. This approach might continue the trend toward lighter, more fuel efficient vehicles. Increasing the current gas tax is not a solution. Most of Rhode Island is a border community and if we increased our gas tax, even just a few cents, it would drive sales across the border more than they are today. Increasing the gas tax only helps Massachusetts. I would suggest continuing the conversation on this issue, see what comes out of Oregon and keep looking for viable, equitable approaches to replacing the gas tax.

2- Increase the amount of money available to RIDOT from RICAP. For each 1% set aside represents approximately $35M. While there are many demands on this fund there is no greater need than our infrastructure today. Dedicating for the next 5 years half of the RICAP funds for RIDOT should amount to $52.5M per year or $262.5M. This could be reduced to 1/3 once the debt is decreased and RIDOT starts to receive the $45M annually that currently goes to debt service. This would add approximately $35M each year or $175M over 5 years. This would bring in $437.5M over 10 years. Coupled with the added $45M each year from our reduced debt is a total of $662.5M.

3- Establish an Infrastructure Trust Fund where all of funds for this program would be deposited. These funds will only be used for road & bridge repair projects as identified annually by the RIDOT.

4- Starting in FY 2015, set aside an amount of $5M, increasing annually by $5M to a total of $35M, from the DMV revenues into the Infrastructure Trust Fund. This will raise another $245M over the 10 year period.

As stated previously, RIDOT needs between $700M & $1B over the next 10 years to start improving the current infrastructure statewide. This plan, while simple in approach, does not rely on any new revenues, just reallocating existing funds over the course of the 10 year period. Approximately $900M could be set aside for the repair/maintenance of our roads and bridges in addition to what RIDOT currently receives annually from the General Fund for salaries. Last year RIDOT Received approximately $140M from the General Fund. Adding existing resources to a defined trust fund exclusively for our statewide infrastructure repair/maintenance will go a long way towards solving the current disrepair of our roads and bridges. Eliminating tolls on the Sakonnet River Bridge will add to the momentum of our economy as we continue to come out of the Great Recession. Placing more oversight on RITBA will make the authority more responsible to the residents of Newport County and Rhode Island who pay to use the bridges. Expansion or increasing of tolls is only a barrier to the economy and future success of Rhode Island. It is imperative that we look ahead and plan now for our future which should not include additional taxes or fees.

Buddy Croft, Executive Director
Rhode Island Turnpike and Bridge Authority

Until 2013, The Rhode Island Turnpike and Bridge Authority has been the responsible agency for two bridges - the Newport Pell Bridge and the Mount Hope Bridge. In 2013, the General Assembly created the East Bay Bridge System with the intent to transfer the soon-to-be-completed Sakonnet River Bridge and the Jamestown Verrazano Bridge to RITBA and the authority to place a toll of the Sakonnet River Bridge. Revenues from the two tolls would be dedicated solely to bridge operations, maintenance and repairs of these four bridges alone.

The solution removed the bridges from the responsibility of the RI Department of Transportation and placed them in the care of RITBA, where they could receive the appropriate level of maintenance and repair independent of the state's budgets and economic cycles. RITBA relies on its ability to set toll rates to ensure adequate funding for all necessary maintenance, repair and operations, and, equally importantly, to maintain its bond rating.

Toll revenue and investment income keeps RITBA financially self sufficient. It does not receive any local, state, or federal monies to be used toward debt service or expenses for the operation and maintenance of its properties.

Until 1998, RITBA charged a .10 per-crossing toll on the Mount Hope Bridge. After it was removed, RITBA received no additional or replacement revenue but instead relied on tolls on the Newport Pell and its increasing traffic volumes as its sole funding source.

As traffic volumes fell, so did toll revenue. However, the long-term renewal and replacement needs of the two bridges continued to increase. For the first time in the RITBA's 40-year tolling history, the Newport Pell Bridge toll was increased in September of 2009 for cash payers and non-RI E-Z Pass transponder holders from $1 to $4. Commercial vehicles saw an increase of an additional $1 per axle.

In February of 2012, the board voted to increase the Newport Pell Bridge toll to $1 for E-Z Pass users and $5 for cash and undiscounted E-Z Pass transponders. Legislation was introduced in the General Assembly to allow for the tolling of the Sakonnet River Bridge, and the RITBA board voted to delay implementation of the toll increase on Pell, anticipating the new tolling scenario with two additional bridges under its care.

After consultation with traffic engineering consultants, RITBA offered three tolling scenarios. The board voted to install an open-road toll collection system and set a toll rate of .75 for E-Z Pass users and $3.75 non-E-Z Pass users. The board continues to advocate for this toll rate instead of the current .10-for-all rate, which does not provide sufficient revenue for the repair and maintenance of the four bridges. Additionally, RITBA's indenture does not allow it to accept assets that do not have the means to fund their own needs.

Senator Lou DiPalma
District 12
Little Compton, Middletown, Newport, Tiverton

Approximately $1.0 billion is needed over the next 10 years to address the ever pressing needs of both RIDOT and RITBA. This $1.0 billion in funding would bring RI's transportation infrastructure, our state roads and bridges, up to standard and allow for expected annual maintenance to get our transportation on the proper footing no pun intended. While great strides have been made to address RI's ailing and failing transportation infrastructure, more is needed, and needed now.

We did not get here overnight and addressing this challenge once and for all will require creativity, resolve and perseverance to stay the course over the long haul. Several options are identified, using a multi component approach obviating any need for a toll on the Sakonnet, Jamestown-Verrazano and Mt Hope Bridges and no need for any increase on the Newport-Pell Bridge to satisfy the need.

Rhode Island's Transportation Infrastructure is the responsibility of all Rhode Islanders. Our transportation infrastructure needs to be a priority of the entire State and needs the entire State's support. We can do this. We must have the resolve to seize this opportunity and address the challenge once and for all ...

1. Defining the Need

As detailed by the House/Senate Fiscal Offices at the September 26, 2013 and October 16, 2013 RI Transportation Infrastructure Funding Commission meetings, the Rhode Island Department of Transportation (RIDOT) has an unmet need of approximately $1.0 billion over the next ten (10) years, which includes over $400.0 million for reconstruction of the Rt 6 & 10 interchange.

Project	FY 2015 to FY 2019	FY 2020 to FY 2024	Total
Bridge Rehabilitation	$322.2	$90.5	$412.7
Statewide Resurfacing	$125.0	$125.0	$250.0
Rt. 6 & 10 Re-construction	$481.0	$ -	$481.0
Total	***$928.2***	***$215.5***	***$1,143.7***
In millions			

The following bridge statistics were also presented.

Status	State Owned	Municipal and Other	Total	Percent of Total
Structurally Deficient	129	34	163	21.4%
Functionally Obsolete	178	43	221	29.0%
Weight Restricted	73	22	95	12.5%
Closed	6	6	12	1.6%
Fair	225	47	272	35.6%
Total	**611**	**152**	**763**	**100%**

A subsequent review of the geographical disbursement of the structural deficient bridges shows the vast majority of them exist in Providence County (62.8%), as shown in the following table.

County	Percentage
Bristol	1.0%
Kent	13.4%
Newport	5.6%
Providence	62.8%
Washington	17.3%

At the October 16, 2013 meeting, the Rhode Island Turnpike and Bridge Authority (RITBA) detailed their needs, totaling approximately $400.0 million, over the next 10 years. Dominating these needs are Repair and Replacement (R&R) for the four (4) bridges for which they're now accountable and enumerated in the following table. Current income from the toll on the Newport-Pell Bridge is approximately $20.0 million annually, which results in a shortfall of approximately $200.0 million over the next 10 years.

RITBA 10-Year Capital Plan (R&R) Costs, $M

Bridge	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year Total
Newport Pell	$16,991	$28,896	$26,900	$27,747	$29,697	$ 8,097	$7,423	$22,884	$24,231	$1,491	*$ 194,355*
Mt Hope	$13,098	$ 1,412	$ 507	$ 4,854	$18,495	$10,016	$ 575	$ 472	$ 990	$ 575	*$ 50,995*
Jamestown	$ 3,450	$11,018	$ 4,445	$ 447	$ 990	$ 128	$ -	$ 506	$ -	$5,174	*$ 26,159*
Sakonnet	$ 162	$ 366	$ 246	$ 422	$ 374	$ 495	$ 199	$ 479	$ 296	$2,220	*$ 5,257*
TOTAL R&R	**$33,701**	**$41,691**	**$32,099**	**$33,470**	**$49,555**	**$18,736**	**$8,196**	**$24,341**	**$25,517**	**$9,460**	***$ 276,767***

Note: Capital Plan costs include construction cost inflation

In summary, accounting for the needs of RIDOT and RITBA, approximately $1.0 billion is needed over the next 10 years, which equates to about $100.0 million per year. This $1.0 billion in funding would bring RI's transportation infrastructure, our state's roads and bridges, up to standard and allow for expected annual maintenance to get our transportation on the proper footing, no pun intended.

2. Background

One of RIDOT's primary sources of transportation revenue, excluding that which is received from the federal government, is the RI State gasoline tax. The gasoline tax totals approximately $135.0 million annually. RIDOT's share of the gasoline tax is approximately 2/3's of the total equating to $90.0 million annually in FY 2014. Additionally, the RI state gasoline tax has decreased over 14% over the last decade, and when CPI is taken into account the decrease is equivalent to 24%.

A key component of the RIDOT budget, which is addressed by the ever decreasing gasoline tax, is the increasing debt service for which RIDOT is responsible. In FY 2013, covering the debt service, which is in excess of $50.0 million, required approximately 38.0% of the RI state gasoline tax income and over 50.0% of RIDOT's allocation. This significant debt service is a result of the State having to go out to bond in order to match the federal funding. This was required as the State did not have a pay-as-you-go program. That is until now…

In 2012 the RI General Assembly addressed this dilemma ultimately establishing a pay-as-you-go program. This reduced the need for future borrowing, thereby reducing the future debt service. This was accomplished by allocating RICAP funding and by dedicating increases in registration and license surcharges to fund the State match via the following schedule:

Funding for Rhode Island Highway Maintenance Trust Fund

(FY 2012 - FY 2016)

	FY2013	FY2013	FY2014	FY2015	FY2016
Increase Two-Year Registrations by $30	-	$0.0	$3.7	$7.1	$10.5
Increase One-Year Registrations by $15	-	-	0.6	1.2	1.8
Increase License Fees by $30	-	-	1.5	3.0	4.5
RICAP funding	-	20.0	21.1	21.6	23.2
Total Additional Revenue	**-**	**20.0**	**27.0**	**33.0**	**40.0**
Balance available from Previous General Obligation Bond Issues	$40.0	$23.6	$13.0	$7.0	$0.0
Total	**$40.0**	**$43.6**	**$40.0**	**$40.0**	**$40.0**

$ in millions.

Additionally, in 2013 the General Assembly began the process of transferring and restructuring the existing RIDOT debt service. The following table describes the schedule for transfer and restructuring

Debt Service Transfer and Debt Restructuring

Fiscal Year	Outstanding Debt Service	Build America Bonds Reimbursement	Projected Debt Service	Projected Restructuring	General Revenue[1]	Net Gas Tax Funded Debt Service
2013	$54,099,467	($2,015,980)	$1,166,667	($10,932,201)	($8,000,000)	$34,317,953
2014	46,094,601	(2,015,980)	4,433,197	(6,468,780)	(9,250,000)	32,793,038
2015	49,665,584	(2,015,980)	4,914,652	(4,143,035)	(20,000,000)	28,421,221
2016	45,323,248	(2,015,980)	4,914,652	2,048,000	(30,000,000)	20,269,920
2017	45,018,879	(2,015,980)	4,914,652	1,998,000	(40,000,000)	9,915,551
2018	36,477,586	(2,015,980)	4,914,652	3,733,000	(43,109,258)	-
2019	35,481,854	(2,015,980)	4,914,652	3,733,750	(42,114,276)	-
2020	31,530,761	(2,015,980)	4,914,652	3,737,500	(38,166,934)	-
2021	38,791,408	(2,015,980)	4,914,652	3,733,750	(45,423,830)	-
2022	34,843,577	(1,868,570)	4,914,652	3,737,500	(41,627,159)	-
2023	34,054,401	(1,710,900)	4,914,652	3,738,000	(40,996,153)	-
2024	29,257,633	(1,544,080)	4,914,652	-	(32,628,205)	-
2025	26,127,608	(1,367,622)	4,914,652	-	(29,674,638)	-
2026	25,967,088	(1,179,140)	4,914,652	-	(29,702,600)	-
2027	22,417,309	(958,514)	4,914,652	-	(26,373,447)	-
2028	20,614,654	(730,480)	4,914,652	-	(24,798,826)	-
2029	13,849,217	(494,898)	4,914,652	-	(18,268,971)	-
2030	13,600,741	(251,496)	4,914,652	-	(18,263,898)	-
2031	3,812,078	-	4,914,652	-	(8,726,730)	-
2032	3,809,970	-	4,914,652	-	(8,724,622)	-
2033	-	-	1,604,852	-	(1,604,852)	-
2034	-	-	481,456	-	(481,456)	-

[1] *The FY2014 Budget as Enacted contains a one-time, $750,000 decrease in the debt service transfer from RIDOT to the Department of Administration, requiring RIDOT to fund this amount of debt service from its share of gas tax proceeds.*

Source: Department of Transportation

The above table indicates that gas tax proceeds previously used to pay debt service could and should be available to RIDOT for needed maintenance of the State's roads and bridges (approximately $45.0 million).

While great strides are being made, more is needed, and needed now, to meet the $1.0 billion need

3. Solution options

At first glance, identifying a funding source of $1.0 billion or $100.0 million annually for 10 years is a very daunting task. Though, addressing RI's aging and failing transportation infrastructure now is a must and can no longer be delayed. It is critical that we get ahead of the game and not procrastinate any longer; otherwise, at a minimum, the cost will be greater. While the State has made significant strides in shoring up some of the needed funding to gain some ground on addressing the problem, it has not been enough. The time to act is now.

While the State didn't get into the current situation, failing transportation infrastructure, overnight, correspondingly a long term approach will be required. Additionally, given the magnitude of the funding deficit, there is no single component solution that can satisfy the $1.0 billion, ten-year funding need.

As discussed during the Commission's hearing, the following table enumerates the set of appropriate criteria by which any and all funding options should be evaluated.

Criteria by which to evaluate alternative funding approaches

Fair and equitable	Indexed to inflation
Implementable	Reflective of the "user pays, user benefits"
Diversified	East to understand and market to the public
Dedicated	Supportive of preserving the existing transportation system
Efficient in the cost of collections	Supportive of economic development
Sustainable for the long term	Measurable and transparent

Guided by the above criteria, the following funding options, along with the corresponding generate revenue, are recommended. This approach will allow the State to meet the $1.0 billion funding challenge:

- Establish a "RI Transportation Infrastructure Fund", as a restricted account within the RIDOT Intermodal Surface Transportation Fund, with unexpended balances not reverting to the General Fund.

- Beginning in FY 2014, the state shall assume all RIDOT debt service as previously described and provided in abbreviated form here. The value of all RIDOT debt, which is being assumed by the State, will be deposited into the RI Transportation Infrastructure Fund.

Debt Service Transfer and Debt Restructuring						
Fiscal Year	Outstanding Debt Service	Build America Bonds Reimbursement	Projected Debt Service	Projected Restructuring	General Revenue[1]	Net Gas Tax Funded Debt Service
2013	$54,099,467	($2,015,980)	$1,166,667	($10,932,201)	($8,000,000)	$34,317,953
2014	46,094,601	(2,015,980)	4,433,197	(6,468,780)	(9,250,000)	32,793,038
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2016	45,323,248	(2,015,980)	4,914,652	2,048,000	(30,000,000)	20,269,920
2017	45,018,879	(2,015,980)	4,914,652	1,998,000	(40,000,000)	9,915,551

- Beginning in FY 2018, and annually thereafter, $45.0 million of RIDOT's gasoline tax allocation, which had previously been used for debt service, shall be deposited into the RI Transportation Infrastructure Fund

- Beginning in FY 2015, and continuing for three additional years until FY 2018, the limitation on the appropriation of state spending which is currently 97% of estimated state spending shall be reduced annually by 0.5% until it reaches 95%, where it would remain thereafter. Each year the additional limitation in estimated state spending shall be deposited in the RI Transportation Infrastructure Fund Following FY 2018, and continuing ad infinitum, the difference of 97% to 95% of estimated state spending shall be deposited in the RI Transportation Infrastructure Fund Each percentage point raises approximately $35.0 million based on current revenue estimates The following shows the timetable for the reduction in the limitation on estimate state spending

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Fiscal Year	Limitation on Appropriation of State Spending
FY '15	96.5%
FY '16	96.0%
FY '17	95.5%
FY '18	95.0%

- Initially, and until RI Transportation Infrastructure Fund is appropriately funded, General Obligation bonds will be needed and shall be proposed to the voters of RI, beginning in November 2014

- While the State has committed to reduce the sales tax from 7.0% to 6.5% when Congress enacts the Main Street Fairness Act, the 0.5% reduction shall be reduced to 0.25% and the difference between 0.5% and 0.25%, which equates to approximately $32M annually, shall be shall be deposited in the RI Transportation Infrastructure Fund (Note: The State of Virginia, in 2013, enacted transportation funding legislation which included an increase in their sales tax with the additional revenue dedicated to transportation needs)

- Pursue tolling of I-95, which is anticipated to produce revenue estimated at $35.0 million annually. All tolling revenue shall be deposited in the RI Transportation Infrastructure Fund

- Beginning in FY 2015, all funds generated as a result of the Uninsured Motorist Database shall be deposited in the RI Transportation Infrastructure Fund By FY 2021, it is anticipated that this amount will be exceed $3.0M annually.

- Beginning in FY 2015, increase the existing bi-annual (every 2 years) motor vehicle inspection fee by $26.00, which is currently at $39.00, bringing the new total fee to $65.00. Three ($3.00) of the $26.00 increase would go to the facility performing the inspection. Twenty three ($23.00), of the $26.00 increase would be shall be deposited in the RI Transportation Infrastructure Fund It is anticipated that the $23.00 fee increase will generate approximately $6.5M annually.

- All future needed bonding for RITBA will be accomplished by the State via General Obligation Bonds, which will result in less debt service due to the State's bond rating The debt service on these bonds would be paid for by RITBA Newport-Pell toll revenue and other sources

- Investigate the possibility and conduct a study which would seek to replace Rhode Islands dwindling gasoline tax with an oil company franchise tax as recently accomplished in Pennsylvania and exists in other states in the US.

- Sakonnet Bridge - Remove the toll on the Sakonnet Bridge

- Jamestown Verrazzano Bridge - Restrict a toll from ever being placed on the bridge

- Mt. Hope Bridge - Restrict a toll from ever being reinstated on the bridge

- Newport-Pell Bridge – Establish annual appropriations obviating any need to ever increase the existing toll.

In summary, and when each of the aforementioned solutions is totaled, it is anticipated that the expected revenue deposited into the RI Transportation Infrastructure Fund would exceed the $100M annually. We can do this. It's is a priority. We must have the resolve to seize this opportunity and address the challenge once and for all ...

Michael P. Lewis, Director
Rhode Island Department of Transportation

The Special Legislative Commission to Study the Funding for East Bay Bridges was tasked with a difficult responsibility: "to make a comprehensive study of all types of equitable and reliable funding mechanisms and/or strategies to support Rhode Island's infrastructure." This purpose is not without precedent. Without exception, studies conducted over the last two decades have determined that 1) insufficient revenue is generated from available transportation funding sources (federal funds, State bond funds and the State gas tax) for infrastructure construction, maintenance, and operation of the statewide transportation system, and 2) new revenue sources are needed.

Most recently, the Rhode Island Public Expenditure Council report "Transportation at a Crossroads" (2002), the 2008 Governor's Blue Ribbon Panel on Transportation Funding, the 2011 Senate Special Commission on Sustainable Transportation Funding, and Transportation 2035, the State's Long Range Transportation Plan (2012), each recognized that diversification of the revenue sources used to fund transportation is critical to the health of our roads and bridges.

Recognizing that the Commission was charged with a study of funding strategies for transportation infrastructure, and the report will adhere to a focus on infrastructure needs, there remain shortfalls in the areas of transit infrastructure, operations, and service, including bus, rail, and other intermodal connections. While the scale of transportation infrastructure costs overshadows other needs, ongoing transit shortfalls restrict opportunities for congestion management, economic growth, and development of a seamless, multimodal transportation system to serve Rhode Island.

Steps Taken to Reduce Future Debt

The Governor and the General Assembly have acted to reduce the burden of debt that has accumulated in the form of the General Obligation (G.O.) bonds. These voter-approved bonds have been used to provide the 20 percent State match for federal funds in our annual capital program, while many other states use borrowing for specific capital improvement programming. Rhode Island's historic reliance on borrowing to provide the State match had become a non-sustainable addiction. In place of G.O. bonds, pay-as-you-go financing has been provided through Rhode Island Capital Plan (RICAP) funding and increases in registration and driver's license fees for all Rhode Island drivers. These increases will be phased-in over three years, so that by FY 2016, RIDOT will no longer use any G.O. bond funding for the match to the federal program. November 2012 was the first even-year election in decades without a transportation bond referendum question for the voters to consider.

State Match Shift - Bond to Pay-As-You-Go				
Source	**FY2013**	**FY2014**	**FY2015**	**FY2016**
Increase in Licenses and Registrations	$ -	$ 5.9	$ 11.3	$ 16.8
Rhode Island Capital Plan Fund (RICAP)	$ 20.0	$ 21.1	$ 21.7	$ 23.2
Balance Required from Bonds	$ 20.0	$ 13.0	$ 7.0	$ -
Total	$ 40.0	$ 40.0	$ 40.0	$ 40.0

Without the shift to pay-as-you-go sources, G.O. bond debt service costs would have topped $70 million annually. Coupled with the fact that, until FY 2013, G.O. bond debt service was paid entirely through the gas tax allocated to RIDOT, transportation funding in Rhode Island was approaching a crisis state. Although Rhode Island has taken strides to eliminate future bond borrowing as State match, we still must pay the debt we already owe. The debt service on existing G.O. bonds will extend through FY 2035, with payments gradually declining in the out-years as past bond issues are paid in full.

Consumption of gasoline has been in steady decline since late 2007, the year in which vehicle miles traveled reached its historic peak. Gas tax revenue has been in a corresponding decline. Since FY 2008, gas tax yield has declined 7.9 percent, and while one additional penny was allocated to RIDOT during the same time frame, total collections fell by $3.2 million ($93.6 million in FY 2008; $90.4 million in FY 2013).

Keeping the downward trend of gas tax revenue in mind, the Governor and the General Assembly have implemented the first phases of a plan to shift the remaining G.O. bond debt service from gas tax payments made by RIDOT to General Revenue payments made from the State's General Fund. In the first year of the shift, FY 2013, the General Fund assumed $8.0 million of G.O. bond debt service payments; this amount increased to $10.0 million in FY 2014, the current fiscal year, and is programmed to increase by $10.0 million increments through FY 2017. It is anticipated that FY 2018 will be the first year when RIDOT will make no gas tax payments toward G.O. bond debt service costs.

Operations and Maintenance

While bonds (or alternate pay-as-you-go sources) fund the State match for the capital program, gas tax revenue is the sole source of funds for RIDOT operations and maintenance. Increasing debt service and decreasing gas tax revenue gradually eroded the State's ability to undertake crucial maintenance tasks, such as bridge washing, catch basin cleaning, and a systematic, rational approach to heavy vehicle replacement. The gradual shift of G.O. bond debt to General Revenue funding will allow RIDOT to implement a comprehensive strategy for vehicle replacement. Of the 109 vehicles in the winter maintenance fleet, 54 (49.5 percent) are 10 years old, or older. Heavy equipment has a limited useful life beyond ten 10 years, when repair costs become excessive or repairs become impossible. In addition, many vehicles are doing work for which they were not intended. A comprehensive heavy equipment replacement plan will align Rhode Island's maintenance fleet needs with best practices for vehicle and equipment replacement.

Costs that RIDOT does not control, such as benefits, retirement, and inflation, have also eaten away at the gas tax funds allocated to operations and maintenance. Today, we maintain the same number of bridges and miles of highway as we did in 1980, but with 60 percent fewer maintenance employees. Gas tax funding is used for snow removal; pothole, bridge joint, and traffic signal repair; emergency response; highway lighting, sweeping and litter pickup; facility maintenance; sign replacement; property management; administration; and other critical maintenance needs. Given the heavy burden on the limited gas tax funding available, RIDOT uses federal program funds for certain expenditures that were traditionally funded through gas tax, such as line striping, bridge inspection, fencing, and guardrail repair.

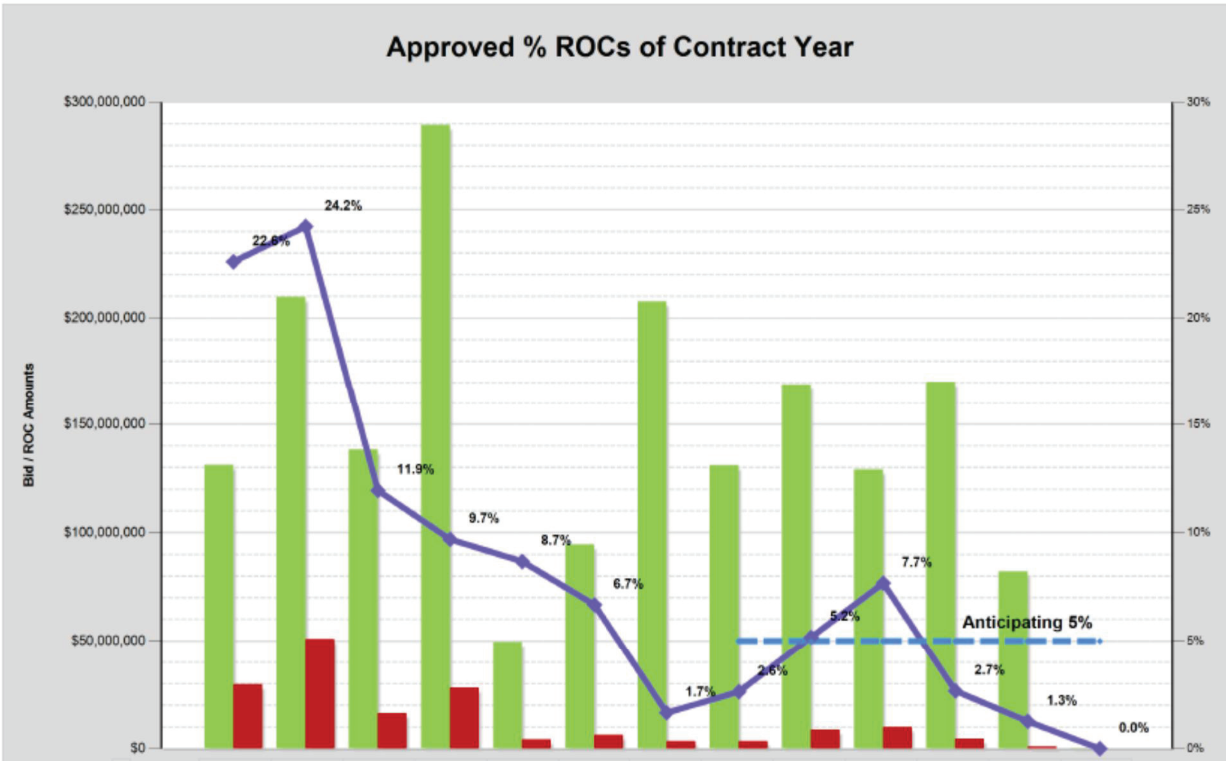
Innovation and Efficiency

RIDOT has made strides in innovation and efficiency over the past several years, saving money, materials, and time while improving relationships with a broad range of stakeholders. RIDOT has implemented rapid bridge replacement, developed incentive-based contracts, and improved coordination with communities to complete projects more efficiently and to minimize disruption to motorists and businesses.

Improved management and tracking has reduced our change order rate to a historic low, less than 2 percent overall. Examples of our success include greater use of Accelerated Bridge Construction techniques, allowing for the completion of the Frenchtown Brook Bridge in half of the time estimated and the replacement of the Ten Mile River Bridge ahead of schedule, in one season.

RIDOT Projects - Change Order % (2002 - 2014)

All Projects



(Thou)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Amount Bid	$131,288	$209,744	$138,270	$289,379	$49,537	$94,593	$207,522	$131,090	$169,194	$129,185	$170,418	$82,040	$192
ROCs	$29,669	$50,809	$16,519	$28,051	$4,296	$6,317	$3,441	$3,451	$8,755	$9,913	$4,544	$1,037	$0
% ROCS	22.6%	24.2%	11.9%	9.7%	8.7%	6.7%	1.7%	2.6%	5.2%	7.7%	2.7%	1.3%	0.0%

RIDOT continues to invest heavily in technology and its employees through professional development as critical means to increase our efficiency and effectiveness, as well as to better leverage our limited resources. More innovative approaches, such as closed-loop systems for spreading salt and sand, brine treatment, warm mix asphalt paving, and highway lighting curfews also serve to make our operations more sustainable.

RIDOT is committed to becoming a leader in performance management, meeting and exceeding the guidelines set forth in MAP-21 (Moving Ahead for Progress in the 21st Century). To that end, we are transforming the culture of our Department into a performance and outcome-based organization, establishing a dedicated Office of Performance Management to design comprehensive project management goals, ensure the adoption of measurable performance goals, and report progress periodically online. This will allow us to invest our resources more efficiently and increase the accountability and transparency of the highway program.

RIDOT is also moving toward implementation of a comprehensive asset management program to guide future decisions on the maintenance and preservation of the State's transportation infrastructure. This plan will help us better manage our inventory and prioritize our efforts going forward. The program will be data-driven and will give us the ability to inventory all of our transportation assets. Resources will be tied to results, and this effort will enable us to determine what we must accomplish to meet the federal requirements of MAP-21.

The East Bay Bridge System

RIDOT funds the repair, replacement, and maintenance of bridges in Rhode Island, except the Newport/Pell Bridge and the Mount Hope Bridge. These two bridges have been maintained to a high standard by the Rhode Island Turnpike and Bridge Authority (RITBA, or the Authority). RITBA was originally created by law in 1954 for the construction of the Newport/Pell Bridge, which was opened for traffic in 1969. A trust agreement between the RITBA and its bondholders requires the Authority to maintain the bridges in good repair and sound operational condition, and to make all necessary repairs, renewals, and replacements. The bridges are subject to annual inspection, and a comprehensive inspection is performed on each structure every two years.

The Authority does not receive federal, state, or local tax dollars for debt service or expenses incurred in the operation and maintenance of the bridges and associated buildings and grounds. Rather, all obligations are satisfied with funds received from toll revenue and investment income. The tolls on the Mt. Hope Bridge were discontinued in 1998; legislation had limited the toll to thirty cents, and the cost of collecting the toll ultimately exceeded the toll income. As a result, RITBA relies heavily on the toll assessed for passage over the Newport/Pell Bridge, the sole source of revenue to maintain both the Newport/Pell Bridge and the Mount Hope Bridge and related appurtenances.

There is limited access to and from Rhode Island's East Bay (Bristol and Newport Counties), and this access is restricted both by geography and infrastructure. The most critical infrastructure includes the four bridges that comprise the access to Aquidneck Island and Conanicut Island. These four bridges make up less than half a percent of the total bridges in the state, but comprise approximately 20 percent of the deck area of all Rhode Island bridges.

Based on the long-term needs for both the Newport/Pell and Mount Hope bridges, RITBA determined that there was insufficient revenue to support capital needs and sought to adopt a toll increase for the Newport/Pell Bridge. However, the Rhode Island General Assembly passed the East Bay Bridge System Act of 2012. This legislation authorized the transfer of the Sakonnet River Bridge and Jamestown Verrazzano bridges from RIDOT to RITBA and allowed for the placement of a toll on the Sakonnet River Bridge, under the direction of RITBA.

This solution did not provide any additional funding to RIDOT for bridge maintenance and repair, but shifted responsibility for two bridge structures from RIDOT, potentially enabling additional bridges to be maintained and repaired from the limited pool of transportation capital and maintenance funds and assuring that these vital transportation links would have adequate funding for future generations, independent of state budget pressures and economic cycles.

Other Tolling Options

Rhode Island has considered tolls in other locations, but the geography, structures, and traffic flows in many areas of the State make toll collection difficult or impossible. One location where tolling might be feasible is the Interstate 95 corridor in the southern area of the state, proximate to the border with Connecticut. However, federal law prohibits the tolling of the Interstate, with a few exceptions: 1) where federal funds were not used to construct the Interstate; 2) where specific exemption exists under

23 U.S.C. § 129; and 3) where allowed under Section 1216(b) of the Transportation Equity Act for the 21st Century (TEA-21), the federal transportation authorization passed in 1998.

Section 1216(b) of TEA-21 established the Interstate System Reconstruction and Rehabilitation Pilot Program, which allowed up to three existing Interstate facilities (highway, bridge, or tunnel) to be tolled to fund needed reconstruction or rehabilitation on Interstate highway corridors that could not otherwise be adequately maintained or functionally improved without the collection of tolls.

Rhode Island submitted an Expression of Interest, which details the reasons why the State is seeking tolling authority, along with information about the intended project, in late June 2011. At that time, Rhode Island sought the single remaining slot available for the program, but other states, including North Carolina and Arizona, were also under consideration. Initially, three slots were made available, but two slots were awarded to Virginia (2003) and Missouri (2005). The final slot in the tolling pilot program was awarded to North Carolina in February 2012.

These states now must complete full, in-depth studies and detailed applications for their tolling projects. At this time, there are no other opportunities to submit tolling proposals. Although MAP-21 provides more flexibility for tolls in conjunction with congestion management or increased capacity on the Interstate system, it does not provide any mechanism or pilot program that would allow for tolls on I-95 in Rhode Island. MAP-21 was a two-year authorization, which will expire October 1, 2014. There is no indication, at this time, of what tolling provisions may be included in a new authorization.

Challenges and Risks

Rhode Island faces a daunting number of challenges in maintaining and improving our state's transportation infrastructure. There are many projects requiring attention statewide, and a large gap exists between what can be accomplished at current funding levels and what is needed in order to bring the system as a whole into a state of good repair. One of the most critical components of a healthy, vibrant economy is a well-maintained, efficient, and safe transportation system. Transportation infrastructure shapes opportunities for growth and affects the lives of all Rhode Islanders. Whether Rhode Island residents, visitors, and members of the business community drive private vehicles, take public transportation, walk, bike, or jog, the State's roads and bridges are critical links.

Among the challenges we face are the conditions of the State's bridges and pavements:

- There are 1,154 bridges in Rhode Island. More than 200 of these bridges are in poor condition, 94 are weight restricted, and 9 remain closed due to advanced deterioration.
- Approximately 15 bridges become deficient per year. At current funding levels, we can only rehabilitate or repair about 10 every year. If the State does not make an additional investment, the percentage of bridges in poor condition will go from 20 to 40 percent in less than 10 years.
- More than 63 percent of the State's roadways are rated fair or worse. To bring all of our roads and bridges into a state of good repair, we need to invest an additional $80 million each year. [*The Better Bridge Program summary has been provided to the Commission for inclusion in the appendices.*] **Editor's note: A link to this document will be made available on the Commission's website**

The State also needs to consider the Route 6/10 Interchange Reconstruction project, estimated to cost between $400 and $500 million over a period of five years. Currently, eight of the eleven bridges are more than 50 years old and in deteriorated condition, nearing the end of their useful lives. They are also seismically obsolete. FHWA will no longer allow RIDOT to use federal funds for short term repairs to bridges in the Route 6/10 Interchange area, as it believes that a long-term resolution should be a priority. This project would include full replacement of the Interchange bridges in such a way that the highway alignment and other deficiencies would be resolved. As a result, portions of the Interchange would be relocated. Other sections of the Interchange, such as the area between Broadway and Westminster Streets, would be replaced within the current right-of-way. Construction of a new northbound Route 10 to westbound Route 6 movement is also a project component.

While keeping these immediate and critical road and bridge needs in mind, there are many other projects required to maintain and improve Rhode Island's transportation infrastructure. The smaller the pool of capital resources, the greater the need for emergency repairs and changes to the planned program. RIDOT submits a five-year Capital Budget request on an annual basis; the single largest project in the Capital Budget is the Highway Improvement Program (HIP), which averages $300 million annually.

- The HIP includes hundreds of individual projects eligible for FHWA funding. The program of projects included in the HIP is established by the Transportation Improvement Program (TIP).
- The current TIP was adopted in July 2012 for FFY 2013-FFY 2016.
- Development of the TIP is a cooperative process with Statewide Planning Program, including a call for projects to all cities and towns and public hearings.
- The demand for projects, as evidenced by the submissions made by every municipality in Rhode Island, far exceeds the funding available. In addition to the projects programmed in the TIP, the four-year plan includes 33 projects in the Study and Development category and another 34 projects, totaling more than $164 million in estimated costs, in the Recommended Unprogrammed Projects category. Recommended Unprogrammed Projects are considered viable, necessary projects for which there simply is no funding source available at this time.

The National Picture

As evidenced through the actions of the Governor and General Assembly, along with improvements in technology, efficiency, and innovation, Rhode Island has improved transportation funding mechanisms and paved the way for additional investments in maintenance and capital projects. However, we still lack sufficient funds. Rhode Island is not alone; every state is facing an uncertain future for federal transportation funding and every state has unmet transportation needs. The American Association of State Highway and Transportation Officials (AASHTO) has estimated an annual national funding gap of $135 billion to meet transportation infrastructure needs.

The federal Highway Trust Fund, which disburses money to states for transportation projects on an annual basis, is being depleted, with funds being expended faster than they are being replenished from federal fuel taxes and other fees. The Highway Trust Fund receives taxes on highway fuel, including 18.4 cents per gallon for gasoline/gasohol, and 24.4 cents for special fuel (primarily diesel), along with other taxes on tires, heavy vehicle use, and truck/trailer sales taxes. Although the federal gas tax will continue to be collected and the revenue stream is expected to return in 2016, the Congressional Budget Office predicts that there will be no new federal funding obligations after September 30, 2014.

While many states face a lack of funding for infrastructure, what makes matters worse in Rhode Island is that we do not have a state-funded capital program. We are solely reliant on the federal program, so any reduction will significantly impact the RIDOT capital program. This issue, in particular, places emphasis on the need for diversification of revenue sources over time.

Reform Options for Rhode Island: Borrowing Ideas from Beyond the Border

According to AASHTO, lawmakers in 12 states and the District of Columbia acted within the last year to increase state funding for transportation.* Successful funding reform efforts enacted in 2013 legislative sessions include the following measures:

- General sales tax increases (Arkansas)
- Various motor fuel tax increases (California, District of Columbia, Maryland, Massachusetts, Vermont, Wyoming)
- Property tax increases (North Carolina)
- Bonding for specific improvements (Maryland, North Carolina)
- Cigarette tax increases (Massachusetts)
- Imposition of taxes on computer software and services related to computer system design (Massachusetts)
- Transfer of funds from state general funds (Massachusetts, South Carolina)
- Amending constitution to allow diversion of revenues from Rainy Day Funds (Texas)
- Imposition of annual fees on electric cars (Washington)

Additionally, Virginia and Pennsylvania enacted ground-breaking reforms in 2013 by repealing the cents-per-gallon gas tax outright while providing a net increase in transportation revenue. As discussed below, both states will replace the revenues lost by phasing in various additional revenue enhancements, including alternate motor fuels taxes, over the next three- to- five-years.

Transportation Funding Reform in Two Mid-Atlantic States

Prior to the 2013 legislative reforms in Virginia and Pennsylvania, both states funded improvements and operations on non-tolled facilities through a combination of the flat tax on gasoline and other taxes, fees and fines. Virginia had collected a 17.5 cents-per-gallon gas tax since 1986, as well as a 3 percent vehicle sales tax ("titling tax"). Moreover, Virginia dedicated to transportation a one-half percent share of the state's 4 percent general sales tax and collected a $50 fee for electric vehicles.

Pennsylvania, on the other hand, derived funds for transportation through two fuel taxes: a 30-year-old gas tax of 12 cents-per-gallon and an Oil Company Franchise Tax (OCFT). To collect OCFT taxes, Pennsylvania applied a rate to the average wholesale price of gasoline and diesel fuels; however, it capped the wholesale price at $1.25. In addition to the fuel taxes, Pennsylvania dedicated to transportation some vehicle registration and licensing fees, as well as fines collected for moving violations.

The 2013 reforms in Virginia and Pennsylvania not only repealed the traditional flat gas tax, but also (1) increased the diversity of revenues dedicated to funding improvements and operations on non-tolled facilities, and (2) phased in additional revenues over the next three-to-five years.

* Legislators in additional jurisdictions considered various transportation funding proposals, including plans to tax or increase taxes on rental cars; to dedicate a portion of lottery proceeds to transportation; to continue and increase tolls; to allow private sponsorship of state-owed transportation assets (such as ferries and rest stops); to explore mileage-based user fees; and to sell power plants and other state-owned assets.

The table below outlines Virginia's legislative reforms

New Revenue Sources	**Virginia**
Statewide taxes	3.5 percent wholesale tax on gasoline
	6 percent wholesale tax on diesel
	4.15 percent "titling tax" phased in over four years
	.675 percent share of the Commonwealth's new 4.3 percent sales tax; dedicated share to be phase in over four years
Statewide fees	$64 annual registration fee on hybrid electric vehicles, alternative fuel vehicles, and electric motor vehicles
Regional taxes	Additional retail sales tax of .7 percent
	Additional 2.1 percent tax on wholesale distributors of motor fuels
	2 percent transient occupancy tax
Regional fees	Fee on grantors of real property equal to $0.15 per $100 of the value of real property sold

The 3.5 percent wholesale tax on gasoline is contingent upon passage of the Marketplace Fairness Act on the federal level. If Congress fails to act prior to January 1, 2015, the wholesale tax rate applied to gasoline will rise to 5.1 percent. The rate will remain at the higher rate until the Marketplace Fairness Act becomes law, at which time it will revert to 3.5 percent.

The following table summarizes reforms enacted by the Pennsylvania General Assembly.

New Revenue Sources	Pennsylvania
Taxes	Increase millage rate (217.5 mills for regular, 272.5 mills for diesel) applied to average wholesale price of gas for OCFT
	Increase cap on the average wholesale price of gasoline and diesel applied to OCFT to $1.87 on Jan. 1, 2014; incremental increases over next three years
	Establish a price floor of $2.99 beginning Jan. 1, 2017
Fees	Various vehicle registration and driver's license fees increased to the rate of inflation over next five years
	Redirect certain fees from the Motor License Fund to the Public Transportation Trust Fund and Multimodal Transportation Fund
Fines	Increase various moving violation fines and increase surcharges on traffic tickets by 50 percent.

Transportation Funding Reform in Three New England States

Last year brought transportation funding changes to Connecticut, Massachusetts and Vermont. Changes in Connecticut and Vermont relate to increases in fuel taxes only.

- Connecticut—A gas tax increase enacted in 2005 became effective on July 1, 2013. While the flat tax on gasoline remains at 25 cents-per-gallon, the wholesale tax rate increased to 8.1 percent. According to the American Petroleum Institute, Connecticut's gasoline taxes are effectively 49.3 cents-per-gallon, and diesel taxes are 54.9 cents-per-gallon.

- Vermont—Lawmakers reduced the flat tax to 18.2 cents-per-gallon, raised the diesel tax by 3 cents-per-gallon (to be phased in over two years), and introduced a new motor fuel tax assessment. The new motor fuel tax assessment, paid by distributors, is 2 percent of the tax-adjusted retail price per gallon of gasoline. Vermont also continues to collect a 1-cent petroleum clean up fee, as well as a motor fuel transportation infrastructure assessment equal to 2 percent of the average retail quarterly price of gasoline. The American Petroleum Institute reports that Vermont's gasoline taxes are currently equivalent to 31.97 cents-per-gallon, diesel taxes equate to 31 cents-per-gallon.

Massachusetts also temporarily raised its fuel taxes in 2013: the flat tax on gasoline will be 24 cents-per-gallon until January 1, 2015, at which time it will revert to 21 cents-per-gallon, indexed to inflation. Much like Virginia and Pennsylvania, however, Massachusetts also increased the diversity of revenues dedicated to funding improvements and operations on non-tolled facilities. In addition to fuel taxes, Massachusetts will fund transportation with (1) taxes on vehicle sales, tobacco products, computer software and certain services related to computer system design, (2) tolls collected on I-90 between exits 1 and 6 and at I-291; (3) fees including motor vehicle and aircraft registration fees; and (4) transfers from the general fund.

Conclusion

Given the uncertainty at the federal level regarding transportation funding it has become increasingly important that the State identify and secure stable and predictable funding for our roads and bridges. It is abundantly clear that Rhode Island is not the only state in search of answers to the question of funding for transportation infrastructure. It is also clear that there is no perfect solution or one-size-fits-all equation that can be applied across all states and jurisdictions.

Within the last three years, Governor Chafee and leaders in the General Assembly have enacted invaluable reforms to address Rhode Island s transportation infrastructure funding needs. The shift that freed the State from using General Obligation bonds as match to federal program funds was a tremendous step forward, and the transfer of existing debt service costs from gas tax to General Revenue will enable RIDOT to improve maintenance and operations and extend the lifespan of existing roads and bridges. However, these critical reforms are simply not enough to preserve and improve Rhode Island s infrastructure; the State must do more.

As staff presented to the Commission, and as recent funding initiatives in other jurisdictions demonstrate, there is a menu of additional reform options that could work in Rhode Island.

In many ways, the choices exist on a spectrum. At one end of the spectrum are groundbreaking transformative strategies, such as mileage-based user fees and reforms that completely alter the motor fuel tax collection structure. At the opposite end are tried-and-true traditional approaches such as gas tax increases, various forms of bonding the dedication of transportation user fees to transportation purposes, and increased user fees such as license, registration, title, and inspection. One example is borrowing for a specific, large-scale project (as opposed to borrowing for the match to the regular federal program): this approach can be an extremely valuable funding tool. In 2008, Massachusetts passed a $3.0 billion bond bill; MassDOT is using the funds over eight years to repair or replace 250-300 bridges under an accelerated bridge repair program.

As the General Assembly weighs these options to decide what more the State must do to preserve and improve its infrastructure, lawmakers should consider that there are opportunities to minimize the impacts of the funding solution by (1) diversifying the revenues dedicated to transportation, and (2) phasing implementation of the enhancements selected.