SENATE FISCAL OFFICE
ISSUE BRIEF

2016-S-2246 - RhodeWorks

FEBRUARY 2, 2016

SUMMARY

2016-S-2246 - "The Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund Act of 2016," also known as "RhodeWorks," does the following:

- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on large commercial trucks traveling on Rhode Island bridges
- Allows for the refinancing and restructuring of existing GARVEE bonds
- Allows for the issuance of new GARVEE bonds, not to exceed $300.0 million

Revenue collected under the tolling provision will be deposited into a newly established Rhode Island Bridge Replacement, Reconstruction, and Maintenance Fund, to be used for the replacement, reconstruction, maintenance, and operations of bridges, and for costs associated with operation and maintenance of toll facilities.

RhodeWorks allows RIDOT to assess tolls on commercial trucks Class 8 or larger.

The collection of tolls on other vehicles, including passenger cars, motorcycles, and all other vehicle classes one (1) through seven (7) pursuant to the Federal Highway Administration vehicle classification schedule, is expressly prohibited. The legislation states that no act authorizing tolls on passenger vehicles can take effect until it has been approved by the majority of voters in a statewide referendum.

The Department estimates that toll gantry construction will begin early next year and the first location could start tolling at the end of 2017 (FY2018), depending on the construction schedule.

RhodeWorks Proposal - 5 years

Maximum Toll Through State	$20 one way
Number of Tolling Locations	14 locations
Projected Annual Toll Revenue	$45.0 million
Projected Annual Operating Cost	$4.4 million
Toll Revenue (FY2016-FY2020)*	$135.0 million
Operating Cost (FY2016-FY2020)*	$13.2 million
Toll Gantry Pay-go Construction	$38.0 million
Pay-Go (FY2016-FY2020)	$83.8 million
Anticipated Federal Increase	$102.7 million
Anticipated GARVEE Debt Service	$64.0 million
Anticipated Unallocated Federal Funds	$38.7 million
Federal GARVEE Bond - New Money	$300.0 million
Federal GARVEE Bond - Refinance	$120.0 million
Benefits - First 5 years	$542.5 million

*Tolling begins in FY2018

The legislation includes two joint resolutions:

- To authorize the issuance of not more than $300.0 million in grant anticipation revenue vehicle (GARVEE) bonds. These bonds would have an expected term of fifteen years, the repayment of which will be derived from Federal Highway Administration (FHWA) funds due the State of Rhode Island. The total debt service on the GARVEE bonds shall not exceed $490.0 million.

  The FAST Act, signed into law on December 4, 2015, increases federal funding for states for surface transportation infrastructure improvements for five years. RIDOT estimates future federal funding increases based on these increased FAST Act amounts. The enhanced federal funding allows for the issuance of GARVEE bonds: a federally-approved financing mechanism that uses future federal grants to borrow in order to hasten project completion.

- To permit refinancing and restructuring of existing GARVEE bond debt, originally authorized by the General Assembly in 2003. The refinancing and restructuring would result in the availability of approximately $120.0 million additional federal funds for immediate transportation infrastructure needs.

GARVEE refinancing and the new GARVEE issuances are independent processes, as they are not dependent on toll revenue. The Departments expects to move forward with GARVEE financing in FY2016.

This legislation authorizes the Rhode Island Turnpike and Bridge Authority (RITBA) to enter into contracts with the state to operate or manage toll facilities on state roads or bridges that are not owned, leased or under the control of the Authority. However, the legislation provides clarity that any revenue generated by facilities under the control of RITBA shall only be used for the purposes of RITBA, effectively restating that tolls collected on the Newport/Pell Bridge may only be used for project costs associated with maintaining bridges under RITBA control: Newport/Pell; Mt. Hope; Jamestown/Verrazano; and Sakonnet River.

FISCAL IMPACT

The legislation allows the Rhode Island Commerce Corporation to issue not more than $300.0 million in GARVEE bonds for bridge replacement, reconstruction, maintenance, and operations. Additional funding of approximately $120.0 million would be made available through the refinancing and restructuring of the current GARVEE bond issuance (during the first 3 years, post-refinancing).

The Department expects toll revenue to generate a minimum of $45.0 million annually, assuming a 25.0 percent diversion rate as a result of the implementation of tolls.

RIDOT estimates a net benefit of $542.5 million over the first five years of the plan and a net benefit of $788.5 million over the first ten years of the plan.

GARVEE FUNDING

The enhanced federal funding authorized by the FAST Act allows for the issuance of a GARVEE (Grant Anticipation Revenue Vehicles): a federally-approved financing mechanism that uses future federal grants to borrow in order to hasten project completion.

- The legislation refinances previously issued GARVEEs to leverage $120.0 million for the RhodeWorks program
- Enhanced federal funding allows for a new, second GARVEE that would leverage $300.0 million of the increased funding for a large, upfront payment, secured by future federal funding
- New GARVEE interest payments range from $109.8 million to $189.4 million (RIDOT). The state's financial advisor, Public Resources Advisory Group, notes that borrowing could be significantly cheaper than the 5.0 percent interest assumed by RIDOT, based on current rates ($109.8 million on $300.0 million issuance)
- GARVEE's are seen as more secure than revenue bonds, and thus have more favorable interest rates than borrowing against future toll revenues (according to Treasurer's Office)

ANALYSIS AND BACKGROUND

According to the Federal Highway Administration (FHWA) 2015 National Bridge Inventory data, there are 764 bridges in Rhode Island longer than 20 feet. Of these bridges, 177 (23.0 percent) are classified as structurally deficient. Although the General Assembly adopted changes to the Rhode Island Highway Maintenance Account to provide additional state revenue for transportation infrastructure, there is still a funding gap between the revenue needed to maintain all bridges in structurally sound and good condition and the annual amounts generated by the current dedicated revenue sources.

According to the United States General Accounting Office, one fully-loaded five-axle tractor trailer has the same impact on an interstate highway as 9,600 automobiles. RIDOT estimates that tractor trailers cause in excess of 70.0 percent of damage to the State's transportation infrastructure; however, revenue contributions attributable to tractor trailers account for less than 20.0 percent of the State's total annual revenues to fund transportation infrastructure. The Division of Motor Vehicles estimates that there are approximately 123 trucks registered with commercial plates that are used primarily in Rhode Island, and approximately 3,111 trucks registered with apportioned plates that are used primarily for interstate commerce.

The Department seeks to accelerate the reconstruction of bridges and prevent additional bridges from falling into disrepair, bringing 90.0 percent of Rhode Island bridges to structural sufficiency by 2025.

This legislation also does the following:

- Authorizes RIDOT to collect tolls on large commercial trucks only, defined as Class 8 to Class 13 vehicles by the Federal Highway Administration.
- Expressly prohibits collection of tolls on passenger cars and light trucks, absent public referenda explicitly authorizing such tolls.
- Tolls may be implemented utilizing all-electric toll collection methodologies on a cashless basis or utilizing any other methodologies determined by RIDOT.
- Establishes the Rhode Island Bridge Replacement, Construction and Maintenance Fund, which shall consist of monies received through the collection of tolls; fees, fines or penalties collected pursuant to this chapter; and investment earnings on amounts credited to the fund.
- Permits the Director of RIDOT to designate any RI Bridge on the National Highway System as a toll bridge.
- Authorizes RIDOT to fix and adjust tolls as determined by the costs of replacement, construction, maintenance, and operation of Rhode Island Bridges after conducting a cost/benefit analysis and providing an opportunity for public comment.
- Limits the use of revenue to pay the costs associated with the operation and maintenance of the toll facility and the replacement, reconstruction, maintenance and operation of Rhode Island bridges on the National Highway System. It also provides that under 23 U.S. Code, Section 29, that funds may be used for other purposes for which federal funds may be obligated by a State if the public authority certifies annually that the tolled facility is being adequately maintained.
- Provides RIDOT with the right to procure toll facilities.
- Establishes the authority of RIDOT to establish and collect fees, fines, or penalties from toll evaders.
- Establishes a fine, not to exceed $3,000, for toll evasion. Non-payment of the toll and penalty will result in suspension of registration. A toll evader will receive a traffic violation summons which shall be subject to the jurisdiction of the Traffic Tribunal.
- All funding and program proposals shall conform to applicable federal laws, rules and regulations.
- Requires that all programs and funding proposals conform to applicable federal law, rules and regulations. Rules and regulations promulgated by the Department must include a provision requiring any public comment period must continue for at least 30 days, and include a provision requiring

advance notification be provided to the Governor, Speaker of the House, and President of the Senate prior to any announcement of public hearing or public comment period establishing or modifying the amount of tolls to be collected.

BRIDGES

Preliminary projections provided by the Department, but not included in the legislation, indicate that tolls will be levied on 14 bridges, strategically placed to create a network to discourage diversion. Gantries would be placed on bridges on Interstate 95, Interstate 195, Interstate 295, Route 146, the Route 6/10 Corridor, and the 6/10 Interchange.

	Toll Location	City/Town
1	Interstate 95 over Mechanic Street	Hopkinton and Richmond line
2	Interstate 95 over Teft Hill Trail and Route 3	Exeter
3	Interstate 95 over Tollgate Road (Route 115) and Centerville Road (Route 117)	Warwick
4	Interstate 95 over Oxford Street	Providence
5	Interstate 95 over US Route 6, Providence River and Amtrak	Providence
6	Interstate 95 over East Street and Roosevelt Avenue	Pawtucket
7	Interstate 295 over Water Supply Viaduct (1/2 mile north of Route 51) and Plainfield Pike (Route 14)	Cranston
8	Interstate 295 over Hartford Pike (US Route 6A), Abandoned Ramp Bridge, US Route 6 North, and Greenville Avenue	Johnston
9	Interstate 295 over Scott Road and Leigh Road	Cumberland
10	Interstate 195 over Seekonk River (NB and SB)	Providence and East Providence line
11	Route 146 over George Washington Highway (Route 116)	Lincoln
12	Route 146 over Farnum Pike (Route 104)	North Smithfield
13	US Route 6 over Woonasquatucket River	Providence
14	US Route 6 and Route 10 Interchange	Providence

VEHICLES SUBJECT TO TOLLS

The legislation would limit tolling to large commercial vehicles, or those with a FHWA Classification of 8 to 13. The Department reports that the bulk of truck traffic on Rhode Island's major highways falls into the 8 and 9 vehicle classification.

Class	Description
1-2	Motorcycles (1); Passenger Cars (2)
3-4	Pickups, Panels, Vans (3); Buses (4)
5-6	Single Unit Trucks - two axles (5); three axles (6)
7	Single Unit Trucks - four or more axles
8	Single Trailer - three or four axles
9-10	Single Trailer - five axles (9); six or more axles (10)
11	Multi Trailer - five or fewer axles
12-13	Multi-Trailer - six axles (12); seven more more axles (13)

The collection of tolls on other vehicles, including passenger cars, motorcycles, and all other vehicle classes one (1) through seven (7) pursuant to the Federal Highway Administration vehicle classification schedule, is expressly prohibited. The legislation states that no act authorizing tolls on "passenger vehicles" can take effect until it has been approved by the majority of voters in a statewide referendum. The Federal Highway Administration defines "passenger vehicles" as Class 1-3.

TOLL STRUCTURE/LIMITATIONS

The legislation does not provide a toll structure; however, the typical toll is estimated to be $3.00. The legislation does, however, limit the assessment of tolls upon the same individual large commercial vehicle to once per toll facility, per day in each direction or an equivalent frequency use program based upon individual large commercial truck use.

The legislation restricts the amount of tolls imposed upon the same individual, large commercial truck, using RFID (Radio Frequency Identification Transponder) for making a border to border through trip on Route 95 Connecticut to Route 95 Massachusetts, or the reverse, to an amount not to exceed $20, and limits the daily maximum amount of tolls collected upon the same individual large commercial truck using a RFID to an amount not to exceed $40.

The Department expects toll revenue to generate a minimum of $45.0 million annually, after assuming a 25.0 percent diversion as a result of the implementation of tolls.

Federal regulations require that the toll be restricted to the bridge being reconstructed. However, once reconstruction has been completed, 23 U.S. Code, Section 29 provides that funds may be used for other purposes for which Federal funds may be obligated by a State if the public authority certifies annually that the tolled facility is being adequately maintained.

FEDERAL TRANSIT FUNDS

The Department intends to apply for $400.0 million in federal discretionary grant funding for the proposed Route 6/10 connector project, both through the New Starts program of the Federal Transit Administration, which provides federal funds for commuter rail and bus rapid transit systems, and also through the Nationally Significant Freight and Highway Projects Program, a program funded at $4.5 billion over 5 years through FHWA.. The Department does not anticipate receiving additional formula federal funds from the FHWA above what is already programmed in the new proposal.

FAST ACT

The FAST Act, signed into law on December 4, 2015, increases federal funding for states for surface transportation infrastructure improvements for five years. RIDOT estimates future federal funding increases based on these increased FAST Act amounts.

- The FAST Act contains $102.7 million in additional federal funds over the first five years (FY2016-FY2020)
- RIDOT assumes level federal funding from the enhanced FY2020 base for FY2021 through FY2030
- RIDOT indicates that the assumption of increased federal funds is consistent with previous GARVEE borrowing and is consistent with past projection methodologies of future federal funding levels
- The additional federal funds allow for a RhodeWorks funding scenario that eliminates a toll bond issuance

Rhode Island Federal Funds
Change Under FAST Act

Year	Amount	Increase Over FY2015
FY2015	$ 209.3	$ -
FY2016	$ 220.0	$ 10.7
FY2017	$ 224.6	$ 15.3
FY2018	$ 229.5	$ 20.2
FY2019	$ 234.7	$ 25.4
FY2020	$ 240.4	$ 31.1
5-Year Change		**$ 102.7**
FY2021	$ 240.4	$ 31.1
FY2022	$ 240.4	$ 31.1
FY2023	$ 240.4	$ 31.1
FY2024	$ 240.4	$ 31.1
FY2025	$ 240.4	$ 31.1
FY2026	$ 240.4	$ 31.1
FY2027	$ 240.4	$ 31.1
FY2028	$ 240.4	$ 31.1
FY2029	$ 240.4	$ 31.1
FY2030	$ 240.4	$ 31.1
Total	**$ 3,553.2**	**$ 413.7**

in millions

JOINT RESOLUTIONS

This bill contains two Joint Resolutions, which shall take effect immediately upon passage, as follows:

GARVEE Refinance: The first Joint Resolution would authorize the Governor, the Director of the Department of Transportation, the Director of the Department of Administration, or the Chief Executive Officer or the Chief Operating Officer of the Commerce Corporation to refinance or restructure previously issued GARVEE bonds. RIDOT anticipates $120.0 million available from refinancing.

GARVEE Bonds: The second Joint Resolution will allow would authorize the Governor, the Director of the Department of Transportation, the Director of the Department of Administration, or the Chief Executive Officer or the Chief Operating Officer of the Commerce Corporation to issue not more than $300.0 million in GARVEE bonds to be paid from and supported by FHWA funds due the State of Rhode Island. The term of the GARVEE bonds shall not exceed fifteen years and the total debt service on the GARVEE bonds shall not exceed $490.0 million.