



**State Fiscal Note for Bill
Number: 2023-H-5622**

Date of State Budget Office Approval: Thursday, April 13, 2023

Date Requested: Wednesday, March 29, 2023

Date Due: Saturday, April 8, 2023

| <i>Impact on Expenditures</i> | | <i>Impact on Revenues</i> | |
|-------------------------------|--------------|---------------------------|-----|
| FY 2023 | \$0 | FY 2023 | N/A |
| FY 2024 | \$18,294,985 | FY 2024 | N/A |
| FY 2025 | \$25,350,808 | FY 2025 | N/A |

Explanation by State Budget Office: This bill would amend Section 39-18-9 of the General Laws in Chapter 39-18 entitled "Rhode Island Public Transit Authority" by eliminating the Authority's ability to impose fares, fees, and/or charges for services to the general public, commencing on January 1, 2024.

Comments on Sources of Funds: RI Public Transit Authority (RIPTA) currently maintains three types of passenger revenue from the general public: farebox revenues, third-party revenues, and paratransit revenues.

This estimate assumes that revenues collected through fares, fees or charges will be replaced by general revenues as this bill takes effect. Current state funding for RIPTA operations is motor fuel tax receipts and Department of Motor Vehicles (DMV) fees through the Highway Maintenance Account (HMA). However, the distribution of those sources is defined in RI General Law and this bill does not revise any of those allocations. From the perspective of the RIPTA operating budget, a decrease in passenger revenues would be offset by a corresponding increase in state funding if this bill is enacted.

Summary of Facts and Assumptions: 1. This estimate assumes that RIPTA will maintain its current service levels and operations, except for paratransit services.

2. RIPTA anticipates that instituting a free fare program would result in higher levels of demand for its paratransit services. While difficult to project the level of increase, this estimate assumes a 5% increase in paratransit ridership and in the number of trips.

This estimate is based on pre-pandemic levels of trips in 2019 as current levels have not yet fully recovered to these levels. In 2019, total paratransit trips were 384,218 at a cost of \$46.75 per trip. Accordingly, an assumed 5% one-time increase in ridership would result in an additional 19,211 trips for a total projected 403,429 annual paratransit trips ($384,218 * 1.05 = 403,429$). Accordingly, this would result in a projected increase of expenditures of \$898,114 ($\$46.75 * 19,211 = \$898,114$).

3. This estimate is based on pre-pandemic levels of passenger, third-party fare, and paratransit revenues collected in 2019, totaling \$26,764,335 (farebox: \$11,863,493 + third-party fare: \$13,096,360 + paratransit: \$1,804,482 = \$26,764,335). Funding in the same amount will be sourced from general revenues. Included in third-party revenues are collections pursuant to the Elderly Transportation program, which is

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Thursday, April 13, 2023

Page 1 of 2

funded by 1.0 cent of the gas tax in the amount of \$3,030,109 and \$3,578,496 in HMA revenues for free fares. This estimate, therefore, excludes these amounts as there is no change to the current gas tax distribution and HMA expenditures and therefore, no replacement with general revenues is necessary for these amounts. Accordingly, the adjusted amount of 2019 revenue utilized for this estimate is \$20,155,730 ($\$26,764,335 - \$3,030,109 - \$3,578,496 = \$20,155,730$).

4. The annual estimated requirement for passenger revenue replacement for fixedroute and paratransit services would therefore be $\$21,053,844 (\$20,155,730 + \$898,114 = \$21,053,844)$ based on 2019 passenger revenue levels. After adjusting the 2019 passenger revenue figure for inflation by the U.S. Bureau of Labor Statistics All Urban Consumers (CPI-U) 2020 annual average rate of 1.2%, followed by adjusting by the 2021 annual average rate of 4.7%, followed by the 2022 annual average of 6.4%, and the 2023 calendar year projected rate of 4.2% adopted by the 2022 November Revenue Estimating Conference, the annual general revenue estimate is equal to $\$24,732,495$ in 2023 dollars ($\$21,053,844 * 1.012 = \$21,306,490 * 1.047 = \$22,307,895 * 1.064 = \$23,735,600 * 1.042 = \$24,732,495$).

5. For FY 2024, a half year estimate is assumed, as the bill provides for the elimination of fares, fees, and charges to commence on January 1, 2024. Accordingly, the general revenue estimate for FY 2025 included herein is $\$12,366,248 (\$24,732,495/2 = \$12,366,248)$.

6. For FY 2025, this estimate assumes the full year estimate of $\$24,732,495$, adjusted by the projected calendar year 2024 Consumer Price Index (CPI) inflation rate adopted by the 2022 November Revenue Estimating Conference of 2.5%. The estimate for FY 2025 is therefore, $\$25,350,808 (\$24,732,495 * 1.025 = \$25,350,808)$.

7. RIPTA has fully implemented a new fare collection technology system. Financing for the new system included $\$5,928,737$ from the Federal Transit Administration (FTA). Should a free fare program become enacted, RIPTA will be required reimburse these funds. Enactment of this bill would therefore lead to an additional expenditure of $\$5,928,737$ in FY 2024, as the fare collection technology system would no longer be in use. ($\$12,366,248 + \$5,928,737 = \$18,294,985$).

Summary of Fiscal Impact:

FY2023 Expenditures: No Impact, due to timing.
 FY2024 Expenditures: $\$18,294,985$ /General Revenue
 FY2025 Expenditures: $\$25,350,808$ /General Revenue

Budget Office Signature: _____



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Fiscal Advisor Signature: _____

