



TESTIMONY OF

The Honorable Michael P. Lewis

Director, Rhode Island Department of Transportation

REGARDING

MAP-21 Reauthorization:

State and Local Perspectives on Transportation Priorities and Funding

BEFORE THE

Committee on Environment and Public Works

of the United States Senate

ON

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Rhode Island Department of Transportation

Two Capitol Hill

Providence, RI 02903

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Introduction

Chairman Boxer, Ranking Member Vitter, and Members of the Committee, thank you for the opportunity to provide input on the economic importance of maintaining federal investments in transportation infrastructure and how the impending cash shortfall in the Highway Trust Fund (HTF) will affect the State of Rhode Island. My name is Michael P. Lewis, and I serve as the Director of the Rhode Island Department of Transportation. My testimony today addresses the implications of HTF insolvency and the lack of a fully funded, long-term transportation reauthorization bill on the State of Rhode Island.

So as not to be repeat testimony previously given, I would refer to the testimony provided on February 12, 2014 by The Honorable Michael W. Hancock – President, American Association of State Highway and Transportation Officials – regarding the status of the HTF, the dire national consequences of a shortfall, and the need for a continuing federal investment in state transportation systems. My testimony, instead, focuses on the devastating impact federal transportation funding uncertainty has on Rhode Island – a small, economically distressed state whose highway improvement program is completely dependent upon HTF support. There is no state-funded highway improvement program in Rhode Island.

Rhode Island has used leveraging techniques to maximize the use of federal funds each year. This leveraging magnifies the budgetary impact to the state of a shortfall in federal transportation funding at a time when Rhode Island faces severe economic challenges. The state has one of the highest unemployment rates in the nation. Due to the heavy dependence of federal funds, Rhode Island has stopped nearly all new highway construction projects until there is a continuation of the federal transportation authorization through 2015.

The state has developed plans to improve the condition of its roadways and bridges, using asset management techniques as a guide. To implement such plans, however, adequate funding is needed. Efforts are being made in the Rhode Island General Assembly to increase funding by building on the historic level of federal funding. Such efforts are being hampered by continued uncertainty in federal funding. Rhode Island needs a long term and fully funded federal transportation reauthorization bill to eliminate this current atmosphere of uncertainty and to allow the state to move forward with an annual construction program that puts citizens to work.

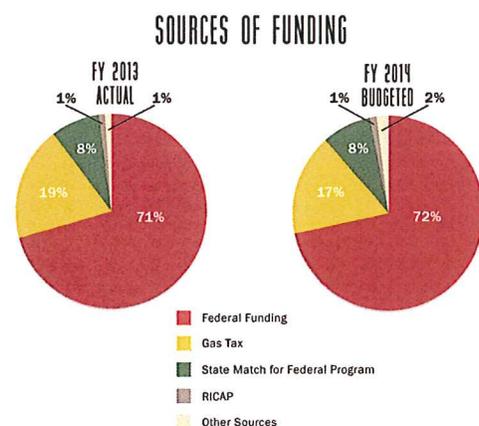
Building for Rhode Island's Future

One of the most crucial components of a healthy, vibrant Rhode Island economy is a well-maintained, efficient, and safe transportation system. Transportation infrastructure shapes opportunities for growth and affects the lives of all Rhode Islanders. Given the state's geographic location, the state is a critical link in the movement of people and goods throughout the Northeast corridor.

The Rhode Island Department of Transportation (RIDOT) receives approximately \$200 million annually from the federal government to support the state's capital program for transportation. This program encompasses the research, planning, design, and construction of infrastructure: not only federally-eligible roads and bridges (whether state or municipal), but also rail, bicycle and pedestrian facilities. The program also helps to support management functions, along with preventative maintenance activities that qualify for federal reimbursement.

The Federal Highway Administration and the Federal Transit Administration reimburse RIDOT for approximately 80 percent of the capital costs for highway and commuter rail system improvements. The state share (\$40 million annually) is derived through license and registration fees, Rhode Island Capital Plan (RICAP) funds, and previously-issued General Obligation (G.O.) bonds.¹

On average, RIDOT awards 40 construction projects each year (average total construction value of \$151 million). These projects, which range from minor roadway repairs to major bridge rehabilitations, take place throughout the state.



¹ Prior to FY2013, Rhode Island paid the match entirely through G.O. bonds. The state has been transitioning away from using debt to meet the match; by FY2016 the state will derive the match from license and registration fees and RICAP funds only.

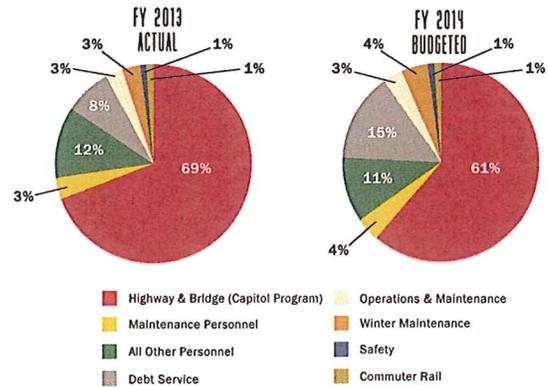
Last year, RIDOT completed 46 projects, including the replacement of a vital stretch of Interstate 95, the Pawtucket River Bridge. Currently, there are 50 active construction projects statewide, totaling \$400 million in construction value.

Managing Decline

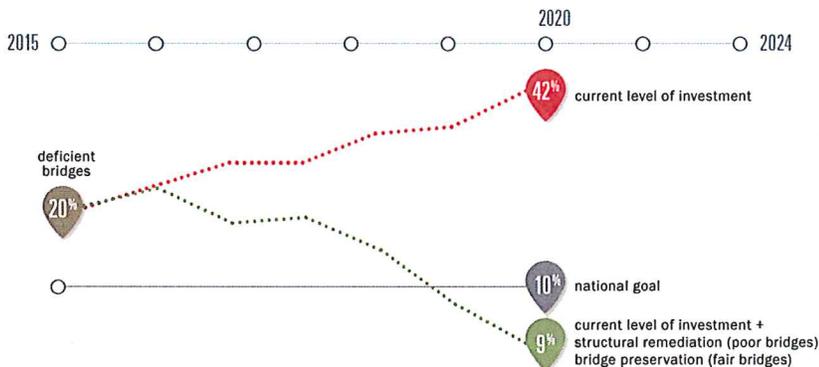
Rhode Island faces a daunting number of challenges in maintaining and improving the state's transportation infrastructure at current funding levels. While the number of projects requiring attention statewide continues to grow, a gap exists between what can be accomplished at current funding levels and what is needed in order to bring the system into a state of good repair. 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.

More than 63 percent of the state's roadways are rated fair or worse, and nearly 20 percent of the bridges are in poor condition. Approximately 15 bridges become deficient per year; yet at current funding levels, we can only rehabilitate or repair approximately 10 every year. Rhode Island's inventory of structurally deficient bridges is trending toward 40 percent by 2024.² To reverse this trend, the state would need to invest an additional \$80 million each year over the next 10 years.

EXPENDITURES



DECK AREAS OF STRUCTURALLY DEFICIENT BRIDGES



*RIDOT has developed plans to reverse bridge deterioration through strategic investment and continues to work to find sustainable funding solutions. For more information on RIDOT's **Better Bridge Program**, visit www.dot.ri.gov/bridges.*

In addition, several major highway projects remain unfunded; replacement of the northbound span of the Providence Viaduct being one of them. The Providence Viaduct, which carries I-95 through Rhode Island's capitol city, is one of the busiest stretches of interstate on the East Coast; yet it has not undergone any major system-wide upgrades since it was constructed 50 years ago. It is showing signs of aggressive deterioration and can no longer meet the traffic demands placed upon it.

In July 2013, work began on a \$66.8 million contract to replace the southbound span. The northbound span project, which includes replacement of the bridge as well as construction of a collector-distributor road, represents an additional investment of \$130 million. The latter will increase safety, reduce congestion and eliminate one of the state's top traffic bottlenecks.

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

² Not including an estimated \$400-500 million for the reconstruction of Route 6/10.

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 while other sections would be replaced within the current right-of-way.

In addition to these large-scale projects, there are many other smaller 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 TIP is developed in collaboration with Rhode Island Statewide Planning; the current program runs through FY 2016.

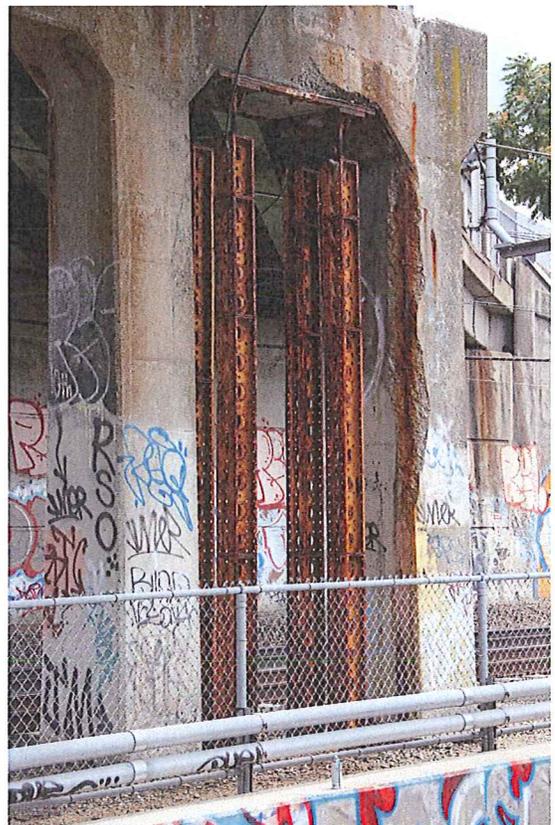
The demand for projects, as evidenced by the submissions made by every municipality in Rhode Island, far exceeds the funding available. In addition to the projects programmed in the TIP, the four-year plan includes 33 projects in the Study and Development category and another 34 projects, totaling more than \$164 million in estimated costs, in the Recommended Unprogrammed Projects category; these projects are considered viable, necessary projects for which there simply is no funding source available at this time.

Given this, the status of the HTF presents a significant challenge for Rhode Island. As noted above, Rhode Island is heavily dependent upon annual disbursements from the Highway and Mass Transit Accounts of the HTF to support capital improvements. Without a state-funded capital program, any reduction in federal funding will impact RIDOT's existing capital program, as well as many other projects listed in the TIP, and accelerate deterioration of the state's infrastructure.

Steps Taken to Reduce Future Debt

In light of the documented transportation infrastructure needs, Rhode Island has moved to implement funding strategies that leverage existing resources and pave the way for additional investments. In 2003, RIDOT received legislative approval to finance five major projects with Grant Anticipation Revenue Vehicle (GARVEE) bonds. This federal debt-financing tool allowed Rhode Island to borrow against future federal transportation funds to advance \$600 million in infrastructure improvements simultaneously; upgrades included the relocation of Interstate 195 (I-Way), the replacement of Sakonnet River and Washington Bridges, the development of the Route 403 Interchange, and improvements to the freight rail system.

ROUTE 6/10 INTERCHANGE



The result of applying this method is an immediate 25 percent reduction of the state's capital highway program. Through FY 2021, Rhode Island must repay an average of \$60 million annually, with \$50 million a year obligated from federal funds. The shortfall in the HTF in FY 2015 would mean the state would face a \$50 million GARVEE bond repayment.

In addition, the Governor and the General Assembly have acted to reduce the burden of debt that has accumulated in the form of 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; increases in registration and driver's license fees for all Rhode Island drivers has also been implemented. 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.

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, Rhode Island still must pay the debt it already owes. 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 period, 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.

Implications of HTF Deficit to Rhode Island

Rhode Island's highway improvement program is completely dependent upon federal highway funding. The total highway program for Rhode Island averages \$240 million annually, with \$200 million each year from HTF apportionments. There is no state-funded highway improvement program in Rhode Island.

Rhode Island has utilized leveraging techniques to maximize the use of federal funds. Leveraging these funds leaves the state vulnerable in the face of a HTF shortfall. One technique known as advanced construction has been used by the state for a number of expensive multi-year bridge projects, such the I-95 Providence Viaduct. With advanced construction, federal funds are allocated to projects only as funds are needed to pay contractors. However, as each year ends, Rhode Island is already committed to use about \$50 million of the coming year's federal funds for projects already underway.

GARVEE financing is another federal leveraging technique the state used 10 years ago to advance key large-scale projects. GARVEE financing gave the State access to over \$600 million in bond funds, borrowing against future federal funds. The result is an immediate 25 percent reduction of the state's highway improvement program as Rhode Island must commit \$50 million of federal funds each year for GARVEE debt service.

The uncertainty of whether federal funding will be provided in FY 2015 has forced Rhode Island to virtually halt the advertising of all new highway projects. Only emergency projects and projects with funding from prior years are being implemented until federal funding beyond 2014 is assured. This delay in new construction is being

done in order to insure the payment of GARVEE debt service and of ongoing construction work. If RIDOT were to implement a regular highway program for 2014, it would be in danger of overspending its budget by tens of millions of dollars.

During 2014, RIDOT will maintain design, planning, and administrative activities at a level necessary to fulfill the basic functions of a department of transportation as well as to be prepared for the resumption of federal highway funding.

The impact of the uncertainty of federal funding will have serious consequences on the condition of the state's transportation infrastructure and on the state's economy. The longstanding lack of funding for transportation has taken a toll on the condition of Rhode Island roads and bridges. Nearly 63 percent of the state's roadways are rated fair or worse; nearly 20 percent of the bridges are in poor condition. Without additional investment, that number will increase to 40 percent in less than 10 years. In short, without sufficient funding, the state will remain in a position of managing the decline of its infrastructure.

Within the last three years, the state has enacted invaluable reforms to address Rhode Island's transportation funding needs, such as eliminating bonding to provide for the state match to federal funds and using the General Fund to pay for debt service. Efforts are also underway to provide additional state funds to improve the condition of the state's transportation system. All such efforts, however, start with the assumption that federal funding will continue at its historic level.

It cannot be overstated that HTF insolvency would be crippling for Rhode Island. The state's unemployment rate remains near the highest in the nation, and one of the hardest-hit sectors is construction. Losing an entire construction season due to the uncertainty of federal funding has the potential to put smaller contractors who rely on steady highway construction work out of business. But the health of Rhode Island's transportation system is not just a local issue. The state is a key corridor between New York City and Boston – and part of a national network of roads vital to the movement of goods and people throughout the country. The deteriorated condition of Rhode Island roads and bridges, therefore, places stress on the network as a whole; a situation our nation can ill afford.