TESTIMONY PRESENTED TO THE TRANSPORTATION COMMITTEE
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Testimony Supporting

AN ACT CONCERNING THE SUSTAINABILITY OF CONNECTICUT'S TRANSPORTATION INFRASTRUCTURE

Senator Leone, Representative Lemar and distinguished members of the Transportation Committee, thank you for the opportunity to offer testimony on AN ACT CONCERNING THE SUSTAINABILITY OF CONNECTICUT'S TRANSPORTATION INFRASTRUCTURE.

Special Transportation Fund

The Special Transportation Fund supports the operation and infrastructure of the Departments of Transportation and Motor Vehicles. Most importantly, the Special Transportation Fund pays for the debt service requirements of the state's Special Tax Obligation bonds, the state's primary source for funding the transportation infrastructure program.

These expenses are covered by a series of transportation related revenue sources such as the Motor Fuels Tax, Oil Companies Tax, Sales and Use Tax, and transportation fees, licenses, and fines. Each of these revenue sources are growing at a slow rate, certainly as compared to the rate of expenditures from the fund. Motor Fuels tax, currently the largest revenue source in the Special Transportation Fund, has been nearly flat over the last 10 years.

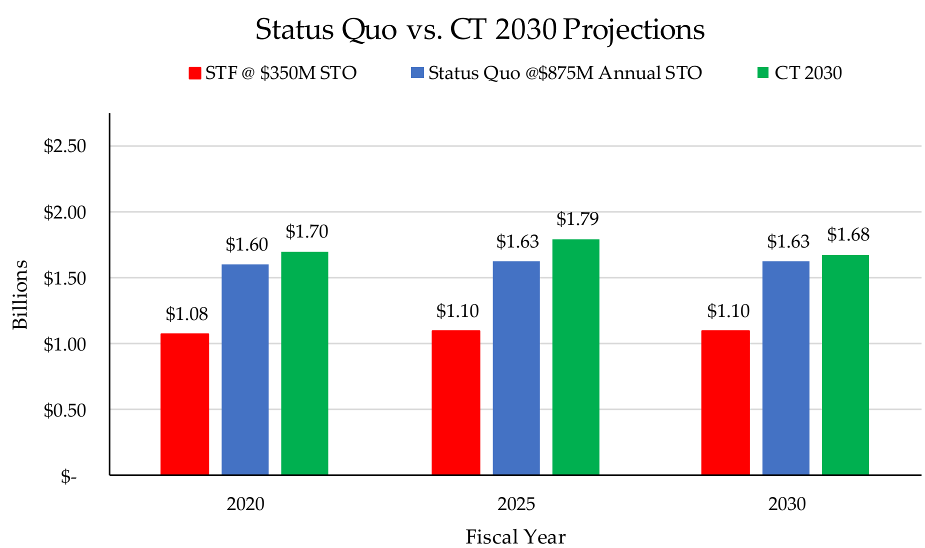
In FY 2010 Motor Fuels Tax ended the year at $503.6 million. By FY 2019 that number had grown to just $509.7 million, that's a growth rate of just 1.2% in 10 years. In comparison, debt service for the Special Tax Obligation bond has grown nearly 50% over the same period, from $428 million in FY 2010 to $642 million in FY 2019. Debt service now takes up approximately 40.0% of total expenditures as the cost of infrastructure projects continue to grow.

Over the short term the state has been able to cover the expenditure growth by consistently adding additional revenues to the Special Transportation Fund. The $300 million Oil Companies tax was fully transferred into the fund from the General Fund starting in FY 2016. In addition, the state has transferred significant amounts of sales tax which has reached over $400 million in FY 2020 and is expected to grow, as the Motor Vehicle Sales tax revenue is added, to over $750 million by FY 2023. This has come at a corresponding loss to our state's General Fund.

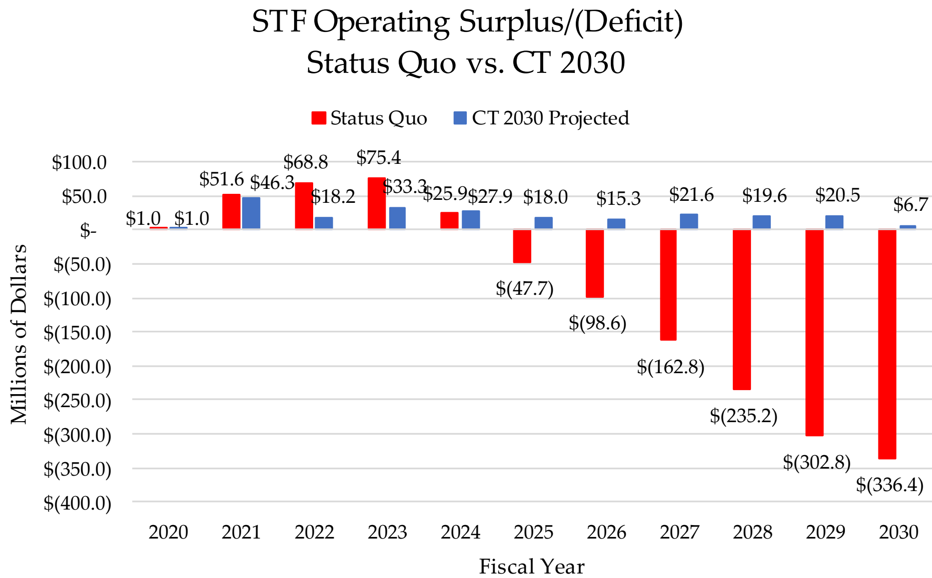
Motor Vehicles Sales Tax Transfer
(in millions)

	Current Schedule		
Fiscal Year	Transfer Level		Estimated Revenue
2020	17.0%	$	60.1
2021	25.0%	$	87.9
2022	75.0%	$	271.5
2023	100.0%	$	364.4

If one considers the next ten years, if the State is going to continue to have an annual infrastructure program that has $875 million in STO bond issuance, coupled with the available $750 million federal match, existing revenues are not sufficient. Let me be clear, with current trends, the STF will be in deficit starting FY 2025.



Over the next 10 years the expectation is that growth in expenditures will exceed the growth in revenues. Expenditures are estimated to be growing at a compound annual growth rate of over 4.0% compared to just 2.7% for revenues over the same period.



The proposed large commercial trucks bridge tolling program

As the Secretary of the Office of Policy and Management, I am hear today to testify to the financial of the proposed bill and transportation plan that is for your consideration today.

This proposal authorizes the Department of Transportation (DOT) to construct, maintain, and operate electronic tolls at 12 limited access highway bridges requiring construction, reconstruction or replacement. The tolls will only be imposed on large commercial trucks.

The bill authorizes DOT to set toll rates initially at between six and thirteen dollars. There will be no more than one toll per tolled bridge, per day in each direction.

Based on our projections, the toll revenue from this program will result in net annual revenue of $172 million commencing in FY ’23.

This program will also utilize the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation and Improvement Financing (RRIF) programs to stretch our transportation infrastructure dollars. The programs allow for lower interest rates and more flexible financing terms for certain projects. At a time of historic low interest rates, this allows for a more efficient use of taxpayer dollars.

CT2030 Capital Stack
(in millions)

CT2030 Infrastructure Investments	Totals
STO Debt Issuance	$ 3,475.0
TIFIA Issuance	$ 1,500.0
RRIF Issuance	$ 3,240.0
Transportation Cash Finance Total	$ 1,541.1
Federal Match	$ 8,250.0
GO Debt Issuance	$ 1,100.0
Total Infrastructure Program	$ 19,106.1

More on the bill's provisions
DOT may propose toll rate changes to the Transportation Policy Council for any tolled bridge by the rate of inflation or a rate based on the construction cost index, whichever is greater. No proposed toll rate change shall become effective unless approved by the Transportation Policy Council.

The bill provides that the State enter into bond covenants in which the State will pledge not to charge tolls for any class of vehicle other than large commercial trucks traveling over the named bridges for the life of the bonds that cover the projects under the program.

DOT will prioritize projects on and in the immediate vicinity of the tolled bridges as well as projects to mitigate traffic diversions, which are expected to be minimal. For long haul truckers, time is money and we expect them to stay on the road and not divert just to beat a toll.

There will be annual reporting on the tolling program to the transportation committee by DOT.

The bill moves the Transportation Policy Council to the Legislative branch and adds members, creating a legislative majority.

Conclusion
Let's make this abundantly clear, the Special Transportation Fund (STF) needs a significant, reliable revenue stream. The current situation is untenable. The gas tax is not only regressive, but it is volatile and quickly becoming outmoded as cars travel farther between filling up the gas tank, electronic vehicles are increasing their market share, gas prices fluctuate day to day, and a gas tax increase would hurt our lower and working class residents who tend to drive older and less fuel efficient vehicles.

This commercial truck-only tolling program will allow Connecticut to avoid raising the gas tax, increasing fares, or cutting bus and rail services. Revenues from tolls would also allow major capital infrastructure projects to begin construction in the near future. Without such revenues, Connecticut will be unable to adequately address its ailing infrastructure or increase the travel times that are having significant impacts on our economy and quality of life. Without such funds, we will have to drastically reduce our annual amount of Special Tax Obligation bonds that we can afford to issue for our annual program. Consequently, Connecticut will put at risk the federal funds that we current rely on to subsidize our transportation maintenance.

Our inactivity toward transportation investment is also harming our economy. The economic cost of traffic congestion in Connecticut is at least $4.2 billion annually, with some estimates putting it at more than $5 billion. Business leaders rank highway accessibility as their number one factor in deciding where to locate their businesses. We must take steps to support their growth. In working towards this larger goal, it is essential to fund not just the basic maintenance of our roads and rails but also the enhancement of our transportation network in order to drive economic growth and development. It is time to work towards strengthening the Special Transportation Fund and to ensure adequate investment in our infrastructure while achieving financial sustainability.

This bill will provide a significant targeted boost in transportation infrastructure improvements and new construction for all modes of transportation. The maintenance and enhancements will provide business with greater access to talent and CT residents with greater access to employers within and outside the state. It will allow us to put the financial crisis that is on the horizon behind us and provide stability for our Special Transportation Fund by reducing our out-year fixed costs while maintaining a robust transportation system that will keep our State moving forward toward growth.

Most other states on the eastern coast require out of state drivers to share in the costs. Out-of-state drivers, who currently pay little to nothing towards Connecticut's transportation system, will for the first time, pay a user fee for the damage and wear and tear they contribute on Connecticut's transportation system. It is not fair to ask Connecticut taxpayers to pick up the tab 100%.

Our transportation expenses are outpacing revenue by a ratio of about 2:1. Most of our infrastructure is near or past its expected life span. Past expenditures did not keep up with maintenance needs. Congestion now threatens the state's economic development. Every year we delay action puts us further behind other states, exacerbating the economic development challenges.

The current economic expansion will come to an end eventually, at which time asking for new revenue from the public will be even more difficult. In order to put Connecticut on a path to growth and maintain financial viability, our transportation infrastructure must be addressed. We have to get Connecticut moving again!

This is about growth, quality of life and fiscal responsibility. The financials demonstrate that the Special Transportation Fund is in crisis without any action.

I respect the difficult decision that you have before you on behalf of the constituents you represent. I would like to again thank the committee for the opportunity to present this testimony, and I am happy to answer any questions you may have.

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