



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the
TRANSPORTATION COMMITTEE

March 9, 2009

CCM is Connecticut's statewide association of towns and cities and the voice of local governments - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

CCM supports Committee House Bill 5037 "An Act Concerning Town Aid For Highways And Bridges." This bill would increase the minimum annual appropriation for TAR by \$10 million.

The Condition of Local Roads

While the State has made great strides in investing in the state-run portion of the transportation network, funding has been lagging for the local portion of the network. Municipalities own and maintain 17,115 road miles, more than four times more than the 4,079 road miles owned and maintained by the State (source: ConnDOT).

The condition of municipal roads and bridges has deteriorated over the last decade. Traffic congestion on state highways, and increased use of the local road and bridge network, has accelerated their decline. The local transportation network has had to bear an increasing traffic load, maintenance costs have mounted steadily, and municipalities have had to assume a larger share of repair costs.

Town Aid Roads -- Funding Increase Needed

The Town Aid Roads grant (TAR) helps fund the construction, improvement and maintenance of the local roads and bridges. This money may also be used for a variety of programs related to roads, traffic, and parking. Local governments depend on TAR, so when TAR is cut or funding is stagnant, local road projects do not go forward, meaning the cost of repair will be even higher when finally undertaken. Shortchanging TAR is pennywise, pound-foolish.

The present biennial budget provides \$30 million for TAR in each year. This amount, constant since 2006, is still less than the amount that was allocated in FY 01-02 (\$35 million). Moreover, in 2003 the mid-year budget cuts slashed **TAR funding to \$16 million for that year and just \$12 million for FY 2004. TAR funding has never recovered from the 2003 cuts.** In the meantime the cost of repair and maintenance has continued to rise. That has meant increased pressure on local budgets and deferred maintenance. Deferring work on roads only increases the eventual cost of repair. So, while TAR grants fell behind, local costs rose.

In each of the past two years \$8 million of the TAR allocation was paid using surplus funds from previous years. But now that the state budget is in deficit those funds are no longer available. That means that without further enactment of H.B 5037 the funds municipalities receive for TAR will automatically fall to \$22 million next year.

The Condition of Local Bridges

Beyond roads, it is clear that the condition of Connecticut's local bridges is poor. The Connecticut Local Bridge Program is underfunded - - it has not received any new state funding since 1989 (ConnDOT); and the recent "deficit mitigation package" passed by the General Assembly took away \$28 million committed to local bridge projects under that program. That was the wrong direction in an era when infrastructure investment is needed for public safety and economic stimulus.

An aggressive, state-funded program to assist municipalities in repairing local bridges is a necessary component of investing in a new and modern transportation system for Connecticut. Such a program would (a) help local governments and reduce the unfair burden on property taxpayers, and (b) protect the driving public.

A truly comprehensive plan to tackle transportation problems must have, as a major focus, the local bridge program. It will not be inexpensive, but the costs of inaction are potentially much higher, as last year's Minnesota bridge tragedy demonstrates.

Infrastructure Investments and Economic Growth

There is a strong correlation between investments in transportation infrastructure and economic growth. In 2007 the Federal Highway Administration (FHWA) estimated that a total of 34,779 jobs, equating to employment income of \$1.3 billion, would be supported by each \$1.25 billion in highway capital investment. According to the FHWA, the number is estimated to have dropped in the past two years because of price increases such as a 56 percent increase in asphalt and a 24 percent increase in the cost of diesel fuel.¹

Studies have been done in recent years by David Alan Aschauer, a senior economist at the Federal Reserve Bank in Chicago, and by Professor Ishaq Nadiri, of New York University, that demonstrate the strong positive relationship between investments in transportation infrastructure and economic development.

The General Assembly's Program Review and Investigations Committee conducted a study in 2000 on the ways in which transportation decisions effect economic development. The study found that transportation **"is a basic enabler of economic activity and ultimately helps to shape society's material success"**². The Committee cited a study by the Federal Highway Administration that estimates that a **"\$1.00 increase in the U.S. capital stock has historically generated about 30 cents of cost savings producer benefits each year over the lifetime of the underlying road improvements."** It points to a study by the Congressional Budget Office that states, "infrastructure investments should be targeted toward cost-beneficial projects to ensure the best return on investment."

¹ *Employment Impacts of Highway Infrastructure Investment*, Federal Highway Administration, <http://www.fhwa.dot.gov/policy/otps/pubs/impacts/index.htm>

² *Economic Considerations in Transportation Planning*, General Assembly Program Review and Investigations Committee, 2000. These numbers may be higher for 2008 due to the spike in gasoline prices.

Potential Funding Solutions

- **Identify a permanent funding source** to restore the Town Aid Road Grant to pre-2003 levels, plus inflation. For example, **allow municipalities to establish and collect a \$10 surcharge on registered motor vehicles.** This could raise as much as \$30 million if applied statewide;
- **Bond for local capital projects.** Although Connecticut's debt burden is often cited as being one of the highest in the country per capita, a better test of our state's ability to do more bonding is to examine debt according to what the public can afford – and the best measurement of that is to compare debt to income.

Many professionals, including David Osborne during his February 2, 2009 presentation at the Connecticut Legislative Office Building, suggest that Connecticut would appear to have a higher burden when the data is viewed per capita, but that tax as a percent of income is the fairest measure of tax burden. Using that measurement for bonding, the state is in the middle of the pack: **Connecticut (including state and local government) ranks 24th in the nation for Interest on General Debt per \$1,000 of income, and 28th in the nation for Total Outstanding Debt per \$1,000 of income.**

Either of these options is a better policy choice than cutting TAR.

SUMMARY

Municipalities depend on TAR. When TAR is cut the long-term costs of maintenance and repair increase. In difficult fiscal times infrastructure investment is even more important.

CCM urges the Committee to *favorable report* H.B 5037.

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