CONNECTICUT CONFERENCE OF MUNICIPALITIES

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THE VOICE OF LOCAL GOVERNMENT

TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

FINANCE, REVENUE AND BONDING COMMITTEE

March 2, 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 testify before you on issues of concern to towns and cities.

SB 996, "AAC The Connecticut Emergency Economic Investment Commission".

This bill would establish a Connecticut Emergency Economic Investment Commission to make $1 billion in investments for the next two fiscal years, including **up to $100 million each for housing, clean water and a new "municipal block grant"** of which up to $60 million would be for Urban Act projects, $30 million distributed according to unemployment rates and $10 million for regional or multi-municipal projects.
It would also provide up to $50 million for a new "regional block grant" to RPOs for projects that would be eligible for Urban Act grants.

Whether through this mechanism or a more traditional one it is clear that, at a time of economic hardship, these types of investments are needed more now than ever.

Connecticut's infrastructure has deteriorated over the last decade. While the State has made great strides in authorizing spending on the state-run portion of our infrastructure, funding has been lagging for the local portion of the network.

It's time to invest in the local portion of Connecticut's infrastructure network. There is no question that the State needs to move forward on important statewide infrastructure projects. But it would be self-defeating to continue to make investments in state infrastructure while local networks – which feed that of the State – deteriorate.

Local governments and regional groups of municipalities are the surest way to make sure infrastructure projects happen, and happen quickly.

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."

Local Infrastructure Needs

Local governments are responsible for maintaining the majority of Connecticut's roads and bridges. **Municipalities own and maintain 17,115 road miles, more than four times the 4,079 road miles owned and maintained by the State**[3]. Yet in recent years, state aid has lagged far behind the need.

The present biennial budget provides $30 million for **Town Aid Roads** (TAR) 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.

Alarmingly, in each of the past two years, $8 million of the TAR allocation was paid using surplus funds from previous years. So the Governor's budget proposes only continuing the "regular" appropriation for the TAR, meaning a reduction in funding to $22 million for the next two fiscal years.

The **Local Capital Improvement Program** (LoCIP) has been flat-funded at $30 million since its inception. Meanwhile, the buying power of the dollar has weakened. A dollar no longer goes as far as it used to. According to the Federal Reserve Bank of New York, **the value of the US dollar has declined 40% over the last 6 years.**[4]

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[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.

[3] ConnDOT

[4] About.com: U.S. Economy, *Value of U.S. Dollar Compared to Other Currencies*, 2008 http://useconomy.about.com/od/tradepolicy/p/Dollar_Value.htm.

The Local Bridge Program has not received any new state bond authorizations since FY 1991, 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.

Funding for the **Clean Water Fund** fell behind in the five years before the present biennium. CCM has already testified before this committee on the enormous need in that area.

Can Connecticut Afford More Bonding?

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.**

Repeal of Bond Authorizations

This bill also proposes to repeal numerous bond authorizations. Several municipalities have expressed concern about cancellations of projects that had been intended for their communities. Repealing these authorizations and requiring them to go back to the new Commission would add a new, and unnecessary bureaucratic hurdle for these communities. We urge you to give special attention to their concerns and maintain existing authorizations unless in cases where there is a compelling reason to do otherwise.

Conclusion

Investments are needed in local roads and bridges, housing, energy-saving projects, broadband infrastructure, clean water projects and more. Contrary to common belief, Connecticut's bonded indebtedness, by at least one measurement, is not tops in the country.

Whether invested through the mechanism described in this bill, or through more traditional mechanisms for state bond investments, **a major bond authorization for local capital projects can help Connecticut out of today's economic mess and set the table for economic growth.**

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