***TESTIMONY SUBMITTED TO THE FINANCE, REVENUE AND BONDING COMMITTEE***
***FEBRUARY 26, 2016***

*From Members of the Transportation Finance Panel*

Testimony Supporting SB 12: An Act Adopting a Recommendation of the Transportation Finance Group

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Senator Fonfara, Representative Berger and distinguished members of the Finance, Revenue and Bonding Committee, thank you for the opportunity to submit testimony on SB 12, An Act Adopting a Recommendation of the Transportation Finance Group.

It was an honor and a privilege to serve on the Governor's Transportation Finance Panel over many months while we looked at how the state could pay for the increased expenses that would arise as a result of implementing the "Let's Go CT!" transportation plan put forth by Governor Malloy. The Panel did not simply seek revenues totaling $100 billion over thirty years, but instead aimed to resolve annual deficits projected in the Special Transportation Fund (STF). When we looked at the projected expenditures for the STF, it was clear that one area stood out as a major place the state could reduce expenditures and reduce the need for a substantial an increase in revenues: debt service.

Many recommendations were included in our report, including the need for a Constitutional amendment to protect the STF. This bill proposes one of the other key recommendations from our Final Report by creating a cap on the surplus in the STF. The cap would be set at 15% of expenditures in the most recently completed fiscal year of the STF. Any amounts over the 15% cap will be deposited into a new "Transportation Excess Surplus account". The commissioner of the Department of Transportation will be able to use funds from the account, with the approval of the Secretary of Office of Policy and Management, to pay for transportation related capital projects that would normally rely on bond funds; this is essentially increasing the Pay-Go funding that is used for transportation projects in most other states, and to a very limited extent in Connecticut. While it is slightly different from the mechanism recommended in our report, the result is the same, and in fact would produce even greater savings for the state.

According to the Office of Policy and Management (OPM), this proposal would reduce the amount the state has to borrow by $9.9 billion between 2016 and 2030. This would save the state over $3.3 billion in interest payments over the 15 year period and well over $6.6 billion in interest over what would have been the life of the bonds. These estimates are based on the analysis done by OPM at the request of our Panel, assuming specific levels of spending and specific revenue increases. It should be noted that if the state were to collect less in revenue, or reduce expenditures, the ultimate savings would be lower.

We respectfully request that the committee support this bill as a common sense and fiscally responsible measure to greatly reduce the state's reliance on bond funds.

Thank you,

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| Cam Staples, Chair | Oz Griebel |
| William Bonvillian | Bert Hunter |
| Joan Carty | Stan Mickus |
| Emil Frankel | Paul Timpanelli |