

Transportation Finance Panel Final Report

PRESENTATION TO THE TRANSPORTATION COMMITTEE

MARCH 9, 2016

TFP Principles

1. Transportation infrastructure investment is a key driver of CT's economic future.
2. The Special Transportation Fund must be solvent to allow projects to be planned for and executed.
3. All transportation projects must be executed in an efficient and cost effective manner.
4. Let's Go CT! is a dynamic plan that will continue to evolve as technology progresses and financial markets change.

Our recommendations in this report will allow the state to double the annual revenues in the STF by FY2030.

Benefits of the Recommendations

- Keeps the STF solvent through FY2030
- Allows the state to execute on the Let's Go CT! projects; 66% of the projects preserve today's existing infrastructure
- No revenue changes until FY18
- Emphasizes an efficient and fiscally responsible approach to transportation project funding with a methodology to reduce state borrowing by \$9 billion over 15 years and an emphasis on pay-go funding
- Doubles the annual revenues into the STF by FY2030 by raising a total of \$18 billion in new revenue over 15 years
- Provides a financing plan that provides an additional \$55 billion in new revenue over 30 years

A Brief Recap: CT's Current Infrastructure

Infrastructure

- 21,500 miles of state and local roads
- 7,400 state and local bridges
- 225 miles of passenger railroad
- 203 New Haven Line bridges
- 500 rail coaches and cars

Trips

- 85M vehicles miles traveled each day
- 42M bus passenger trips per year
- 41M rail passenger trips per year

Underinvestment in Transportation

Road Status

- 41% of state & local roads are in “poor” condition
- Road conditions add \$661 per year in operating costs for drivers

Bridge Status

- 35% of CT’s bridges are functionally obsolete or structurally deficient
- 70% of state-maintained bridges built before 1970; bridges typically built with a 50 year lifespan

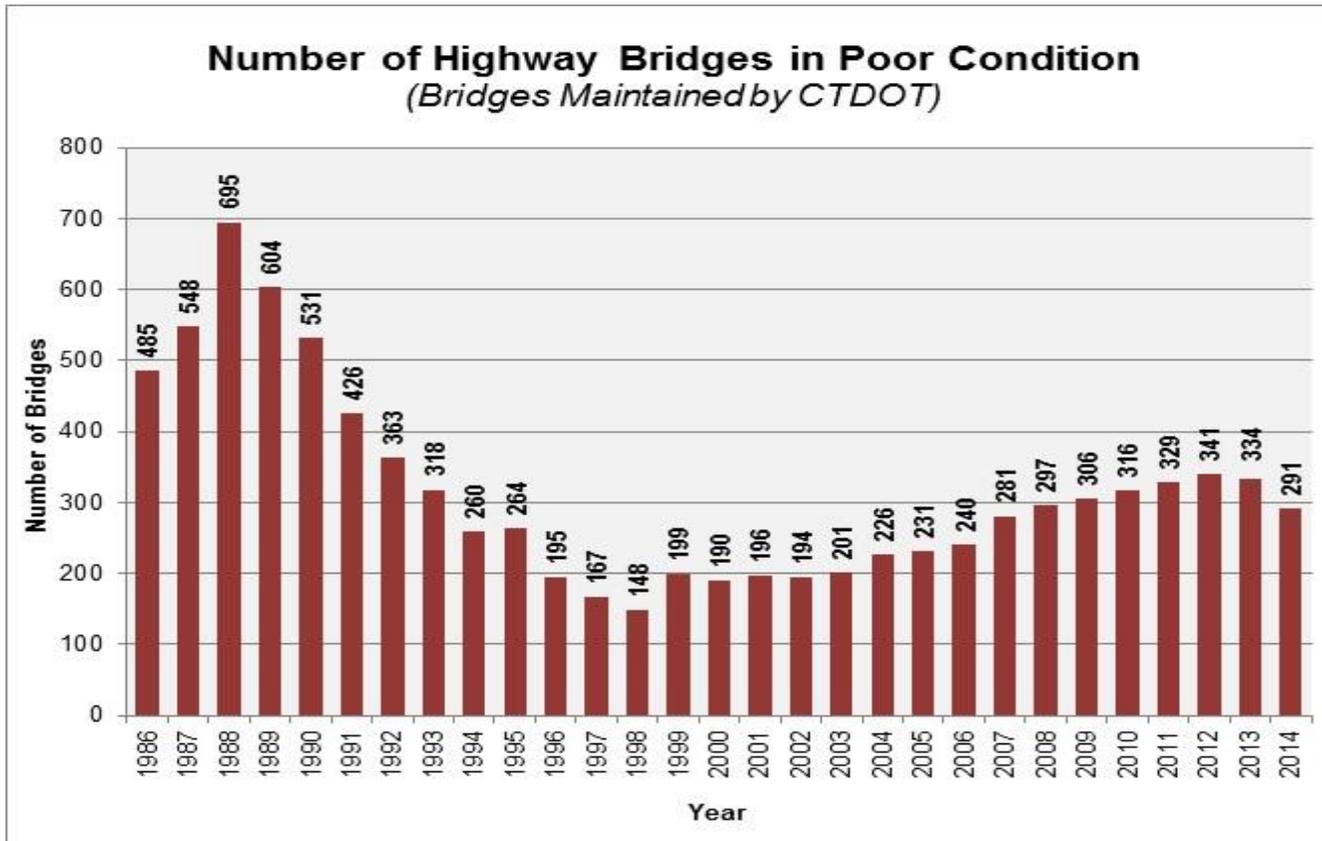
New Haven Line Status – NHL is the nation’s busiest commuter rail line

- 4 NHL movable bridges are over 100 years old & cause disruptions to operations
- Of the 203 NHL bridges, 76% were built prior to 1940
- 22% of bridges on the NHL are in “poor” condition

Negative Effect on CT Economy

- Deficient and severely congested roads cost Connecticut's drivers \$5.1 billion annually according to TRIP:
 - \$1.6 billion in additional vehicle operating costs
 - \$2.3 billion in congestion-related delays
 - \$1.2 billion in delays cause by accidents
- The average driver in lower Fairfield County **spends 49 hours a year stuck** in traffic, while the average driver in the capital region **spends 45 hours a year stuck** in traffic.

On the Path to Progress



- The state has begun to make progress on addressing the backlog of projects.
- Investments in transportation **increased 65% since 2011.**
- However, the funding needs are immense.

Let's Go CT!

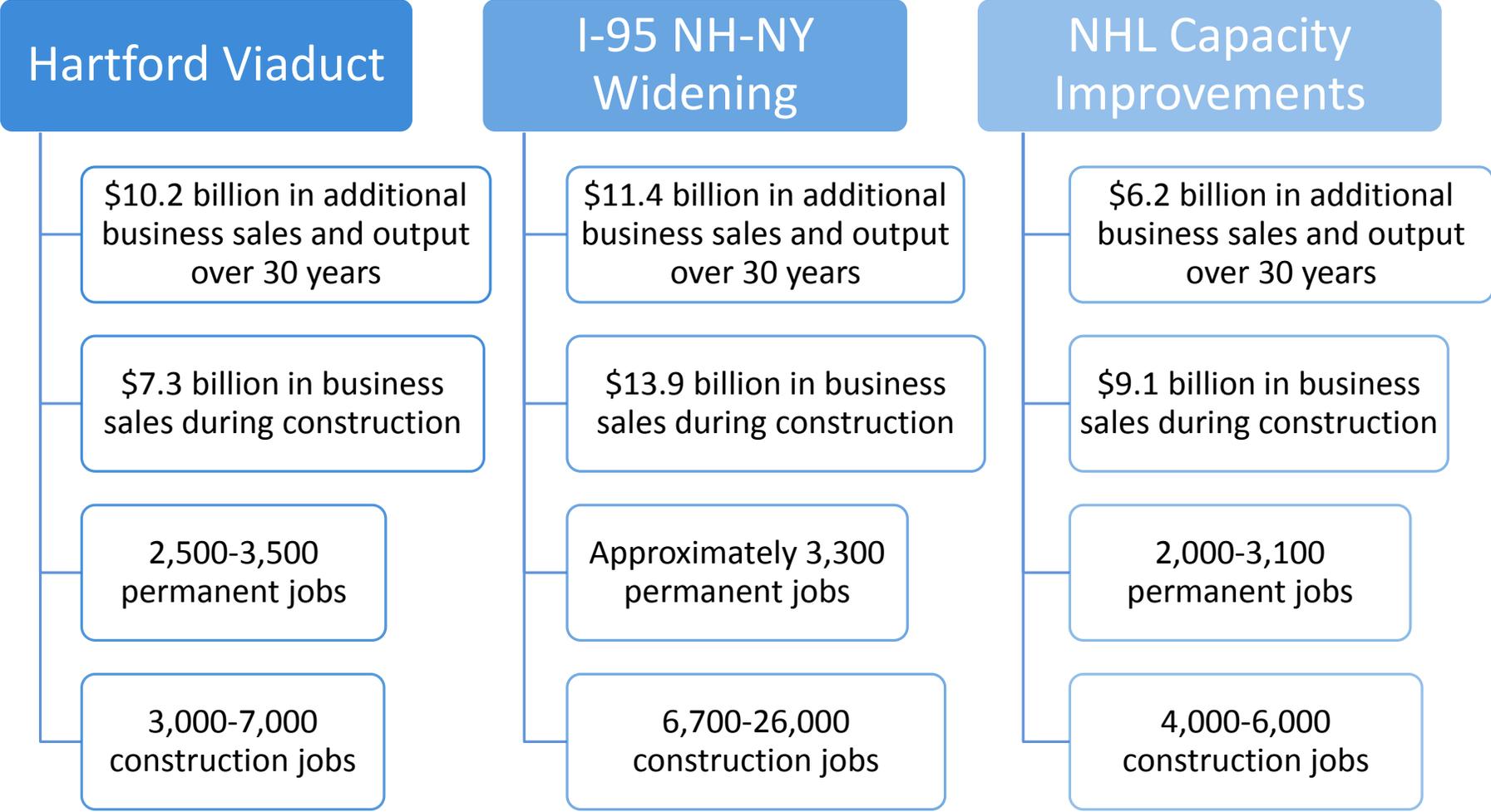
- \$100 billion, 30 year initiative to bring Connecticut's transportation infrastructure up to a state of good repair, reduce congestion, and expand transportation options across the state



\$66 billion, two-thirds of the entire program, is for statewide preservation programs to keep the systems that exist today running smoothly and safely without disruption to the economy.

- Including the Hartford Viaduct and the Waterbury Mixmaster.
- \$34 billion in enhancement projects will reduce congestion and create opportunities for travelers to access integrated rail and transit systems.
 - Including highway widenings, enhancements to the New Haven Line, Shoreline extension to westerly, RI.

Positive Economic Impact of *Let's Go CT!*



The Big Challenge

All of the state's infrastructure must be maintained, and brought into a state of good repair.

And, to be a competitive regionally and globally and accessible to our residents, CT's transportation system must meet the demands of the 21st century with enhancements and integrated systems.

The big question: How do we pay for it?

Our Approach: Solving for the STF

- Due to the difficulty in making assumptions about 30 years out, in particular, with technological changes on the horizon, we aimed to keep the STF solvent through FY2030, the first 15 years of *Let's Go CT!*
- New revenues for transportation should not compete with the General Fund.
- New Revenues must be ongoing and dedicated to transportation.
- The Governor and the General Assembly solved for the short-term financing challenge, and the TFP looked to the medium and long term. The STF is solvent until FY2021 with recent legislative changes.

A Brief History of the Special Transportation Fund

- Created in 1983 following the collapse of the Mianus River Bridge.
- In 1984, the General Assembly passed a 10-year schedule of tax and fee increases, and transfers of existing resources, to fund the STF.
- The state began to address a backlog of projects, especially bridges.
- **However**, in the late 1990s the State retreated from investments in transportation and **reduced the gas tax by 14 cents.**
- If the gas tax had not been reduced, the STF would have been able to execute on hundreds of projects that are now part of CT's backlog, and the price tag for Let's Go CT! would be significantly lower.

How did we meet this challenge?

The TFP utilized a fiscally responsible lens to protect taxpayers' investment, while balancing the positive economic impact of projects, to reduce costs and get the biggest bang for the revenue we recommend raising.

3 Types of Recommendations

1. Policy
2. Financing
3. Revenue

Policy Recommendations

- Enact a **Constitutional Amendment** to protect transportation funds.
- Consolidate MPOs and then expand their role in project execution, freeing up staff and resources at CTDOT.
- Enable CTDOT to use essential alternative project delivery methods to expedite projects and reduce costs like in nearly every state.
- Continue to integrate planning across state agencies and ensure housing and economic development are part of the consideration set for projects.

Financing Recommendations

- Institute a cap on surpluses in the STF at 5% of the total annual expenses.
 - This will reduce state borrowing by \$9 billion over 15 year period, and \$6 billion in interest savings over the life of those hypothetical bonds.
- Develop the expertise and enable the use of innovative financing tools:
 - TIFIA, RRIF, P3s and Green Bonds.
- Maintain the current revenue bond structure.
 - CT's revenue bonds have credibility in the marketplace and are well-received by ratings agencies.

User-Based Revenue Recommendations

- **Motor Vehicle Receipts, Licenses, Permits, and Fees:** Adjust to a modern rate structure, and then periodically increase to account for inflation. (\$1.3 billion over 15 years)
- **Gasoline Tax:** Return back to the 1990s rate of 39 cents per gallon, a phase-in of **14 cents over 7 years**. (\$2.0 billion over 15 years)
 - Develop a voluntary pilot vehicle miles traveled program using federal funds for user-based fees that could replace the gasoline tax if it becomes obsolete.
- **Rail & Bus Fares & Parking Rates:** Increase fares & rates annually by 2.5% to keep pace with inflation (\$678 million from FY 2018 to FY 2030)
- **Congestion Mitigation Tolling:** Implement **All-Electronic** Tolling on highways to reduce congestion and help pay for improvements in the following corridors: New York to New Haven, New Haven to Rhode Island, and New York to Hartford. (nearly \$8 billion through FY2030)
 - Explore conversion of HOV lanes to HOT lanes to reduce congestion north and east of Hartford.

Revenue Recommendations, continued

- **Value Capture and Rights of Way:** Capture the increase in land value near transportation improvements and raise revenue from existing rights of way.
- **Sales Tax:** Increase the sales tax by 0.5% and direct it to the STF (\$5.8 billion over 15 years)

Concluding thoughts

- Recommends responsibly raising revenue.
- Enables the state to double the annual revenues in the STF by FY2030 and guarantees STF solvency as the state executes on Let's Go CT!.
- Offers a financing plan that provides an additional \$55 billion over 30 years.
- Due to changing markets and technological innovations, recommend review of revenue needs and options in the next decade.