

## Special Transportation Fund

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### Issue

Provide an overview of the Special Transportation Fund (STF), including its establishment, purpose, dedicated revenue sources, and permitted uses. **This report has been updated by OLR Report [2019-R-0160](#).**

### Summary

The STF is a dedicated fund used to finance the state's transportation infrastructure program and operate the Department of Transportation (DOT) and Department of Motor Vehicles (DMV) ([CGS § 13b-68](#)). The legislature first established the fund in 1983 to finance a 10-year transportation infrastructure renewal program in the wake of the Mianus River Bridge collapse (PA 83-30, June Special Session). Over time, the legislature has expanded the fund's purpose, revenue sources, and permitted uses.

In 1984, the legislature dedicated three revenue sources to the STF (the motor fuels tax; motor vehicle receipts; and license, permit, and other fee revenue) and established a series of incremental increases in these revenue sources (PA 84-254). Since then, the legislature has directed additional revenue sources to the fund, including petroleum products gross earnings tax (PGET) revenue, a portion of sales and use tax revenue, and other transportation-related receipts.

Originally, the STF was designed to cover only the direct costs of the transportation infrastructure program. But, starting in 1987, the legislature transferred a series of state agency costs from the General Fund to the STF, in part due to growing General Fund deficits. By law, STF revenue is pledged to secure special tax obligation (STO) bonds issued for transportation projects through DOT's capital program (CGS §§ [13b-74](#) to [13b-77](#)), and its resources must be used first to pay off

STO bond debt service. After paying off debt service, the fund's resources may be used for debt service on general obligation bonds issued for transportation purposes, DOT and DMV operating costs, boating law enforcement, and the transportation for employment independence program.

The statutes contain a "lockbox" provision, which makes the STF a perpetual fund, requires its current revenue sources to continue to be placed in the fund as long as the state collects them, and restricts the use of its resources to transportation purposes ([CGS § 13b-68\(b\)](#)). In 2017, the legislature approved a constitutional amendment to provide these "lockbox" protections in the constitution. The amendment will be placed on the November 2018 general election ballot.

## **STF Revenue**

### ***Sources***

The law requires specified tax revenue and various transportation-related fees, fines, and charges to be credited to the STF.

*Tax Revenue.* The law requires revenue from the following taxes to be deposited in the STF:

1. motor vehicle fuel tax and motor carrier road tax ([CGS § 13b-61\(b\)\(1\)](#));
2. petroleum products gross earnings tax (PGET) ([CGS § 13b-61a](#));
3. 7.9% of sales and use tax (CGS §§ [12-408\(L\)\(i\)](#) & [12-411\(K\)\(i\)](#)); and
4. use tax revenue attributable to casual motor vehicle sales ([CGS § 13b-61b](#)).

Additionally, beginning July 1, 2020, the law requires sales and use tax revenue attributable to most retail motor vehicle sales to be transferred to the STF, according to a five-year phase-in schedule (CGS §§ [12-408\(L\)](#) & [12-411\(K\)](#)).

*Transportation-Related Fees, Fines, and Charges.* By law, all money the state collects or receives from "motor vehicle receipts" and "license, permit, and fee revenues" must be deposited in the STF ([CGS § 13b-61\(b\)\(2\)&\(4\)](#)). "Motor vehicle receipts" include license and registration fees, among other things. "License, permit, and fee revenues" include (1) revenues from exam fees, administrative fees, and license fees for various transportation-related businesses, among other things, and (2) revenue from "motor vehicle related fines, penalties, and other charges." For a detailed list of this revenue, see Appendix I.

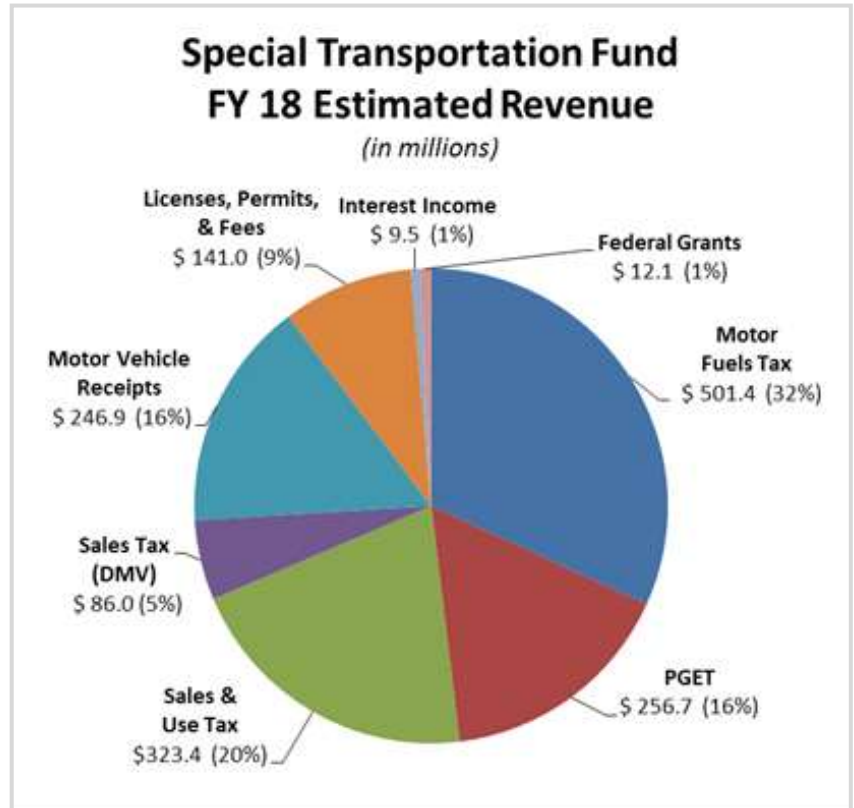
The law additionally requires revenue from the following sources to be deposited in the STF:

1. surcharges on motor vehicle fines, penalties, and other charges ([CGS § 13b-61\(b\)\(5\)](#));
2. transportation-related federal revenues of the state ([CGS § 13b-61\(b\)\(6\)](#));
3. fees for motor fuel quality registration by distributors ([CGS § 13b-61\(b\)\(9\)](#));
4. registration fees for motor fuel dispensers and weighing and measuring devices ([CGS § 13b-61\(b\)\(10\)](#));
5. identity card fees ([CGS § 13b-61\(b\)\(11\)](#));
6. safety fees for reflective license plates ([CGS § 13b-61\(b\)\(12\)](#));
7. emissions inspection late fees ([CGS § 13b-61\(b\)\(13\)](#));
8. sales of driver history records ([CGS § 13b-61\(b\)\(14\)](#));
9. additional fees collected for speeding in school zones ([CGS § 13b-61\(b\)\(15\)](#));
10. subsidies from the federal government for tax credit bonds ([CGS § 13b-61\(b\)\(16\)](#));
11. a portion of clean air act fees ([CGS § 14-49b](#));
12. all monies the state receives on account of, or derived from, the use of highways, expressways, and ferries, except as necessary for the direct payment of debt service on transportation-related debt ([CGS § 13b-61\(b\)\(19\)](#)); and
13. any other funds, money, and receipts of the state the law requires to be deposited, transferred, or paid into the STF, other than proceeds from bonds or other securities or federal grants under the provisions of federal law ([CGS § 13b-61\(b\)\(18\)](#)).

In addition to these specified transportation-related receipts, the law requires that all of DMV's receipts be deposited in the STF ([CGS § 14-156](#)).

## ***Revenue Deposited in the STF***

As the chart to the right shows, taxes on fuel (motor fuels tax and PGET) account for nearly 50% of FY 18 estimated STF revenue, and motor vehicle receipts and licenses, permits, and fees (including motor vehicle fines) account for approximately 25% of the fund's revenue.



Source: Office of Fiscal Analysis (OFA)

## **Fund Expenditures**

### ***Statutory Requirements***

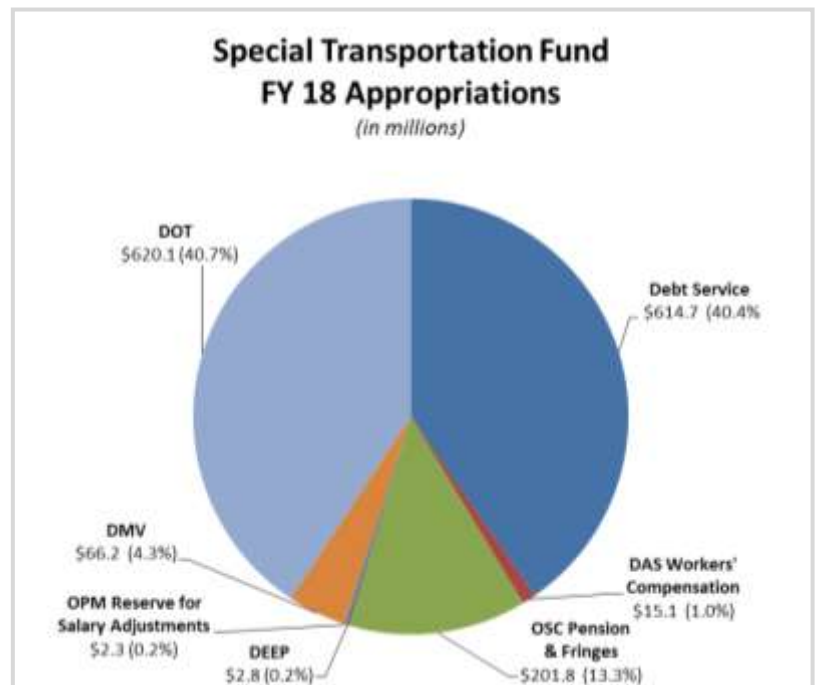
The law requires, with one exception, that the treasurer apply the STF's resources, upon receiving them, first to pay the "debt service requirements" when and in the amount required by STO bond issuance proceedings ([CGS § 13b-69\(a\)](#)). The exception is a provision requiring the treasurer to transfer certain STF revenue, upon receiving it, to the work zone safety account, which must be spent by DOT to protect the safety of workers in highway work zones ([CGS § 14-212g](#)).

"Debt service requirements" include, among other things, principal and interest on STO bonds and any amounts required to maintain reserves in the fund in accordance with STO bond proceedings ([CGS § 13b-75\(3\)](#)). The law requires that the STF's resources that remain after paying debt service requirements be spent, in accordance with appropriations and allotment procedures, on the following:

1. interest and principal on specified general obligation bonds that were issued for transportation purposes or any obligations refunding them,
2. DOT and DMV budgets,
3. the enforcement of boating laws by the Department of Energy and Environmental Protection, and
4. the transportation for employment independence program administered by the Department of Social Services ([CGS § 13b-69\(b\)](#)).

### ***FY 18 Expenditures***

As the chart to the right shows, in FY 18, debt service payments and DOT's operating costs together account for approximately 80% of STF expenditures. DMV operating costs account for nearly 5% of STF expenses, and fringe benefits for DOT and DMV account for about 13%.



Source: Office of Fiscal Analysis (OFA)

### ***Appropriations Cap***

The FY 18-19 budget act imposed a cap on STF appropriations. Specifically, beginning in FY 20, the act prohibits the General Assembly from authorizing for any fiscal year STF appropriations that, in the aggregate, exceed a specified percentage of the estimated revenues included in the budget act (i.e., the statement of estimated revenues, supplied by the Finance, Revenue and Bonding Committee, that is based on the most recent consensus revenue estimates). The specified percentage begins in FY 20 as 99.5% of revenue and gradually decreases to 98% for FY 26 and after ([PA 17-2, June Special Session, § 705, codified as CGS § 2-33c](#)).

## **STF “Lockbox”**

### ***Statutory Lockbox***

By law, the STF is a perpetual fund and the use of STF funds is restricted to transportation purposes, including paying debt service on state obligations incurred for transportation. All sources of money, fund, and receipts that must be credited, deposited, or transferred to the STF by state law on or after June 30, 2015 must continue to be credited, deposited, or transferred as long as the sources are collected or received. The law additionally specifies that no law shall be enacted authorizing the use of STF resources for non-transportation purposes ([CGS § 13b-68\(b\)](#)).

### ***Constitutional Amendment***

In the 2017 regular session, the legislature approved a proposed constitutional “lockbox” amendment ([RA 17-1](#)). The proposed amendment does the following:

1. maintains the STF as a perpetual fund and prohibits the legislature from enacting any law authorizing the spending of STF funds for any purpose other than transportation;
2. requires the legislature to use the STF solely for transportation purposes, which includes paying debt service on state obligations incurred for such purposes; and
3. requires sources of funding, money, and receipts that must be legally credited, deposited, or transferred to the STF on or after the amendment's effective date to be credited, deposited, or transferred to the STF as long as state law authorizes the state, or any of its officers, to collect or receive these sources.

The amendment will be placed on the 2018 general election ballot in November. If a majority of voters approve the amendment, it becomes part of the state constitution.

# Appendix I

**Table 1: Motor Vehicle Receipts**

<i>Sections</i>	<i>Description</i>
14-12(c)	Fee for registering through car dealers
14-15	Vehicle leasing or renting company license fees
14-25a(a)	Construction equipment registration fee
14-28	Fee for passenger plates for taxis or livery vehicles
14-35(b)	Transporter plate fee
14-41(b); 14-41a; 14-44(b); 14-50(a) and (g)	Driver's license and endorsement fees
14-47; 14-59	Commercial vehicle registration fees
14-48b	Semitrailer registration fee
14-49(a), (b) (1), (c) to (t), (x) to (z); 14-49a; 14-61; 14-66(c); 14-381; 14-382(b)	Various vehicle registration fees
14-50a(a)(1) – (6) and (10)	Various copies, duplicates, or replacements of DMV records
14-65	Motor vehicle auction permit fee
14-67(e)	Auto club license fee
14-67a & 14-67d	Manufacturer license and registration fees
14-160	Low number license plate fees

Source: [CGS § 13b-59\(f\)](#)

**Table 2: License, Permit, and Fee Revenue**

<i>Sections</i>	<i>Description</i>
12-487	Motor carrier road tax registration fee
13b-80 & 13b-97	Fees for a certificate of public convenience and necessity for motor buses and taxis
14-16a	Older vehicles inspection fees
14-21c	Fees for motor vehicle manufacturer license plates
14-44h; 14-44i	Fees for commercial driver's licenses (CDL) and required tests
14-49(v)	Fees for adult, youth, and motorcycle instruction permits
14-50(b) & (f)	Motor vehicle operator exam-related fees
14-50a(a)(7) to (9)	Fees for copies of operator license information; copy or record certification; and certified transcripts
14-52	New and used motor vehicle dealer license fees
14-67I	Motor vehicle recycler license fees
14-69	Driver's school license and renewal fees
14-73 (e)	Driving instructor and master driving instructor license fees
14-96q	Fees for permits for colored flashing lights
14-103a	Fees for inspection of reassembled vehicles
14-192(a)	Title-related fees
14-164a (a)	Penalty for holding unauthorized motor vehicle races or exhibitions
14-270(d)	Nonconforming vehicle permit fees, oversized vehicle permits
14-319 & 14-320	Fees for licenses to sell gasoline and gasoline station-related fees
13b-410a & -410b	Motor carrier filing fees
13b-410c	Intrastate household good carrier fees
15-13(c) and (d)	Marine pilot license fees
13a-80 & 13a-80a	Sale of DOT land fees and charges
13b-42(b)	Sale or lease of airport property
13b-59(g)	Numerous motor vehicle related fines, penalties, and other charges (e.g., penalties for unauthorized motor vehicle operation, violations of specified transportation-related business laws and regulations, and specified traffic violations)

Source: [CGS § 13b-59\(d\)](#)

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