

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 updates OLR Report [2018-R-0088](#).

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. 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 STO bond debt service. After paying STO 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.

Connecticut has both a statutory and constitutional “lockbox,” 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](#) and Conn. Const. Art. III § 19).

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 the following tax revenue 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\(K\)\(i\)](#));
4. use tax revenue attributable to casual motor vehicle sales ([CGS § 13b-61b](#)); and
5. a portion of sales tax revenue attributable to retail motor vehicle sales, according to a statutory schedule shown in Table 1 ([CGS § 12-408\(L\)\(ii\) to \(vi\)](#) & [12-411\(K\)\(ii\) to \(vi\)](#)), as amended by [PA 19-117](#), §§ 317 & 318).

Table 1: Schedule of Motor Vehicle Sales and Use Tax Diversions to STF

<i>Fiscal Year</i>	<i>% of Revenue Diverted to STF</i>
19	8
20	17
21	25
22	75
23 and thereafter	100

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:

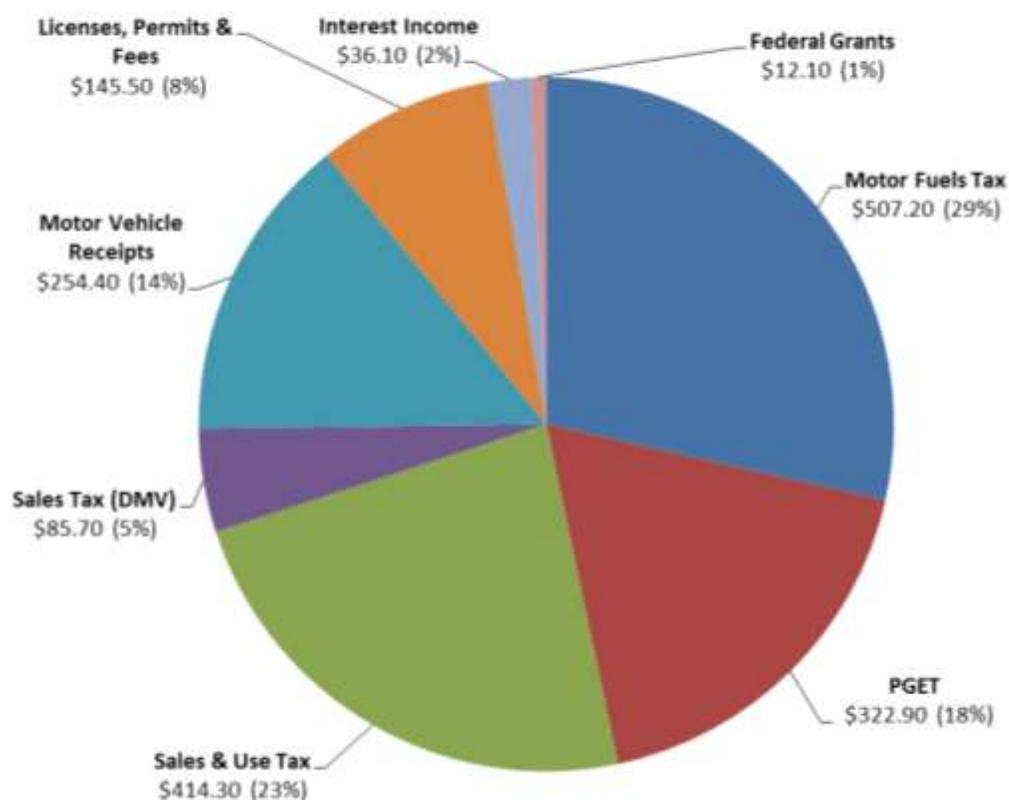
1. surcharges on motor vehicle fines, penalties, and other charges ([CGS § 13b-61\(b\)\(5\)](#));
2. transportation-related federal revenues of the state ([CGS § 13b-61\(b\)\(6\)](#));
3. fees for motor fuel quality registration by distributors ([CGS § 13b-61\(b\)\(9\)](#));
4. registration fees for 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 below shows, taxes on fuel (motor fuels tax and PGET) account for nearly 50% of the fund’s FY 20 estimated gross revenue, while sales and use taxes account for just over 25% of the revenue. Motor vehicle receipts and licenses, permits, and fees (including motor vehicle fines) account for approximately 25% of the fund’s revenue.

STF Estimated Revenue, FY 20 *(in millions)*



Source: PA 19-117, § 387

Fund Expenditures

Statutory Requirements

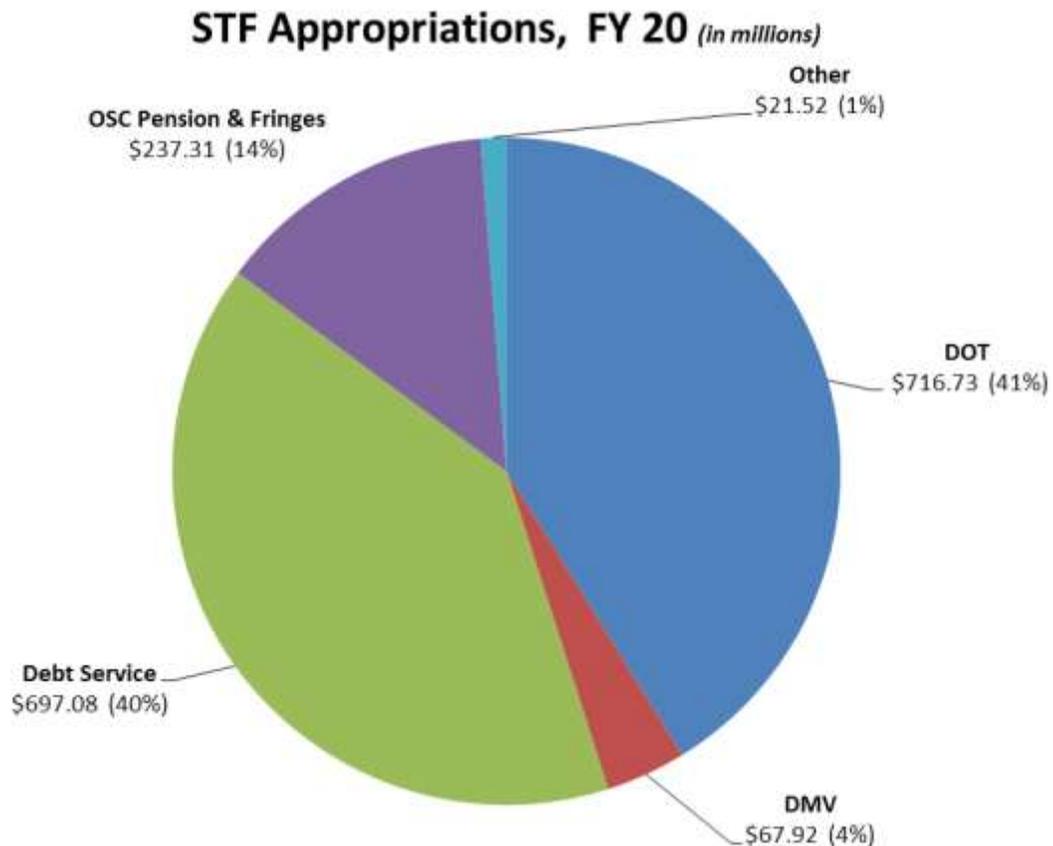
The law requires, with one exception, that the treasurer apply the STF's resources, upon receiving them, first to pay the "debt service requirements" when and in the amount required by STO bond issuance proceedings ([CGS § 13b-69\(a\)](#)). The exception is a provision requiring the treasurer to transfer 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 (DEEP), and
4. the transportation for employment independence program administered by the Department of Social Services ([CGS § 13b-69\(b\)](#)).

FY 20 Appropriations

As the chart below shows, in FY 20, debt service payments and DOT’s operating costs together account for approximately 80% of STF appropriations. DMV operating costs account for 4% of STF appropriations, and fringe benefits for DOT and DMV account for about 14%. Appropriations labeled “other” include appropriations to DEEP for boating enforcement, the Department of Administrative Services for workers’ compensation and risk management, and the Office of Policy and Management for salary adjustments.



Source: PA 19-117, § 2

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](#)).

Transportation “Lockbox”

Connecticut has both a statutory and a constitutional “lockbox” provision designed to protect the STF and restrict its use. The statutory lockbox passed in 2015, and in November 2018, voters approved a proposed constitutional amendment, 88% to 12%, that added these lockbox protections to the State Constitution.

Both the statutory and constitutional lockbox do the following:

1. preserve the state’s Special Transportation Fund (STF) as a permanent fund;
2. require that the fund be used exclusively for transportation purposes, including paying transportation-related debt; and
3. require that any funding sources directed to the STF by law continue to be directed there, as long as the law authorizes the state to collect or receive them ([CGS § 13b-68](#) and Conn. Const. Art. III § 19).

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

Sections	Description
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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