"The truth is out there." — X-Files

BY THE NUMBERS

$5.8%: number of Connecticut communities that depend exclusively on trucks to move their goods

$3.2 billion: total trucking industry wages paid in Connecticut (2016)

$9.2 billion: trucking industry jobs in Connecticut (2016)

$53,430: average annual salary in Connecticut (2016)

$8.3 billion: average annual CT-imposed highway user fees paid by tractor trailers

$8.5 billion: average annual fed-imposed highway user fees paid by tractor trailers

The Connecticut trucking industry appreciates the opportunity to have its voice heard by the Commission on Fiscal Stability and Economic Growth. The trucking industry is referred to as "the backbone of the economy," and the numbers above demonstrate why that is the case.

MTAC agrees that Connecticut's transportation system needs improvements. MTAC is pleased to be a part of that discussion. However, many political leaders and stakeholders seem willing to jump straight to raising revenue, with no questions asked.

Taxpayers are being told that increasing debt service is a reason why the Special Transportation Fund will become insolvent. At the same time, taxpayers are also being told that tax revenue needs to be increased so that the state can go sell bonds (incur more debt!) on Wall Street. If one considers the optics of that, it is not a good look. The message is, "the state needs to raise your taxes, so that the state can go put more money on the credit card." However, when the bill for that comes due, will the message be that taxes need to be raised to pay off the credit card bill? Will this vicious cycle continue?

MTAC disagrees with the notion that the legislature has ignored transportation funding for years. For example, the Petroleum Gross Receipts tax rate has been increased several times, which requires legislative action. Recent rates for the tax include:

- 5% prior to July 1, 2005;
  Increased to:
- 5.8% between July 1, 2005, and July 1, 2006;
  Increased to:
- 6.3% between July 1, 2006, and July 1, 2007;
  Increased to:
- 7% between July 1, 2007, and July 1, 2013;
  Increased to:
- 8.1% since July 1, 2013
Additionally, the per gallon excise tax on diesel fuel has been increased during the last several years, which requires legislative action. Recent rates for the tax include:

- 26 cents per gallon: July 1, 2008 through June 30, 2011,
  Increased to:
- 29 cents per gallon: July 1, 2011 and after

These are just some of the revenue-raising measures that have been passed into law by the legislature over the last several years, and there are probably others.

Please note that the diesel tax rate that Connecticut truckers pay is comprised of BOTH of these components. The Department of Revenue Services does a complex calculation using the base rate of 29 cents per gallon, as well as the average wholesale price per gallon of diesel fuel from the period of April 1 through March 30, plus the applicable gross receipts tax rate on petroleum products. The result determines what the total excise tax on each gallon of diesel fuel will be, effective every July 1. It is currently 41.7 cents per gallon.

Out-of-state truckers that drive through Connecticut also pay a fuel use tax at the rate of 41.7 cents per gallon based on the fuel that they use while driving in Connecticut.

The attached spreadsheet showing the history of the Special Transportation Fund shows that total revenue to the STF has greatly increased over the years. The only time in recent years when the fund took in less revenue on a year-over-year basis was FY 2009 to FY 2010, and FY 2012 to FY 2013.

In FY 2011, the fund recovered, and revenue surged past the 2009 mark. A few years later, FY 2013 saw a slight decrease in total revenue from the previous year. However, the legislature acted and raised the Petroleum Gross Receipts tax from 7% to 8.1%, effective July 1, 2013 as shown above. The narrative that the legislature has not acted to raise revenue for the Special Transportation Fund is not true.

The legislature has control over raising revenue, and has done so. What the legislature does not necessarily have complete control over is DOT spending. One example of this was demonstrated last summer. As the transportation funding “crisis” was coming to a head, the DOT surprisingly announced a new UConn to Hartford CTfastrak route. This action took place in August 2017 when the state was operating without a budget! The legislature did not approve this, it just happened. This is a microcosm of the situation we are in; spending is the true problem, not an unwillingness by the legislature to raise revenue.

DOT spending on bus operations has grown every year since 2006. DOT spending on “Other” public transportation-related purposes has grown every year since 2010. Transit subsidies eat up money from the Special Transportation Fund. Spending 60% of DOT’s operating budget on transit subsidies is clearly unsustainable, and is unfair to highway users who fund the Special Transportation Fund.
It has been suggested that a forensic audit of the Connecticut Department of Transportation take place. MTAC believes that an audit is completely appropriate, given the circumstances. A recent report from the Reason Foundation found that Connecticut has spent a total of $477,875 per mile of road in the state. The national average was only $160,997 per mile. Perhaps even more concerning, Connecticut also ranked worst in terms of administrative costs per mile, with a figure of $83,282 spent per mile. The report said that is more spent per mile than any other state in the country.

Given this information, an audit should be conducted before any new revenue is raised at the expense of highway users. Why is Connecticut less efficient than any other state? What else might be happening (like the UConn Fastrak route) that the legislature did not specifically approve? Connecticut taxpayers deserve to know.

MTAC members depend on interstate highways to transport goods in an efficient and cost-effective manner. That is why MTAC is opposed to the tolling of existing interstates. Federal law prevents Connecticut from simply erecting fixed-rate tolls every few miles like those that exist on the Massachusetts Turnpike. The Mass. Pike, and other tolled highways in states surrounding us, were built with tolls and “grandfathered in” to the Eisenhower Interstate System when it was created. Those states did not add tolls to the highways decades after they were originally built, which is what Connecticut wants to do.

Connecticut is looking at the Value Pricing Pilot Project, which is one of the few exemptions to the federal prohibition on tolling existing interstates. However, they are looking to use it in a way that has never been done before. Specifically, that is to take a toll-free interstate and turn it into a congestion-priced interstate. This is so controversial that no state has ever done it. And Connecticut is looking at it for not just one highway, but for every highway in the state. Numbers from the Transportation Finance Panel’s final report show that Connecticut would have to spend $373 million just to set up tolling systems for all of the proposed tolls. That figure does not even include the millions that will be needed for Environmental Impact Studies, and studies on traffic diversion, local road congestion, and economic impacts. This would be even more inefficient actions in Connecticut’s transportation system.

Congestion-pricing purposely sets tolls so high (at a moment’s notice) that it forces drivers off of the highway, so that the state or toll operator can claim that they reduced congestion. Keep in mind that these are highways that have been paid for by residents and businesses through fuel taxes, registration fees, DMV permit fees, etc. Now they would be priced out of this critical public infrastructure by congestion-pricing. In an era when businesses and residents are fleecing the state because of the high cost of operating (or living), this policy is the opposite of what Connecticut needs.

Connecticut can see a preview of what congestion price tolling would look like if implemented in this state. Interstate 66 lanes in Northern Virginia recently implemented a very similar scheme to
what Connecticut is proposing. Last week, the tolls on those lanes charged $46 in tolls to go 10 miles. That toll applies to express lanes, but there are regular (non-toll) lanes still available. But in Connecticut, it would be ALL existing lanes that are congestion-priced, there would be no toll-free lanes. If the General Assembly allows CT DOT to vaguely “implement tolls on Connecticut’s highways,” it is completely possible that the tolls could rise to these rates. https://www.washingtonpost.com/news/dr-gridlock/wp/2018/01/24/the-toll-on-i-66-inside-the-beltway-hit-46-75-wednesday-morning/?utm_term=.69be58a08277

There have been calls to create a quasi-governmental body called the Transportation Finance Authority. If Connecticut is serious about achieving fiscal stability and economic growth, this proposal needs to be firmly rejected. There are probably only two reasons that the legislature would support creating the Transportation Finance Authority, and neither of them are good. The first is because they want tolls (or mileage taxes, or other revenue) without having to actually vote for them. The second is so that a new “set of books” can be created that can accumulate debt. This would be like an individual getting a new credit card after they have already “maxed out” their other credit cards. It does not address the underlying problem; it just creates more debt with more interest. It would not be a fiscally responsible thing to do.

Two examples of why quasi-government bodies should be avoided are the New York Thruway spending highway toll revenue on upstate canal systems, and the Bayonne Bridge project (administered by Port Authority of New York / New Jersey) running $350 million over budget https://www.northjersey.com/story/news/transportation/2017/12/08/bayonne-bridge-project-350-million-over-budget/9515641001.

Recently, the American Transportation Research Institute (ATRI) released a report titled “Framework for Infrastructure Funding,” in which they found that an increase in the federal fuel tax is the most efficient way to raise revenue, and that it would also create hundreds of thousands of new jobs.

The report also found that:

- A newly created federal vehicle registration fee would be the most efficient mechanism to fill funding gaps associated with electric vehicle use. These fees could be seamlessly implemented using the same systems as those successfully used to collect state registration fees.
- A bureaucracy as large as the IRS would be required to collect, manage and enforce a national vehicle miles traveled (VMT) tax on the more than 250 million vehicles registered in the U.S. Additionally, mileage tax evasion would likely skyrocket under a program that can’t “see” non-paying users.
- The practice of road tolling continues to be an expensive proposition for collecting highway funds. While several toll systems slightly improved their administrative efficiency, the majority of toll systems spend more than ten cents of every dollar collected on administrative activities. Many systems are losing money, and almost all privatized toll
roads in the U.S. have filed bankruptcy. Finally, ATRI's analysis found that many toll authorities have modified their public financial statements to increase complexity and decrease transparency of revenue management — which ultimately masks the inefficiency of toll roads.

- According to literature and public polling data, American taxpayers prefer a federal fuel tax over other funding mechanisms when the revenue is dedicated to transportation infrastructure.

In conclusion, MTAC sincerely appreciates the opportunity to meet with the Commission on Fiscal Stability and Economic Growth. MTAC members already pay a lot of taxes and fees for the privilege of operating in this state. The Commission should consider recommending that no additional revenue is raised until an audit of CT DOT is conducted. If it is ultimately necessary to pay more, that should be done through efficient taxes/fees, not through inefficient means that will harm the local economy, like congestion-pricing existing highways.

Thank you for your consideration.

* (The numbers in the Special Transportation Fund history spreadsheet are budgeted appropriations. Since they are budget numbers, actuals may ultimately have varied from the budget because of lapses or FAC actions over the years. However, those amounts are relatively small, and this spreadsheet presents a good overall picture of STF trends.)
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**Source:** State Budget Book