STATE OF CONNECTICUT
OFFICE OF GOVERNOR DANNEL P. MALLOY

Governor Malloy's Budget Recommendation for Stabilizing the Special Transportation Fund

The Special Transportation Fund (STF) finances the state's transportation system, including the operating costs of the Connecticut Department of Transportation (CTDOT) and all of the services it provides. To sell bonds for transportation projects, the state must continually demonstrate that the STF is operating in balance during the biennium and throughout the coming years. Unfortunately, the current STF balance under the budget adopted in October 2017 was unable to support the level of capital investments and services planned at that time, while also funding normal operations for the CTDOT, including highway maintenance and bus and rail operations.

In December 2017, Governor Malloy reiterated and increased his warnings on the solvency of the fund following the release of a report showing that without prompt action, the STF will be in deficit by fiscal year 2019, which begins July 1, 2018. Then in January 2018, the Governor and the CTDOT indefinitely suspended $4.3 billion in projects affecting every town across the state, including critical improvements to the I-91/Route 15 interchange on the Charter Oak Bridge, the replacement of the Waterbury Mixmaster, and the widening of I-95 from Bridgeport to Stamford.

The Malloy administration strongly maintains that transportation infrastructure is critical to Connecticut's economic success, and that simply cutting our way to balance in the STF by eliminating important projects and services would be a catastrophic choice. Implementation of proposed revenues for the STF will avoid additional postponement of critical state and municipal projects across Connecticut and will prevent drastic increases in rail and bus fares and major service reductions on Metro-North, Shoreline East, and CT*transit* services.

The proposals Governor Malloy released today will restore immediate stability to the STF, allowing the state to reinstate the $4.3 billion in canceled projects while preventing drastic rail and bus fare increases. The following tables show the effects of the Governor's proposals and the devastating impact of inaction.

Governor Malloy's Proposal for Stabilizing the Special Transportation Fund

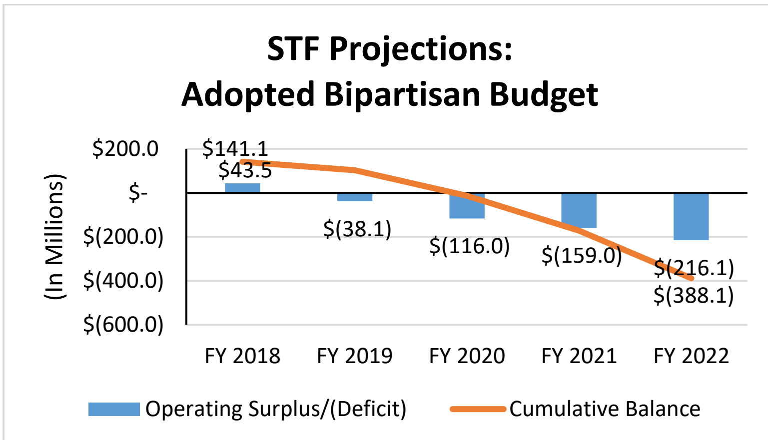
Special Transportation Fund Revenue Proposals
(In Millions)

	Eff. Date	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Increase Gasoline Tax by 7 Cents (2, 1, 2, 2)	7/1/2018	$ 30.0	$ 45.0	$ 75.0	$ 105.0
Accelerate Transfer of Car Sales Tax by 2 years	7/1/2018	9.1	66.9	78.7	74.9
Impose a Tire Fee ($3 per tire)	7/1/2018	8.0	8.0	8.0	8.0
Institute Statewide Tolling (Begins in FY 2023)*	7/1/2018	-	-	-	-
		$ 47.1	$ 119.9	$ 161.7	$ 187.9

*Projected to raise $600-$800 million per year upon implementation in FY2023.

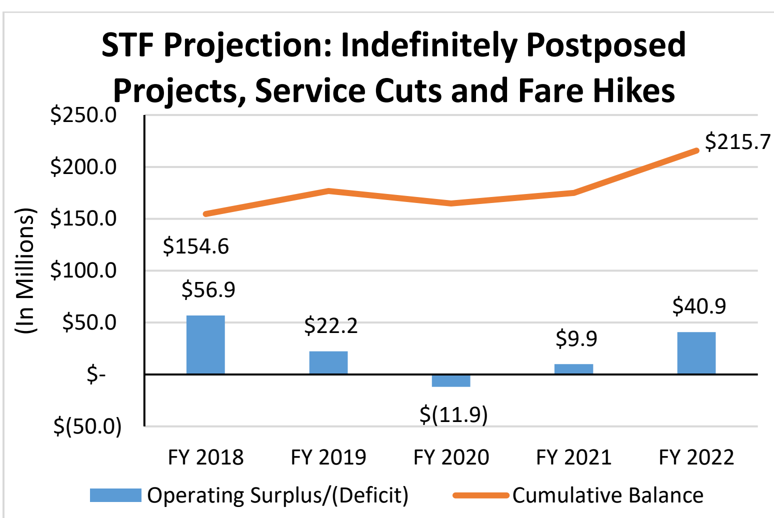
STF Projection: Bipartisan Budget

The graph below illustrates the differential between planned transportation projects, services, and CTDOT operational costs and the forecasted revenues at the time. The November consensus revenue projection identified a drop-off in revenue due to continued low oil prices/slow growing revenue. As a result, the fund would have gone into deficit and run out of money in FY 2020.



STF Projection: Indefinitely Postponed Projects, Service Cuts, and Fare Hikes

To bring the STF into balance, Connecticut needed to make drastic modifications to the state's infrastructure improvement plan. These actions include, among other adjustments: $4.3 billion in infrastructure projects postponed indefinitely; 20% rail fare increase and a 5% bus fare increase; and major service cuts to Shoreline East and branch lines. All together, these actions produce a balanced STF, as illustrated by the following graph, but include devastating cuts to Connecticut's transportation system.



STF Projection: Governor's Budget Recommendation

Included in his budget recommendations for the 2018 legislative session, Governor Malloy proposes budget adjustments that would restore deep cuts, would likely allow for all the indefinitely postponed projects to restart and move forward, and would reduce fare increases. Specifically, the Governor's budget recommendations include: a gas tax increase of 7 cents over 4 years (2¢, 1¢, 2¢, 2¢) in FY 2019 through FY 2022 (7¢ total); advance diversion of sales tax on motor vehicles into FY 2019; impose a fee on tires ($3 per tire); and institute statewide tolling (beginning in FY 2023).