STATE FUNDING: SPECIAL TRANSPORTATION FUND

Overview

The Special Transportation Fund (STF) was fully established by the Connecticut General Assembly on July 1, 1984, to provide a dedicated fund for the financing of investment in the State's transportation system and to cover the cost of operating the Department of Transportation and all the services it provides. The Fund does not support Bradley International Airport. The Bradley Enterprise Fund finances the airport's operating and capital program costs. The Enterprise Fund resources come from revenues generated at the airport.

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Revenue

The revenues that are pledged to the STF are listed in **Figure IV-1**. The Motor Fuels Tax is the primary source of income for the fund. When the program started in 1984 the gasoline tax was 13 cents. The gasoline tax reached a high of 39 cents per gallon on January 1, 1997. The legislature reduced the tax by 3 cents per gallon, effective July 1, 1997, reduced it by 4 cents per gallon effective July 1, 1998, and further reduced it by 7 cents on July 1, 2000. Today the tax is 25 cents per gallon. The tax on gasohol is one cent less than the tax on gasoline. The tax on diesel fuel has been held constant at 18 cents per gallon since September 1991. It is estimated that the Motor Fuels Tax will generate over $410.0 million in fiscal year 2002.

SPECIAL TRANSPORTATION FUND
SOURCES OF REVENUE

- **MOTOR FUELS TAX**
- **MOTOR VEHICLE RECEIPTS**
- **LICENSE, PERMIT, AND FEE (LPF)**
- **FTA OPERATING ASSISTANCE GRANTS**
- **INTEREST INCOME**
- **OIL COMPANY TAX (Beginning FY99)**
- **DMV COLLECTED VEHICLE SALES TAX (Beginning FY2000)**
- **GENERAL FUND TRANSFERS**

Figure IV- 1. Special Transportation Fund Sources of Revenue

Most of the fees collected by the Department of Motor Vehicles (DMV) are pledged to the STF. The fee collected for the Emission Inspection Program is committed to financing the costs of that program. However, Emission Inspection Program Late Fees are pledged to the STF and will provide over five million dollars in fiscal year 2002. A ten-dollar Clean Air Act fee is included in each registration fee. Four dollars and twenty five cents of this fee is assigned to the Federal Clean Air Act Account, which is administered by the Department of Environmental Protection and is used to pay costs associated with state agency activities required by the Federal Clean Air Act Amendments of 1990. The remaining five dollars and seventy-five cents is pledged to the STF. The four-year fee for an operator's license and the remaining portion of the two-year vehicle registration fee are the major sources of Motor Vehicle Receipts revenue that is deposited in the STF. Also, temporary registration and late fees paid to the DMV are included in the Motor Vehicle Receipts revenues.

The License, Permit, and Fee (LPF) income is generated from fines imposed for motor vehicle infractions, permits and fees imposed by the Department of Transportation, other fees collected by the DMV, late fees imposed under the Emissions Inspection Program, and a portion of the Clean Air Act fee. Additional existing DMV revenues pledged to the STF during the 1997 Legislative Session include DMV information sales, safety plate fees, and the issuance of non-driver ID cards. Consumer Protection revenues pledged to the STF include gasoline sales license fees, gasoline station location fees, and fees for gasoline quality and quantity measures.

Federal Transit Administration (FTA) grants for transit operating assistance are deposited in the Fund. These grants are provided to the State to aid in financing the subsidy required to maintain bus and rail passenger services throughout the State. For FY2002, it is estimated that FTA grants will reimburse $3.3 million of the $143.7 million that the State will expend on transit services.

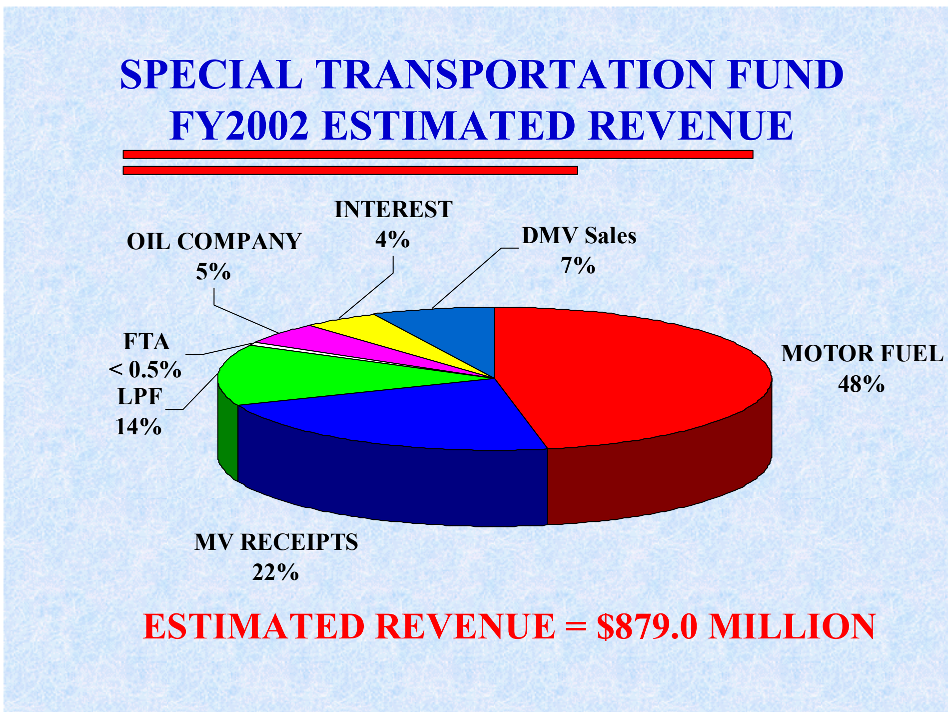

Figure IV- 2. Special Transportation Fund FY2002 Estimated Revenue

Interest income comes from interest earned on the deposits made to the Fund and primarily from interest earned on the Debt Service Reserve Account. Every time a Special Tax Obligation Bond is sold, an amount equal to the funds required to meet the principal and interest payments for the highest maturity year of the bond issue is deposited in the Debt Service Reserve Account to provide added security for the bondholders.

In the early years of the program, the Legislature desired to implement more projects than could be supported by Fund revenues; and, therefore, legislation was enacted to transfer General Fund Revenues to the STF. These transfers only occurred in FY86 and FY87, when $25 million and $10 million, respectively, were transferred. Each transfer included a listing of specific projects to be financed with the transferred resources. Also, $18.3 million was transferred from the Parkway Toll Fund to the STF in FY86, to finance the removal of tolls and associated highway work. In FY95, a one-time credit of $14.3 million was posted to the Fund as the result of bond defeasance for bonds that were issued in 1984. In FY98 and FY2000 respectively, $3.0 million and $16.8 million were transferred from the Debt Service Refund to the STF due to bond refunding activities.

Two major new pledged revenues have been incorporated into the STF revenue streams recently. During the 1997 legislative session, a portion of the receipts, from the oil company tax were pledged. This would contribute $20 million in FY99 and $36 million annually thereafter. In 1998, legislation was passed to pledge a portion of the DMV collected sales tax on vehicle sales. This would contribute $10.0 million in FY2000, $20.0 million in FY2001, $30.0 million in FY2002, and $40.0 million annually thereafter. During the 2000 legislative session these two provisions were modified; so that, effective July 1, 2000 all DMV collected sale tax on vehicle sales and $46.0 million annually from the Oil Company tax will be deposited in the STF. A unique feature of the Fund was that when it was established, not only were existing revenues from certain taxes and fees dedicated to the Fund, but rate increases scheduled throughout a ten-year future period were also enacted. This ensured that the pledged revenues would be sufficient to sustain the substantial transportation investments that were planned and to meet the operating cost of the Department and all the services it provides. This multi-year philosophy has been continued in all the revenue changes that have been enacted.

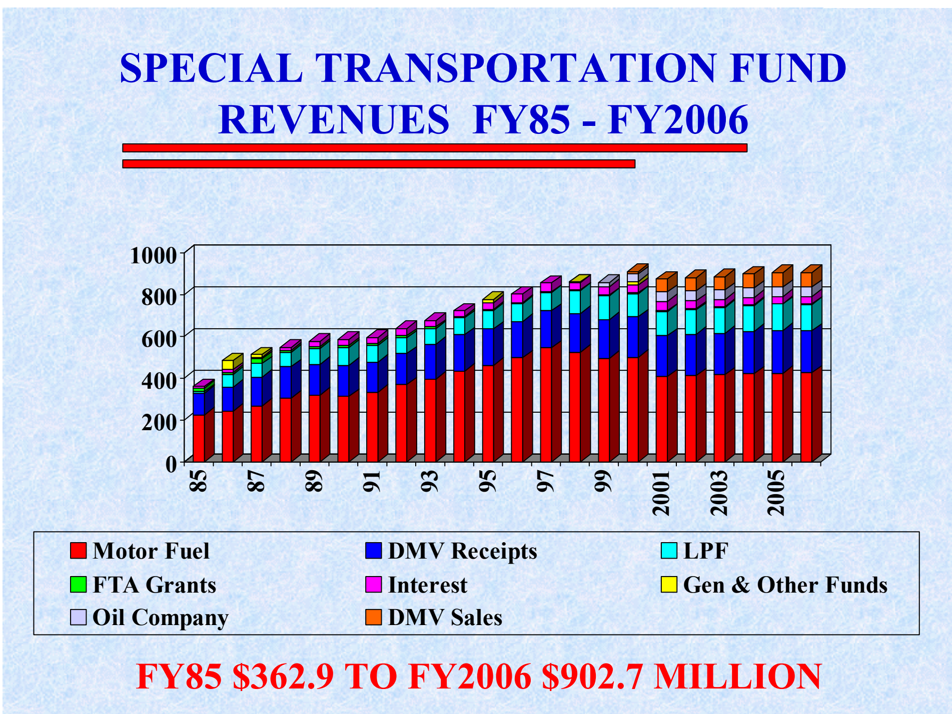

Figure IV- 3. Special Transportation Fund Revenues, FY85–FY2006

Revenues have grown from $362.9 million in FY85, the first year of the Fund, to an estimated $879.0 million for FY2002. This is an increase of $516.1 million or 142**%** in eighteen years. These revenues have been necessary to finance the expenses assigned to the Fund.

STATE FUNDING: SPECIAL TRANSPORTATION FUND

Expenses

Just as the revenue picture has changed with time, so has the expense side of the equation. **Figure IV-4** lists the major expense categories that are assigned to the Fund. The first call on all resources of the STF is Debt Service, i.e., principal and interest payments, on Special Tax Obligation Bonds (STO) issued for transportation infrastructure purposes. To date, over $5.3 billion in bond authority has been enacted by the legislature. Of this amount, almost $4.7 billion has been issued. STO Debt Service has grown from $12.6 million in FY85 to over $380.7 million in FY2002. Even if no new authorizations were provided, STO Debt Service would continue to grow until all of the authorized bonds are issued.

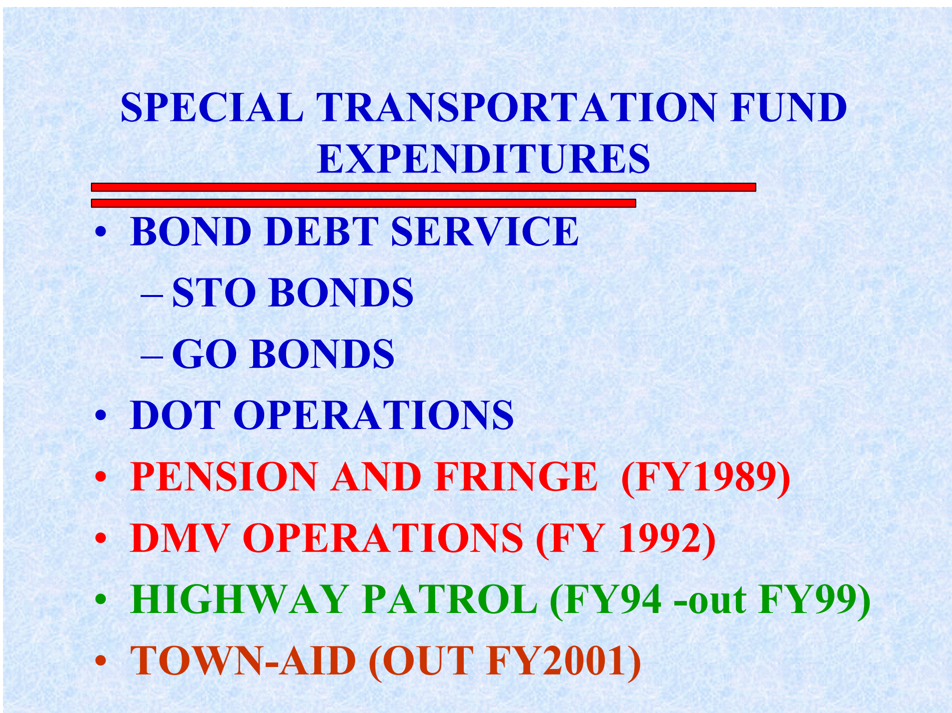

Figure IV- 4. Special Transportation Fund Expenditures

When the Fund was established on July 1, 1984, all debt service on outstanding and still to be issued General Obligation (GO) transportation-related bond authorizations were assigned as an expense against the STF. In FY85, the transportation-related GO Debt Service was $105.3 million. For FY2002 it is estimated to be $21.1 million.

The operating cost of the DMV was not originally assigned to the STF. However, for FY92, the General Assembly passed legislation transferring the financing of the DMV from the

General Fund to the STF. In FY92 the cost was $35.7 million and in FY2002 it is estimated to be $52.4 million.

The operating cost for the Department of Public Safety's Highway Patrol function was not originally assigned to the STF. However, for FY94, the General Assembly passed legislation transferring the financing of the operations for the Highway Patrol function from the General Fund to the STF. In FY94, the cost was $37.5 million, and in FY98, the cost was $46.0 million.

In FY89, the General Assembly transferred the cost of Department of Transportation employee pension and fringe benefits from the General Fund to the STF. In FY89, pension costs were $29.7 million and fringe benefits including health insurance, social security tax, and group life insurance, cost a total of $17.5 million. In FY92, when the DMV was added, its employee pension and fringe benefit costs of over $12.4 million were also assigned to the Fund. In FY94, the pension and fringe benefit costs for the Highway Patrol function were also assigned to the Fund. When the General Assembly enacted the gasoline tax reduction in 1997, they also passed legislation to remove the direct costs for Highway Patrol as an expense of the STF effective FY99 and deleted the associated pension and fringe benefit costs effective FY2000.

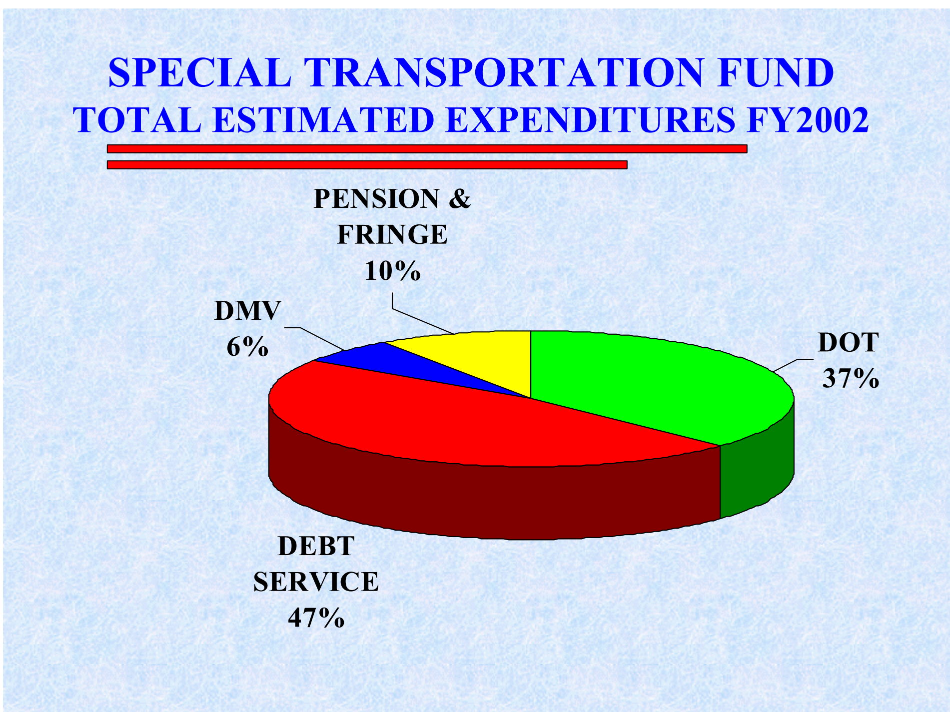

Figure IV- 5. Special Transportation Fund Total Estimated Expenditures FY2002

The FY2002 estimated total cost of debt service equals over $401.8 million or 47% of the STF appropriations for the year.

Of the estimated $ 844.3 million of STF total expenditures for FY2002, $319.3 million will be used to support the operations of the Department of Transportation and all the services it provides. Of the $319.3 million, about $143.7 million will be used to operate the New Haven Line rail passenger service, the Shore Line East rail service, the fifteen urban bus services, the five rural bus services, to support Dial-A-Ride services, and to provide the financial support required for Americans with Disabilities Act (ADA) services. This represents 44% of the Department's STF appropriation.

The Personal Services cost of the Department for FY2002 is estimated at $123.9 million. This covers the salaries of the 3,629 positions authorized for the Department; all overtime including overtime for snow and ice removal, paid vacation, holidays, and sick leave for all employees. This represents 39% of the Department's appropriations.

The category "Other Expenses" includes the following costs: the Department's utility costs for its 153 occupied buildings and additional 635 structures, the cost of salt and sand for snow and ice removal, the cost of contracting for 257 private contractor trucks and drivers to augment the Department's fleet of 632 trucks for snow and ice removal, the cost of repair parts for the Department's 2,260 pieces of highway maintenance equipment, the cost of vehicles used by Department personnel to perform their assigned duties and responsibilities, the cost of software licenses and general office operating costs. For FY2002, these costs are estimated at $ 31.2 million.

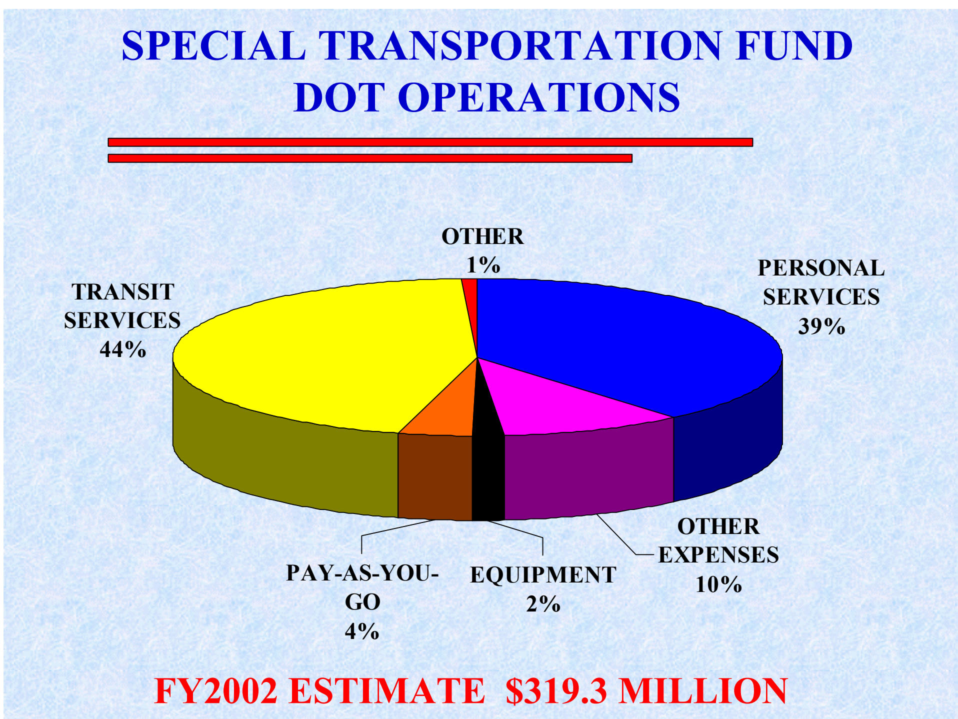

Figure IV-6 . Special Transportation Fund DOT Operations

Town Aid provides grants to towns and unconsolidated cities and boroughs for unimproved roads, improved roads, and operating public transit services. The grants are distributed based upon a formula that has evolved through the legislative process over the last 60 years. Town-Aid was financed from the STF since the Fund was established. Beginning with FY2001, Town-Aid will be a General Fund appropriation to the Department. For FY2002, $35.0 million will be distributed in two equal payments in July and January.

The Highway and Bridge Renewal funding provides for the financing, on a pay-as-you-go basis, of safety projects, highway liquid surface treatment projects, bridge painting, and highway maintenance activities like: mowing, line painting, road sweeping, pot hole patching, guide rail replacement, crack sealing, tree trimming and other activities.

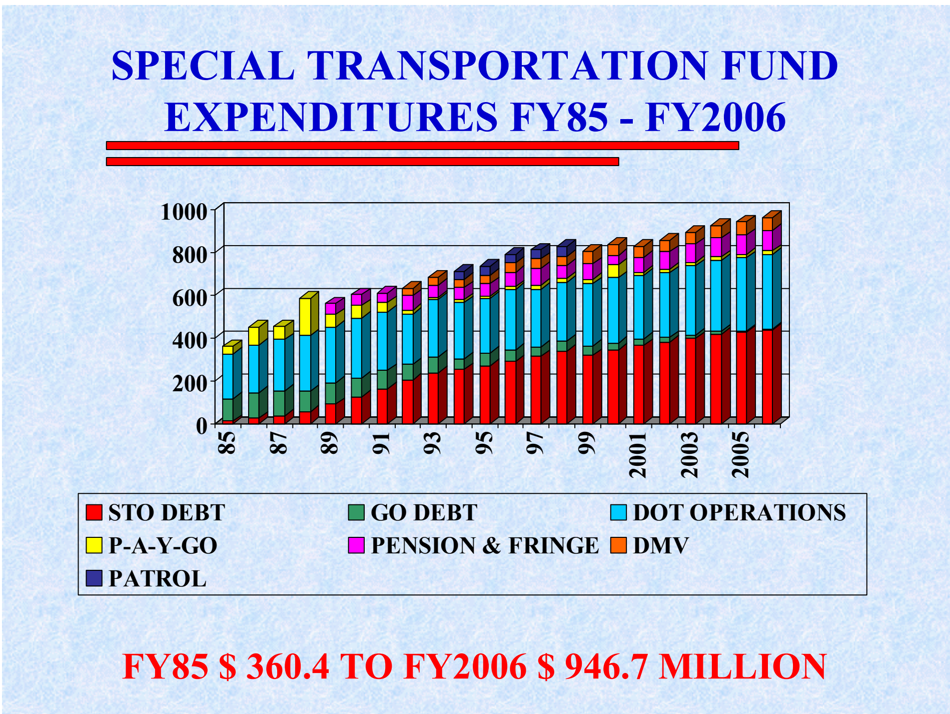

Figure IV- 7 Special Transportation Fund Expenditures FY85–FY2006

In FY85, total expenditures were $360.4 million; for FY2002 they are estimated at $ 844.3 million. This is an increase of $483.9 million. Total debt service has grown from $118 million at the beginning of the program to $401.8 million in FY2002, an increase of $283.8 million or 241%. Subsidy requirements for the State's bus and rail passenger operations have increased by $78.6 million, from $65.2 million to $143.7 million, or a 120**%** increase. With Town-Aid and transit costs removed, the balance of the Department's annual operating budget has only increased by $26.0 million in eighteen years. With the exception of the increase in transit funding, the Department's budget has had almost no growth over the eighteen -year period. The Pay-As-You-Go program has been reduced from $33.5 million to $12 million, a reduction of $21.5 million or 64**%**. **Figure IV-7** provides a profile of STF expenditures for the eighteen-year history of the Fund.

STATE FUNDING: SPECIAL TRANSPORTATION FUND

Fund Balance

Although revenues and expenses have changed over time, the Fund has always been managed to ensure that it stays in a positive cash position. **Figure IV-8** identifies the Cumulative Fund balance for each year of the Fund. When the Fund had the capacity to do more, the program was expanded or took on expenses that previously were in the General Fund. Any time that revenues began to decline, expenses were trimmed. For FY97 – FY99, the cumulative Fund balance in excess of $20.0 million was transferred to the Treasurer for STF debt service reductions.

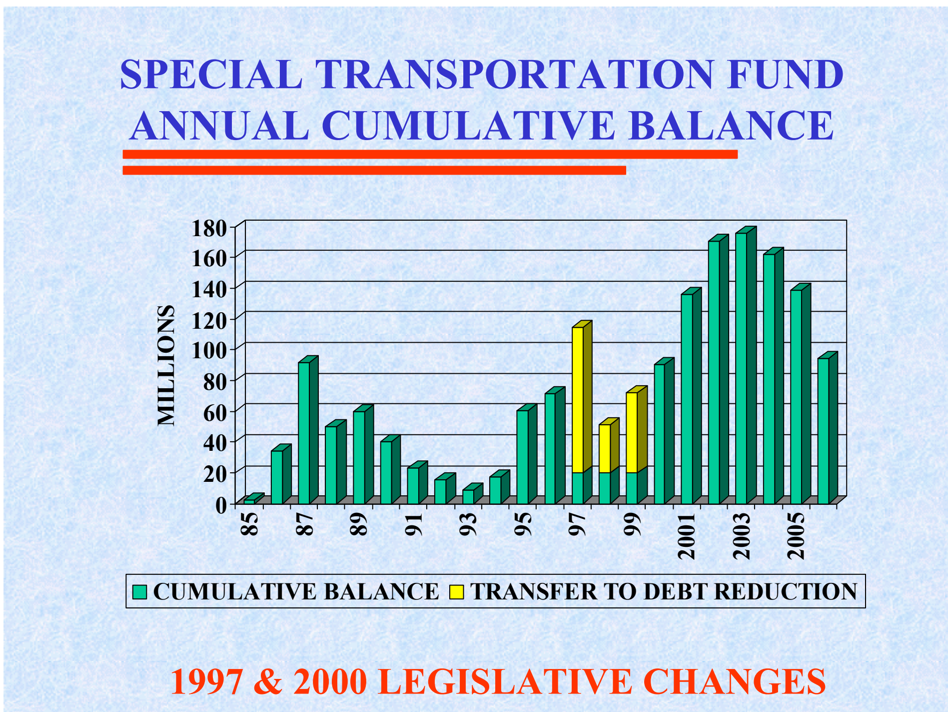

Figure IV- 8. Special Transportation Fund Annual Cumulative Balance

STATE FUNDING: SPECIAL TRANSPORTATION FUND

Infrastructure Investment

As shown previously, STO Debt Service has experienced the greatest growth since the establishment of the Fund. This growth has allowed the State to make a $12.9 billion investment in restoring and improving all elements of the transportation infrastructure. The capital program is composed of 17 program elements that are listed in **Figure IV-9**.

CAPITAL PROGRAM CATEGORIES

1. INTERSTATE
2. INTRASTATE
3. INTERSTATE TRADE - IN
4. STATE BRIDGE
5. LOCAL BRIDGE
6. ORPHAN BRIDGE*
7. NOISE BARRIERS*
8. TRANSIT
9. AVIATION
10. RESURFACING
11. DEPT. FACILITIES
12. SAFETY
13. STP/URBAN SYSTEMS
14. OTHER ROAD & BRIDGE
15. HAZARDOUS WASTE*
16. SPECIAL PROJECTS*
17. WATERWAYS*

*PROGRAMS ADDED

Figure IV- 9. Capital Program Categories

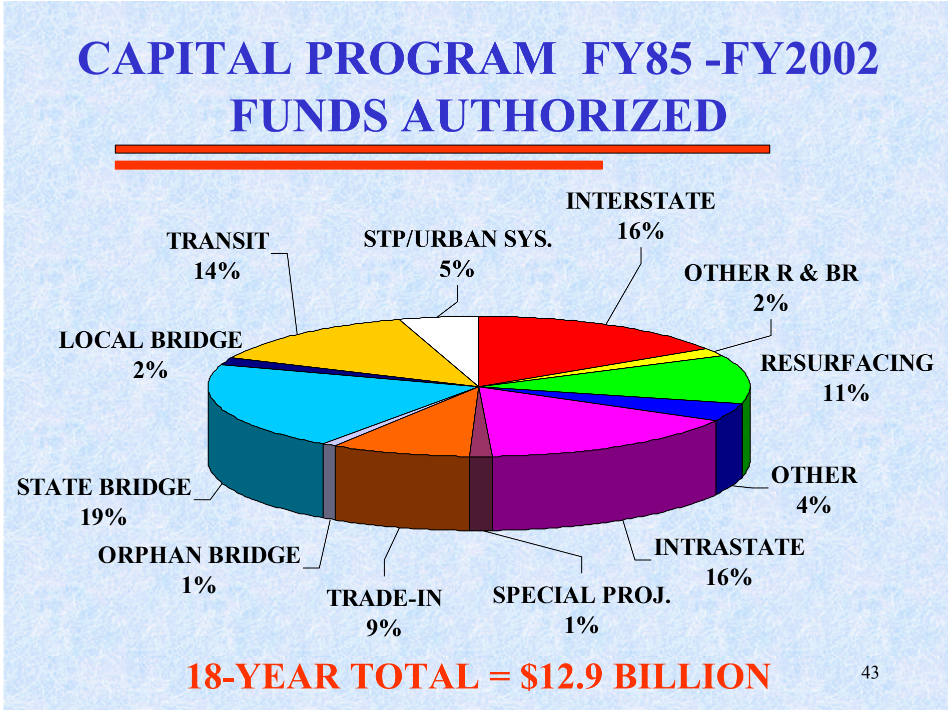

Figure IV- 10 Capital Program FY85 – FY2002 Funds Authorized

Figure IV-10 identifies the distribution of funding to each of the program categories. At more than $2.6 billion, the State Bridge Program has received the highest level of funding. These resources have been used to rehabilitate, restore**,** replace or repair over 3181 of the,3743 bridges the State maintains under this program, with 205 more to be completed in FY 2002.

Transit investments have totaled over $1.7 billion. They have facilitated the following: the purchase of 124 rail passenger cars, and 24 locomotives; the first overhaul of 122 M-2 rail passenger cars; the construction of 3,195 parking spaces on the New Haven Line and 488 on the Shore Line East; the rehabilitation of 38 high level rail passenger platforms; the initiation of the Shore Line East Service; the conversion of the New Haven Line's electrical power supply; the replacement of the New Canaan Branch catenary system; the rehabilitation of railroad bridges; the replacement of the Peck Moveable Rail Bridge in Bridgeport; the restoration of track and signal systems; the construction of rail maintenance facilities in New Haven, Bridgeport and Stamford; various ADA rail station improvements; the purchase of Connecticut's portion of the New Haven rail line rights-of-way; the construction of bus storage and maintenance facilities in Bridgeport, Danbury, Hartford, New Haven, Milford, Norwalk and Stamford; the construction of center island passenger boarding platforms at Stamford station; the reconfiguration of the New Haven interlocking; initiation of the New Haven main line catenary replacement program; initiation of a second comprehensive M-2 rail passenger car overhaul program; construction of a new Shore Line East/Metro-North rail station at State Street in New Haven; rail car storage expansion at New Haven yard; and the replacement of the state's inventory of over 900 transit buses.

The $1.4 billion resurfacing program has allowed the Department to resurface an average of 435 two-lane miles of the state highway system each year of the program.

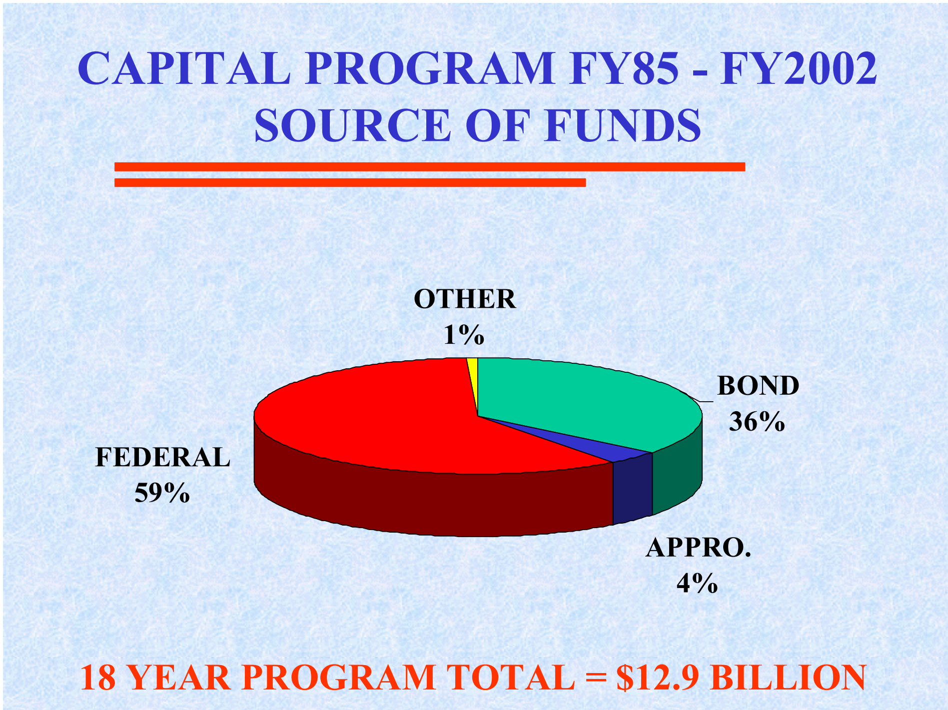

Figure IV- 11. Capital Program FY85 – FY2002 Source of Funds

Federal funds provided $7.7 billion, STO bonding equaled $4.6 billion, appropriations were $506.8 million, and other matching funds equaled $110.5 million. **Figure IV-12** shows the Annual Capital Program funding level for each year of the program.

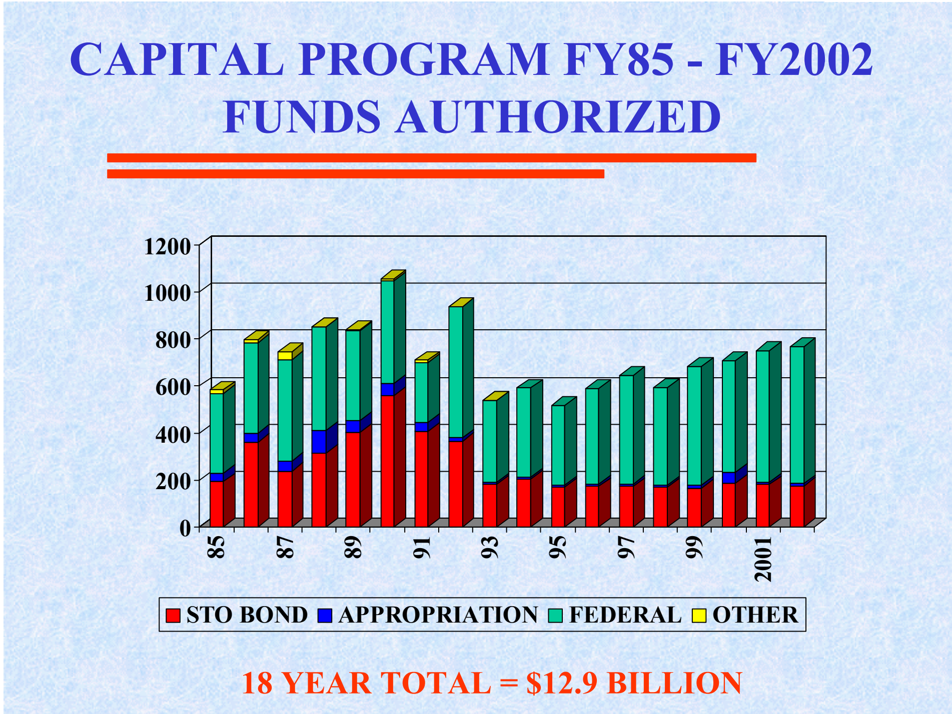

Figure IV-12 Capital Program FY85–FY2002: Sources of Authorized Funds