



**Testimony on House Bill 7202 & Governor’s Bill 7280 (acts relating to the institution of tolls on Connecticut highways)**

Submitted by Carol Platt Liebau, President and Scott Shepard, Policy Director

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Good afternoon. The following testimony is submitted by Carol Platt Liebau, President of the Yankee Institute for Public Policy, and Scott Shepard, the Policy & Research Director. We submit this note in opposition to **House Bill 7202 & Governor’s Bill 7280**.

Tolls are usually imposed in order to fund a specific expansion of the transportation network: a new or expanded bridge or highway for instance. At a stretch it can be justified by the rebuilding or reconstruction of a specific, major project. These sorts of tolls can meaningfully be regarded as user fees, and they can in the right circumstances make a great deal of sense.

Those are not the kind of tolls that the state currently contemplates. Instead, it aims to toll the major highways in the state not for targeted expansion or modernization of those roads themselves, but rather to fund the transportation budget of the state generally.<sup>1</sup> This is unprecedented.<sup>2</sup> It’s so unprecedented that it’s not entirely clear that the federal government will approve the idea.<sup>3</sup> But despite the untried and potentially doubtful nature of this plan, the Governor has proposed it as an alternative to another potentially equally legally questionable plan – the plan on which the Governor explicitly ran – for the tolling of the state’s highways only for commercial trucks. He has retreated from the trucks-only plan, he has explained, exactly because he fears that the trucks-only plan will limit the state to spending the money on specific, unique transportation-construction projects.

In other words, the trucks-only plan is disfavored *because* it would work as a user fee rather than as a general transportation-revenue source. That is to say, the favored, all-vehicles plan is favored *specifically because it is in effect another broad tax on the people of Connecticut*.

As a tax, tolls suffer from the sort of defects that would usually be thought debilitating and disqualifying. They are uniquely expensive taxes to collect, requiring costly gantry erection and

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<sup>1</sup> See Mark Pazniokas, *Feds Call Connecticut’s Statewide Tolls Proposal “New Territory,”* CTMIRROR (Feb. 25, 2019).

<sup>2</sup> See *id.*

<sup>3</sup> See *id.*

maintenance.<sup>4</sup> They are, because of those gantries, environmentally unfriendly and aesthetically unpleasing. They are highly regressive, falling most heavily on the working poor – particularly those who, in order to find affordable housing, are obliged to live fairly far from where they work. They add to the cost of doing business in Connecticut and make Connecticut a less desirable place from which to commute.<sup>5</sup> They will require retention of information about the travel of private individuals that will be susceptible to abuse. They are, in short, a very bad idea.

We have been told that tolls on all traffic are vital to plug a massive hole in the transportation budget. But this hole will exist, if at all, only if the legislature goes along with the governor's plan to halt the transfer of car sales taxes from the general fund into the special transportation fund. If that transfer continues as planned, the transportation fund will remain essentially fully funded into the projected future. This manufactured "crisis" does not, *pace* the governor's circular claim in his budget,<sup>6</sup> demonstrate that the car sales tax transfer to the special fund was somehow illegitimate. Instead, it illustrates in stark relief that – because of the fungibility of money illustrated by the halting of this transfer itself – tolling is nothing more than a massive new tax for the ultimate benefit of the general fund.

Connecticut has been wracked with wave after wave of new taxes for the last decade. Every round of tax hikes has hurt Connecticut's long-standing and once well-deserved reputation as a good place to live, to work, to run a business and to raise a family. The state is now ranked last or near last in a host of different economic categories. Our population declines.<sup>7</sup> Our home prices decline.<sup>8</sup> Our economy declines.<sup>9</sup> Very recently Warren Buffet – hardly an ideological

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<sup>4</sup> See Rich Scinto, *New Tolls Cost Released: Here's How Much and Where They Could Be*, CONNECTICUT PATCH (Nov. 17, 2018).

<sup>5</sup> Compare real user-fee tolls to the sort contemplated in these bills. A new toll road from Fairfield County into New York City, or around and through the Hartford area that *supplemented* the existing highway network would offer commuters the chance either to pay for speedier transport on recently designed roads or to continue as they have traveled before. This sort of tolling represents a genuine user fee and increases travel opportunities and traveler choices. These extra choices *improve* the business environment in Connecticut. But merely adding what is in effect yet another tax just to maintain and get back to a level of reasonable safety the transportation network we already have will on net just make Connecticut that much less attractive as a place to live or to work.

<sup>6</sup> See *Governor Lamont's 2020-21 Budget*, Office of Policy and Management 10 (Feb. 2019) ("The enacted transfer of car sales tax into the STF is scheduled to phase-up to 33 percent in FY 2020, reaching 100 percent by FY 2023. Governor Lamont's proposal is to freeze the transfer of the car sales tax at the current rate of 8.0 percent and maintain the existing 0.5 percent of General Fund sales tax revenues devoted to the STF. This proposal acknowledges this was never a comprehensive, sustainable solution for both the General and Special Transportation funds.").

<sup>7</sup> See Matthew Kauffman, *Surprise! People are Moving Out of Connecticut*, HARTFORD COURANT (Jan. 3, 2018).

<sup>8</sup> See *These are the Only Connecticut Towns Where Home Prices have Returned to Pre-Recession Levels*, HARTFORD COURANT (May 21, 2018).

<sup>9</sup> See Gabriel Klapholz, *Connecticut Economy Still Lags Behind Region*, YALE DAILY NEWS (Sept. 18, 2018) (citing Bureaus of Economic Analysis and Labor Statistics).

foe of Connecticut’s progressive program – has warned people and businesses away from locating in states like Connecticut gripped by debt and unfunded obligations.<sup>10</sup>

In the face of all these considerations, we are dismayed that the Governor’s recent budget retreats from his campaign promises to provide a new, financially hard-headed kind of leadership for Connecticut. Following recent precedent, the budget makes no real effort to reduce the costs of government; instead it just continues the trend of raising more revenue from the state’s already heavily burdened citizens. This is unacceptable.

Transportation projects in Connecticut cost more than in 46 other states.<sup>11</sup> Our administrative costs for these projects are *the highest in the country*.<sup>12</sup> Our gas taxes are the sixth highest.<sup>13</sup> Connecticut is already a very highly taxed state overall.<sup>14</sup> Enough is at long last enough.

We urge the committee and, beyond this chamber, the administration to abandon its effort to manufacture a transportation-funding crisis. Allow the transfer of the car sales tax to the transportation special fund to proceed as promised. Close the gap that this will create in the general fund by *cutting spending* and long-term obligations in a real, meaningful way. At the same time, cut Connecticut’s transportation spending to bring it in line with – perhaps to the average of – other similarly situated states.

Then, and only then, when the state has shown real and sustainable spending discipline, might the state reasonably start looking to collect *real* user fees for *expansions* of transportation facilities and capacities in the state. The state should pick projects that will actually benefit the people of Connecticut and make the state more attractive to businesses and families. This will be demonstrated by the fact that objective and unbiased peer-reviewed and fully transparent studies will demonstrate in advance that the user fees will *successfully pay for the new projects in full*. If the fees won’t pay for the projects, then the projects are in fact boondoggles. They should not be commissioned until they will pay for themselves; if they will never pay for themselves, they should not be commissioned.

The fundamental illegitimacy of this toll proposal is underscored by the “deemed approved” provision of **House Bill 7280**.<sup>15</sup> The sponsors of this bill are aware that good government requires that costs be cut – that Connecticut should no longer have the highest administrative and some of the highest total transportation costs in the country – before the people of Connecticut be asked to pay even a penny more. Rather than working to reduce those insupportable costs of government or, with the courage of their convictions, to agree to stand up and vote for this

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<sup>10</sup> See Jacqueline Pitts, *Warren Buffett Warns Companies to Avoid States with Unfunded Pension Liabilities*, LANE REPORT (Feb. 26, 2019).

<sup>11</sup> See *Connecticut Ranks 46th Overall in Highway Performance and Cost-Effectiveness*, REASON FOUNDATION (Feb. 8, 2018); Marc E. Fitch, *Connecticut DOT strikes back at Reason Foundation’s study, but strikes out*, YANKEEINSTITUTE.ORG (Feb. 22, 2018).

<sup>12</sup> See *id.*

<sup>13</sup> See *id.*

<sup>14</sup> See Stephen Singer, *Report: Connecticut Ranks Second in Tax Burden*, HARTFORD COURANT (March 13, 2017).

<sup>15</sup> See House Bill 7280 (2019) at 3.

further burden on the people of Connecticut, this proposal gives the General Assembly the easy way out: to “deem approved” the tolls established by the toll commission without actually having to vote for them. The only explanation for this subterfuge can be that the sponsors of the bill know that this toll proposal, in the absence of pre-achieved savings, is both illegitimate and politically dangerous. This should cause them to desist. Instead, they merely duck.

For all of these reasons, Yankee Institute opposes these toll bills, and calls for the legislature to bring the state’s spending into line. Not one cent more until they do.