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# *FISCAL FLAPDOODLE*

## *Governor Rell's Five Budget Myths*

One month ago, Governor M. Jodi Rell announced her budget for the 2008 and 2009 fiscal years. The cornerstone of her plan is a 10 percent hike in Connecticut's income tax, designed to expand subsidies to the state's school districts. Other highlights include a new program for citizens who lack health insurance and further subsidies to the state's transit services.

Herewith, an examination of the five most fallacious claims being made to justify the Rell administration's budget -- as well as suggestions for taxpayer-friendly policy alternatives.

**MYTH ONE: Higher spending will boost the achievement levels of Connecticut's students.**

**REALITY CHECK: For over four decades, research has shown that funneling more tax revenue to government schools does not improve student performance.**

Claiming to "sound a clarion call on behalf of our children," in her February 7 budget address the governor announced her intention to make "the single largest investment in education in Connecticut history: 3.4 billion new dollars over the next five years."

Unfortunately, Rell has chosen to ignore overwhelming evidence that the relationship between educational inputs and outputs is flimsy.

As far back as the 1960s, intellectually honest researchers began to doubt the value of greater subsidies to government schools. The Civil Rights Act of 1964, a key component of President Lyndon B. Johnson's "Great Society," mandated a study of the revenue devoted to black and white government-school students. At the time, conventional wisdom assumed that sociologist James Coleman, who undertook the study, would provide bulletproof, empirical data showing that the educational achievement gap between blacks and whites was the result of greater school spending in white districts. But Coleman's report did nothing of the sort. Instead, it concluded:

> *Per-pupil expenditures, books in the library, and a host of other facilities and curricular measures show virtually no relation to achievement if the social environment of the school -- the educational backgrounds of other students and teachers -- is held constant. … Altogether, the sources of inequality of educational opportunity appear to lie first in the home itself and the cultural influences immediately surrounding the home; then they lie in the school's ineffectiveness to free achievement from the impact of the home, and in the school's cultural homogeneity which perpetuates the social influences of the home and its environs.*[1]

Over a quarter century after Coleman's study, a similar analysis reached the same conclusions. In 1993, researchers at the Educational Testing Service's Policy Information Center studied the effect of non-classroom factors on student achievement. They found that 91 percent of the difference among the performance of the states' schools could be explained by five factors, including the amount of time students spent watching television, number of pages students read for homework, and the presence of two parents in students' homes.[2]

Five years later, education scholar Eric A. Hanushek found that since the Coleman report, "a steady stream of analyses" have concluded that "there is no strong or consistent relationship between school resources and student performance."[3]

Unfortunately, the politicians who run school districts have paid little heed to these findings. According to the U.S. Department of Education, in inflation-adjusted dollars, per-pupil spending more than tripled between 1960 and 1996.[4]

The money continues to flow, but the data continue to show no link between additional revenue and higher scores. In 2001, the Heritage Foundation made a comparison of states that spent different amounts of money, but received vastly different results:

*High Expenditures/Low Achievement*

> *District of Columbia: 3rd Highest in Expenditures, Last in Achievement*
> *Delaware: 8th Highest in Expenditures, 26th out of 40 in Achievement*

*High Expenditures/High Achievement*

> *Connecticut: 4th Highest in Expenditures, 1st in Achievement*
> *Massachusetts: 7th Highest in Expenditures, 4th Highest in Achievement*

*Low Expenditures/Low Achievement*

> *Mississippi: 50th out of 51 in Expenditures, 36th out of 40 in Achievement*
> *New Mexico: 49th out of 51 in Expenditures, 35th out of 40 in Achievement*

*Low Expenditures/High Achievement*

> *Montana: 25th out of 51 in Expenditures, 2nd Highest in Achievement*

*Colorado: 31st out of 51 in Expenditures, 8th Highest in Achievement*[5]

The Yankee Institute has documented Connecticut's misguided experiment in higher government-school spending in a number of ways. For example, adjusted for inflation, Connecticut devoted $3.4 billion of tax revenue to elementary and secondary education in 1981. Twenty years later, that figure had *more than doubled*, to $7.2 billion -- despite enrollment growth of less than 10 percent.[6]

Only the most hard-core defenders of the education bureaucracy would claim that the state's K-12 school system improved in that time. In fact, a recent analysis by the American Legislative Exchange Council, which analyzed a number of assessments in the states' primary and secondary schools, contained a disturbing finding for Nutmeggers who are accustomed to thinking of their state as an educational leader. Connecticut ranked 17th in the nation -- bested by states from the Midwest (Ohio, Minnesota), Mountain West (Montana, Wyoming), Pacific (Washington, Oregon), New England (New Hampshire, Vermont), and mid-Atlantic (New Jersey, Virginia) regions.[7]

A 2005 Yankee Institute analysis of the cost-effectiveness of the state's government-school districts found "no positive relationship between high spending and high student achievement." It concluded:

> *Once a certain level of school funding has been achieved, additional spending results in little, if any, improved student performance. Thus, increasing school spending beyond a certain point is unproductive. Indeed, it is counterproductive, because the additional revenue taken from taxpayers in the school district and throughout the state damages the economic vibrancy needed to fund children's education and provide employment opportunities for them when they leave school.*[8]

The Rell administration should abandon its faith in the spend-more-money myth and embrace true education reform that controls costs and improves achievement through the injection of competition. Proposals worth consideration include: lifting the burdensome restrictions on charter schools, providing private-school scholarships to parents of special-needs children (a practice that has proved very popular in Florida), providing private-school scholarships to foster children, and testing pilot voucher programs in distressed urban areas.

It's worth noting that in addition to misguided K-12 policies, the governor's preschool and higher-education initiatives are also unsound.

While the Rell administration has long extolled the benefits of "early childhood education," researchers from outside the education establishment seriously doubt the value of preschool. As a recent Pacific Research Institute report concluded, "the case for government-run universal preschool is based on selective, limited, and nonexistent evidence."[9]

A 2004 National Bureau of Economic Research paper found that preschool "increases reading and mathematics skills at school entry, but also increases behavioral problems and reduces self-control. Furthermore, the effects of prekindergarten on skills largely dissipate by the spring of first grade, although the behavioral effects do not."[10]

In a 2005 paper, education scholar Darcy Olsen found

> *strong evidence that the widespread adoption of preschool … is unlikely to improve student achievement. For nearly 50 years, local, state, and federal governments and diverse private sources have spent billions of dollars funding early education programs. Some early interventions have had meaningful short-term effects on disadvantaged students' grade-level retention and special education placement. However, the effects of early interventions routinely disappear after children leave the programs. The phenomenon known as "fade out" is important because it means that early schooling may be immaterial to a child's later school performance, or that the current school system as structured is unable to sustain those early gains.*[11]

Even Thomas Gaffey, a liberal state senator from Meriden and an architect of 1997's "School Readiness Act," now has doubts about the value of early-education programs. In 2006, Gaffey told the *New Haven Register*: "All we've heard from day one is expanded preschool is a great investment; you get higher test scores, better retention, better outcomes. I recently looked over the fourth-grade mastery test results of the cohort of students that had the advantages of preschool and early reading intervention. We've had a decline in mastery test scores for the third year in a row. It begs the question: What's going on here?"[12]

As for higher education, the governor's desire to provide aid and scholarships for thousands of additional students may be well-intentioned, but it ignores the biggest problems facing the University of Connecticut and the state's four regional universities: runaway costs, students who arrive unprepared for college-level work, and a disturbingly high dropout rate.

For every dollar students at Connecticut's government-run institutions of higher learning pay in fees and tuition, taxpayers "contribute" four.[13] A robust debate over Connecticut's rush to fund even more high-education spending is long overdue, but it appears that debate will not be sparked by the Rell administration.

**MYTH TWO: A higher income tax will make property-tax relief possible for overburdened local taxpayers.**

**REALITY CHECK: There is no evidence that increasing taxation at the state level leads to property-tax relief, and the governor has not offered any plan that would require municipalities to lower their mill rates if state aid to local governments in increased.**

In her budget address, Rell claimed "while we are increasing the income tax rate we are substantially increasing state aid to education and providing property tax relief."

A look back at Connecticut fiscal history exposes this claim as deeply naïve. In 1991, Connecticut adopted a broad-based tax on all wages, salaries, and investment income. Many assumed that a large portion of the flood of new revenue now headed toward Hartford would be sent to local governments, and thus significantly curb the state's high property taxes. As Table 1 indicates, between 1991 and 2005, real property-tax collections grew 26.3 percent, far in excess of the state's tepid population growth.

**Table 1**
**Connecticut Property-Tax Revenue (CPI 2005)**

| | |
|---|---|
| 1991 | 5.56 |
| 1992 | 5.75 |
| 1993 | 5.84 |
| 1994 | 5.85 |
| 1995 | 5.84 |
| 1996 | 5.81 |
| 1997 | 5.85 |
| 1998 | 5.88 |
| 1999 | 5.96 |
| 2000 | 5.97 |
| 2001 | 6.10 |
| 2002 | 6.37 |
| 2003 | 6.66 |
| 2004 | 6.86 |
| 2005 | 7.02 |

Source: "Connecticut Municipal Fiscal Indicators," various editions, Office of Policy and Management (inflation adjustment from online calculator of the Federal Reserve Bank of Minneapolis)

Since the *adoption* of an income tax did not provide property-tax relief, it is unlikely that another hike in the income tax's rate will. In addition, the Rell administration has yet to explain exactly how local governments will be made to cut their mill rates. One news account of a meeting Rell had with the capitol media 10 days after her budget address reported that the governor's property-tax relief legislation was not yet developed, and "advocates for towns and some legislators say they doubt that any requirement for across-the-board property tax cuts or freezes … is even possible."[14]

Runaway local-government spending is the cause of high property taxes -- not insufficient revenue from Hartford. Missing from the governor's spending plan is any reform of the major municipal cost driver: state mandates. Legislators have placed more than 700 requirements on Connecticut's municipalities -- a 2002 report documenting all state mandates ran more than 500 pages long.[15]

Employee compensation accounts for the bulk of municipalities' budgets. As Table 2 shows, pay for Nutmeg State public-sector positions is substantially superior to that of similar work in the private sector.

**Table 2**
**Hourly Wages, Hartford Region, 2004**

| | public sector | private sector |
|---|---|---|
| white collar | 34.52 | 26.63 |
| blue collar | 20.63 | 16.87 |
| service | 20.25 | 11.37 |

Source: Bureau of Labor Statistics

Reining in outrageously out-of-whack compensation could be easily addressed by "anti-mandates," a concept being developed by the Yankee Institute. For example, a requirement that municipal employees pay at least 30 percent of their healthcare premiums would be an effective way to restrain local spending. Many local-government officials, seeking to placate Big Labor, sign expensive “project labor agreements” that require union-only contractors to bid on construction projects.[16] State aid for such expenditures could be eliminated -- a measure that would cut costs at both the state and local levels.

We have seen how the Rell administration’s attempt to swap a higher income tax for sure-to-be-illusory “relief” from property taxes does nothing to address local-government spending in Connecticut. But the proposal is also problematic for another reason: It distracts attention from the urgent need to reduce Connecticut’s tax burden at *both* the state and local levels.

The Nutmeg State has the highest tax burden in the nation -- 35.9 percent of personal income earned in Connecticut is seized by governments at the local, state, and federal levels.[17] While there is little the governor and legislators can do about the state’s federal tax burden, they control state and local fiscal policy entirely. As Table 2 indicates, the percentage of personal income devoted to state and local taxes has risen by 17.7 percent in the last two decades.

**Table 3**
**Percentage of Connecticut Personal Income Devoted to State-Local Taxes**

| | |
|---|---|
| 1986 | 9.6 |
| 1987 | 9.7 |
| 1988 | 9.3 |
| 1989 | 9.4 |
| 1990 | 9.7 |
| 1991 | 10.5 |
| 1992 | 11.0 |
| 1993 | 10.9 |
| 1994 | 11.2 |
| 1995 | 11.4 |
| 1996 | 11.4 |
| 1997 | 11.5 |
| 1998 | 11.7 |
| 1999 | 11.5 |
| 2000 | 11.2 |
| 2001 | 10.8 |
| 2002 | 10.7 |
| 2003 | 10.8 |
| 2004 | 10.8 |
| 2005 | 11.3 |
| 2006 | 11.3 |

Source: The Tax Foundation

Connecticut desperately needs elected officials who make tax *relief* -- not a tax *shift* -- a priority. Tax changes that fail to reduce the combined state and local tax burden do nothing to help Connecticut’s stagnant economy.

Few elected officials in Hartford may hold this view at the present time, but a substantial body of research has confirmed that tax burdens are negatively related to economic growth.

Starting in the 1970s and continuing through the following decade, economists and public-policy researchers documented the undesirable outcomes of high tax burdens. A study by Harris Bank *pioneered the research in the area of state and local taxes and economic growth. Robert Genetski and Young Chin calculated relative total tax burdens and relative personal income gains for all 50 state in their groundbreaking 1978 study "The Impact of State and Local Taxes on Economic Growth." They demonstrated that states that increased their tax burdens experienced lower rates of personal income growth.*[18]

Analysis throughout the 1980s mirrored these results. A study by the congressional Joint Economic Committee concluded:

> *The evidence is strong that tax and expenditure policies of state and local government are important in explaining variations in economic growth between the states -- far more important than other factors frequently cited such as climate, energy costs, the impact of federal fiscal policies, etc. It is clear that high rates of taxation lower the rate of economic growth, and that states that lower their tax burdens are rewarded with an enhancement in their economic growth.*[19]

In the 1990s, this assessment continued to be confirmed by researchers. The Joint Economic Committee replicated its earlier findings in 1995, and a 1996 analysis by the Federal Reserve Bank of Atlanta found that "tax rates are negatively related to growth and are sufficiently variable over time to reasonably explain variations in growth rates."[20]

Research in the new century brought more corroboration for the theory that large state tax burdens stifle economic growth, drive workers and investment away, and fail to generate revenue that matches politicians' expenditure habits. For example, a 2001 U.S. Census Bureau report documented that three states with no income taxes generated the *largest* revenue gains between 1990 and 2000. Energy-related revenue growth played a role with two of the states -- Alaska and Wyoming -- but that wasn't the case for New Hampshire, which ranked at the very top.[21]

In 2002 an American Legislative Exchange Council (ALEC) report compared the economic performance of states since the recession of the early 1990s. Economist Stephen Moore discovered that the states which had relied the most on tax hikes to close fiscal imbalances "had among the worst subsequent rates of economic growth." In addition, "their budget problems persisted longer than states that did not raise taxes."

The ALEC report ranked the economic performance of the 50 states between 1990 and 2000. Connecticut placed 47th in population growth, 41st in real personal-income growth, and dead last in job creation.

"Governors attempted to enact 'soak the rich' tax hikes in the early 1990s," Moore concluded, "only to see their state plunge into even deeper pools of red ink and endure further economic downturn."[22]

In 2003, fiscal analyst Steven Slivinski observed that "forty years of evidence shows that comparative tax burdens matter. If a state has a higher tax burden than its competitor and neighboring states, it will be at an economic disadvantage by handicapping its potential for economic growth."[23]

"There is a clear relationship between state tax burdens and state economic health," notes CNBC host (and Connecticut resident) Lawrence Kudlow. "States with high and rising tax burdens are more likely to suffer economic decline; those with low and falling tax burdens are more likely to enjoy strong economic growth."[24]

**MYTH THREE: Big Government is "an investment in our future."**

**REALITY CHECK: Decades of research have documented the failures, unintended consequences, and perverse incentives of the welfare state. Furthermore, government spending is a significant impediment to economic growth.**

The governor used the words "invest" and "investment" over 20 times in her budget address. Leaving aside the question of how a politician can "invest" money that is not hers, it is clear that Rell is committed to the notion that public-sector spending is essential for a better society.

The governor "firmly" believes that her budget "will save billions of dollars and thousands of young lives for generations to come. It will save in terms of prisons we will not have to build, lower teen pregnancy rates, reduced high school dropout rates and more." But given the state's fiscal history, it is difficult to understand the governor's desire for a big-spending "new vision for Connecticut." As Table 4 shows, since 1970 real, per capita spending in Connecticut has quintupled.

**Table 4**
**Real, Per Capita Connecticut Spending (CPI 2005)**

| | |
|---|---|
| 1970 | $ 863 |
| 1980 | 1,823 |
| 1990 | 3,089 |
| 2000 | 3,797 |
| 2005 | 4,322 |

Source: Yankee Institute calculation, based on Office of Fiscal Analysis budget publications and U.S. Census Bureau data

As one survey of the "War on Poverty" observed, every expansion of the welfare state has "been rationalized as an 'investment' which would save money in the long run. But these 'investments' have led only to higher spending and escalating social problems."[25]

That is certainly the case in Connecticut, where many social pathologies -- particularly in the state's self-destructive urban centers -- remain intractable. For example, in the 1990s, Connecticut's poverty rate rose from 6.8 percent to 7.4 percent.[26]

A recent analysis by scholar Matt Ladner confirmed that "there are doubtlessly some who benefit from high state government spending, [but] the poor do not seem to be among them." Lander found that in the 1990s, the 10 states that spent the least per capita "enjoyed a sizable reduction in overall poverty rates." But the 10 states that spent the most per capita "not only failed to reduce poverty rates, but they actually suffered an *increase* in poverty rates of 7.3 percent." Ladner concluded that

> *despite the apparent complexity poverty poses to government agencies, economic growth has proven to be an effective tonic in reducing poverty. Private-sector growth*

*possesses much greater power in the fight against poverty than do government programs. Government spending beyond what is necessary to ensure law, order, and property rights provides limited economic returns. Although advocates justify high taxes for the sake of the poor and children, the truth of the matter is that taking money out of the private sector slows job creation and income growth. The economy then creates fewer private-sector employment opportunities, meaning there will be less competition for labor, both skilled and unskilled. Ultimately, those looking for the first rung on the economic ladder will be the most vulnerable victims of this process. The best antipoverty program is a four-letter word: jobs. Taxes and regulations destroy them.*[27]

Many researchers agree that Big Government doesn't just fail to deliver on its promises to cure social ills -- it damages economic growth. "Overall," economist Richard Vedder observes, "the evidence suggests that most states can substantially increase personal income growth by curtailing the growth of government spending."[28] The Heritage Foundation's Daniel J. Mitchell puts it more bluntly: "Simply stated, most government spending has a negative economic impact."[29]

**MYTH FOUR: Government should solve the "problem" of people who lack healthcare insurance.**

**REALITY CHECK: Connecticut's uninsured rate is well below the national average, and increased state involvement will further warp the state's troubled healthcare market.**

Even before her February budget address, the governor had begun to promote her "Charter Oak Health Plan," a program to "bring health insurance to thousands of additional Connecticut residents." Rell calls her proposal "a private-public partnership offering health insurance at an affordable group rate" that would impose "no cost to the State."[30] The plan will be open to any resident, regardless of income.

Efforts to address the problem of the uninsured are well-intentioned, but important policy data are often neglected in public discourse about such proposals. For example, there is no true marketplace for health insurance in Connecticut -- or anywhere else in the nation. Left-wing activists' claim that the problem of the uninsured in the Nutmeg State is a result of irresponsible, unbridled capitalism is erroneous. By 2014, it is estimated that taxpayers will subsidize 49 percent of all U.S. healthcare spending.[31]

Close to 30 percent of the state's budget is already committed to healthcare costs.[32] (This figure excludes mental-health and addiction services.) The largest single expenditure is Medicaid, the federal-state healthcare program. In the current fiscal year, Connecticut's Medicaid expenditures will be just under $3.2 billion.

Government regulation of the health-insurance industry is extensive. Connecticut politicians regularly expand their micromanagement of healthcare plans. The state mandates that insurance companies cover dozens of medical supplies and treatments, including hypodermic needles and mammograms. A recent analysis by the Small Business & Entrepreneurship Council found that only four states (Maryland, Minnesota, Texas, and Virginia) impose a higher number of mandates.[33]

Will the stripped-down policies the governor says will be offered by the Charter Oak Health Plan remain free from costly interference by politicians? One Connecticut editorial page is skeptical: “An array of special interests will be clamoring for mandatory inclusion, making their pleas to a legislature that traditionally finds it next to impossible to say no.”[34]

In addition, to lack health insurance is not necessarily to lack health care. As researcher Michael Tanner observes: “When an individual without health insurance becomes sick or injured, he or she still receives medical treatment. In fact, hospitals are legally required to provide care regardless of ability to pay. Physicians do not face the same legal requirement, but few are willing to deny treatment because a patient lacks insurance.”[35]

Estimates vary, but it is clear that lack of health insurance is a relatively minor problem in the Nutmeg State. For example, a 2005 survey found that only 5.8 percent of state residents had no health insurance -- less than half the national average.[36]

Over the last 10 years, “the fastest-growing segment of the uninsured population was middle- and upper-income families. … The ranks of the uninsured in households earning $50,000 to $75,000 increased 47 percent, while households earning above $75,000 increased 117 percent.[37] Furthermore, close to half of Americans without healthcare coverage obtain it within four months, and less than a third have been uninsured for over 12 months.[38]

It is no coincidence that as government involvement in the healthcare marketplace has grown, costs have risen, quality has suffered, and the number of uninsured citizens remains unacceptably high. A number of market-oriented, taxpayer-friendly approaches are available to policymakers in Connecticut. These include repealing the healthcare mandates placed on insurance companies, means-testing any new taxpayer-funded programs designed to assist the uninsured (and aggressively pursue the fraud that regularly occurs in existing programs), and adopting proven economic-development strategies that will boost the size and number of companies that offer healthcare benefits. The Rell administration has yet to make any of these reforms a priority.

**MYTH FIVE: “Mass” transit will alleviate Connecticut’s congestion problems.**

**REALITY CHECK: Government buses and trains make an miniscule contribution to travel in Connecticut, and the Nutmeg State does not have the population density to make expanded transit projects viable.**

The governor recently trumpeted a rise in ridership on state bus and rail services: “More and more Connecticut commuters are hearing our message: Please take your cars off the road and hop on a train or bus. That’s the best way to unclog our highways and parkways.”[39]

Actually, research consistently shows that transit is a very *poor* way to reduce traffic congestion. By gobbling up funding that otherwise could have gone to road enhancements, government subsidies to bus and rail are a major *cause* of clogged highways.

Transportation planners in Connecticut and around the nation have abandoned the mere goal of ensuring rapid and cost-effective mobility in favor of a much broader -- and in some cases, contradictory -- set of objectives. Their primary goal now appears to be reducing auto usage. (Antonio Guerrera, a Rocky Hill state representative, recently expressed this view: "We need to get more buses on the roads to get people out of their cars."[40]) Other priorities include "a smarter approach to the State's economic growth and quality of life," "easier access for tourists to reach the expanding attractions of the Southeastern Corridor," and the preservation of "targeted open space in a manner that benefits the entire State for generations to come."[41]

The Rell administration has embraced this transportation-policy "mission creep." In her budget address, the governor announced the establishment of "a high level advisory group -- to prioritize projects that link transportation, housing, and job creation."

Boosting ridership on government-run buses and trains is a central part of transportation planners' grandiose vision. And from the start, the Rell administration has been very generous to transit. Metro-North has been the luckiest recipient of Rell's largesse -- projects have included the purchase of rail cars from Virginia, a new maintenance facility in New Haven, and additional stations and parking lots. The governor has also advanced the Hartford-New Britain busway and the creation of a commuter-rail line between New Haven and Springfield, Massachusetts.

The Rell administration's budget funds more station improvements, more rail cars, a new, $35 million parking garage in Stamford, and expansion of the state's Shore Line East (SLE) commuter-rail service.

But the governor's obvious enthusiasm for transit cannot mask the harsh realities of Connecticut's government-run trains and buses. Notwithstanding any recent uptick in usage -- which is surely driven by the huge rise in the price of gasoline -- transit in Connecticut is losing market share. Between 1980 and 2000, the percentage of state commuters who used trains and buses fell from 4.9 percent to 3.8 percent. (The share of commuters who drove alone to work rose, from 68 percent to 80 percent.)[42] Amazingly, Connecticut, a state with a population density higher than 46 states, now has a smaller portion of its commuters using transit than the national average.

It is easy to understand Nutmeggers' preference for the automobile:

> *Automobile travel … has the advantages of direct point-to-point access and no waiting: your car is waiting for you in your driveway; you don't have to walk to a transit stop; you leave when you are ready; you don't have to wait for a bus or train; you go straight to your destination; and you are not forced to abandon your vehicle partway through a trip and wait to transfer to a connecting vehicle. The superior convenience of automobiles ensures that they dominate person-miles of travel even under the most optimistic of assumptions made on behalf of transit.*[43]

A 2005 poll of Connecticut citizens found "95 percent … said that it would not be practical for them to take a train to work and 85 percent said the same for taking the bus."[44]

Connecticut's citizens have made their transportation choice, and it is the automobile. Unfortunately, the Nutmeg State's transportation planners have yet to get the memo. Since the late 1960s, the number of vehicles registered in the state has soared, as has the number of licensed drivers and miles traveled, yet additions to the state's highway capacity have been meager.[45] And a whopping 40 percent of the Connecticut Department of Transportation's operating budget is devoted to transit.[46]

A recent study by the Reason Foundation outlined the urgent need to address politicians' longstanding inattention to this problem:

> *Connecticut can significantly reduce congestion by adding about 1,600 new lane-miles by 2030 at an estimated cost of $3.4 billion in today's dollars. This investment would save an estimated 56 million hours per year that are now lost sitting in traffic, at a yearly cost of $2.41 per delay-hour saved. The annual cost to relieve severe congestion in the Bridgeport-Stamford area alone is significantly lower, at $1.19 per delay hour saved. This does not account for the additional benefits … including: lower fuel use, reduced accident rates and vehicle operating costs, lower shipping costs and truck travel time reductions, greater freight reliability, and a number of benefits associated with greater community accessibility, including an expanded labor pool for employers and new job choices for workers.*[47]

Revenue currently devoted to costly and seldom-used transit schemes should be transferred to highway needs. Two projects in particular deserve to be on the chopping block: SLE and the planned commuter-rail connection between new Haven and Springfield.

SLE has been a dismal failure since its inception in 1990. In 1997, taxpayers subsidized it at a rate of almost $18.70 per trip. (At the time, Metro-North's per-trip subsidy was merely $3.34.)[48] The Rowland administration wisely attempted to eliminate funding for SLE, but the line continues to live, and according to environmental researcher Randal O'Toole:

> *[Shore Line East] is costly to operate and carries an insignificant number of passengers and less than 0.1 percent of the region's commuters. While service improvements led to ridership gains in the 1990s, [its] operating cost … is the highest of any commuter rail line in the nation, and nearly four times as great as the average commuter rail system.*[49]

The failures of SLE do not bode well for the proposed New Haven-Springfield line. Neither do the high costs and low ridership of other commuter-rail lines. In an extensive 2003 survey of global commuter rail, transportation consultant Wendell Cox concluded: "There is virtually no potential for new commuter rail systems or lines to reduce traffic congestion in U.S. urban areas."[50]

"When opportunity costs are taken into account," notes transportation analyst John Semmens, "there can be no question that putting money into public transit lowers the rate of economic growth, consumes capital, reduces job opportunities, and worsens the finances of federal and local governments."[51]

Fortunately, there is an alternatives to wasteful spending on transit fantasies: a return to building and expanding roads and highways as the central goal of Connecticut's transportation strategy. But even this change won't be enough to address the state's pressing need for better mobility. A revolution in free-market reforms of transportation is occurring around the globe, and Connecticut should take part. Converting the state's failed "high occupancy vehicle" lanes to toll lanes is a proposal worth implementing immediately. The role congestion pricing can play in unclogging highways during periods of heavy use should be explored. And perhaps most importantly, in order to benefit citizens who cannot drive or cannot afford their own vehicles, subsidies must be shifted away bus and rail systems. Consumers of these services should be empowered, through vouchers, to purchase the transportation services that best meet their needs.

Involving the private sector in Connecticut transportation policy has benefits beyond cost savings. As Benjamin D. Byers, a former member of the Connecticut Public Transportation Commission, laments, the Connecticut Department of Transportation "has become a comfortable retirement home for friends of governors and powerful legislative leaders. The DOT has about a $1 billion budget, some 3,500 employees and minimum oversight. More fertile grounds for favoritism are hard to imagine."[52] Right-sizing the department would be a step toward cleaner and more accountable government.

## CONCLUSION

The Rell administration's demonstrably weak understanding of fiscal policy has allowed it to propose policies that are not in the best interest of Connecticut's citizens. The governor's budget is founded on vague sound bites that may have a superficial plausibility, but do not stand up to close scrutiny.

Governor Rell should seriously reconsider the tax and spending assumptions she is making, and chart a different course for the state's fiscal future -- one that promises lower taxes, a stronger economy, and more accountable, transparent, and efficient government in Connecticut.

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