

**Yankee Institute Policy Brief**

# **Wrong Track: Reprioritizing Our Transportation Needs**

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## Executive Summary

Connecticut's transportation infrastructure undoubtedly needs upgrading. To accomplish this goal, we need to set priorities and come up with a plan to pay for these investments.

The state Department of Transportation just released an ambitious plan – branded as “Let's Go CT!” – meant to be a 30-year blueprint for the state's transportation projects, but this proposal is little more than a wish list.

What we need is a thoughtful guide that prioritizes projects by necessity, taking into account both public safety concerns and economic impact.

The plan as presented also has a gaping hole – it does not specify how we will pay for this laundry list of projects. The idea of brand new roads, rail lines, bus routes, pedestrian trails, and deep sea ports is much more attractive when you don't have to think about how you will pay for them.

What would fair funding look like? By eliminating wish-list projects, we can invest more in the projects we need. If transportation infrastructure is a priority, we need to reallocate state spending that is less important. Border tolls wouldn't be fair, not to mention inhospitable to visitors from other states. However, tolls or congestion pricing could be part of the solution as long as they are spread throughout the state and other taxes are reduced.

Also, federal law restricts the use of tolling on interstate highways. Our congressional delegation should ask the federal government to change any law or regulation that restricts a state's ability to use money collected through tolling how it wants.

Part of the state's expense problem stems from Connecticut's high administrative costs for its roadways. According to a national study, Connecticut spends \$77,000 per mile on administrative costs. The national average is \$10,579 per mile.<sup>1</sup>

Connecticut residents are already overwhelmed by taxes and fees – state lawmakers should not increase that burden. Rather than increasing the taxes and fees residents pay, let's focus instead on smarter and more efficient ways to use the funds we have.

If the state decides to change the way it funds roads, for example by adding tolls or using congestion pricing, this should be done in a way that is revenue neutral. If tolls go up, gas taxes should come down in tandem. Absent this revenue-neutrality, tolls and congestion pricing should be taken off the table.

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<sup>1</sup> Hartgen, David T., M. Gregory Fields and Baruch Feigenbaum. "21st Annual Highway Report." Reason Foundation. Sept. 18, 2014. <http://reason.org/news/show/21st-annual-highway-report>

## Prioritize First

Every morning, Connecticut-to-New York commuters take to Twitter to express their frustrations about the most-used commuter railroad in the country.

Delays, unscheduled maintenance, bus substitutions, full trains, expensive tickets, even accidents – and on and on it goes as the 125,000-a-day commuters who ride Metro North narrate their ongoing misery.

Given the central role Metro North plays in the vitality of Fairfield County – Connecticut’s economic engine – it is surprising that fixing Metro North doesn’t take a more central role in the five-year transportation ramp-up plan that was released in February by the state’s Department of Transportation.

The Regional Plan Association, an urban research organization, estimates that it will cost another \$3.6 billion by 2020 to modernize Metro North.<sup>2</sup> The state owns the rail lines used by Metro North in Connecticut, so it is our responsibility to maintain them, along with the bridges, switches, rail cars, and other capital investments necessary to keep the trains running on time.

But even though this is the most congested area in the state – in terms of traffic and rail ridership – and even though this is clearly one of our biggest transportation problems, fixing Metro North has not made it to the top of our Department of Transportation’s list of near-term priorities.

To use a metaphor, rather than fixing a gaping hole in our state’s roof, we’re borrowing money to put on an addition: An addition that will cost hundreds of millions of dollars to build, and which will add millions of yearly maintenance and operating costs, making it even more difficult to service existing infrastructure.

That “addition” is the Springfield-New Haven line, expected to cost in excess of \$1 billion. Already over \$400 million has been spent on this project, and that is before many of the expected improvements – including several new rail stations – have even broken ground.<sup>3</sup> The 30-year DOT plan budgets \$1.5 billion for the Springfield line, including the new stations, track improvements, new cars, and fixing a rail bridge over the Connecticut River.

How many riders are expected to use this billion-dollar railroad once it is up and running? Only an estimated 2,200 a day.<sup>4</sup> For every projected rider on this line, Metro-North already serves more than 50 actual riders.

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<sup>2</sup> Regional Plan Association. “RPA Study Projects Decades of Disruptions to the New Haven Line Without New Investment.” Jan. 16, 2014. RPA.org. <http://www.rpa.org/article/new-haven-rail-line-faces-decades-of-disruption-risk-of-outages-without-major-new-investment>

<sup>3</sup> Connecticut Department of Transportation. “New Haven-Hartford-Springfield Rail Program: Frequently Asked Questions.” [http://www.nhhsrail.com/stay\\_informed/faqs.aspx](http://www.nhhsrail.com/stay_informed/faqs.aspx)

<sup>4</sup> Fazzalato, James J. “New Haven-Hartford-Springfield Rail Service Project. Connecticut Office of Legislative Research Report 2008-R-0489. Aug. 22, 2008.

## The Lure of Federal Money

Connecticut fell into this financial mess because we followed the lure of federal money promised for high-speed rail. Connecticut has received \$160 million from the federal government for the Springfield rail project – money other states rejected because they realized that rail costs a lot to both build *and* to maintain. Since then, the federal well has run dry, putting the state on the hook for the rest of the cost.

With the construction of a \$500 million busway – also in the Hartford area – it is hard to understand why state lawmakers would funnel this much money into these low-usage projects, even as existing transportation issues continue to worsen. It seems the promise of new rail stations in several towns along the line convinced many lawmakers to support the new rail service, even if it doesn't make economic sense.

Given the state's history of funding projects that are wants, instead of funding projects that are needs, it is no wonder that some voters are wary of giving the state more money to play with.

## Lock Away the Funds

The list of transportation projects in the 30-year Let's Go CT plan needs to be prioritized. Engineering and urban planning experts at the DOT should come up with a list of the top priorities based on need – not want.

Urgent and necessary projects exist in every region of the state – so no one should feel left out if we do things the right way.

In addition, it is time for state lawmakers to stop siphoning money from the special transportation fund into the general fund. While they should have the self-control to leave the special transportation fund alone, it appears a constitutional amendment is necessary to keep special transportation dollars locked away from lawmakers' hands.

## The High Cost of Our Roads – and the High Cost of Debt

A report issued by the Reason Foundation ranked all the states based on the condition and cost-effectiveness of their roads. Connecticut ranked 44<sup>th</sup> for its total state spending of \$470,399 per mile of road. The national average was \$162,000 per mile. There is no evidence the state is getting much value for this additional spending.

Connecticut does have highly traveled roads and brutal winters, both of which likely play a role in driving up the cost of maintenance. However, the biggest cost-driver is the state's huge

administrative expenses. The state spends \$77,000 per mile on administrative costs, which is the second highest amount per mile in the nation, and more than seven times the national average of \$10,579 per mile.<sup>5</sup> Administrative costs include main office and general expenses, but do not include project costs. The more money we put into administration, the less we can put into materials and labor for transportation projects.

The Let's Go CT plan will add to our administrative costs by increasing the number of employees at the Department of Transportation by 92 in 2016, and 73 in 2017.<sup>6</sup>

Given these figures, it is hard to justify increasing revenue to pay for more transportation projects. With smarter, more efficient administration, the state can do more with less.

Another factor in funding infrastructure improvements is the high cost of debt. Connecticut already has the highest state debt per capita in the country. If we implement the governor's five year "Ramp-up Plan," debt service payments from the special transportation fund are expected to increase from \$465 million a year to \$802 million a year – a 72 percent increase.<sup>7</sup>

## A Better Way to Fund Transportation?

The primary source of funding for Connecticut's roads is the gas tax. It makes up about 40 percent of the revenue in the Special Transportation Fund. Other revenues come from car registrations, taxes on oil companies, and licensing fees.

Connecticut's gas tax is consistently ranked as one of the highest in the nation. The state charges a flat 25-cent fee per gallon, plus a 8.1 percent gross receipts tax on petroleum products. That tax is passed onto consumers, adding to the cost of fuel at the pump.

With gas consumption expected to decrease in the coming years as cars become more fuel efficient, it makes sense to look at other ways to fund road maintenance and construction costs.

However, we emphasize that ***any plan to increase taxes or fees should be combined with an offsetting reduction in the gas tax.*** Overall, a transportation revenue plan should achieve revenue neutrality.

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<sup>5</sup> Hartgen, David T., M. Gregory Fields and Baruch Feigenbaum. "21st Annual Highway Report." Reason Foundation. Sept. 18, 2014. <http://reason.org/news/show/21st-annual-highway-report>.

<sup>6</sup> Office of Policy and Management. "Connecticut FY2016 – FY2017 Biennium Governor's Budget Summary." Released Feb. 18, 2015, p. B64.

<sup>7</sup> Barnes, Ben. Biennial Budget Presentation. Feb. 26, 2015. [http://www.ct.gov/opm/lib/opm/budget/2016\\_2017\\_biennial\\_budget/2-26-15financepresentation%E2%80%9393pdfformat.pdf](http://www.ct.gov/opm/lib/opm/budget/2016_2017_biennial_budget/2-26-15financepresentation%E2%80%9393pdfformat.pdf)

### *Tolls and Congestion Pricing*

This year, the focus is on tolls. Although many state residents have expressed their opposition to tolls, they are a rational choice as a user fee for transportation projects because of their direct relationship to the roads traveled. Combined with congestion pricing – which would allow the state to charge more when roads are the busiest – tolls could be a smart way to capture the cost of the wear and tear left by travelers, whether they are local or from out-of-state.

In 2013, the Yankee Institute released a study on tolling, which recommended that the state should reinstitute tolls, as they are an effective, free-market way to pay for roads.<sup>8</sup>

Note, however, that the current plan -- placing tolls at the state's border -- is the wrong approach. Tolls should be levied equitably across the state, with an emphasis on areas with high-congestion.

In addition, current federal law is very restrictive in terms of how states can use tolling on their roads. These restrictions should be eliminated. It should be up to state lawmakers to determine how and when to use tolls. Until the laws and regulations are changed at the federal level, it does not make sense to put in tollbooths.<sup>9</sup>

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<sup>8</sup> Murphy, Ryan. "Tolls: Road testing free market ideas to drive better roads with less traffic." Yankee Institute, March 2013. <http://www.yankeeinstitute.org/2013/03/tolls-road-testing-free-market-ideas-to-drive-better-roads-with-less-traffic/>

<sup>9</sup> Frisman, Paul. "Questions about tolling in Connecticut." Connecticut Office of Legislative Research Report 2015-R-0048. Feb. 11, 2015.