FASTR CT

Fiscal Accountability & Sustainable Transportation Reform

SENATE REPUBLICAN NO TOLLS TRANSPORTATION ALTERNATIVE

NOVEMBER 2019

WHY OFFER AN ALTERNATIVE?

We acknowledge the Governor's hard work on CT2030, but we disagree on how to pay for this plan.

- We **do not support tolls** because the people of CT have already been taxed enough.
- We have serious concerns about **trusting government** to manage a new revenue source and using it exclusively for its intended purpose, given CT's history.
- We disagree with any representation that **tolls are temporary when we know that tolls will be up for at least 30 years**, and it will be up to future legislators and governors to decide if they should come down.
- **Toll rates must increase after 10 years** to cover the costs of growing expenses, inflation and to keep the STF solvent. This is not a sustainable policy we support.

WHERE WE AGREE WITH THE GOVERNOR

- Transportation is key to a healthy economy and job growth.
- A more reliable, dependable, modern transportation system will attract businesses and jobs.
- Both highway and rail improvements must be part of the solution.
- We must stabilize the Special Transportation Fund over the long term.
- We must prioritize various projects.

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FAST FACTS

- Solves our transportation problems (funding and STF solvency)
- No tolls
- No tax increases
- Cuts back on bonding
- Pays off long term liabilities
- Creates jobs
- Prioritizes needed projects
- Creates accountability and vetting of all DOT projects
- Ensures communication with New York on rail projects
- Maximizes federal low interest TIFIA loans to potentially 0.8%
- Restores money that was diverted from the STF over the last decade

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- **Stops tolls.**

- **Eliminates all STO state bonding after 2022.** Instead, utilizes federal borrowing programs (RIFF and TIFIA) to obtain a significantly lower interest rate.

- **Backs federal low interest loans with a stabilized Special Transportation Fund (STF), NOT tolls**. Federal programs require a dedicated revenue source to back the loans, but it does NOT have to be a NEW revenue source.

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- **Stabilizes the STF over the long term, allowing for cash financing to be used for transportation projects.** Eliminates insolvency issues by eliminating STO bonds, reducing new and growing debt, which the governor does not do even within his "debt diet". Also directs car related revenue into the STF as approved in the FY2018/2019 bipartisan budget, which the governor also does. This boosts the STF cumulative balance which makes funds available to apply cash payments to transportation projects, as the governor also proposes.

Capital Cash Financing Comparsion

Year	Republicans	Governor Lamont
2020	$ -	$ -
2021	$ -	$ -
2022	$ 300.00	$ 75.00
2023	$ 225.00	$ 503.70
2024	$ 225.00	$ 325.00
2025	$ 225.00	$ 285.50
2026	$ 225.00	$ 293.60
2027	$ 225.00	$ 197.60
2028	$ 250.00	$ 165.10
2029	$ 225.00	$ 75.10
2030	$ 250.00	$ 61.40
	$ 2,150.00	**$ 1,982.00**

SENATE REPUBLICAN ALTERNATIVE

- **Dedicates a portion of GO bonding to transportation.** Prioritizes $100 million annually for transportation, same as the governor's plan. To accomplish this, both plans support reducing bonding for discretionary wants and political handouts and prioritizing transportation needs.

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- **Reestablishes the <u>Transportation Strategy Board (TSB)</u> &**
- **Establish the <u>CT/NY Railroad Strategy Board (RSB)</u>**

<u>TSB</u>

Bipartisan group including business leaders, stakeholders and experts tasked with helping DOT identify and prioritize the state's most urgent transportation needs.

All projects must be vetted for input by the TSB before being eligible for funding.

Requires quarterly reports from DOT on maintenance, short term projects, long term projects, projections, problems etc.

Within 4 months of passage, DOT shall provide detailed project priority list (short-term and long-term) including but not limited to: cost, duration of construction, alternative transportation patterns, purpose and reason for projects.

<u>RSB</u>

Establish a CT/NY Railroad Strategy Board to oversee and vet rail projects. To include two representatives from NY/MTA, two CT Commuter Rail Council representatives, CTDOT Office of Rail, representatives from towns directly affected by rail, and additional members to be discussed.

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BRF SUMMARY

- **Pays down unfunded liabilities resulting in savings that help stabilize the STF.**
  - Thanks to financial policies contained in the FY 2018/2019 bipartisan budget, the state's Budget Reserve Fund has achieved a record balance. Whenever the amount in the BRF equals five per cent or more of the net General Fund appropriations for the current fiscal year, the General Assembly may transfer funds in excess of the five per cent threshold from the Budget Reserve Fund to pay for unfunded pension liabilities. By using a portion of excess funds in the BRF to invest into Connecticut's pension system, as the volatility cap was designed to allow, we can achieve both immediate and long term savings.

FASTR CT
BRF SUMMARY

- This allows us to transfer a portion of STF fringe costs to the General Fund where there is now funding to cover these costs. By utilizing the tax revenue people have already overpaid to the state to pay down unfunded pension liabilities and apply related savings to transportation projects, we are supporting workers, reducing unfunded liabilities and strengthening the STF, all while maintaining a historically high Budget Reserve Fund.

WHY THIS IS NOT A RAID ON THE BUDGET RESERVE FUND

- Two years ago, lawmakers passed a historic bipartisan budget that included brand new controls limiting state spending and bonding and preventing overreliance on volatile revenue streams. The resulting state laws required that a portion of the Budget Reserve Fund cannot be removed from the rainy day fund, with few exceptions. The law also indicates that any funds above the 5% threshold can be used for specific purposes including to pay for unfunded liabilities within the state employee and teacher pension systems.

- This proposal does exactly what is allowed under the law as it was designed. It maintains the 5% threshold and takes a portion of the rainy day funds in excess of the 5% threshold to pay unfunded pension liabilities. That action results in savings in the short and long term that assist the STF as described in our proposal.

WHY THIS IS <u>NOT</u> A RAID ON THE BUDGET RESERVE FUND

State law says:

- (c)(2)Whenever the amount in the Budget Reserve Fund equals five per cent or more of the net General Fund appropriations for the current fiscal year, the General Assembly **may transfer funds in excess of the five per cent threshold** from the Budget Reserve Fund, **for the purpose of paying unfunded past service liability** of the state employees retirement system or of the teachers' retirement system as the General Assembly, in consultation with the Treasurer, determines to be in the best interests of the state. Such payments shall be in addition to any other contributions or payments required pursuant to section 5-156a or 10-183z or subdivision (1) of this section. *Sec. 4-30a*.

BENEFITS OF PAYING UNFUNDED PENSION LIABILITIES

- **Responsible Fiscal Policy**

Better utilizes funds in the BRF to benefit taxpayers. These funds create a greater savings and benefit to taxpayers by being applied to unfunded pension liabilities than they would by sitting in the rainy day fund.

- **Helps Taxpayers**

People in CT have already been overtaxed. The historic level of funds in the rainy day fund is further evidence that CT residents have overpaid the state of Connecticut. We need to give back to residents and we can do so by best leveraging and managing current taxpayer dollars to stabilize state finances and reduce unfunded liabilities, thereby allowing us to invest in roads, bridges and rail.

- **Helps State Workers**

Protects state employee retirements by supporting the state's underfunded pension system.

BENEFITS OF PAYING UNFUNDED PENSION LIABILITIES

Maintains historic level of funding in the Budget Reserve Fund AND returns the BRF to $2.5 Billion Total by FY 2024

Budget Reserve Fund Outyear Projections

	FY 20	FY 21	FY 22	FY 23	FY 24
Fiscal Year Starting Balance of the Budget Reserve	**$ 2,505,537,507.00**	**$ 1,264,137,507.00**	**$ 1,724,437,507.00**	**$ 2,012,137,507.00**	**$ 2,271,337,507.00**
Transfer per Senate Republicans to Reduce SERS Pension Liability	$ (1,500,000,000.00)	$ -	$ -	$ -	$ -
Preliminary Estimate GF surplus	$ (29,700,000.00)	$ 183,700,000.00	$ -	$ -	$ -
Potential Hospital Settlement from FY 20 Revenues	$ (30,000,000.00)	$ -	$ -	$ -	$ -
Estimated Volitility Cap Deposit	**$ 318,300,000.00**	**$ 276,600,000.00**	**$ 287,700,000.00**	**$ 259,200,000.00**	**$ 229,400,000.00**
Estimated Budget Reserve Fund Balance	**$ 1,264,137,507.00**	**$ 1,724,437,507.00**	**$ 2,012,137,507.00**	**$ 2,271,337,507.00**	**$ 2,500,737,507.00**

*matches recent consensus revenue

Information provided by Office of Fiscal Anaylsis

WHAT IF THERE'S A RECESSION?

- We still will have a historic amount in the BRF ($1.2 billion).
- The Office of Fiscal Analysis reports that by 2024 the BRF will be back up to $2.5 billion under this plan.
- The last recession in 2008 we did not have the following safeguards:
  - We can only budget up to 99.5%-98% of total revenues – built in cushion to protect against recession.
  - We now have a Spending Cap, Volatility Cap, Revenue Cap and Bonding Caps to protect against large economic swings.
  - We learned from 2008 that a slow reaction by the legislature causes problems. We could have averted 2008 significantly if the legislature acted quicker.

FASTR CT FORECAST

(IN MILLIONS)

OFFICE OF FISCAL ANALYSIS

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	1	1,749.1	1,880.8	2,008.7	2,125.9	2,160.3	2,180.2	2,208.5	2,234.8	2,264.6	2,294.5	2,325.5
Revenue Cap Deduction		(8.7)	(14.1)	(20.1)	(26.6)	(32.4)	(38.2)	(44.2)	(44.7)	(45.3)	(45.9)	(46.5)
Available Revenue		1,740.4	1,866.7	1,988.7	2,099.3	2,127.9	2,142.0	2,164.3	2,190.1	2,219.3	2,248.6	2,278.9
			7.5%	6.8%	5.8%	1.6%	0.9%	1.3%	1.2%	1.3%	1.3%	1.3%
Expenditures												
STF Debt Service		697.1	761.5	738.0	728.6	713.8	703.5	675.8	657.9	653.1	641.1	602.6
TIFIA and RRIF Debt Service		-	-	19.7	48.8	79.4	110.4	140.6	170.9	200.4	231.1	260.1
Total Debt Service	2	697.1	761.5	757.6	777.4	793.2	813.9	816.4	828.7	853.4	872.2	862.7
Other Expenses	3	1,013.3	1,048.5	1,113.7	1,169.2	1,198.7	1,235.3	1,272.5	1,316.2	1,357.8	1,401.2	1,446.5
Reduction in STF SERS Contribution Due to $1.5 Billion SERS Deposit	4	0.0	0.0	(14.1)	(14.1)	(14.1)	(14.1)	(14.1)	(14.1)	(14.1)	(14.1)	(14.1)
Transfer STF Fringe Costs to GF based on GF Savings from $1.5 Billion SERS Deposit	4	0.0	0.0	(112.9)	(112.9)	(112.9)	(112.9)	(112.9)	(112.9)	(112.9)	(112.9)	(112.9)
Total Expenditures		1,710.4	1,810.0	1,744.3	1,819.6	1,864.9	1,922.2	1,962.0	2,017.9	2,084.2	2,146.4	2,182.1
Operating surplus/deficit	5	30.0	56.7	244.3	279.7	262.9	219.8	202.4	172.2	135.1	102.2	96.8
Cumulative Balance	6	350.0	420.8	385.2	466.5	536.8	569.8	591.3	583.2	513.5	436.6	330.0
15% Surplus		256.6	271.5	261.7	272.9	279.7	288.3	294.3	302.7	312.6	322.0	327.3
Debt Service Ratio	7	2.51	2.47	2.65	2.73	2.72	2.68	2.71	2.70	2.65	2.63	2.70

1) Uses Governor Revenues, less Tolls
2) Uses Governor's DS estimate for Fed Loans Component
3) Uses Governor's Expenditures
4) The GF funds 72% of the SERS ADEC and the STF funds 9%; total estimated savings is approximately $156.8 million in FY 22, the savings attributable to the GF and STF have been prorated to reflect this allocation. The savings assumes a one-time contribution to the SERS fund in FY 21 of $1.5 billion.

5) Compares Available Revenue (after Revenue Cap) to Expenditures
6) Adds Total Revenue after Expenditures less cash financing for projects
7) 2.0 required debt coverage

FASTR CT FORECAST

(IN MILLIONS)

OFFICE OF FISCAL ANALYSIS

$17.965 Billion from 2020-2030

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Debt Service	2	697.1	761.5	757.6	777.4	793.2	813.9	816.4	828.7	853.4	872.2	862.7
			9.2%	-0.5%	2.6%	2.0%	2.6%	0.3%	1.5%	3.0%	2.2%	-1.1%
Capital Spend		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash Financing from cumulative balance	10	-	-	300	225	225	225	225	225	250	225	250
GO Issuance		100	100	100	100	100	100	100	100	100	100	100
RRIF	8	-	-	360	360	360	360	360	360	360	360	360
TIFIA	8	-	-	100	200	200	200	175	175	150	175	125
Fed Grants		750	750	750	750	750	750	750	750	750	750	750
STO Issuance	9	850	875	-	-	-	-	-	-	-	-	-
Total Capital Investment		1,700	1,725	1,610	1,635	1,635	1,635	1,610	1,610	1,610	1,610	1,585
										2020-2030 Total		17,965

2) Uses Governor's DS estimate for Fed Loans Component
8) Uses Governor Proposed Fed Loan Financing Amounts and Debt Service Estimates
9) Assumes no STO bond issuance each year after current biennium
10) Cash taken from cumulative balance after operating expenses.

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