JOSEPH R. SCULLEY
PRESIDENT

Re: SB 70 AN ACT ESTABLISHING THE CONNECTICUT INFRASTRUCTURE BANK

Co-Chair Bergstein, Co-Chair Santiago, Ranking Member Berthel, Ranking Member Delnicki, and members of the Banking Committee, thank you for the opportunity to present this testimony.

REQUESTED STUDY ON INFRASTRUCTURE BANKS

MTAC is not necessarily opposed to the concept of an Infrastructure Bank. However, we humbly suggest that this issue should be studied further before the legislature votes to create the proposed Bank.

This concept was proposed last year, and after reviewing that legislative language as well as some high level information from the Federal Highway Administration (FHWA), MTAC found that the proposed Infrastructure Bank would not exactly function like Infrastructure Bank in other states. It would have basically been an Infrastructure Bank in name only. We are concerned that this proposal (SB 70) would be the same – nothing more than a quasi-government entity that is named the Connecticut Infrastructure Bank. MTAC recommends a comprehensive study followed by a report to the legislature on how other states establish and fund infrastructure banks. FHWA states that 33 states have Infrastructure Banks since they were first allowed in 1995, but only about two dozen have very active programs. Accordingly, there should be plenty of information about what works and what does not work for State Infrastructure Banks (SIBs).

PROPOSAL VIOLATES CONSTITUTIONAL LOCKBOX

This proposal would "finance a loan program with funds appropriated from the Special Transportation Fund or other sources of revenue designated for infrastructure improvements." However, the recently-enacted Constitutional lockbox requires that transportation revenue be deposited into the Special Transportation Fund. This proposal to appropriate funds from the Special Transportation Fund would violate the State Constitution. Additionally, sending "other sources of revenue designated for infrastructure improvements" to an Infrastructure Bank would most likely violate the lockbox as well, since they would not be deposited in the Special Transportation Fund as the lockbox mandates.

FEDERAL INVOLVEMENT IN STATE INFRASTRUCTURE BANK

The FHWA has a "State Infrastructure Bank 101" presentation which can be seen here. https://www.fhwa.dot.gov/ipd/pdfs/finance/sibs_101_presentation.pdf

The FHWA presentation discusses how SIBs are revolving funds created by a State using Federal transportation dollars. An initial receipt of federal funds, plus a small, matching contribution of state funds, creates the initial deposit to "capitalize" the bank. From there, the "revolving fund" is used to provide credit assistance (loans, loan guarantees, lines of credit, etc.) for local transportation projects.

FEDERAL RESTRICTION ON USE OF FUNDS

A positive aspect of creating a proper Infrastructure Bank in conjunction with FHWA is that funds would have to be spent on specific purposes. The FHWA overview of SIBS says that initial credit assistance must be used for projects eligible to be funded under the funding categories used to provide deposit capital, and that subsequent rounds of credit assistance can be used for ANY Title 23 project, giving state greatly enhanced flexibility. The proposal in SB 70 does not appear to adhere to any federal requirement for infrastructure spending. For example, this concept includes "airports and waterways" as potential projects eligible to be funded by the proposed infrastructure bank, but those are not Title 23 eligible projects.

ABILITY OF MUNICIPALITIES TO REPAY LOAN

FHWA guidance on State Infrastructure Banks (SIBs) explains that they are intended to be revolving funds. Specifically, "The revolving fund is used to provide credit assistance (loans, loan guarantees, lines of credit, etc.) for local transportation projects. Since the funds are revolving, repaid loans go back into the fund for further lending." A major problem with this proposal will be the repayment of funds. Most municipalities in Connecticut will not have the ability to repay. Municipalities are heavily dependent on state aid for many things, including some infrastructure related issues. When town-aid road funds were withheld during the Malloy administration, municipalities struggled to adjust. If municipalities can't handle a reduction in state aid such as town-aid road funds, how are they going to be able to handle the cost of a major infrastructure project, PLUS interest to be paid back to the bank?

MORE STUDY NEEDED

In conclusion, MTAC is not necessarily opposed to an Infrastructure Bank. However, having considered the issues described above, it is hard to envision the state could implement one that does not violate the Constitutional lockbox, AND is in line with FHWA guidelines, AND is repaid in full with interest from any municipality who takes a loan from the bank.

More study is needed on this issue.

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ABOUT CT TRUCKING INDUSTRY:

85.8%: number of Connecticut communities that depend exclusively on trucks to move their goods

94%: percent of manufactured tonnage transported by truck in Connecticut

$3.2 billion: total trucking industry wages paid in Connecticut (2017)

58,400: trucking industry jobs in Connecticut (2017)

$53,3500: average annual salary in Connecticut (2017)

$8,610: average annual CT-imposed highway user fees paid by tractor trailers (as of 4/1/2018)

$8,906: average annual fed-imposed highway user fees paid by tractor trailers (as of 4/1/2018)