

CENTER FOR THE STUDY OF ECONOMICS

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Testimony in support of House Bill 5937 (Rep. Bumgardner) Dist. 41, February 11, 2015

The Joint Committee on Transportation, Connecticut General Assembly

AN ACT CONCERNING A STUDY OF EXTENDING PASSENGER RAIL SERVICE FROM THE CITY OF NEW LONDON

To the Honorable Members of the Joint Committee on Transportation: The Center for the Study of Economics is a not-for-profit educational research foundation that explores alternative revenue sources for communities and government which do not hinder economic growth nor require the use of expensive subsidies and abatements.

Since 1926, the Center has researched and helped implement the collection of what is called "economic rent" in the form of a land value tax. In its most basic form, land value tax is a revenue source that is generated by government and community investment that result in increased site values. Like most economists, we believe that taxpayer generated value ought to be collected by government. It ought to be the primary source of government revenue to the greatest degree possible, in place of corrosive and destructive taxation of commerce, wages and investment.

HB 5937 calls for a study on the feasibility of creating a passenger rail line that would connect Brattleboro, Vermont to New London/Groton, Connecticut and then to the international airport in Providence, Rhode Island, as well as points East and West.

This plan makes sense for the often neglected corridor and municipalities running through Northeast to Southeast Connecticut. Nearly 50 years of post-industrial disinvestment and tax policies repellent to investment have taken their toll. Connecting higher education facilities and populations from relatively prosperous Southern Vermont through Massachusetts and down to the essential transportation hubs of Groton and New London (as well as the international departure possibilities for Providence), would make it possible to revitalize each stop along the proposed route, and provide opportunities for private market investment, as well as funding and maintaining this critical transportation corridor.

The ancillary benefits of providing transport oriented development (TOD) for the general population, as well as commerce must not be discounted.

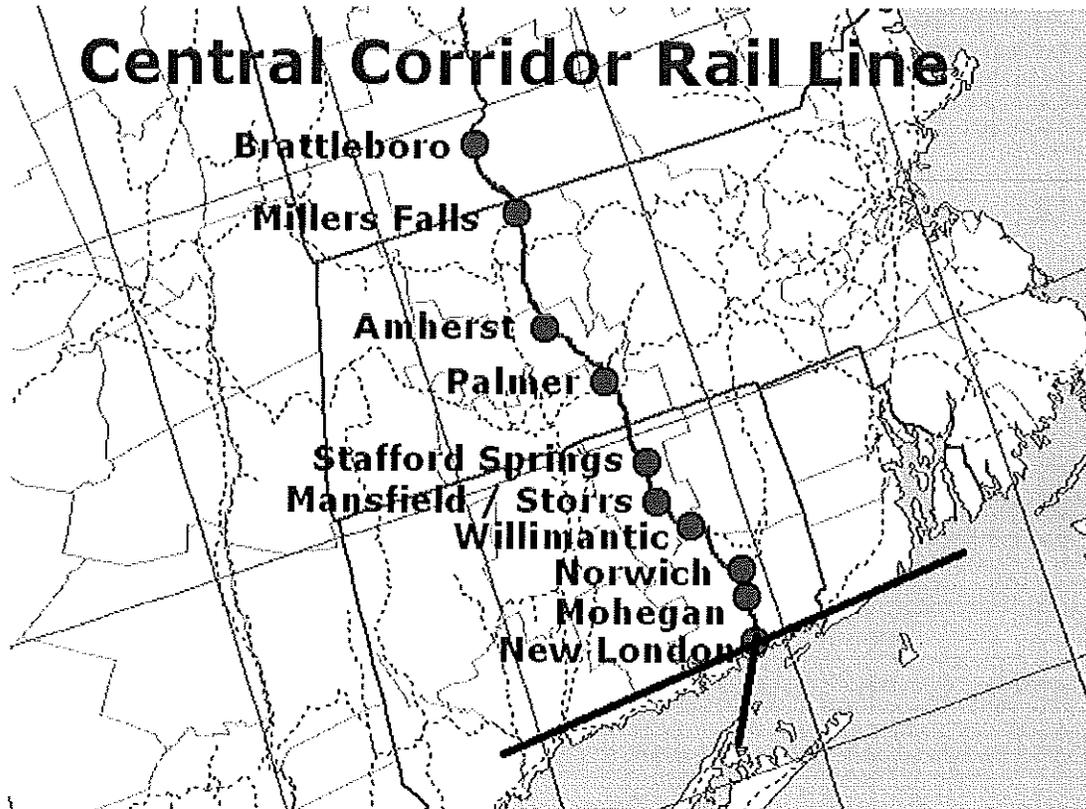
The opportunities provided by this rail corridor are clear: not only would freight traffic be improved by roadbed single welding improvements, Southeastern Connecticut could capitalize on the demographics of younger populations who are either being educated or living as millennials in southern Vermont, central Massachusetts, and UConn/ Storrs. This population often is transported by inconvenient modes to Boston Logan (a 2.5 to a 3.5

hour drive from Brattleboro) or on obsolete roundabout bus/train routes to New York City and then on to Long Island. Amtrak is still not a viable alternative, as the fare box subsidy does not meet the need of the customer base.

HB 5937 proposes to study a much shorter hop to the hub of New London/Groton and then quickly to the Providence Rhode Island airport, or to take advantage of the crossing North/South axis, to the East/West axis of Amtrak and Metro-North.

Furthermore, the deep water port of New London could see a customer base more than happy to make the relatively short trip from for example, Amherst, to the Long Island Sound ferries to the North Fork of Long Island and then to the relatively wealthy areas of Nassau and Suffolk Counties in New York, as well as avoiding the well-known and seemingly insurmountable difficulties of both rail and road transport into New York City itself.

HB 5937 would define the prospective customer base that would include not only millennial users, but postgraduate users who could take advantage of the relative affordability of Northeastern and Southeastern Connecticut and help rejuvenate these long-suffering areas.



Likely Return on Investment: Project Support and Project Maintenance Revenues

There is no longer any question investment in transportation provides an increase in property values around transit nodes.¹ In point of fact, these increases are not in "property" per se, but rather in land values. It is for this reality that we now turn.

No matter how worthy, what is the method to pay for such a project in a time of deficit and cutbacks from the federal and state levels? HB 5937 would propose financing for the initial project, such as would not be covered by the federal government in grants, but would also propose to study maintenance of the rail line once established.

Because such a project would increase land values, we suggest that land values become the primary funding source for the project. Noted economists such as Joseph Stiglitz², have noted that land values or "economic rents" are more than sufficient to pay for the maintenance of a healthy municipality or indeed a healthy transportation project. Increased land values around a transportation node would be the result purely of government investment. It is an obsolete and destructive concept that property owners immediately adjacent to the areas of public benefit be allowed to collect privately that which is created publicly. Increased values are created by the community, therefore they should be collected by the community.

The Center supports the full ranging review that would be commissioned by HB 5937 to determine if the concept is sound – and we believe that it is – and to further explore innovative and new sources of funding, rather than revenue from the general fund, or from a revenue source (i.e. sales tax) that is relatively detached from source (revenue) to purpose.

Southeastern Connecticut needs help. This project can provide substantial long-term market generated help. The decline of federal and state aid will not be reversed in the foreseeable future. Worthy projects must be self-funded and self-maintained. HB 5937 will seriously examine how this can be accomplished in the current and future fiscal climate.

Thank you very much.

Joshua Vincent, Executive Director

¹ http://www.oregon.gov/ODOT/RAIL/docs/rail_study/appendix_k_rail_access_and_land_use_considerations.pdf
[http://lonestarrail.com/images/uploads/ASA Econ Impli of Reg Rail 200412.pdf](http://lonestarrail.com/images/uploads/ASA_Econ_Impli_of_Reg_Rail_200412.pdf)
<http://www.uctc.net/papers/769.pdf>

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https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&ved=0CDkQFjAE&url=http%3A%2F%2Facademiccommons.columbia.edu%2Fdownload%2Ffedora_content%2Fdownload%2Fac%3A148880%2FCONTENT%2F1884466.pdf&ei=G6_aVIDGEYqyggT1hYOICA&usq=AFQjCNEsl2mJnbTpQ1MSIXETtcAPuXI3Cw&bvm=bv.85761416,d.eXY&cad=rjt