



## Special Transportation Fund

### Overview

The Special Transportation Fund (STF) is an appropriated fund, separate from the General Fund, that is dedicated to transportation purposes. Currently, it is used primarily to support the financing for state highway and public transportation projects and operate the Department of Transportation (DOT) and Department of Motor Vehicles (DMV) ([CGS § 13b-68](#)).

### History

The legislature first established the fund in 1983 in the wake of the Mianus River Bridge collapse. In the following year, it expanded the STF to finance a 10-year transportation infrastructure renewal program, dedicating the motor fuels tax and certain fee revenue to the fund and providing for automatic increases in this revenue at periodic intervals.

Originally, the STF was designed to cover only the direct costs of financing the transportation infrastructure program. But, starting in 1987, the legislature transferred a series of state agency costs from the General Fund to the STF, in part due to growing General Fund deficits. As the transportation system's operating and capital costs have grown, the legislature has had to move additional revenue streams into the STF and transfer General Fund money to the STF to keep the fund from operating at a deficit.

### Transportation “Lockbox”

Since 2015, the General Statutes have contained a transportation “lockbox” provision designed to protect the STF and restrict its use. In November 2018, voters approved a proposed constitutional amendment, 88% to 12%, that added these protections to the State Constitution.

Both the statutory and constitutional lockbox do the following:

1. preserve the state's Special Transportation Fund (STF) as a permanent fund;
2. require that the fund be used exclusively for transportation purposes, including paying transportation-related debt; and
3. require that any funding sources directed to the STF by law continue to be directed there, as long as the law authorizes the state to collect or receive them.

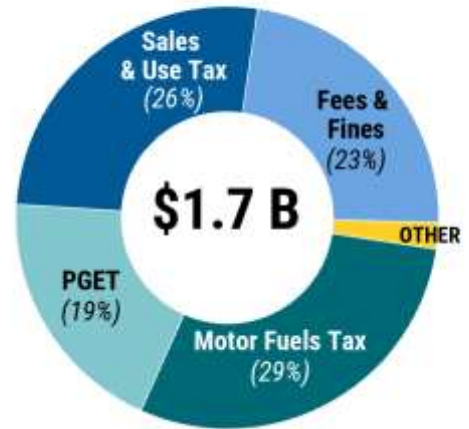
## Transportation Revenue

The STF is funded primarily by tax revenue that state law dedicates to the fund ([CGS §13b-61](#)). Nearly 50% of STF revenue comes from taxes on fuel: the motor vehicle fuels tax (including the motor carrier road tax) and the petroleum products gross earnings tax (PGET). About one quarter of STF revenue comes from specified sales and use tax diversions: 0.5% of general sales, revenue from used car sales, and a gradually increasing portion of revenue from new car sales.

In addition to taxes, the law directs most transportation-related fees and motor vehicle-related fines to the fund. These sources make up 23% of STF revenue in FY 19. Other sources include interest and federal grants, which make up less than 3% of the fund. The chart to the right shows the STF revenue breakdown.

Major sources of transportation revenue that are not accounted for in the STF are (1) bus and rail fares, which stay with the operator and offset DOT bus and rail expenditures, and (2) revenue outside the operating budget that is part of the capital budget (i.e., federal reimbursements and bond proceeds, see below).

STF Revenue, FY 19



Source: Office of Fiscal Analysis

## Transportation Spending

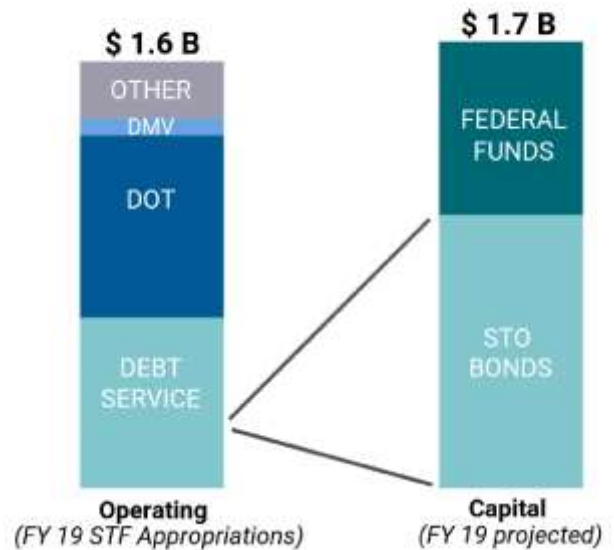
There are two major types of transportation expenses: operating and capital. The two sides of transportation financing are connected when bond (capital) spending is repaid as debt service.

Operating expenses are paid with STF appropriations. State law requires that STF resources be used first to pay debt service on special tax obligation (STO) bonds issued for transportation purposes. After that, remaining resources must be spent on (1) other transportation-related debt, (2) DOT and DMV budgets, (3) Department of Energy and Environmental Protection's (DEEP) boating enforcement, and (4) the Department of Social Services transportation for employment independence program (CGS § 13b-69).

As the chart to the right shows, the majority (about 80%) of operating expenses are for DOT and debt service. DMV expenses represent about 5% of the operating expenses. "Other" expenses include pension and fringe benefits for agency employees (about 12% of STF appropriations), DEEP boating expenses, and worker's comp and other administrative costs paid to the Department of Administrative Services (DAS).

Capital expenses are mainly comprised of improvement and repair projects, like highway and bridge improvements, and are financed primarily (66%) with state bond funds. About 33% of capital expenses are paid with federal funds, which are structured as reimbursements for eligible expenses the state incurs. A relatively small (1%) of capital expenses are paid from DOT's operating budget (this is known as pay-as-you-go, or PAYGO).

Transportation Capital & Operating Expenditures



Source: Office of Fiscal Analysis

Learn More

"Special Transportation Fund," OLR [2018-R-0088](#)

"[Fiscal Accountability Report, FY 19 to FY 22.](#)"  
OFA

Governor's Transportation Finance Panel [Final Report](#)

DOT's Annual Capital Plan [Report](#)

