

Testimony of Maria Fuentes
Maine Better Transportation Association
Joint Standing Committee on Taxation

LD 713 – Resolution, Proposing an Amendment to the Constitution of Maine to Dedicate a Portion of Sales and Use Taxes from All Motor Vehicle Sales and Motor Vehicle-related Sales to the Highway Fund for Road and Bridge Capital Improvements.

March 7, 2023

Senator Grohoski, Representative Perry, and members of the Joint Standing Committee on Taxation. My name is Maria Fuentes, Executive Director of the Maine Better Transportation Association (MBTA), and on behalf of the MBTA, I speak today in support of LD 713.

Our organization represents over 700 members who plan, design, build, maintain, or use our transportation system including transportation contractors, engineers and suppliers, bus and rail companies, airports and port interests, and others committed to investing in our transportation infrastructure to boost the state’s economy and quality of life.

Many legislators are aware of the crushing needs of our transportation system. Maine has an underperforming Highway Fund, and this has been the case for decades; it has remained largely flat and has not enjoyed the prosperity of the General Fund. This is no surprise since its main funding sources is the per-gallon excise tax, which is declining as fuel efficiency continues to increase, and electric vehicles increase in popularity. Like many, we have been waiting for many years for the federal government to step up and fully support the states – as they did when the country built the interstate - but that partnership has declined due in large part to gridlock in Washington, D.C. Federal fuel taxes have not been increased since 1993. Certainly a bright note in Washington has been the passage of the Bipartisan Infrastructure Law. While the formula funding for the states only increased marginally, there are new grant programs which Maine has historically been very successful with, especially since Senator Susan Collins is on an Appropriations Committee and has made transportation a priority. We are concerned that Maine may not be able to come up with the matching funds needed to compete for the new grant programs available, regardless of how effective our delegation is at securing money for our state.

MBTA understand that this bill would blow a hole in the General Fund, but we still wanted to testify because we know something must be done to create sustainable funding for the Highway Fund. The MaineDOT has done cost-cutting, belt tightening, and even reclassified their entire highway system so that scores of miles of roads can expect nothing more than “Light Capital Paving,” - what we used to call “Skinny Mix” - once every seven years. Forget about safety projects like rehabilitation, or reconstruction which can include paved shoulders – something critical to those who commute by foot or bicycle.

In the 130th Legislature, a group of legislators and transportation leaders met for over a year as part of the Blue-Ribbon Commission on Highway Funding. That group agreed unanimously that the shortfall in the Highway Fund was \$230 million – but that was assuming a \$100 million General Fund bond every single year, making the shortfall \$330

million per year. With the inflation that we have seen in construction along with everything else, the number must be even higher.

The funding problem is not a new one. Since the King Administration, every governor and Legislature have supported paying back DOT general obligation bonds with General Fund revenues. That is a considerable contribution. The state is fortunate that the Governor and past Legislatures have recognized that the highway budget is cratering, and Governor Mills has proposed, and the Legislature has passed significant funding from the General Fund for the Highway Fund.

As the state gets more desperate for funds, we abandon more parts of our transportation system. For several years now, MaineDOT reaffirmed their focus away from rehabilitation and highway reconstruction, and toward more preservation. Current funding levels have driven our Department of Transportation to get out of the highway reconstruction business. Instead, it has had no choice but to make skinny mix and other pavement treatments the core of their highway capital program.

To their credit, MaineDOT has historically ranked highly in studies that show they have low administrative costs compared to many other states, and that they use their scant resources efficiently. They have cut their overhead and operations significantly. In fact, over the course of a few budget cycles, MaineDOT reduced its workforce from by approximately 20%. That is unheard of for a state agency.

But there is only so much cutting and prioritization that a state agency can do. Again, we are grateful that the current Governor and past governors and legislators - have been very generous with issuing large bonds for transportation.

If the Legislature is unwilling to increase user fees, such as the fuel tax, and the MaineDOT has already made significant cutbacks, then the only venue left is to share in existing state resources - or the state's General Fund. This resolution recognizes the tremendous support the transportation sector contributes to the General Fund. As such, we support having more money come out of the General Fund to support transportation needs, one of the bread-and-butter responsibilities of government.

Thank you for the opportunity to testify, for your attention and for your service to the state of Maine.