



Testimony in Opposition to LD 274:

“An Act Making Unified Allocations from the Highway Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2025, June 30, 2026 and June 30, 2027,” Also known as the Biennial Highway Budget

Senator Nangle, Representative Crafts, and the distinguished members of the Committee on Transportation, my name is Harris Van Pate and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify in opposition to LD 274.

Maine’s approach to funding its transportation infrastructure is structurally flawed. For years, policymakers have relied on short-term fixes and borrowing to maintain roads and bridges rather than identifying a sustainable and responsible funding mechanism. This committee has a critical opportunity to fix this problem by dedicating 100% of vehicle sales tax revenue to the Highway Fund, ensuring a long-term, predictable revenue source without the need for repeated borrowing or tax increases.

Maine’s Highway Fund Is Broken

Maine’s Highway Fund largely relies on fuel taxes, vehicle registration fees, and federal funding, but these revenue streams have proved inadequate:

- Fuel tax revenue is declining as vehicles become more fuel-efficient and electric vehicle adoption increases.¹
- Registration fees and tolls disproportionately impact rural Mainers, who have fewer transportation alternatives.²
- Bonding has become a routine method of funding transportation, costing taxpayers millions in interest payments rather than directly funding infrastructure needs.³

Instead of applying another short-term patch to this broken system, Maine should take a permanent step forward by aligning transportation funding with transportation-related revenue.

¹ <https://mainepolicy.org/heres-how-maine-can-permanently-close-its-transportation-funding-shortfall/>

²

<https://www.transportation.gov/rural/grant-toolkit/critical-role-rural-communities#:~:text=Rural%20residents%20have%20limited%20transportation,public%20transit%20solutions%20is%20rising.>

³ <https://legislature.maine.gov/doc/8688>



The Case for Dededicating 100% of Vehicle Sales Tax Revenue to the Highway Fund

Maine currently collects sales tax on all vehicle purchases. Yet, a significant portion of this revenue—approximately \$334 million for the 2024-25 biennium—is funneled into the General Fund instead of being used to maintain the roads on which these vehicles travel.⁴ In 2023, the Legislature wisely shifted 40% of vehicle sales tax revenue to the Highway Fund, generating \$223 million for the current budget cycle.⁵ This was an important step, but it did not go far enough.

By dedicating 100% of vehicle sales tax revenue to the Highway Fund, Maine can:

- Eliminate the chronic transportation funding shortfall without raising taxes or fees.
- Reduce state borrowing and avoid unnecessary interest payments on transportation bonds, saving taxpayers tens of millions.
- Ensure predictable, sustainable road and bridge maintenance funding, improving long-term planning and cost efficiency.

Maine's General Fund Can Absorb This Shift

Some may argue that reallocating all vehicle sales tax revenue would create a General Fund shortfall. However, Maine's Biennial General Fund budget has grown by more than \$4 billion since 2019, an unsustainable trajectory that is not driven by core government services.^{6 7} Instead of continuing this expansion, lawmakers should focus on reining in spending and prioritizing essential government functions, like maintaining our roads and bridges.

A responsible budget should prioritize structural reforms, not continuous spending increases that leave critical infrastructure underfunded. Maine does not have a revenue problem—it has a spending problem.

⁴ This number was reached by multiplying the total amount the highway fund was budgeted to receive for this biennium by 3/2 to find the number for the remaining 60%. Highway fund was budgeted to receive approximately \$222,952,507 from the vehicle sales tax for FY 24 and 25. Thus, the remaining sixty percent of the revenue must have amounted to approximately \$334.43 million. <https://legislature.maine.gov/doc/11282>

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<https://www.maine.gov/governor/mills/news/governor-mills-signs-highway-fund-budget-law-creating-new-sustainable-source-funding#:~:text=The%20bill%20creates%20a%20sustainable,for%20infrastructure%20repair%20per%20biennium.>

⁶ <https://legislature.maine.gov/doc/3079>

⁷ <https://www.maine.gov/budget/home>



Conclusion

LD 274 fails to address the fundamental problem with Maine's transportation funding. Rather than continuing the cycle of underfunding and borrowing, the Legislature should take this opportunity to enact a permanent solution by dedicating 100% of vehicle sales tax revenue to the Highway Fund. This shift would align funding with infrastructure needs, ensure long-term sustainability, and relieve taxpayers of the unnecessary burden of perpetual bonding.

For these reasons, Maine Policy Institute strongly urges this committee to reject LD 274 and commit to a sustainable, fiscally responsible solution for transportation funding in Maine.

Thank you for your time and consideration.