



AGC MAINE

THE CONSTRUCTION ASSOCIATION

Testimony of Matthew Marks in Support of 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”

Joint Standing Committee on Taxation

March 7, 2023

Senator Grohoski, Representative Perry, and distinguished members of the Joint Standing Committee on Taxation, I am Matt Marks, a Principal at Cornerstone Government Affairs and here today on behalf of my client the Associated General Contractors of Maine (AGC Maine).

Funding for the Maine Department of Transportation’s work plan has been a constant discussion for AGC Maine for more than 15 years. As reported last week at the State Budget review of the general fund use for transportation the Commissioner revealed the gas tax continues to remain stable, but truly flat as a funding source apart from losses during Covid.

The gas tax will continue to face challenges as we accelerate both alternative fuel sources and improve the miles per gallon efficiency. The EPA¹ reported a 32% improvement in the average mpg since 2004, with a savings of 25% in CO2 emissions. For Maine, that reduction and continuous improvement in the mpg and climate goals shifting fuel resources will continue to stress funding for the highway fund. AGC Maine has asserted this in several prior testimonies and of course, it was quite early in the adoption of new, more efficient vehicles. One adverse effect of the change is new electric vehicles are quite heavier than traditional gasoline vehicles. In a recent article², car manufacturers noted that “The Mustang Mach E electric SUV and the Volvo XC40 EV are roughly 33% heavier than their gasoline counterparts.” I don’t believe we have enough data at this point to determine the impact of that on transportation infrastructure.

The reality for transportation agencies is that they will need to plan for a reduction in gas tax receipts as more alternative vehicles are delivered into the market. For the industry, one of the ongoing discussions is the reliability and confidence in the funding source. Investment in equipment, skilled workers, and materials requires a long-term plan that must be funded. Over the last decade, the Department has been creative in solving this problem annually, but the outcome is work is often in progress or nearly in process before the solution is finalized creating risk for all.

¹ EPA Report: <https://www.epa.gov/automotive-trends/highlights-automotive-trends-report>

² <https://fortune.com/2023/01/11/electric-vehicles-heavy-batteries-truck-warning-accidents/>

For example, one legislative session resulted in funding delays that extended into prime construction season. It had an immediate impact on hiring, training, and allocation of resources. When that happens, we place an undue burden on projects during the peak season, when the majority of work can be completed in advance of unknown weather conditions. Ideally, we would be discussing plans years in advance.

For that risk, and the known infrastructure needs, the premium on projects in a competitive market is difficult to determine. Right now, material prices have created a more complex environment. The ability to plan, purchase, and lock in pricing can provide a distinct advantage.

The Blue-Ribbon Commission report³ in 2020 had two key findings that this bill appropriately addresses as a starting point:

- A funding solution should consist of a combination of funding from the State's General Fund and new revenue for transportation. Final Report of the Blue-Ribbon Commission to Continue Studying and Recommend Funding Solutions for the State's Transportation Systems.
- With a goal of providing an additional \$160 million in State resources to transportation funding (a finding determined by the first commission), the split of General Fund allocation versus new revenue should be in the range of 50 to 80 percent from the General Fund, and 20 to 60 percent from new revenue.

AGC Maine supports this bill and suggests the Committee consider amending it to include an increase to 65% over three years. Not only does this capture the appropriate sources, but it would also account for the predicted increase in road usage by vehicles that are not directly contributing to the highway fund. I encourage the Committee to pass this bill, and I'm happy to answer any questions.

³ Maine's Blue-Ribbon Commission on Transportation: <https://legislature.maine.gov/doc/4091>