

Testimony of Maria Fuentes, Executive Director, Maine Better Transportation Association
In Support of
LD 367 - "An Act to Authorize General Fund Bond Issues to Improve Highways, Bridges and
Nonhighway Modes of Transportation"

Joint Standing Committee on Appropriations and Financial Affairs
April 27, 2023

Senator Rotundo, Representative Sachs and distinguished members of the Joint Standing Committee on Appropriations and Financial Affairs. My name is Maria Fuentes, I live in Hallowell, and I am speaking today on behalf of Maine Better Transportation Association in support of LD 367 – "An Act to Authorize General Fund Bond Issues to Improve Highways, Bridges and Nonhighway Modes of Transportation."

MBTA is a statewide organization with 700 members comprised of organizations and individuals who plan, design, build, maintain, operate, or use the state's transportation system. These include transportation construction and engineering firms, public works departments, bus and shipping companies, airports, and others committed to advancing long-term funding for our state's transportation infrastructure system.

This bond proposal is balanced, comprehensive and responsive in terms of meeting the transportation capital needs facing our state. MBTA supports LD 367 for the following reasons:

- State money is desperately needed for MaineDOT to have any type of capital program, and to fund the projects in its Work Plan. This money can be in the form of Appropriations or other General Fund cash, or in the form of a general obligation bond to go out to voters.
- Without state funds, the Department will have to cut projects in an already modest program.
- The bond specifies funding for all modes of transportation.
- The bond – as would an appropriation - creates the opportunity to leverage to the maximum extent possible, considerable matching funds from federal, local, and private sources.

There are many indications that the Highway Fund is on life support.

Zero Dollars in Highway and Bridge Capital Account:

For several biennia, DOT budgets have contained no appropriations for capital under the State Highway and Bridge Capital account. While this was shocking to us when it first occurred several more than ten years ago in a Highway Fund biennial budget, it now is the norm. There is no state cash that can be used directly on the construction of capital projects in their budgets, or to match federal funding for capital projects. For many years, that money has been raised through General Fund, general obligation bonds. This Committee and the Legislature and Administration have been very generous with General Fund support to subsidize the HF.

Use of GARVEE Bonds in HF Budget:

GARVEE bonds are a Grant Anticipated Revenue Vehicle – a debt financing instrument – that the feds allow states to use for highways and bridges and are paid back using anticipated federal revenues. GARVEE was originally used for extraordinary projects, and was first employed in 2013, to help build the Penobscot Narrows Bridge, an emergency replacement of the Waldo-Hancock Bridge. At that time, it was a big deal and required a 2/3 vote of the Legislature to authorize a GARVEE bond.

The state no longer has the luxury of using GARVEE funds for unanticipated emergencies, because the MaineDOT is so strapped, it must use GARVEE as part of its regular program, for more routine capital improvements. This has happened over several biennia, but it is another indication of how stressed the agency's finances are.

TransCap Funds:

When the TransCap Trust Fund was created by the Transportation Committee in the 123rd Legislature through LD 1790, it set aside 7 ½ % of fuel tax revenues to be sent to the Maine Municipal Bond Bank to be used strictly for capital projects – or projects with a lifespan of ten years or more. The reason for this is because already – back then – revenues available for capital projects were declining. This is more painfully true today.

Shortly afterwards, the Department needed those moneys because they didn't have enough cash to fund their Light Capital Paving program – what we used to call skinny mix. Skinny mix has become the DOT's core program for several biennia now. It provides a thin and necessary layer to 700 miles – this used to be 600 miles – to those state roads that are considered Maine's "basket case" roads. They do this because if these roads were left untreated, they may completely fall apart due to their deteriorated condition. The switch, in effect, robs Peter to pay Paul, and continues to diminish the dollars needed to address dire capital needs today and in the future.

Clearly, and of no surprise to you, these facts portray the stark condition of the Highway Fund. A general obligation bond is one avenue to address this shortfall on a temporary basis. Without an infusion of revenues, Maine will not have a credible transportation capital investment program.

Cost-Cutting:

MaineDOT has done a great deal of cost-cutting, belt-tightening, dollar-stretching, prioritization, and re-prioritization for many budget cycles now. Due to their funding struggles, the Department has been forced to scale back the number of miles it is financially able to improve through re-prioritizing roads and re-classifying customer service levels. Several years ago, MaineDOT arrived at a new set of measurements and classifications to estimate the state's highway and bridge needs. They identified Priority 1, 2 and 3 roads, which represent only 19% of all public roads. These roads carry roughly 70 % of all traffic in Maine so the Department recommended this is where investment should be focused. These are the roads that are most critical to the functioning of the Maine economy and are the roads most directly associated with the health of the state's general fund.

As a result, fully one-half of Maine's roads will never receive anything other than a coat of skinny mix – or light capital paving – every seven years.

Other cost-cutting measures have included reductions in personnel. There are fewer positions at MaineDOT today than there were 15 years ago. In fact, over the past decade, the agency has cut nearly 20% of its workforce. That is a dramatic reduction for a public agency. But they had to do it in order to manage their workload and plow tens of millions in Personal Services savings into their budget.

Let me close by saying that being able to get to school, work, childcare or other needs safely every day is not a luxury or a new capital item; it is a basic governmental function that should be funded with on-going, sustainable revenue. The Highway Fund is not in a position where it has cash to stand on its own two feet and make the necessary improvements needed for Maine citizens and businesses.

In the long-term, we hope this Committee will join with the Transportation Committee and the Legislature to develop a path forward so that the MaineDOT will have a sustainable and predictable funding mechanism to maintain the many transportation facilities in the state. In the short-term, we hope you will pass LD 367, and let the voters decide if they want more safety projects completed throughout the state.

Thank you for considering these comments today and for the hard work of your Committee, as well as your continuing support of transportation in Maine.