



Natural Resources Council of Maine

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Testimony Neither For Nor Against LD 1194, An Act to Phase Out Vehicle Excise Taxes and Implement a Fee for Infrastructure Funding Based on a Vehicle's Annual Mileage

To the Committee on Transportation

by Josh Caldwell, Climate and Clean Energy Policy Advocate for NRCM

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Senator Nangle, Representative Crafts, and distinguished members of the Committee on Transportation, my name is Josh Caldwell, and I am here on behalf of the Natural Resources Council of Maine (NRCM) neither for nor against LD 1194, An Act to Phase Out Vehicle Excise Taxes and Implement a Fee for Infrastructure Funding Based on a Vehicle's Annual Mileage. NRCM is Maine's leading nonpartisan membership organization dedicated to protecting Maine's environment, with nearly 20,000 supporters statewide and beyond.

Maine is facing a significant Highway Fund shortfall in the coming years, projected at \$280 million by 2027. The primary cause of this shortfall is that, in 2011, the gas tax was de-indexed from inflation. This has caused Maine to forego \$588 million in revenue for transportation since then, plus an additional \$241 million that would have been generated over the next two years.¹

The need for sustainable funding solutions is evident, and a mileage-based user fee as proposed in this legislation is one possible component of a larger solution. Other states such as Vermont, Washington, and Oregon have seen success with this approach. Given the scale of the projected shortfall, this should be considered alongside other revenue generators considered by the 2020 Blue Ribbon Commission or implemented in other states, such as reindexing the gas tax to inflation, implementing a tire tax, cost sharing with the Maine Turnpike Authority, and a combination of other sensible smaller revenue sources such as a retail delivery fee,² utilizing toll

¹ Maine Center for Economic Policy, December 2024, *Highway fund shortfall highlights the need for sustainable revenue solutions*, <https://www.mecp.org/blog/highway-fund-shortfall-highlights-the-need-for-sustainable-revenue-solutions/>

² Colorado Department of Revenue, About the Retail Delivery Fee, <https://tax.colorado.gov/retail-delivery-fee>

revenue for local match on federal infrastructure projects,³ rental car taxes, impact fees,⁴ flexible sales tax solutions (seasonal sales tax or local-option sales tax), or creative taxes on assets owned by wealthy individuals such as rental units or second homes. Some of these solutions are contained within the most recent Public Transit Advisory Council report.⁵

However, we have significant concerns with this legislation as written.

- First, one of the values of a usage-based fee is that it is fuel agnostic, ensuring that revenue would not be tied to changes in fuel usage and fuel type. Having a separate rate for electric vehicles, as proposed in this legislation, defeats this principle. This is doubly unfortunate as electric vehicles provide drivers with significant cost savings, reduce air pollution, and are critical to addressing climate change in Maine
- Next, the legislation proposes phasing out excise tax two years prior to the implementation of a usage-based fee, which would lead to significant revenue loss for municipalities in the near term. This is likely untenable for Maine towns.
- We appreciate the exemptions for older Mainers and low-income Mainers but feel that the exemptions should be more thorough and tied to qualification for existing means-tested Maine programs. Additionally, it may be more efficient for annual mileage to be reported during annual vehicle registration rather than by a mechanic conducting a vehicle inspection.
- A usage-based fee is limited in that it does not capture revenue from out-of-state drivers who use and contribute to wear and tear on Maine's roadways.
- Finally, we do not think the Maine Transportation Fund as proposed should be limited in the same way as gas tax revenue. Instead, the Maine Department of Transportation and the Legislature should have discretion as to how to best utilize the funding based on statewide needs assessed in regular work plans.

Preferably, a usage-based infrastructure fee would be an option that is part of a holistic conversation about transportation funding. We know that Maine DOT has studied the viability of a user-fee model and feel that proposals such as this one should be informed by analysis prior to implementation to ensure that the projected costs and benefits align with our statewide transportation aims.

³ Federal Highway Administration, *Federal-aid matching strategies*,
https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_aid/matching_strategies/toll_credits.aspx

⁴ Federal Highway Administration, *Value Capture: Capitalizing on the Value Created by Transportation*,
https://www.fhwa.dot.gov/ipd/pdfs/value_capture/faq_impact_fees.pdf

⁵ Public Transit Advisory Council, February 2025, *Biennial Report to Governor and Legislature*,
<https://www.maine.gov/mdot/transit/docs/ptac/2025/PTAC%20Biennial%20Report%20to%20Legislature%20Feb%202025.pdf>

We look forward to participating in continued conversations about generating sustainable transportation revenue for the state of Maine and think that a usage-based fee could be a component of an effective solution, but we have substantial concerns with the language in this bill as written, and it does not get us all the way there.

Thank you for your consideration of this testimony. I am happy to answer any questions.