



STATE OF MAINE
DEPARTMENT OF TRANSPORTATION
16 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0016

Janet T. Mills
GOVERNOR

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COMMISSIONER

**Testimony of
Bruce A. Van Note, Commissioner
Maine Department of Transportation**

**In Support of LD 161
The FY 22–FY 23 Biennial Highway Fund Budget**

“An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, Highway Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2021, June 30, 2022 and June 30, 2023”

**to the
Joint Standing Committee on Transportation**

March 25, 2021

Senator Diamond, Representative Martin, and other distinguished members of the Committee, I am Bruce Van Note, Commissioner of the Department of Transportation. I appear before you today in support of the portions of the Governor’s proposed Highway Fund (HF) budget – LD 161 - that pertain to the Maine Department of Transportation (MaineDOT). Like all recent HF budgets, this is a baseline budget supporting current services and is the primary mechanism by which we achieve our mission, which is *“to support economic opportunity and quality of life by responsibly providing our customers with the safest and most reliable transportation system possible, given available resources.”*

In accordance with guidance from the Chairs, the detailed line-by-line explanation of the 47 budget initiatives and 5 language items set forth in the budget document provided to the Committee by the Office of Fiscal and Program Review (OFPR) for LD 161 (hereinafter “OFPR HF Budget Document”) will be deferred to work session to allow for a higher-level, policy view of transportation funding. As you are aware, MaineDOT has multiple funding sources, and this HF is only one. Past committees have found it helpful to be briefed on how all these parts fit together before delving into the minutiae of each HF budget item. To prepare for the important line-by-line exercise in work session, attached as Appendix A is a nine-page summary of the initiatives and language items that make up MaineDOT’s portion of this HF Budget.

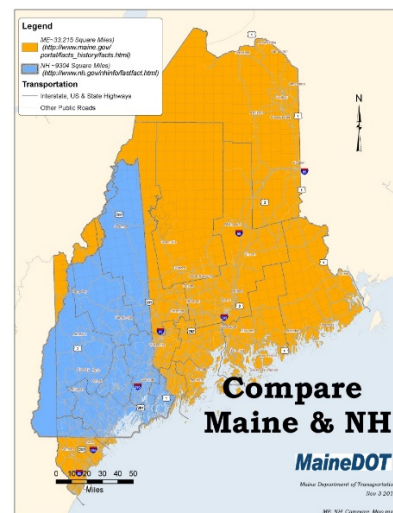
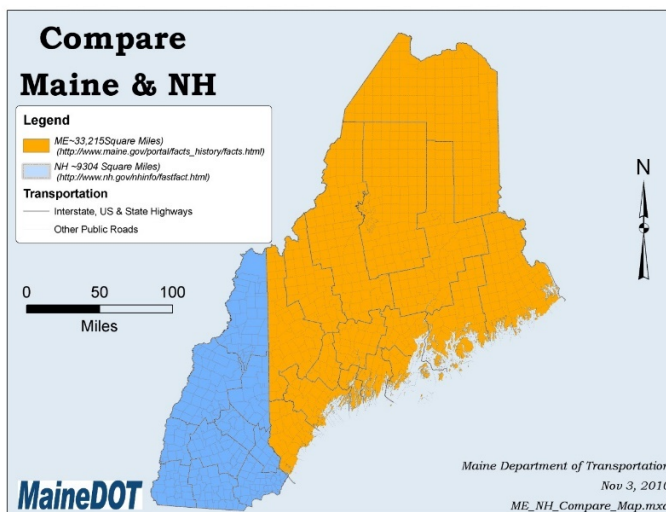
Today, I plan to use your limited time to focus on higher-level review of (1) the scope of Maine’s transportation challenge and (2) the sources and uses of all funds for the FY22 - FY23 biennium, including a brief overview of the major items in MaineDOT’s HF Budget.

1. The Scope of Maine's Transportation Challenge

As this Committee is keenly aware, providing a safe and reliable transportation system is a big job in Maine. To serve a relatively small population with limited incomes spread-out spread out over a big state, Maine supports an extensive state multimodal transportation system that includes:

- 8,800 centerline miles of highway that carry 87% of all vehicle miles traveled and 87% of all freight
- Almost 3,000 bridges and minor spans
- 6 commercial airports
- 1,200 miles of active railroad track and 492 miles of state-owned track
- Downeaster Amtrak Service between Brunswick and Boston
- 21 transit providers with 420+ buses/vans
- 7 state-owned Ferry boats and terminals
- 3 major seaports

The bulk of this testimony will get into where transportation funding comes from and where it goes, but it may be helpful to place this discussion in context. A comparison to our neighbor in New Hampshire – a state with about the same population as Maine – can be illuminating. As can be seen below, we are obviously much bigger geographically. Maine also has more than double the state highway miles and about 40% more bridges to maintain. To meet Maine's needs, we also support multiple modes of transportation. Simply put, we have much more transportation infrastructure per capita than the Granite State. Maine is also farther away from Boston, which is a principle reason Maine's per capita income is significantly lower. This makes revenue options more challenging.



All these structural realities make raising sufficient and sustainable transportation funding to just take care of what we have in Maine a huge challenge. As we have communicated to this Committee several times before, transportation needs in Maine continue to far outpace available resources.

The precise amount of our unmet need is a moving target that we continue to refine through prioritization and capital treatments. This is especially difficult to nail down due to the pandemic and the dynamic policy environment. As we say daily, it is an exciting time to be in transportation, but it is clear the chronic funding shortfall is daunting. In March of 2020, the members of the nonpartisan Blue Ribbon Commission to Study and Recommend Funding Solutions for the State's Transportation Systems (a group made up of legislators, transportation professionals, and other stakeholders) found that Maine's unmet transportation need was about \$232 million per year. That figure was calculated *after* assuming that state bonding of \$100 million or more will continue annually. See <https://legislature.maine.gov/doc/4091>.

It is in this context that we present to you the MaineDOT-related portions of the HF biennial budget today (LD 161). With this perspective, you can see that it is already a bare-bone, no-nonsense, baseline budget needed to maintain current services at MaineDOT. All recent Highway Fund budgets have been in this posture. In fact, given that MaineDOT's core mission includes delivery of capital work, we need to move beyond HF budgets and consider bonding for MaineDOT to do its basic job. Some new Committee members sometimes ask why we do not have a Rainy Day Fund for transportation for times like there. The reason is that transportation needs always outstrip resources, and it has been MaineDOT's responsibility to take whatever resources are available and engineer from them the best transportation value possible for our customers. Simply put, we do the best we can with what we have.

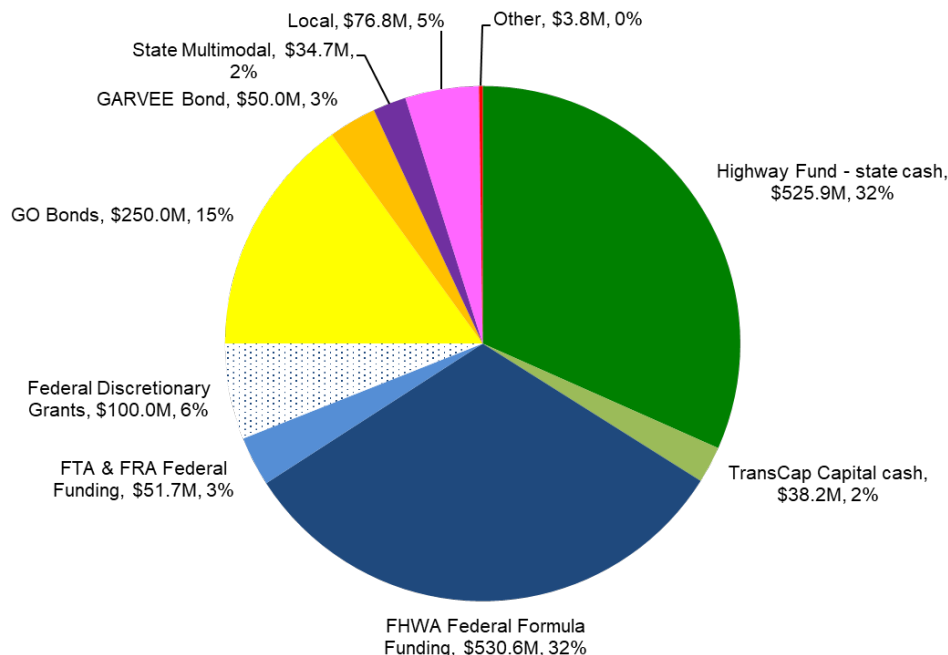
2. Sources and Uses of Funds

A. Sources of Funds

State budgets normally focus on uses of funds, not sources. However, as you know, this Committee is in a rare position in that you control legislative transportation policy as well as the HF budget. In those roles, this Committee historically has desired to understand sources of funding as well as the uses.

Accordingly, the pie chart below provides a high-level overview of MaineDOT's sources of funds for the FY22-FY23 biennium. In simplest terms, pending legislative resolution of this budget and bond discussions, MaineDOT expects to receive an estimated \$1.66 billion over two years, broken down as follows.

MaineDOT - All Funds - 2 Years (FY22-23)
Proposed Sources - \$1,658.6M Detail (Highway, Federal, etc)
 FY22/23 budget as proposed



State HF Revenue. The Revenue Forecasting Committee (RFC) currently projects that total HF revenues to be collected (being derived primarily from fuel tax revenues and motor vehicle fees) plus balance forward yields \$690.4 million that is available for allocation to all HF agencies for the FY22-FY23 biennium. That is about 3 1/2 % higher than the previous COVID-reduced revenues projected for the current biennium (FY20-FY21), but new revenues are more than \$30 million less than the FY18-FY19 biennium. This means that, even with the forecast 3.4% increase, the HF revenues are projected to be less than those of four years ago. Further, looking forward, the RFC estimates that fuel tax revenue will continue to increase by a modest 0.7% per year for the next few years.

State HF revenues available for allocation for MaineDOT for the FY22-FY23 biennium is budgeted to be \$525.9 million and is depicted as the green wedge in the pie chart above. This biennial amount is **1.4% lower** than the amount budgeted for MaineDOT in the previous biennium (FY20-FY21). This \$525.9 million represents about 77% of total HF revenues.

Fuel taxes are sometimes described as a dinosaur. While it is true that they will be less effective over time as we transition to powering highway vehicles by electricity and other energy sources, this transition is likely to be more gradual than many of us would wish. Thus, despite long-term trends, today fuel taxes remain the aging financial workhorse of the HF.

Federal Highway Funds. Federal formula funds for the highway and bridge system, shown as the dark blue wedge above, are estimated at \$530.6 M for the biennium, and represents about 32% of all MaineDOT funding.

The current federal surface transportation authorization bill (the FAST Act) has been extended and expires September 30, 2021. There are recent discussions in Washington, DC about a large infrastructure package - reportedly worth up to \$3 trillion. This infrastructure package may or may not be combined with the surface transportation reauthorization. Substantial emerging issues include the definition of “infrastructure,” the return of earmarks, the length of the plan, project delivery timing requirements, and how to pay for it. It is way too early to tell what will emerge. MaineDOT is closely monitoring the situation and will be poised to take advantage of federal funding opportunities. Until something actionable happens, this budget includes an assumption of relatively flat federal formula funding.

Additionally, MaineDOT receives \$51.7 million or 3% from Federal Transit Administration and Federal Rail Administration for transit and rail projects statewide, shown as the dark blue wedge above.

Further, MaineDOT’s Work Plan is based upon the assumption that we will continue to receive extraordinary levels of competitive federal discretionary grant programs. These non-guaranteed funds are shown as the blue dotted wedge in the amount of \$100 million or 6% which represents the average amounts we have received in recent years. MaineDOT continues to work closely with our Congressional delegation to maximize use of these programs.

Bonding. Although considered outside the state budgets, bonding is a critical piece of MaineDOT funding. As can be seen in the Sources of Funds pie chart above, bonding for both highway and multimodal purposes represents fully 18% of MaineDOT funding and is the linchpin of our capital program. Without it, dramatic cuts to MaineDOT programs would be necessary.

As one can see, General Obligation (G.O.) bonding serviced by the General Fund – shown as the yellow wedge above – is assumed at \$250 million for the biennium. This includes \$150 million for this calendar year, consistent with the recommendations of the Governor’s Economic Recovery Committee contained in its final report dated November 24, 2020. The MaineDOT Work Plan issued in January 2021 and our current CY 2021 Construction Advertisement Plan is dependent was based upon this level of bonding. As we have informed the Committee previously, about \$50 million of this \$150 million is needed in the first half of 2021, and a June general obligation bond referendum was contemplated.

There is now insufficient legislative time for approval of a June bond. Thankfully, there are options to provide the \$50 million in capital funds needed this construction season. Since bonding plans were first devised, the federal \$1.9 trillion American Rescue Plan (ARP) was debated, enacted, and signed into law. Federal guidance regarding how much money is coming to the state, its authorized uses, and time limitations is pending, but it appears that that more than \$1 billion is coming to Maine state government. It is possible that some of this ARP funding could offset the need for a June transportation bond. ARP funds likely could replace other bonding proposals as well.

As you know, ARP funding is the subject of evolving guidance and a broader policy and political discussions, and we need to know we have funding as soon as possible to avoid the suspension of advertising for bids or award of contracts. Our current bid schedule is based on “just-in-time” delivery of \$50 million in capital funds. A tried and true tool established for this very purpose and used by previous Committees and Legislatures is to authorize a TransCap revenue bond by using the TransCap Trust Fund at the Maine Municipal Bond Bank. We would be glad to discuss this option further in work sessions.

Moving to another established and measured capital funding tool, this budget again authorizes a new \$50M GARVEE bond – shown as the orange wedge in the pie chart above. A GARVEE bond is a revenue bond repaid with future federal funds. As it is not a state debt, it does not require voter approval. This will be the 8th GARVEE bond MaineDOT has issued as we have relied on this source of funding for capital projects. See Language item Part E.

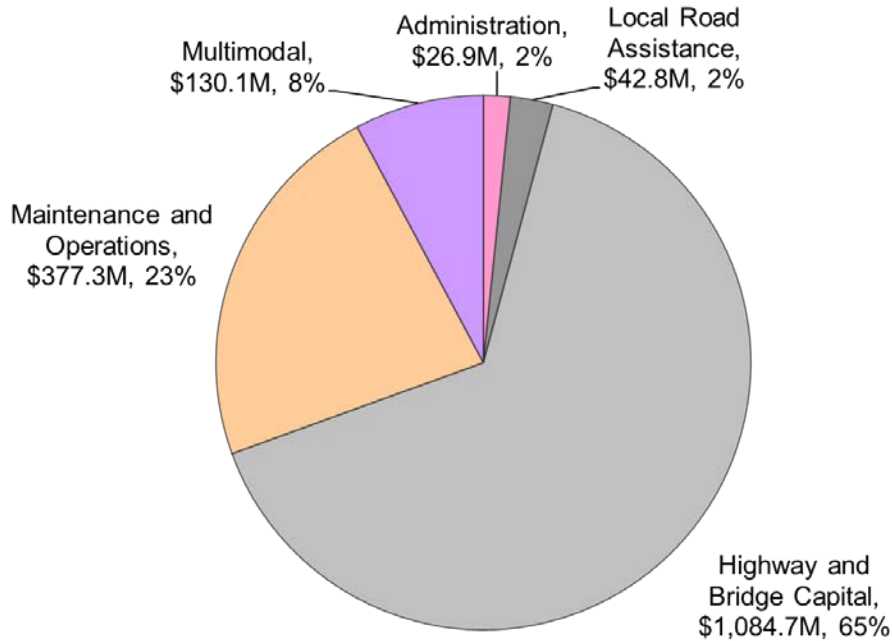
These levels of bonding have worked well for transportation in recent years and continue to be prudent as interest rates have remained low and other funding options have been elusive. However, if interest rates increase, or if policymakers’ priorities change, there is a substantial policy question regarding the sustainability of this bond funding component.

Multimodal Funding. State derived multimodal funding totals \$34.7 million and is shown as the purple wedge on the Sources pie chart above. This does not include federal funding. These state funds are derived from the car rental tax, the HF (for the 50% subsidy for ferry service, and other smaller sources of state revenue. For more detail, refer to the State Multimodal Funding infographic attached as Appendix C.

B. Uses of Funds

A high-level overview of MaineDOT’s Uses of Funds for the FY22-FY23 biennium is shown in the pie chart below. Sources and uses are also depicted on the revised simplified Highway Funding flow chart attached as Appendix B. This Committee has seen previous versions of this flow chart in the past.

**MaineDOT Uses of All Funds
FY22-FY23
\$1,658.6 Million
FY22/23 budget as submitted**



Although we will leave the details of each of these uses to the work session, major items contained in MaineDOT’s HF Budget are summarized below.

Highway and Bridge Capital Programs. As you can see, by far the largest component of MaineDOT’s uses of funds is for capital improvement of our highway and bridge system. Shown as the lighter gray wedge above, capital improvement comprises almost 2/3rds of MaineDOT’s activity. This distinguishes MaineDOT from all other state agencies – our primary function is capital in nature. The major budget components of the capital wedge are the Highway and Bridge Capital (HBC) program and the Highway Light Capital (HLC) program.

HBC Program. As its name implies, the focus of the HBC program is capital improvement of the state highway and bridge network. The HBC program includes state HF, federal funds, and special revenue funds for federal GARVEE bonding. It does not include G.O bond fund proceeds, which although central to MaineDOT’s funding foundation due to our capital focus, are considered outside the traditional state budget process. Work in this program is generally “bondable,” meaning it has a useful life of at least 10 years.

The five budget items related to the HBC program are summarized on page 3 of Appendix A and are set forth on pages 35 and 36 of the OFPR HF Budget Document. Like all capital items in all Maine state budgets, the baseline budget includes only Personal Services and All Other expenditures. Capital expenditure requests are reset each budget year with a “new”

initiative. That admittedly does not work well for a capital-intensive organization like MaineDOT. The total of all these requests is \$576 million for the biennium.

All state HF cash dollars are used for Personal Services and All Other expenditures in the HBC program. Like all recent years, the Capital line of the HBC program has no state HF cash dollars. This means that an often-used approach to addressing HF budget shortfalls in past bienniums – cutting the state HF capital line of the HBC program and replacing it with bond funds - remains unavailable.

HLC Program. The HLC program primarily provides Light Capital Paving (LCP), a thinner treatment meant to keep lower-priority roads serviceable. This is an extremely popular and important program as it is the only way that we can address our lower-priority roads given budget constraints. The HLC program is separated from the HBC program described above because it has a useful life averaging 7 years, and therefore is not prudentially paid for with bond funds. It needs state revenue.

In prior years, the goal of the HLC program and the MaineDOT Work Plans was to pave 600 miles of LCP per year. Starting in 2021, as we continue to strain to match available funding to meet the realities of Maine’s extensive highway system, we have increased the use of LCP to 725 miles per year. We estimate that, to reach this goal, it will cost about \$36M per year, or \$72M for the biennium. The two HF budget items related to the HLC program are summarized on page 3 of Appendix A and are set forth on page 37 of the HF Budget document.

Due to the lack of HF revenue, there is only about \$4.5M available for this HLC program. Therefore, as has been done in every recent HF budget, we are again asking for budget language (see Part D on page 2) to allow that TransCap cash returned to MaineDOT be used for projects with an estimated useful life of 5 years, instead of the 10 years currently proscribed in statute. Every year since the TransCap Trust fund was established in 2008, it has been necessary to add this language to each budget. Given that it has been more than a decade and it appears this language will continue to be needed, we request that it be codified permanently in statute. This TransCap cash – shown as the lighter green wedge in the Sources of Funds pie chart on page 3 – amounts to \$38.2M for the biennium. This brings the total available for the HLC program to \$42.7 million. While this is still short of the estimated needed funding, there will be multiple revenue forecasts and year-end adjustments between now and when we put the final year of the LCP paving out to bid. Therefore, we hope and expect that we will be able to reach our new 725-mile goal.

Local Road Assistance (LRA) Program. This is a state HF account that provides municipalities with financial assistance for their use in capital improvements to the more than 14,000 miles of local roads that carry about 13% of total vehicles miles traveled in Maine. This program is required by law, 23 MRSA § 1803–B(1)(D), which provides that 9% of the total MaineDOT Highway Fund Budget be dedicated for this purpose. The LRA program amounts to about \$42.8 M for the biennium and is shown as the darker gray wedge in the Uses of Funds pie chart on page 5. The two HF budget items related to the LRA program are summarized on page 4 of Appendix A and are set forth on page 38 of the HF Budget Document.

Maintenance and Operations (M&O) Program. The M&O program – shown as the light orange wedge in the Uses of Funds pie chart on page 5 - is probably the most visible to our customers and requires the most state HF revenue as maintenance activities are, by definition, generally not eligible for federal funding and are not bondable. The bulk of MaineDOT employees – more than 1,100 legislative count and crew positions – are in this program. The M&O program provides for the maintenance of the infrastructure of state and state aid highways; summer and winter services on state highways, including the removal of snow and ice from the travel surfaces; and the maintenance of all appurtenances and facilities needed for the safe and reliable use of the system by our customers.

Totaling about \$376 million for the biennium, the six HF budget items related to the M&O program are summarized on page 4 Appendix A and are set forth on pages 39 to 40 of the OFPR HF Budget document. Of note is the approximately \$6.25 million in funding each year for the purchase of heavy equipment in accordance with the long-term equipment purchasing plan. Further, as in past budgets, this budget includes a savings initiative to reduce Personal Services allocations of \$7.4 million in each year by managing vacancies and matching the actual benefit costs to current workforce demographics.

Fleet Services. This is an Internal Service fund that provides MaineDOT with heavy trucks and equipment that are used to perform the daily tasks of making Maine's transportation system safer and more efficient. MaineDOT operates approximately 937 pieces of heavy equipment, including 593 medium & heavy-duty trucks, 127 pieces of heavy construction equipment, and 217 pieces of specialty equipment comprised mostly of traffic control devices. The two HF budget items related to Fleet Services are summarized on page 2 of Appendix A and are set forth on page 28 of the OFPR HF Budget Document.

Multimodal Programs. Multimodal funding for capital and operations is shown as \$130 million as the purple wedge in the Uses of Funds pie chart above. Since this chart was created, funding for transit from the federal CRRSA of December 2020 has become available, and more funding for transit for the American Rescue Plan passed this month will be coming. More detail is provided in Appendix C.

The Multimodal Transportation Fund accumulates state revenue from car rental tax, railroad excise tax, and aviation fuel to be used for the purposes of purchasing, operating, maintaining, improving, repairing, constructing, and managing the assets of multimodal forms of transportation, including, but not limited to, transit, aeronautics, marine and rail of the state, municipal, and multimodal providers. Funds are then distributed to specific multimodal accounts to be used for each mode. The 20 HF budget items related to Multimodal Programs are summarized on pages 5 to 7 of Appendix A and are set forth on pages 41 to 49 of the HF Budget Document.

Experience indicates that there may be specific questions regarding sources and uses of multimodal funding, and we look forward to answering them in work session.

II. Previous members of the Committee have expressed interest in technology costs. You will see several items related to technology throughout the budget; some are reductions, and

some are increases by account. The total annual technology budget in this biennium is about \$15 million. This is an increase of 13% from the baseline of \$13.3M. We use technology every day, and throughout the past year during the pandemic, its importance has increased. MaineDOT was able to mobilize most of our office staff to working from home within days last March. We use systems to provide vital data of our assets which help make decisions about how to use the available funding in the best way possible.

Standard DOT Language Items. This budget includes language items similar to previous budgets that allow savings from unallocated HF revenue (Part G, page 3) and MaineDOT personnel savings (Part H, page 4) to be used for MaineDOT capital and all other purposes.

In conclusion, I want to thank the Governor and this Committee for the support shown to MaineDOT. LD 161 is mission critical, and we urge your support. I will attempt to answer any questions you may have now, and we look forward to providing more detailed answers in work session.

Line-by-line Supporting Information on LD 161

" An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, Highway Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2021, June 30, 2022 and June 30, 2023"

March 25, 2021

The following is a line by line explanation of the MaineDOT requests for the FY2022-2023 biennium included in LD 161.

ADMINISTRATION

The Administration program, beginning on page 32 of the Committee document, is a highway fund program that supports executive functions, human resources, financial planning and analysis, accounting and budgetary processes, and legal and administrative support services.

- 1) The Administration **baseline request** is \$14 for FY,106,892 for FY22 and \$14,288,073 for FY23.
- 2) The first Administration initiative reduces funding for Personal Services savings achieved by managing vacancies in the amount of \$250,000 per year. You will see a similar initiative in Highway and Bridge Capital and Maintenance and Operations accounts. These savings are available to be used to fund other initiatives in the budget due to our large vacancy rate which is about 14% currently.
- 3) The second Administration initiative transfers 3 positions for a savings of \$330,132 in FY22 and \$33,511 in FY23 from the Administration account to other accounts to more appropriately reflect the work being done. Over time, some job responsibilities change over time between accounts. In this budget we are moving 6 positions between accounts so you will see this initiative 5 more times in this budget. Some are positive and some are negative, but the total costs remain the same.
- 4) The last Administration initiative reduces funding for technology costs by \$164,063 in FY 22 and \$187,956 in FY23. As mentioned in the Commissioner's testimony, technology initiatives will be seen in a number of programs throughout the budget document.

BOND INTEREST - HIGHWAY

Bond Interest – Highway is a Highway Fund account that provides funding to pay the interest due each fiscal year on the outstanding highway bonds in accordance with the Constitution of Maine, Article 9, and Section 19. The last highway fund funded bond payment will be in May, so there is no longer a baseline request in this program.

BOND RETIREMENT - HIGHWAY

Bond Retirement – Highway is a Highway Fund program that provides funding to pay the principal due each fiscal year on the outstanding highway bonds in accordance with the Constitution of

Maine, Article 9, and Section 19. The last highway fund funded bond payment will be in May, so there is no longer a baseline request in this program.

CALLAHAN MINE SITE RESTORATION

Callahan Mine Site Restoration is an Other Special Revenue program for mitigation expenses for the Callahan Mine Site Restoration program regarding a Superfund site in Brooksville, Hancock County, Maine

- 5) The Callahan Mine Site Restoration **baseline request** on page 34 is for \$740,000 each year. There are no initiatives in this program.

This is NOT a request for new funding and has never included any Highway Funds. Instead, this item is an authorization to expend funds previously provided by the General Fund. The State of Maine, through MaineDOT, has been working on the Callahan Mine Superfund site since 2005. The state is a “potentially responsible party” for site cleanup under the federal Superfund law due to ownership of submerged lands and mining royalties received. Given MaineDOT’s technical expertise and the need for MaineDEP to act as a regulator, MaineDOT was tasked with responsible clean up while limiting overall state liability.

As a potentially responsible party, the State of Maine has had to pay for 100% of the investigatory and design work. To date, approximately \$7.4 million has been allocated for site investigation and remedial design work. We anticipate that our current design efforts will be completed in mid-2021.

Following submission of what we anticipate will be the final remedial design in mid-2021, the United States Environmental Protection Agency (USEPA) will undertake actions to clean up the site. Under the terms of a settlement Agreement with the USEPA, the federal government is liable for 90% of this remedial work with the remaining 10% provided by the State of Maine. It is estimated that remedial work at the site may approach \$45 million. This work will center on mitigating human health and environmental concerns at the site.

FLEET SERVICES

Fleet Services is an Internal Service Fund that provides a fleet of equipment and vehicles for the department which is used to perform the daily tasks of making Maine’s transportation system more safe and efficient.

- 6) The Fleet Services **baseline request** on page 34 is \$30,660,813 for FY22 and \$30,981,706 for FY23.
- 7) The Fleet Services initiative adjusts funding for technology costs in the amount of \$218,979 in FY22 and \$186,894 in FY23.

HIGHWAY AND BRIDGE CAPITAL

The **Highway and Bridge Capital** program provides for capital improvement of the state highway network in order to maintain a safe, efficient and effective infrastructure for all users of the system.

- 8) The **Highway and Bridge Capital baseline request** on page 35 is a Highway Fund request for Personal Services and All Other of \$41,383,156 for FY22 and \$41,760,734 for FY23. The Federal baseline amount is \$72,870,584 in FY22 and \$73,290,814 in FY23 and the Other Special Revenue Fund request is \$7,003,150 in FY22 and \$7,045,249 in FY23.
- 9) The first **Highway and Bridge Capital** item funding in the Highway Fund for Personal Services savings achieved by managing vacancies in the amount of \$750,000 per year
- 10) The second **Highway and Bridge Capital** item is related to the transfer of positions within accounts to more appropriately reflect the work being done. This is an increase in the Highway Fund of \$52,894 in FY22 and \$51,340 in FY23, an increase in the Federal Fund of \$58,771 in FY22 and \$57,043 in FY23 and an increase in Other Special Revenue Funds of \$5,882 in FY22 and \$5,703 in FY23.
- 11) The third **Highway and Bridge Capital** item on page 36 provides funding for the Capital line for capital infrastructure projects at the anticipated level of available resources in the Federal and Other Special Revenue accounts. This is a request of \$233,000,000 in each year for the Federal account and \$30,000,000 in each year for the Other Special Revenue account.
- 12) The fourth **Highway and Bridge Capital** item adjusts the allocation for technology costs. This is an increase in the Highway Fund of \$970,210 in FY22 and \$629,822 in FY23.
- 13) The last **Highway and Bridge Capital** item provides an allocation to spend the proceeds of a new \$50 million GARVEE bond that would be authorized by the language in Part E on page 3 of the language document. This would be spent on highway and bridge needs statewide and would be repaid from future annual federal transportation appropriations. The debt to revenue ratios will remain under the statutory limits with this new borrowing.

HIGHWAY LIGHT CAPITAL

The **Highway Light Capital** program provides for light capital improvements of the state highway network, primarily through light capital paving.

- 14) The **Highway Light Capital baseline request** on page 37 is a Highway Fund request of \$2,250,000 in All Other in each year.
- 15) The first **Highway and Bridge Light Capital** item is an Other Special Revenue allocation to provide the authority to spend the return of the cash available after the repayment of bonds from the funds previously transferred to the Maine Municipal Bond Bank TransCap Trust Fund. This is an allocation of \$19,100,000 in each year. There is language in Part D on page 2 of the language document to amend the statute so that these funds to be used for projects with a 5-year useful life.

The proposed allocations provide an estimated \$21.35 million of the \$36 million per year that is needed to accomplish 725 miles of Light Capital Paving per year, or 1,450 miles for two years. While this is short of the needed funding, there will be multiple revenue forecasts and year-end adjustments between now and when the 2022 paving is put out to bid, so we hope and expect that we will be able to reach our 725 mile annual goal.

LOCAL ROAD ASSISTANCE PROGRAM

The **Local Road Assistance Program** is a Highway Fund account that provides municipalities with financial assistance for their use in maintaining and improving public roads. This program is required by law, 23 MRSA § 1803–B(1)(D), which provides that 9% of the total MaineDOT Highway Fund Budget be dedicated for this purpose.

- 16) The Local Road Assistance Program **baseline request** beginning on page 31 is a request of \$21,079,597 in both FY20 and FY21.
- 17) There is one Local Road Assistance Program item to adjust the funding to the correct proportioned rate per Maine Revised Statutes, Title 23, section 1803-B. This initiative increases the amount by \$174,969 in FY20 and \$221,298 in FY21.

MAINTENANCE AND OPERATIONS PROGRAM

The **Maintenance and Operations Program** provides for the maintenance of the infrastructure of interlocking state and state aid highways, summer and winter service to 8,500 lane miles designated as state highway, including the removal of snow and ice from the travel surface, the maintenance of all appurtenances and the maintenance of facilities associated with the proper and safe utilization of the system by the motoring public.

- 18) The Maintenance and Operations **baseline request** on page 39 is a Highway Fund request for Personal Services and All Other of \$176,317,166 for FY22 and \$1,78,267,469 for FY23. The Federal baseline amount is \$9,142,821 in FY22 and \$9,223,561 in FY23, the Other Special Revenue Fund request is \$1,374,866 in each year and the Industrial Drive Facility Fund request is \$500,000 in each year.
- 19) The first Maintenance and Operations item on page 39 provides savings of \$7.4 million in each year. The anticipated savings will be generated through the projection of actual benefit costs matching workforce demographics and continued aggressive management of vacancies.
- 20) The second Maintenance and Operations item in an increase in Personal Services of \$80,637 in FY22 and \$84,669 in FY23 from the transfer of positions between accounts.
- 21) The third Maintenance and Operations item provides funding for the purchase of heavy equipment vehicles in each year in accordance with the long-term equipment purchasing plan. This item is \$6.25 million in each year of the biennium.

- 22) The fourth Maintenance and Operations item on page 40 is an increase of \$510,458 in FY22 and \$1,001,906 in FY23 for technology costs
- 23) The final Maintenance and Operations item is a request of \$1.1M in each of the fiscal years for the purchase of capital equipment to be used in the maintenance of the transportation system including culvert thawers, flagger devices, cargo trailers and chippers and capital repairs to the MaineDOT headquarters building.

MULTIMODAL -AVIATION

Multimodal - Aviation is a Federal and Other Special Revenue program that provides, plans, promotes and executes the coordinated development of all facets of aviation within the State of Maine.

- 24) The Multimodal - Aviation **baseline request** on page 41 is a Federal request of \$1,585,782 for FY22 and \$1,585,782 for FY23 for federal aviation grants. The request for the Other Special Revenue program is \$1,198,118 in FY22 and \$1,199,538 in FY23.
- 25) The first Multimodal - Aviation item is a request for Federal Capital expenditures of \$300,000 per year for a biennial request of \$600,000.

MULTIMODAL- FREIGHT RAIL

The Multimodal – Freight Rail program includes Highway Funds that provide for specific grade railroad-highway crossing projects, Federal funds that provide support for the enhancement and increased safety of railroads throughout Maine and support for Commercial Vehicle Information Systems for interstate and intrastate motor carrier and vehicle safety status information, and Other Special Revenue funds that are used for capital and other freight needs.

- 26) The Multimodal - Freight Rail **baseline request** on page 42 is a Highway Fund request of \$603,599 per year, a Federal Fund request of \$100,000 in each year, and a Special Revenue Fund request of \$1,719,318 in FY22 and \$1,724,865 in FY23.
- 27) The first Multimodal - Freight Program item reduces Highway Fund funding of the rail crossing program by \$603,599. This will be funded by a future initiative in the Multimodal Transportation Account on page 48.
- 28) The second Multimodal - Freight Program item is a reduction of \$52,721 in FY22 and \$52,955 from moving positions within accounts.
- 29) The last Multimodal - Freight Program item a capital allocation of \$10 Million per year in the Federal account and \$500,000 per year in the Other Special Revenue account . This Other Special Revenue amount is customarily is supplemented with \$1 million of bond money to create \$1.5 million annually for the Industrial Rail Access Program.

MULTIMODAL - ISLAND FERRY SERVICE

Multimodal - Island Ferry Service consists of a Highway Fund account and an Enterprise account. The Highway Fund provides support to the Maine State Ferry Service as ferries are an integral part of the highway system, carry motor vehicles and are the only method of vehicular transportation available to and from the islands. Per PL2005, c.664, Part C the state support to the Marine Highway account may not exceed 50% of the budgeted revenues that support the operating cost of the Maine State Ferry Service. The Enterprise account is the operating account which includes the total budget of the Ferry Service. The Ferry Service provides regularly scheduled service to islands in Penobscot Bay which includes service to Vinalhaven, North Haven, Islesboro, Swans Island, Frenchboro and Matinicus from mainland facilities in Rockland, Lincolnville and Bass Harbor.

- 30) The **Multimodal – Island Ferry Service** **baseline request** on page 44 is \$6,091,588 in FY22 and \$6,091,588 in FY23 for the Highway Fund and \$12,159,742 in FY22 and \$12,275,054 in FY21 for the Enterprise Fund.
- 31) The first **Multimodal – Island Ferry Service** request is to adjust the funding to 50% in accordance with Maine Revised Statues, Title 23, section 4210-C. This is a Highway Fund savings of \$11,717 in FY22 and a cost of \$45,939 in FY23.
- 32) The second **Multimodal – Island Ferry Service** request is an increase in the Island Ferry Services Fund for technology costs in the amount of \$135,332 in FY22 and \$135,867 in FY23. In order to maintain the 50% ratio, this initiative should have a Highway Fund allocation added to it.

	2021-2022	2022-23
HIGHWAY FUND		
All Other	<u>67,666</u>	<u>67,934</u>
HIGHWAY FUND TOTAL	67,666	67,934

MULTIMODAL – PASSENGER RAIL

The **Multimodal – Passenger Rail** program is the state account that exists to pay the *state match* for the *operations* of the Northern New England Passenger Rail Authority. The funds are used to match the estimated \$8 million of federal funding which is a combination of Federal Transit Administration State of Good Repair funding, Federal Highway Administration, Congestion Mitigation, Air Quality funding each year of the biennium. These funds are received directly by the Northern New England Passenger Rail Authority outside of the state budget process. This does not include millions of dollars in capital funds that are included in the Work Plan.

- 33) The **Multimodal – Passenger Rail** **baseline request** on page 45 is \$2 million in each year. There are no new initiatives in this program.

MULTIMODAL - PORTS AND MARINE

The **Multimodal - Ports and Marine** program includes the Boating Infrastructure Grants (BIG) - a Federal Department of Interior two-part formula and competitive grant program authorized for States to construct and enhance facilities for transient recreational boaters who operate vessels 26 feet long or larger, and an Other Special Revenue Fund that provides support for the development of cargo port and intermodal facilities so that existing international trade is efficiently handled and new growth is enhanced.

- 34) The **Multimodal - Ports and Marine** **baseline request** on page 46 includes \$150,000 in each year in the Federal Fund, and \$415,896 in FY22 and \$423,706 in FY23 in Other Special Revenue Fund.
- 35) The first **Multimodal - Ports and Marine** initiative reduces funding by \$78,597 in FY22 and \$79,019 in FY23 from moving positions to the appropriate account.
- 36) The second **Multimodal - Ports and Marine** initiative is to provide \$50,000 per year for all other in the Other Special Revenue Fund.

MULTIMODAL - TRANSIT

Multimodal – Transit is a Federal and Special Revenue program to provide the development and maintenance of a permanent and effective public transportation system with particular regard to low-income, elderly persons and persons with disabilities.

- 37) The **Multimodal - Transit** **baseline request** on page 47 is a Federal Fund request of \$8,637,369 for FY22 and \$8,647,297 in FY23 and Other Special Revenue request of \$1,474,910 in FY22 and \$1,475,252 in FY23.
- 38) The **Multimodal - Transit** item is a request for funding for capital purchases in the federal account in the amount of \$3.8 million per year.

MULTIMODAL TRANSPORTATION FUND

Multimodal Transportation Fund program is a Federal Fund and Other Special Revenue fund that accumulates revenue from car rental tax, railroad excise tax and aviation fuel to be used for the purposes of purchasing, operating, maintaining, improving, repairing, constructing and managing the assets of multimodal forms of transportation. This includes, but is not limited to, transit, aeronautics, marine and rail, of the State, municipalities and multimodal providers. Funds are then distributed to specific multimodal accounts to be used for each mode.

- 39) The **Multimodal Transportation Fund** **baseline request** on page 48 is a request of \$1,209,519 million in each year in the Federal Funds and \$3,074,079 in each year in the Other Special Revenue Fund.

- 40) The first Multimodal Transportation Fund item provides funds for the rail crossing program in the amount of \$603,599 which was previously funded by the Highway Fund.
- 41) The second Multimodal Transportation Fund item provides funds in the amount of \$263,266 in FY22 and \$264,730 in FY23 from moving positions into the appropriate accounts.
- 42) The third Multimodal Transportation Fund item provides funding for Capital Expenditures and balances the All Other with the available revenues with a net of negative \$603,599 in each year.
- 43) The final Multimodal Transportation Fund item on page 49 provides for engineering services performed by department staff for projects financed through general obligation bond funds. This is a request of \$600,000 in each year.

RECEIVABLES

Receivables is a Special Revenue account that provides a funding mechanism that allows the department to provide and be reimbursed for services to various municipalities and other local governmental agencies. It also allows for the accumulation of special project costs and the reimbursement of these costs.

- 44) The Receivables baseline request on page 49 is a request of \$1,012,121 in each year. There are no initiatives in this program. There are no initiatives in this program.

STATE INFRASTRUCTURE BANK

The State Infrastructure Bank is an Other Special Revenue program that provides a financing mechanism to allow greater flexibility and additional funds for transportation infrastructure projects by making loans available to eligible counties, municipalities, state agencies, quasi-state government agencies and public and private utility districts.

- 45) The State Infrastructure Bank baseline request on page 50 is an Other Special Revenue Fund request of \$150,000 in each year. There are no initiatives in this program.

SUPPLEMENTAL TRANSPORTATION FUND

The Supplemental Transportation Fund is an Other Special Revenue program recently created to receive revenue from fines paid by violators of Maine's mobile handheld electronic device laws to be used for transportation -related projects and services.

- 46) The Supplemental Transportation Fund baseline request on page 50 is an Other Special Revenue Fund request of \$500 in each year.

Due to the pandemic, collections have not been nearly at \$500K per year as originally projected. The current cash available is approximately \$100K. We ask that you include an increase in allocation to be able to spend the funds if they are collected in the upcoming biennium for safety related research, initiatives, and projects

	2021-2022	2022-23
OTHER SPECIAL REVENUE FUNDS		
All Other	<u>\$200,000</u>	<u>\$200,000</u>
OTHER SPECIAL REVENUE FUNDS	\$200,000	\$200,000

TRANSPORTATION FACILITIES FUND

Transportation Facilities Fund is an Internal Service Fund that provides an organized and managed program to address the ongoing capital and maintenance needs of the department’s more than 600 buildings.

- 47) The Transportation Facilities Fund **baseline request** on page 51 is a request of \$2,200,000 in each year. There are no initiatives in this program.

LANGUAGE ITEMS

- 1) **Part D – Page 2** of the Language Document

This language codifies that the transfer of non-bond funds from the TransCap Trust Fund can be used for capital projects having an estimated useful life of 5 years or more. This would allow the funds to be used for light capital paving in an attempt to meet the goal of 725 miles per year.

- 2) **Part E – Page 3** of the Language Document

This authorizes a \$50 million GARVEE to be issued during the biennium.

- 3) **Part F – Page 3** of the Language Document

This language transfers an amount each year to the Maine Municipal Bond Bank to the TransCap Trust Fund in order to pay debt service on previously issued bonds. As printed the amount is \$2 million each year. As we explained previously, the amounts will be changed by a change package to \$6,752,206 in FY22 and \$6,831,841 in FY23.

- 4) **Part G – Page 3** of the Language Document

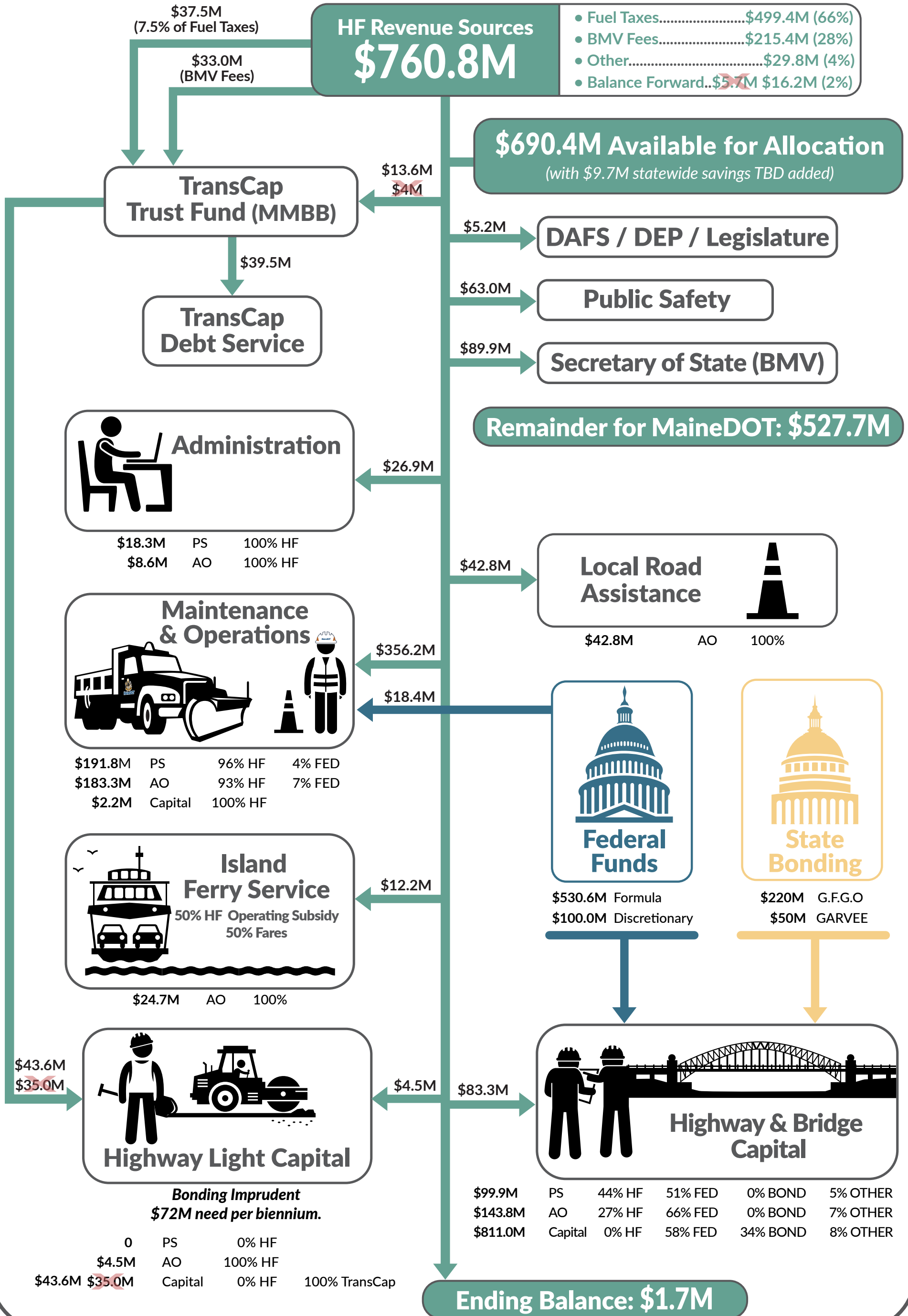
This language item authorizes any balance over \$100,000 in the unallocated balance of the Highway Fund to the Highway and Bridge Capital, Highway and Bridge Light Capital and Maintenance and Operations programs for capital needs. This has been included in Highway Fund budgets in recent memory as a way to make sure any available balances are used for transportation purposes.

- 5) **Part H – Page 4** of the Language Document

This language authorizes any personal services balances in the Highway and Bridge Capital, Highway and Bridge Light Capital and Maintenance and Operations programs to be transferred to capital or all other needs within the Department. Again, this provision has been included in past Highway Fund budgets as a way to make sure any available balances are used for transportation purposes.

Highway Funding

FY 22 – FY 23 Biennium Estimate



Based on PL 2021, c.2 (LD162), LD 161 (FY22/23) as submitted and proposed changes.



Multimodal Funding

Received by MaineDOT- Does not include federal funds that flow directly to providers

FY 22 - FY 23 Biennium

\$152.5M



IN

Federal Formula Funds



\$31.7M

21%

Federal Discretionary Funds



\$20M

13%

Federal CRRSA Funds



\$23.9M

16%

State Bonding



\$30M

20%

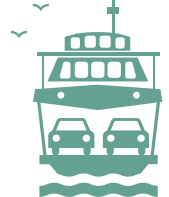
Car Rental Tax



\$16.9M

11%

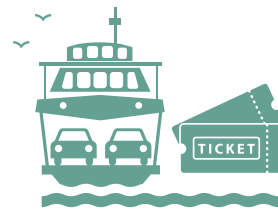
Island Ferry Service Subsidy (HF)



\$12.4M

8%

Ferry Fares



\$12.4M

8%

Aviation Fuel Tax



\$1.8M

1.2%

Rail Tax



\$0.6M

0.4%

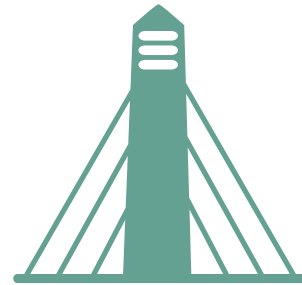
Rail Leases



\$0.6M

0.4%

Observatory



\$0.3M

0.2%

Interest



\$0.2M

0.1%

OUT

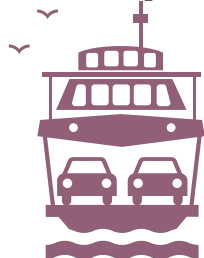
Transit



\$58.7M

39%

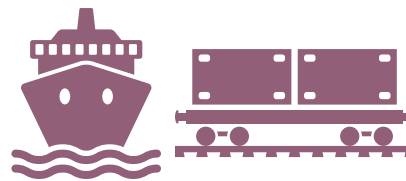
Island Ferry Service



\$24.7M

16%

Freight



\$37.5M

25%

Passenger Rail



\$4.0M

3%

Multimodal Transportation



\$17.3M

7%

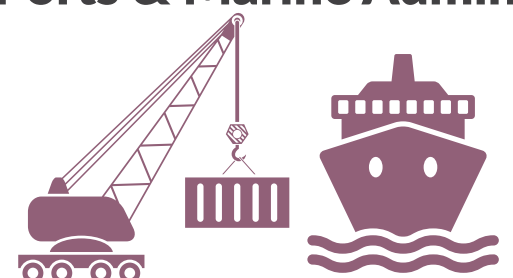
Aviation



\$9.2M

6%

Ports & Marine Admin



\$1.1M

1%