

# MAINE STATE LEGISLATURE

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**MAINE HIGHWAYS AND BRIDGES -  
THE FUNDING CRISIS**

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**Maine Better Transportation Association**

**Maine Motor Transport Association**

# **MAINE'S HIGHWAYS AND BRIDGES - THE FUNDING CRISIS**

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This report was prepared by Rothe Associates for Maine Better Transportation Association and Maine Motor Transport Association. April, 1995.

# MAINE'S HIGHWAYS AND BRIDGES - THE FUNDING CRISIS

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## OVERVIEW

Relative to the rest of New England, Maine has done a good job maintaining the quality of its major highways and bridges. However, the State is currently at a critical crossroad. Projected public investment for Maine's highways and bridges falls far short of the level of funding needed to maintain the system in its current condition, much less address a significant backlog of needs.

- **Highway Funding Gap.** Biennial expenditures on the State's major highways amount to about \$169.6 million, or roughly \$139.5 million short of the amount needed to maintain Maine's highways and bridges. The cumulative needs on the State's major collector roads (4,391 miles) are so high that even with a significant funding increase, as recommended in MDOT's 20-year Transportation Plan. These highways will continue to deteriorate.
- **Bridge Funding Gap.** Biennial expenditures on the 3,532 State-maintained bridges are approximately \$46 million, or about \$32 million short of the amount needed to maintain them in their current condition. The State's highway system cannot function without a safe and adequate bridge system. The average life span of a bridge is 65 to 75 years. Between 1989 and 1993, Maine replaced about 21 bridges per year. At this rate, it will take 168 years to replace the bridge population once.
- **Federal Funding Shortfall.** The promise of ISTEA (the 1991 Federal Intermodal Surface Transportation Efficiency Act) was that there would be an increase in Federal funds to support alternative modes of transportation and to maintain the quality of existing highways and bridges. The reality is that there has never been full funding of ISTEA. Federal funding levels have not increased. There has been less money available to maintain highways and bridges. Allotments through 1995 have come in at around \$82 million per year.
- **Highway Fund Diversions.** To an increasing extent, money from Maine's Highway Fund is being diverted for other purposes, with the result that less is available for highways and bridges. For example, the Legislature enacted a law in 1991 requiring that interest earned on investments of the Highway Fund be credited to the General Fund. Since FY 1990, additional allotments from the Highway Fund to the State Police and the Secretary of State's Office have been equivalent to a 2-cent increase in the fuel tax. Once diverted, these funds are no longer available to pay for the maintenance of Maine's highways and bridges. In FY 1995, only 25 cents of each dollar in the Highway Fund was allocated for capital investments in roads and bridges. This is down from 35 cents in FY 1990.
- **Turnpike Diversions.** Revenues generated by the Maine Turnpike Authority's last two toll increases have been diverted to the Maine Department of Transportation and to the State's General Fund. In the early 1990s, \$8.7 million was diverted annually from the Turnpike Authority to the Highway Fund. This is expected to decline to \$6.7 million in FY 1995, and \$4.7 million in FY 1996. As a result of legislation enacted in 1994, the Maine Turnpike Authority was required to pay \$16 million to the State's General Fund to buy back a 4.78 mile section of highway it had previously sold to the State for a dollar.

There are a number of alternatives for addressing the highway/bridge funding gap. These include raising new revenues through such mechanisms as the fuel tax, motor vehicle fees, or tolls. Reducing diversions from the Highway Fund would also help address the gap. The expenditure side of the equation also offers options including reducing standards and levels of service.

## TRANSPORTATION NEEDS AND DEFICIENCIES

### Overall Conditions - New England Comparison

As shown in the following tables, Maine compares favorably with the rest of New England and is roughly on a par with the rest of the country, at least in terms of the overall condition of pavement on arterial and collector roads, and in terms of overall bridge conditions. Pavement conditions generally exceed those in New Hampshire, but are not as good as those in Connecticut. Maine had a smaller percentage of bridge deficiencies than the other New England states.

TABLE 1

#### 1992 PAVEMENT CONDITION COMPARISONS, ARTERIAL AND COLLECTOR ROADS

State	Poor Miles		Fair Miles		Good Miles		Total Miles*
	#	%	#	%	#	%	#
Maine	1,083	12.6	4,047	47.2	3,433	40.1	8,563
New Hampshire	1,529	33.2	2,767	60.2	300	6.5	4,596
Vermont	460	10.7	3,006	70.1	824	19.2	4,290
Connecticut	240	3.7	2,192	33.9	4,034	62.4	6,466
Massachusetts	1,751	14.0	8,095	64.8	2,638	21.1	12,484
Rhode Island	420	23.4	840	46.8	534	29.8	1,794
National Average	--	8.2	--	47.6	--	44.2	--

\* Data based on a limited survey; may not reflect actual conditions or data generated by MDOT's Highway Performance Monitoring System (HPMS).

Source: "1994 State Highway Funding Methods," published by The Road Information Program (TRIP) of Washington, D.C.

TABLE 2

#### 1992 BRIDGE DEFICIENCY COMPARISONS

State	Structurally Deficient		Functionally Obsolete		Total Deficiencies		Total Bridges in Inventory <sup>1</sup>
	#	%	#	%	#	%	#
Maine	360	15.4	529	22.7	889	38.1	2,333
New Hampshire	472	20.7	427	18.7	899	39.4	2,284
Vermont	611	23.1	516	19.5	1,127	42.6	2,645
Connecticut	597	15.1	846	21.4	1,443	36.5	3,952
Massachusetts	912	18.1	2,300	45.8	3,212	63.9	5,027
Rhode Island	130	18.3	205	28.8	335	47.1	711
National Average	--	20.6	--	13.9	--	34.6	--

<sup>1</sup> Data based on a limited survey; may not reflect actual conditions or data generated by MDOT's Highway Performance Monitoring System (HPMS). Includes only bridges with a 20-foot span or greater.

Source: "1994 State Highway Funding Methods," published by The Road Information Program (TRIP) of Washington, D.C.

## Maine's Funding Shortfall

While highway and bridge conditions in Maine are generally better than those elsewhere in New England, there is cause for concern, given developing trends. MDOT's 20-year Transportation Plan identifies a backlog need (the amount needed to bring the State's major roads and bridges up to current standards) of \$717 million. This figure includes \$134 million on the National Highway System, \$288 million on the Surface Transportation System, and \$295 million on the State's bridges.

Given current resource commitments, the State will not be able to address the backlog needs, nor will it even be able to maintain the current conditions of major highways and bridges. Table 3 shows what the State would have to spend (\$309.1 million) each biennium to maintain major roads and bridges according to MDOT's Highway Performance Monitoring System (HPMS) Standards. The HPMS is a data collection tool used by MDOT to test the condition, performance and loading placed on the pavements of the State's highway network. Table 3 shows that Maine is only spending a total of \$169.6 million per biennium, leaving a funding gap of \$139.5 million.

**TABLE 3**  
**SUMMARY OF BIENNIAL HIGHWAY AND BRIDGE NEEDS**

	Capital <sup>1</sup> Expenditure Need	Current Expenditure Biennial	Biennial Funding Gap
<b>National Highway System - 1270 Miles</b>			
Interstate	24,940,000	25,090,000	
Principal Arterials	43,350,000	39,660,500	
Sub-total	68,290,000	64,750,000	3,540,000
<b>Surface Transportation System - 5800 Miles</b>			
Principal Arterial	8,400,000		
Minor Arterial	70,960,000		
Collectors	83,400,000		
Sub-total	162,820,000	49,756,500	113,063,500
Bridges	78,000,000 <sup>1</sup>	34,058,000*	43,942,000
Additional ISTE A Funding		21,000,000	
<b>TOTAL</b>	<b>309,110,000</b>	<b>169,564,500</b>	<b>139,545,500</b>

<sup>1</sup> Based on needs over a 20-year period.

\* Approximately \$12 million in additional bridge expenditures is included in National Highway System and Surface Transportation System.

Source: Draft 20-year Statewide Transportation Plan, MDOT, and MDOT officials.

## Highway Perspective - The Growing Problem

Chart 1 below further illustrates the dilemma. Maine's highway investments have been declining since 1989-90. Moreover, since an increasing percentage of funds are being used for enhancements and the CMAQ Program (Congestion, Mitigation, Air Quality), there is even less available for maintaining and upgrading the road network. Chart 2 shows that improvement costs can increase substantially on an arterial when maintenance is delayed. As pavement begins to deteriorate, a

timely application of a light overlay, at a cost of \$85,000 per mile, can prevent a more costly pavement rehabilitation project (\$300,000 per mile) at a later date.

Chart 1

### Highway Investment Allocations

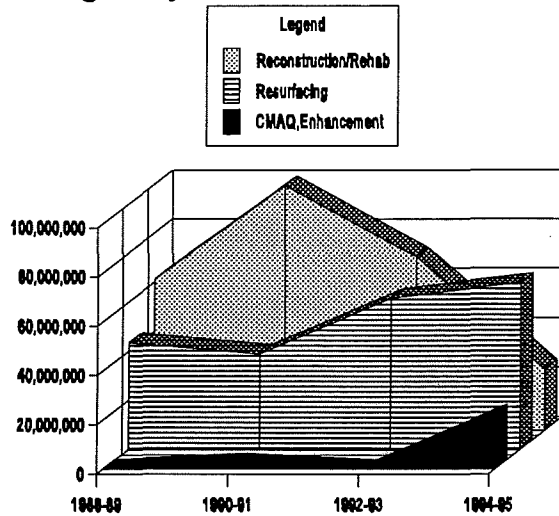
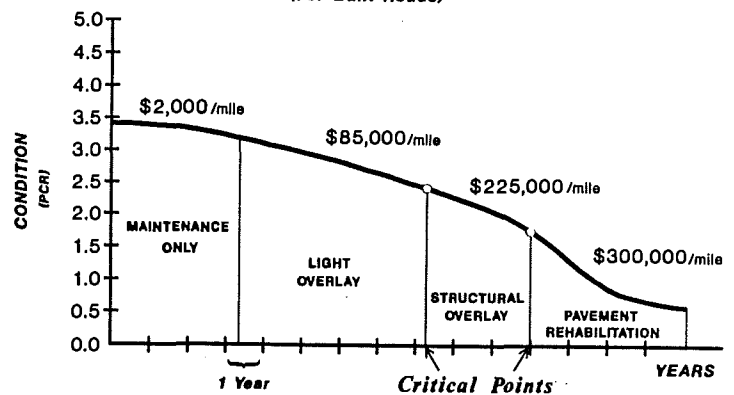


Chart 1

### Typical Arterial Treatment Costs

(For Built Roads)



Source: Maine Department of Transportation. Source:

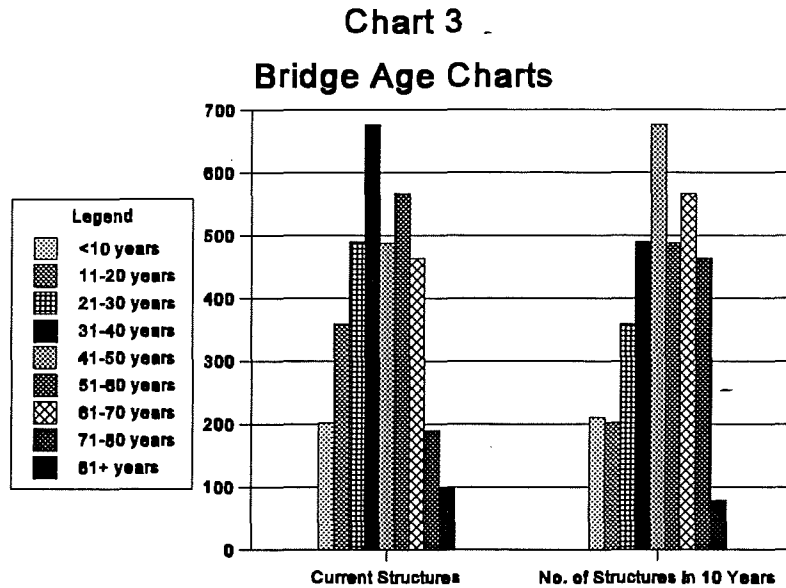
Maine Department of Transportation.

### Bridge Perspective - A Looming Crisis

Maine has experienced two distinct periods of bridge construction; one during the 1930's and another during construction of the Interstate System in the 1960's. Because of the resulting age distribution in Maine's bridge network, a peak in bridge needs is fast approaching. About 37% of the bridges or 1,317 bridges, are over 50 years old, and statistically will require replacement in the near future. Bridges built in the 1960's are now 25 to 35 years old, and many now require rehabilitation. Maine is entering a peak needs period, caused by having a concentration of bridges at the same critical stage in their life-cycle. The Maine Turnpike Authority's aggressive bridge replacement and rehabilitation program now in effect is indicative of the magnitude of bridge investment needs facing the entire State.

While Maine's biennial bridge investment of approximately \$46 million between 1988 and 1993 has been sufficient to maintain overall bridge conditions in fair to good condition, this level of funding will result in a gradual deterioration of bridge conditions in the long term. Between 1989 and 1993, MDOT replaced an average of 21 bridges per year (a total of 60 bridge replacements are included in MDOT's 1994-95, 2-year Transportation Improvements Program). The average bridge life span is about 70 years, although major rehabilitation and timely maintenance will extend the life span of some bridges beyond 70 years. At the 1989-93 rate of bridge replacement, it will take about 168 years to replace the entire bridge population once. At a rate of 30 bridges per year, as scheduled in MDOT's 1994-95 Transportation Improvement Program, it will take about 118 years to replace the bridge population once.

Chart 3 shows the number of bridges by age category. Currently, there are 288 bridges that are 70 years old or older. If the State continues to replace 21 bridges a year, at the end of 10 years there will be at least 541 bridges (almost twice the current number) over 70 years old.



Source: Maine Department of Transportation

## FUNDING FOR THE STATE'S MAJOR HIGHWAY AND BRIDGES

There are 22,513 miles of highways in Maine. The Maine Department of Transportation (MDOT) is responsible for approximately 8,536 miles, or 38% of the system. Funding for the State's major highways (Interstate, arterials, major collectors) and bridges comes primarily through the Federal Government and the State's Highway Fund.

### Federal Funding - ISTEA

In 1991, Congress enacted the Intermodal Surface Transportation Efficiency Act (ISTEA). This law provides the major source of Federal transportation funds for states. ISTEA established three major funding programs: the National Highway Program, the Surface Transportation Program, and the Bridge Program. Maine has since classified its highways to correspond to the designations established by ISTEA.

Under ISTEA, Maine currently receives approximately \$82 million per year, or about \$1.14 for each dollar sent to Washington, exclusive of special project funding for four major bridge and highway projects currently underway. Funds from the Federal Highway Trust Fund are channeled to the States through ISTEA. ISTEA has never been fully funded. Full funding for the FY 1994-95 biennium would have resulted in an additional \$31,570,000 for highways and bridges. (As of this writing, Maine has received \$16,800,000.) There are about 1,485 miles of highway under State responsibility which are not eligible for ISTEA funding, and thus are not included in either the National Highway Program or the Surface Transportation Program.



**National Highway Program.** The National Highway Program is aimed at supporting highways of national significance (the National Highway System) including the Interstate and a major portion of other principal arterials. Slightly more than a third of all ISTEA funds are directed to the National Highway System. In Maine, 1,270 miles of highway are included in this system.

**Surface Transportation Program.** The Surface Transportation Program (STP) is aimed at supporting major collectors and arterials not in the National Highway System. Nearly 30% of ISTEA funds are directed to the Surface Transportation Program. Roads covered by the STP program include 76 miles of principal arterial, 1,314 miles of minor arterial, and 4,391 miles of major collectors, for a total of 5,781 miles.

**Bridge Program.** The Bridge Program provides funding for bridges based on their level of service. Nearly 20% of ISTEA funds are directed to the Bridge Program. There are 3,532 bridges in Maine with at least a 10-foot clear span.

**Other.** ISTEA also funds the Safety Program (a program aimed at correcting hazards such as dangerous intersections and rail/highway grade crossings), funding for statewide and metropolitan transportation planning, and the CMAQ Program (Congestion, Mitigation, Air Quality - a program aimed at reducing air pollution by supporting transportation alternatives). About 10% of ISTEA funds are related to these programs.

## **State Funding**

**Maine's Highway Fund.** Maine's Highway Fund is governed by Article 9, Section 19 of the Maine Constitution which states that:

*"All revenues derived from fees, excises and license taxes relating to registration, operation and use of vehicles on public highways, and to fuels used for the propulsion of such vehicles shall be expended solely for cost of administration, statutory refunds and adjustments, payment of debts and liabilities incurred in construction and reconstruction of highways and bridges, the cost of construction, reconstruction, maintenance and repair of public highways and bridges under the direction and supervision of a state department having jurisdiction over such highways and bridges and expense for state enforcement of traffic laws and shall not be diverted for any purpose, provided that these limitations shall not apply to revenue from an excise tax on motor vehicles imposed in lieu of personal property tax."*

**General Obligation Bonds.** General obligation bonds provide a funding mechanism for capital improvements. Bonds are used by MDOT to match Federal funds for capital projects which are generally funded with 80% Federal and 20% State dollars (on the Interstate, the ratio is 90% Federal, 10% State). The Department usually proposes bond issues for legislative and public consideration which do not exceed the amount of bonds being retired. Over the past 10 years, \$121 million in Highway Fund bonds have been approved. Bond principal and interest is repaid from revenues deposited into the Highway Fund.

## **Current Funding Levels**

The Maine Department of Transportation's 1994-95 highway and bridge program, as set forth in MDOT's 1994-95 Transportation Improvement Program, is summarized in Table 4.

TABLE 4

FINANCIAL SUMMARY OF FEDERAL/STATE  
HIGHWAY AND BRIDGE PROGRAMS  
1994/95 BIENNIUM  
CAPITAL IMPROVEMENTS AND PLANNING

Federal/State Programs	Federal Funds	State Funds	Local/ Other Funds	Total Funds
National Highway System - Interstate	\$23,197,500	\$1,892,500	\$0	\$25,090,000
National Highway System - Arterials	25,572,000	13,837,000	251,500	39,660,500
Surface Transportation Program	46,897,000	1,330,000	1,529,500	49,756,500
Safety	5,629,500	493,000	132,500	6,255,000
CMAQ	5,634,400	989,300	419,300	7,043,000
Bridge Replacement and Rehabilitation*	17,822,000	6,066,000	170,000	24,058,000
Local Bridge Program	3,700,000	4,100,000	2,200,000	10,000,000
RTAC's	880,000	220,000	0	1,100,000
Metropolitan Planning	1,120,000	280,000	0	1,400,000
Additional ISTEA Funding	16,800,000	3,759,000	441,000	21,000,000
<b>TOTAL</b>	<b>\$147,252,400</b>	<b>\$32,966,800</b>	<b>\$5,143,800</b>	<b>\$185,363,000</b>

\* Some bridge costs are included in funds for National Highway System and Surface Transportation Program.

Source: Multi-Modal Transportation Improvement Program, Fiscal Years 1994-95, MDOT and MDOT officials.

**HIGHWAY FUND DIVERSIONS**

Despite the growing need for increased investment in highways and bridges, money in the State's Highway Fund is being diverted from highway and bridge programs. As shown in Table 5, the total amount allocated for capital investments in roads and bridges declined from \$74.4 million (35% of Highway Fund) in FY 1990 to \$54.9 million (25% of Highway Fund) in FY 1995. The amount allocated for highway and bridge improvements accounted for 24% of the total Highway Fund in FY 90, but only 13% in FY 95. The Collector Road program was allocated 2% of the Fund in FY 90, but only .45% in FY 95. Some of the more significant diversions from the Highway Fund are summarized below:

- 1. State Police.** The Maine State Police have been receiving an ever growing share of Highway Fund money, up from \$12.2 million in FY 90 to \$20.9 million in FY 95, an increase of \$8.7 million or 71%. Between FY 90 and FY 95, the total State Police budget remained relatively stable, but the percent that was funded from the Highway Fund grew from 50% to 87%.
- 2. Secretary of State.** The Secretary of State's Office has received increasing allocations for the administration of the Motor Vehicle Program, from \$13.4 million in FY 90 to \$18.5 million in FY 95, an increase of \$5.1 million, or 38%.
- 3. Interest Income.** Although not reflected in the table, the Legislature passed a law in 1991 directing that interest from the Highway Fund be allocated to the State's General Fund. This diversion amounted to \$399,000 in FY 92, \$1.277 million in FY 93, and \$635,000 in FY 95.
- 4. Attorney General/District Attorneys Salaries.** This is a new allocation as of FY 92 which is aimed at paying that portion of district attorney salaries that is devoted to the prosecution of motor vehicle violations. The allocation grew from \$487,500 in FY 92 to \$964,653 in FY 95, an increase of 98%. Most fines levied by the courts for motor vehicle violations go to the General Fund, not the Highway Fund.

Table 5 shows that allocations from the Highway Fund have increased in all categories except transportation for the period FY 1990 through FY 1995. There may be a logical basis for allocation increases in non-transportation categories, but in the process of priority setting, the net impact has been to shift funds away from highway and bridge investments.

TABLE 5  
HIGHWAY FUND ALLOCATIONS BY PROGRAM  
FISCAL YEARS 1990-95

	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
<b>AGRICULTURE</b>						
Public Services-Agriculture			30,297	31,345	42,623	41,610
<b>ENVIRONMENTAL PROTECTION</b>						
Land Quality Control		3,000				
<b>PUBLIC SAFETY</b>						
Administration-Public Safety	457,006	449,650	500,942	512,043	442,192	449,403
State Police	12,223,995	12,883,322	17,108,433	19,942,891	20,857,804	20,991,262
Motor Vehicle Inspection	782,992	703,839	839,019	800,069	625,972	676,051
Highway Safety DPS	432,027	486,189	492,186	495,522	515,768	527,319
Traffic Safety		454,108	602,235	611,691	568,729	622,242
<b>TOTAL PUBLIC SAFETY</b>	<b>13,896,020</b>	<b>14,977,108</b>	<b>19,542,815</b>	<b>22,362,216</b>	<b>23,010,465</b>	<b>23,266,277</b>
% of Total	6.6	8.0	9.8	11.0	11.3	10.7
<b>TRANSPORTATION</b>						
Highway Maintenance	68,167,611	66,061,149	80,289,462	71,161,012	73,086,625	69,279,519
Traffic Service	3,519,716	2,757,352	3,856,990	3,680,118	2,124,080	3,738,318
Bridge Maintenance	7,083,854	7,830,438	9,373,200	9,399,145	8,905,648	9,110,412
Island Town Refunds-Highway	38,748	38,748	59,953	59,953	65,000	70,000
Local Road Assistance	19,306,932	19,306,932	19,400,000	19,095,182	19,400,000	19,300,000
Radio Operations-Highway	378,430	382,118	377,873	371,819	367,566	373,110
Administration & Planning	9,302,439	8,916,614	9,987,021	10,054,315	10,556,170	10,559,651
*Local Bridges	950,000	950,000	948,500	936,417	857,456	875,127
*Bond Interest-Highway	7,155,015	7,426,108	6,492,904	6,906,842	8,543,785	8,958,170
*Bond Retirement-Highway	11,240,000	11,240,000	10,475,000	11,675,000	13,565,000	16,405,000
*Highway & Bridge Improvement	49,712,837	32,293,567	18,050,866	23,817,249	16,662,497	27,642,116
*Collector Road Program	4,300,000	4,300,000	1,815,597	4,367,653	2,218,936	979,379
Small Utility Loan Program						250,000
Railroad Assistance Program	712,000	1,000,000	735,000	0	500,000	500,000
<b>TOTAL TRANSPORTATION</b>	<b>181,867,582</b>	<b>162,505,026</b>	<b>161,862,366</b>	<b>161,524,705</b>	<b>156,852,763</b>	<b>168,040,802</b>
% of Total	86.3	86.7	80.8	79.9	77.1	77.4
<b>ADMINISTRATIVE &amp; FINANCIAL SERVICES</b>						
Motor Vehicle Building Maintenance			98,158	235,799	229,477	236,789
Transportation Building Maintenance	524,583	535,464	572,206	944,993	850,676	879,496
State Police HQ Building Maintenance	166,801	171,254	95,189	128,762	96,510	101,362
Taxation-Bureau of			47,909			
Departments and Agencies-Statewide			0	(420,519)	0	
Exec Branch Depts and Ind Agencies-Statewide			(508,236)	(1,674,100)	0	(685,102)
Claims Board	131,870	137,889	150,434	151,725	126,791	128,086
State Contingency Account - Admin & Fin			(900,000)			
Salary Plan	496,284	(5,269,718)	922,500	927,763	2,570,000	5,500,000
<b>TOTAL ADMINISTRATIVE &amp; FINANCIAL SERVICES</b>	<b>1,319,538</b>	<b>(4,425,111)</b>	<b>478,160</b>	<b>294,423</b>	<b>3,873,454</b>	<b>6,160,631</b>
% of Total	.6		.2	.1	1.9	2.8
<b>ATTORNEY GENERAL</b>						
District Attorney's Salaries			487,500	473,063	901,596	964,653
<b>SECRETARY OF STATE</b>						
Administration-Motor Vehicles	13,362,134	14,191,128	17,688,052	17,310,365	18,348,656	18,460,757
Fuel Use Decal Program	268,058	250,633	233,681	240,430	223,957	229,878
<b>TOTAL SECRETARY OF STATE</b>	<b>13,630,192</b>	<b>14,441,761</b>	<b>17,901,733</b>	<b>17,550,795</b>	<b>18,572,613</b>	<b>18,690,635</b>
% of Total	6.5	7.7	8.9	8.7	9.1	8.6
<b>LEGISLATURE</b>						
Study Commissions-Funding					21,250	
<b>TOTAL HIGHWAY FUND</b>	<b>210,716,332</b>	<b>187,498,784</b>	<b>200,302,871</b>	<b>202,236,547</b>	<b>203,274,764</b>	<b>217,164,608</b>

\* These categories represent capital investments in roads and bridges.

Source: Bureau of the Budget.

## OTHER DIVERSIONS

1. **Federal Fuel Tax Diversions.** Motorists pay Federal taxes on each gallon of fuel they purchase. These tax receipts are placed in the Federal Highway Trust fund, which in turn funds ISTEA programs. In 1990, Congress diverted 2.5 cents from the tax on each gallon of gasoline or diesel fuel sold for deficit reduction purposes. In 1993, Congress increased the Federal tax on each gallon of gasoline from 14.1 cents to 18.4 cents, and on diesel fuel from 20.1 cents to 24.4 cents, and earmarked the entire increase for deficit reduction. As a result, 6.8 cents of the Federal tax on each gallon of gasoline or diesel fuel sold is now used to help reduce the Federal Government's operating deficit.
2. **Maine Turnpike Authority.** To an increasing extent, funds from the MTA have been diverted to the Maine Department of Transportation and the State's General Fund. These diversions total more than the revenues generated by MTA's last two toll increases and include:
  - **Highway Fund.** Since 1987, \$8.7 million annually has been transferred from the MTA to the Highway Fund. (These transfers began in 1982 at a level of \$4.7 million.) In 1991 \$23 million was taken from MTA's capital reserve account to fund the \$8.7 million for that year and to provide an \$8.7 million credit in subsequent years. This action effectively eliminated MTA's capital reserve account and forced the Authority to utilize bond financing for subsequent capital improvements. A provision of the 1991 Sensible Transportation Policy Act requires that MTA's operating surplus be transferred to MDOT and expended in accordance with allocations approved by the Legislature. The MTA is currently seeking to reduce the size of this transfer to the Highway Fund to \$6.7 million in FY 95, and \$4.7 million in both FY 96 and FY 97 because of MTA's capital commitments.
  - **General Fund.** In 1994 legislation was enacted requiring the MTA to pay \$16 million to the State's General Fund to buy back a 4.78 mile section of I-95 it had previously sold to the State for a dollar. Since MTA does not have a cash surplus, this diversion was financed from the sale of bonds. Indirectly, MTA's bonding capacity is being used to fund General Fund programs.
  - In 1992 legislation was enacted to transfer \$5 million in 1993 from MTA to MDOT, and from MDOT to the General Fund. The \$5 million was the estimated savings that would be realized by combining MTA and MDOT into a new transportation authority. Legislation to create the new authority was defeated, but the \$5 million in estimated savings was transferred anyway.

The MTA's capital program includes conversion to a closed barrier system, installation of a new electronic toll collection capability, redecking of 33 Turnpike bridges in three years, and the required purchase of 4.78 miles of I-95. To support this capital program, the Authority utilized bond financing to borrow \$70 million. Total debt now equals \$84.7 million, which is just \$1.29 million below MTA's statutory debt cap. This relatively high level of bonding was necessitated by the Legislature's elimination of MTA's \$23 million in capital reserve in 1991, and the continuous diversion of proceeds from the two most recent toll increases.

### 3. Exemptions from Gasoline Tax

By law (Title 36, Chapter 451) 2½% of gasoline tax revenues are not paid to the Highway Fund, but are allocated as follows:

- a. 2% (up from 1.25% in 1987) of total gasoline tax revenues, not to exceed \$2 million, shall be used to pay refunds to purchasers and users of fuel for commercial motorboats. The remaining balance of the 2% shall be allocated as follows:
  - 20% to Maine Department of Marine Resources
  - 80% to Boating Facilities Fund, administered by Bureau of Parks and Recreation
- b. .5% of total gasoline tax revenues shall be credited to snowmobile users and shall be used as follows:
  - 10% to the Department of Inland Fisheries and Wildlife
  - 90% to Snowmobile Trail Fund of the Bureau of Parks and Recreation

There is no basis, other than the Legislative declaration, for determining that 2% of the gasoline sold in Maine is actually used by commercial boaters, or that .5% is actually used by snowmobilers.

### MUNICIPAL ISSUES

1. **Local Road Assistance.** Approximately \$19 million is allocated each year from the Highway Fund to cities and towns under the local road assistance program. Municipalities are not required to account for their expenditure of this money, and there is no State mechanism to determine the extent to which this money is spent for local highway purposes.
2. **Motor Vehicle Excise Taxes.** State law (Title 36 M.R.S.A., Chapter 111) requires that an excise tax shall be levied annually for the privilege of operating a motor vehicle upon public ways. Payment of the tax must be made to the municipality in which the owner resides, and the municipality may use the money for any purpose for which a municipality may appropriate money. There is no State mechanism for keeping track of how these funds are spent. The Maine Constitution allows all of this money (approximately \$90 million statewide) to be used for non-highway purposes.

### ADDRESSING THE FUNDING GAP

#### Federal Solutions

The reality of ISTEA funding is that it has fallen short of the promise. Maine should continue, of course, to push for full funding of ISTEA, but federal deficit pressures will probably result in continued shortfalls. As of this writing, full ISTEA funding in the current biennium would only generate about \$14,770,000 more for highway and bridge improvements; far short of the amount needed to address capital expenditure shortfalls.

#### Maine Solutions

The most realistic alternatives for at least partially addressing the highway/bridge funding gap will probably have to be taken at the State level. The following is a summary of options.

1. **Limit Future Highway Fund Diversions.** Every dollar that's diverted from the Highway Fund is a dollar less that's available for capital expenditures on Maine's roads and bridges. Diversions add up. For example, the combined effect of the recent increase in allotments to the State Police and the Secretary of State's Office is roughly equivalent to a 2-cent increase in the fuel tax. The Highway Fund should not be viewed as a tool with which to make up for General Fund shortfalls in other programs. Payments from the fund must meet a Constitutional test and should also be based on a conscious process of priority-setting. Legislation should be enacted to reduce diversions and impose a moratorium on any additional diversions.
2. **Limit Future Turnpike Diversions.** Like the Highway Fund, the Maine Turnpike is not a source of "excess cash." To the contrary, the MTA's capital reserve has been wiped out by fund transfers to the Highway Fund and General Fund. This said, it is important to emphasize that appropriate partnerships between the MTA and MDOT can be fashioned to expand financial capacity and better address identified needs.
3. **Increase Highway Fund Revenues.** Contributions to the Highway Fund can be increased by raising fuel taxes, motor vehicle licenses and fees, tolls or other revenue sources. Table 6 shows total revenues which comprise the Highway Fund:

**TABLE 6**  
**HIGHWAY FUND**  
**BUDGETED REVENUE FOR FY 1993-94 AND FY 1994-95**

% of Biennial Total	Source	1993-94	1994-95
64.81	Fuel Taxes	\$133,734,037	\$136,160,855
27.52	Motor Vehicle Licenses and Fees	56,695,075	57,696,598
4.18	Turnpike Reimbursement	8,700,000	8,700,000*
0.59	Fines	1,226,250	1,235,000
0.57	Motor Vehicle Inspection Fees	1,189,500	1,170,000
2.33	Other Revenues	<u>4,638,189</u>	<u>5,077,428</u>
100.00	TOTALS	\$206,183,051	\$210,239,981
			\$416,422,923

\* This amount is expected to decline due to capital expenditure commitments and debt obligations of the Maine Turnpike Authority

Source: Office of Fiscal and Program Review.

- A. **Motor Fuel Tax.** Fuel taxes constitute the largest single revenue source for the State's Highway Fund. Maine's fuel taxes are slightly below the New England average, as shown in Table 7 (the tax on diesel fuel is just about at the average). For every one cent rise in the fuel tax, Maine can generate approximately \$7 million per year. Thus, there is an opportunity for raising some additional revenues by raising Maine's fuel taxes, or at least the tax on gasoline, to the New England average.

**TABLE 7**

**NEW ENGLAND FUEL TAX COMPARISONS  
IN CENTS PER GALLON AS OF 4/1/93**

	Gasoline	Diesel	Gasohol
Maine	19	20	19
New Hampshire	18	18	18
Vermont	16	17	16
Connecticut	32	18	31
Massachusetts	21	21	21
Rhode Island	28	28	28
New England Average	22.3	20.3	22.1

Source: Federal Highway Administration data, updated by telephone calls to respective states, 1994.

- B. Motor Vehicle Licenses and Fees.** Motor vehicle licenses and fees constitute the second largest source of contributions to the Highway Fund. As shown in Table 8, Maine charges significantly less than the New England averages for all categories.

**TABLE 8**

**NEW ENGLAND MOTOR VEHICLE  
REGISTRATION FEES - IN DOLLARS AS OF 4/1/93**

	Auto Registration	Typical Single-Unit Truck*
Maine	22	127
New Hampshire	31.20	141.50
Vermont	42	270
Connecticut	70**	194
Massachusetts	40**	252.75
Rhode Island	30	158
New England Average	30/year	190

\* Non-farm

\*\* 2-year period

Source: Highway Statistics, 1992, Federal Highway Administration.

The registration fee for larger trucks (80,000 pounds gross weight) is relatively low compared to Vermont, Connecticut and Massachusetts, and at first glance would appear to offer opportunities for additional revenue. However, as shown in Table 9, Maine's excise tax on these trucks is relatively high. In Maine, the excise tax is based on the list price of a new truck. In New Hampshire, Connecticut and Massachusetts, it is based on the actual purchase price. An increase in registration fees would therefore place Maine at a greater competitive disadvantage than currently exists.

TABLE 9

TRUCK REGISTRATION AND EXCISE TAXES  
80,000 LBS GROSS VEHICLE WEIGHT AS OF 7/1/94

	Registration Fee	Excise Tax*	Truck Total
Maine	888	2,400	3,288
New Hampshire	736	1,800	2,536
Vermont	1,642	-	1,642
Connecticut	1,555	2,449	4,004
Massachusetts	1,230	2,250	3,480
Rhode Island	875	-	875
New England Average	1,154	1,483	2,638

\* Based on a list price of \$100,000 and a purchase price of \$80,000.

Source: American Trucking Association Foundation

- C. **Other.** The other Highway Fund revenue categories are small, so that increasing fees and fines would have a negligible impact on the size of the Fund. The Turnpike Reimbursement category represents a diversion of Turnpike revenues, which is projected to decline due to capital commitments and debt obligations of the Maine Turnpike Authority.
4. **Examine Standards and Assumptions Used to Generate Highway and Bridge Capital Expenditure Needs.** There may be opportunities for reducing somewhat the magnitude of highway and bridge needs by adjusting standards and levels of service from the highway and bridge system. Technological innovation may also offer opportunities. For example, the Maine Turnpike Authority's use of electronic tolls eliminated 160 jobs, thereby freeing up funds for capital improvement. Finally, greater use of alternative modes of transportation such as cargoports and rail may reduce overall capital needs.
5. **Examine Use of Excise Tax.** While now strictly a source of municipal revenue which can constitutionally be used for any purpose, there may be some opportunity to increase these revenues and use the increase for highway/bridge maintenance purposes. By statute, the excise tax is levied "for the privilege of operating a motor vehicle on the public ways." Title 36 M.R.S.A., Chapter 111 establishes a declining schedule of excise tax payments, based on the age of a vehicle. For a new vehicle, the tax is 24 mills on each dollar of the original purchase price. This declines to 17½ mills the second year, 13½ for the 3rd, 10 for the 4th, 6½ for the 5th year, and 4 mills for the 6th and each succeeding year. Table 10 illustrates how the declining mill rate results in a declining excise tax on a vehicle that cost \$12,000 when new.



**TABLE 10**  
**EXCISE TAX RATES**

Year	Original Purchase Price	Excise Tax Rate	Excise Tax
1	12,000	24	\$288
2	12,000	17½	\$210
3	12,000	13½	\$162
4	12,000	10	\$120
5	12,000	6½	\$78
6	12,000	4	\$48

By the sixth year the owner of the \$12,000 car would be paying only \$48, or one sixth of what he or she paid when the car was new, even though the car may continue to use the State's roads and bridges to the same extent it did when it was new. The gap between what the owners of an old car and a new car pay becomes even greater as the costs of new cars continue to increase. Consideration should be given to alternatives such as a flat rate for all vehicles, or a rate based on highway use so as to enhance revenues and/or achieve other State objectives such as cleaner air. Moreover, from a clean air perspective, the current structure penalizes the owners of newer cars and provides a tax advantage to the owners of older cars with presumably greater emissions.

6. **Limit Future Boating/Snowmobiling Exemptions.** Gasoline tax exemptions for boating and snowmobile purposes may be in excess of the actual amount of fuel used for these activities. Accordingly, any additional exemptions should be based on documentation of the actual levels of use.