



## MAINE TRANSPORTATION BACKGROUNDER:

# Good, Bad and Ugly of the 2011 Maine Legislative Session

Analysis prepared by the Maine Better Transportation Association, July 2011

### The Good

In the “good” category: some new funding was generated for this and future biennia. There are three small bright spots on the horizon.

- Legislators voted to allocate the remaining 50 percent of sales tax collected on rental car fees to the STAR Account for aviation, rail, transit, and other non-highway modes. Beginning in FY 12-13, this will bring an additional \$3.1 million per year to the State Transportation, Aviation and Rail (STAR) fund. That funding will ensure that Maine meets its match for federal transit and aviation funding. About \$1 million will go to the Small Harbor Improvement Program (SHIP); another \$1 million will go to the Industrial Rail Access Program (IRAP); \$930,000 will be used for transit investments; and \$930,000 will go to Maine’s regional airports.
- The Legislature’s Appropriations Committee agreed to some new road funding for maintenance in the 2014 biennium, with a portion of the proceeds from a future liquor contract. The proceeds of that sale are being sliced up among several priorities: 20 percent for transportation; 15 percent for the state match for federal waste and drinking water programs; 35 percent for the General Fund; 30 percent for the Budget Stabilization Fund. Some estimates suggest the Highway Fund’s slice could be up to \$7 million per year, to be targeted for pavement preservation and rehabilitation. The funding will not be available until 2014.
- The legislature fully funded maintenance surface treatment (aka MST or “skinny mix”) for 600 miles per year for the biennium. Maintaining the program at this level – the level recommended by MaineDOT’s long-range plan – will help prevent the worst state roads in Maine from completely falling apart.

### The Bad

While these were certainly victories, the bigger picture remains bleak.

- Despite talk among the leadership, there was no general obligation bond package put forward. There is talk of a small bond in the next session, and transportation advocates have said they will work with other interested groups for a robust transportation bond.
- The legislature declined backing a federally financed GARVEE (grant anticipation revenue) bond. Maine has used GARVEES in recent years to address critical capital transportation needs, including construction of the Penobscot Narrows Bridge. Anti-bonding sentiment was high among some legislators, and GARVEE bonds suffered as a result. A bill was passed requiring a two-thirds legislative vote on all GARVEEs, something that is only required on General Obligation bonds. Why GARVEEs, typically used

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to rescue the state during capital emergencies, were singled out for this high benchmark is puzzling. No other form of local or state borrowing, with the exception of general obligation bonds, is required to meet this stringent test.

- General Fund support evaporated midway through the session. The session started with a proposal of \$20 million in General Fund support for transportation from Governor LePage. The governor reduced that provision to \$10 million in his “change package,” and the Appropriations Committee reduced that to zero. So there is no funding from the General Fund for highways in the coming biennium.

Transportation advocates believe there are powerful arguments in favor of General Fund support for transportation, including the fact that Maine is one of the few states that does not consistently provide general fund revenues for transportation. The national average is 17.65 percent – and in Maine, that would translate to approximately \$104 million in General Fund support per biennium. That level of funding would be welcome in Maine’s efforts to address its backlog of deficient roads and bridges.

## The Ugly

The session also had some very low points.

- There was an effort to readjust the State Police funding formula to accurately reflect the time and resources spent on traffic enforcement consistent with the Maine Constitution. Currently the Highway Fund pays 49 percent of the state police budget. Two recent studies have noted that a more accurate and fair allocation would be 33 percent. The Maine House and Senate went on record agreeing with this ratio. Yet spending priorities trumped the Constitution, and the Appropriations Committee killed the measure that would have saved the Highway Fund approximately \$8 million annually.
- The legislature also voted to shift \$4.2 million from capital accounts to fully fund 1,200 miles of maintenance surface treatment (MST) paving work in the coming biennium. For this purpose, MaineDOT has termed MST as “light capital paving.” Many transportation advocates are wary of this because it sets a dangerous precedent. MST/light capital paving has a maximum life of five to seven years. Traditionally capital projects are defined as having a life of 10 or more years. This switch is, in effect, robbing Peter to pay Paul, and means Maine will have even fewer dollars to address its dire capital needs in this and future biennia.
- The legislature repealed fuel tax indexing without coming up with a long-term plan to address the funding gap this action will create. That will cost the Highway Fund upwards of \$5 million in the upcoming biennium. Indexing has generated \$341 million in new revenues for the Highway Fund over the last nine years.
- The ugliest outcome of the legislature’s work this session is the transportation funding shortfall it has created in the Highway Fund capital budget. The net result of the negative changes to Highway Fund resources, including the repeal of indexing and the lack of bond funding, is a \$230 million net decline in capital investments from the previous biennium.

*This Maine Transportation Backgrounder was prepared by the Maine Better Transportation Association with data from the Maine Legislature’s Office of Fiscal and Program Review. For more information about the MBTA, please visit [www.mbtaonline.org](http://www.mbtaonline.org).*