

THE BOND BUYER

Maine considers less bonding for transportation

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Members of a bipartisan panel appear to agree in principle on a long-term proposal to narrow the state's annual highway funding gap by using more state revenue, adding taxes and fees and lowering annual bonding for transportation.

Wednesday's meeting of the Blue Ribbon Commission to Study and Recommend Funding Solutions for the State's Transportation System was one of the most productive since the group first assembled four months ago.

It also was supposed to be its last — commissioners were expected to write a report that includes recommendations to the Legislature by the end of the year. Instead, it will ask for more time to hammer out a compromise proposal.



"I hope we will be able to come up with something, the key to that is time to do it so we don't have an artificial deadline," said commission co-chair Sen. Bill Diamond, D-Windham. "If we do that, we will come out with the beginnings of the approach and a strategy that really meets the goals of our commission."

Maine's \$675 million annual highway budget is roughly \$232 million lower than it should be to meet the backlog of maintenance, repair and replacement projects,

according to the Maine Department of Transportation. That shortfall has persisted over time, despite a recent practice of offsetting it with a yearly \$100 million bond package.

Among the proposals considered by commissioners are:

- Allocating a portion of the state's \$240 million vehicle and automobile-related sales tax for highway funding.
- Increasing the 30-cent-per-gallon gas tax.
- Enacting an annual fee for hybrid and electric cars.
- Increasing registration and inspection fees.

A gas tax increase is the most direct way to raise more revenue, but commission Republicans are against any increase unless the state eliminates or seriously lowers borrowing for regular road maintenance.

"The only way I would ever support the gas tax (increase) is a constitutional assurance that we would reduce bonding," said Sen. Matt Pouliot, R-Augusta. He and others noted that while Maine politicians have resisted using money from the general fund to prop up transportation spending, it is being used to repay bond debt and interest.

Road and bridge maintenance is paid for through the state's highway fund, which relies on gas tax revenue.

"Right now we are using the general fund for transportation, but we are using it to repay investors on Wall Street who have put money into our projects," Pouliot said.

Trying to reduce the state's reliance on annual bonding to fix roads is a good goal, but it would be a step too far to eliminate it entirely, said Transportation Commissioner Bruce Van Note.

Interest rates that are lower than construction cost inflation mean borrowing is fiscally prudent right now, and bonding for durable projects such as bridges makes sense, he said. He also cautioned commissioners that shifting money from the general fund to the highway budget has been unsuccessful historically.

But continuing Maine's recent practice of bonding every year to fix roads creates volatility in planning and budgeting, Van Note said, adding that another bond package is being prepared for 2020.

"It is not philosophy, it is pragmatism that says, 'Reduce, don't eliminate,' " he said. "I would love to build work plans on revenue instead of bonding."

If some members of the commission want the state to stop borrowing, others just want the roads fixed and as quickly as possible.

"The longer we wait to do something, the more it is going to cost us," said Barry Pottle, president and CEO of Pottle Transportation, a trucking company based in Bangor.

The commission needs to come up with a plan that ensures money will be coming in for years to come, Pottle added. That likely means increasing the gas tax.

"When we talk about a 7 cent to 9 cent tax on gas, I can tell you the state of Maine will welcome it if we can fix our roads and bridges," Pottle said.

The commission intends to request approval to be reappointed and meet again until mid-February at least.

Commission Co-Chair Rep. Andrew McLean, D-Gorham, said he's encouraged that the commissioners are making progress and willing to continue meeting.

"In the end, a solution we come up with is not going to be rocket science; it is going to be new revenue, involve some sort of general fund transfer and some sort of increase in the fuel tax," he said.

The conversation is difficult for a lot of people and a likely compromise will not please everyone, but he and others on the commission are committed to delivering a bipartisan proposal that would receive support from both parties in the Legislature and the Governor's Office.

"It is not a partisan issue and I am not trying to make it one, and I don't think anyone around the table is trying to make it one," he said. "We are doing this because we have a major issue in front of us, and that is our crumbling infrastructure."