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GOVERNOR

STATE OF MAINE  
DEPARTMENT OF TRANSPORTATION  
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Bruce A. Van Note  
COMMISSIONER

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

**In Support of LD 1002**

**“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, 2019, June 30, 2020 and June 30, 2021”**

**to the  
Joint Standing Committee on Transportation**

**March 26, 2019**

Senator Diamond, Representative McLean, 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 that pertain to the Maine Department of Transportation (MaineDOT). This budget is the primary mechanism by which we achieve our mission of responsibly providing our customers with the safest and most reliable transportation system possible.

In accordance with past practice, we suggest that the line-by-line explanation of every item in the budget document provided to the Committee by the Office of Fiscal and Program Review (OFPR) as part of LD 1002 (hereinafter “OFPR HF Budget Document”) be deferred to work sessions to allow for a higher-level, policy discussion. As you are aware, MaineDOT has a multipronged funding structure of which the HF is only a part. Past committees have found it helpful to be briefed on how all the parts fit together before delving into the minutiae of each HF budget item. Of course, we understand the value of the line-by-line exercise. To prepare for it, attached you will find Appendix A, a nine-page summary of the 44 initiatives and seven language items that makes up MaineDOT’s HF Budget.

Accordingly, and with the permission of the Chairs, I hope to use your limited time today to focus on higher level review of (1) the scope of Maine’s transportation system, (2) sources and uses of all funds for the FY20 - FY21 biennium including a brief description of the major items in MaineDOT’s HF Budget, (3) MaineDOT’s highway prioritization system, and (4) unmet capital funding needs.

## **1. The Scope of Maine's Transportation System**

As this Committee knows, providing a safe and reliable transportation system is a big job in Maine. We have a multimodal system spread out over a big state with a small population with limited incomes. The transportation system that MaineDOT manages or coordinates includes:

- 8,812 centerline miles of highway;
- 2,967 bridges and minor spans (includes 199 LURBs);
- 35 publicly-owned and funded airports;
- 3 major ports (Eastport, Searsport and Portland);
- 337 miles of state-owned & operating rail lines;
- 22 public transit providers;
  - 425+ accessible buses and vans
  - 6.7M annual passenger trips provided
- 68 miles of ferry routes, serving 6 islands; and
- 54 Park & Ride facilities

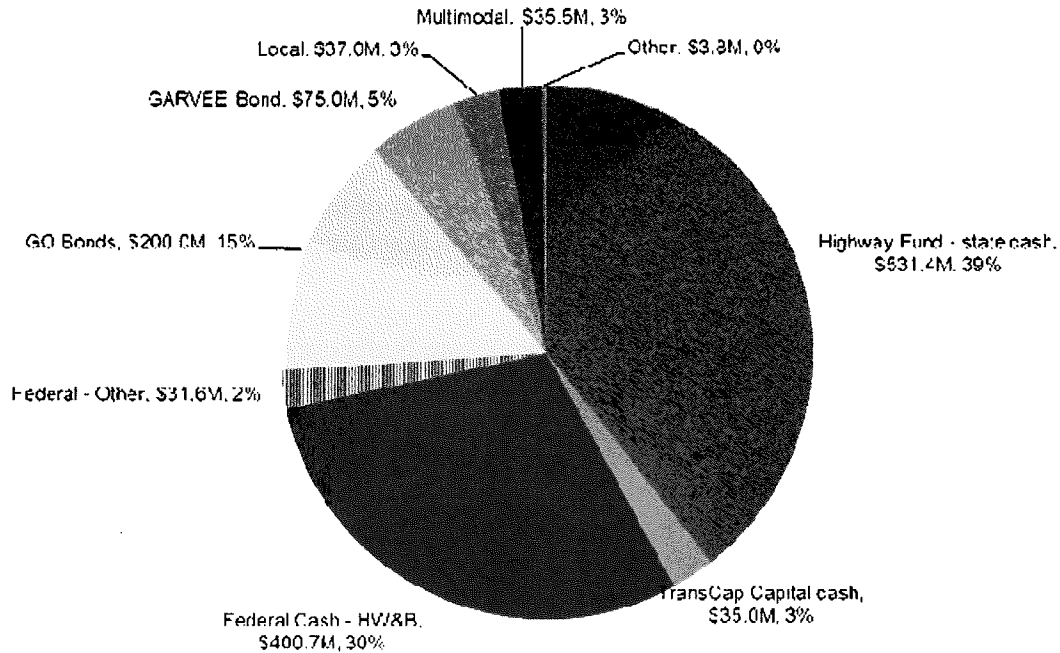
## **2. Sources and Uses of Funds**

### **A. Sources of Funds**

State budget presentations normally focus on spending, not sources of funds. However, as you know, this Committee is in a unique position in the Legislature in that you control transportation legislative 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 provides a high-level overview of MaineDOT's sources of funds for the FY20-FY21 biennium. In simplest terms, pending legislative resolution of this budget and bond discussions, MaineDOT expects to receive an estimated \$1.35 billion over two years, broken down as follows.

**MaineDOT - All Funds - 2 Years (FY20-21)**  
**Proposed Sources - \$1,350.1M Detail** (Highway, Federal, etc)  
 FY20/21 budget as requested



**State HF Revenue.** State HF revenue for MaineDOT for FY20-FY21 biennium is budgeted to be \$531.4 M, and is depicted as the green wedge above. This biennial amount is 3.4% higher than the \$513.6 M budgeted for MaineDOT in the previous biennium (FY18-FY19). This \$531.4 M represents about 78% of total HF revenues, which are derived primarily from fuel tax revenues and motor vehicle fees.

Fuel taxes are sometimes described as a dinosaur. While it is true that they will be phased out over time as we transition to other energy sources and transportation funding mechanisms, it is important to realize that this will be a gradual process. Despite the effects of higher fuel economy, fuel taxes remain the financial workhorse for all HF agencies including MaineDOT. The Revenue Forecasting Committee (RFC) currently projects that total HF revenue for the FY20-FY21 biennium will be about \$684 M, which is about \$25M or 3.9% higher than the previous biennium. Further, looking forward, the RFC estimates that fuel tax revenue will continue to increase by 1% per year for the next few years. In sum, this means that although fuel taxes will eventually become obsolete, they remain the primary way to fund the highway and bridge system today.

**Federal Highway Funds.** Federal formula funds for the highway and bridge system, shown as the dark blue wedge above, are estimated at \$400.7 M for the biennium, and represents about 32% of all MaineDOT funding. This represents the core federal formula funding of

approximately \$190 million per year and a conservative base level of additional federal funding for discretionary programs.

This funding level is based upon the assumption that Congress will act to repeal a pending rescission, and to fill a pending federal Highway Trust Fund deficit in the summer of 2020. The current federal transportation authorization bill expires on September 30, 2020, and there are currently discussions about trying to pass a reauthorization bill this year. How this can occur without a sustainable funding source is unclear. The federal gas tax was last raised in 1993, 26 years ago. Thus, possible future federal funding could range from a 50% cut to a 50% increase. This budget takes a middle road, and assumes relatively flat federal formula funding.

This amount does not include extraordinary levels of federal grants and discretionary programs. MaineDOT continues to work closely with our Congressional delegation, especially Senator Collins, to maximize use of these programs.

Bonding. Although outside the traditional state budget process, bonding is a critical piece of MaineDOT funding. As can be seen in the Sources of Funds pie chart above, bonding represents fully 20% 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 again assumed at \$100M per year, or \$200M for the biennium. Further, this budget authorizes a new \$75M GARVEE bond – shown as the orange wedge 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. The proposed GARVEE bond in this budget is \$25M higher than other recent biennial budgets (which authorized \$50M GARVEE bonds). This increased one-time level will be used to partially fund larger projects with a useful life of at least 15 years to free up state cash to provide the state match for a discretionary federal INFRA grant we were awarded for the I-395/Route 9 connector project.

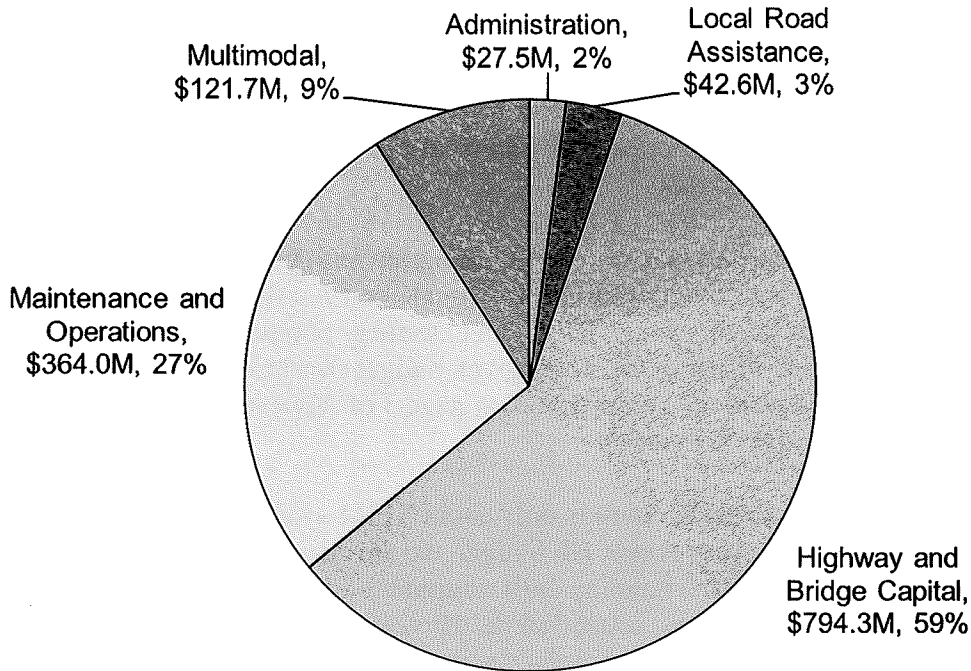
This level of bonding has worked well for transportation in recent years as interest rates have remained low and other funding options have been elusive. However, if interest rates increase, or if policymakers see the need to invest in other capital areas, there is a substantial policy question regarding the sustainability of this bond funding component.

Multimodal Funding. The approximately \$35M is considered in a separate Multimodal Programs section starting on page 7 below.

## B. Uses of Funds

A high-level overview of MaineDOT's Uses of Funds for the FY20-FY21 biennium is shown in the pie chart below.

**MaineDOT Uses of All Funds  
FY20-FY21  
\$1,350.1 Million  
FY20/21 budget as requested**



Major items contained in MaineDOT’s HF Budget are described 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, it comprises almost 60% of MaineDOT’s activity. This distinguishes MaineDOT from all other state agencies – our primary mission is capital in nature. The major budget components of the capital wedge are the Highway and Bridge Capital (HBC) program, the Highway Light Capital (HLC) program, and debt service on HF G.O. bonds.

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 four HF budget items related to the HBC program are summarized on page 3 of Appendix A and are set forth on pages 29 and 30 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. The total of all these requests is \$573.6M 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, a thinner treatment meant to keep lower priority roads serviceable. The HLC program is separated from the HBC program described above because it has a useful life averaging 7 years, and therefore should not be paid for with bond funds.

Like all recent budgets, the goals of the HLC program and the MaineDOT Work Plans is to pave 600 miles using this lighter treatment. We estimate that it will cost \$27M per year, or \$54M for the biennium, to reach this goal. This is an extremely popular program as it is the only way that we can address some of our worst roads given budget constraints. The three HF budget items related to the HLC program are summarized on page 3 of Appendix A and are set forth on page 31 of the OFPR HF Budget document.

Due to the lack of HF revenue, there is only about \$13M available for this HLC program. Therefore, as has been done in every recent HF budget, we are again asking for budget language (see Part I on page 52) 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. This TransCap cash – shown as the lighter green wedge in the Sources of Funds pie chart on page 3 – amounts to \$35M for the biennium. This brings the total available for the HLC program to \$48 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 600 mile goal.

Bond Debt Service. This budget provides funding to pay the interest and principal due on outstanding G.O. bonds serviced by the HF. The four HF budget items related to the HF G.O. bond interest and bond retirement are summarized on pages 1 and 2 of Appendix A and are set forth on pages 26 and 27 of the OFPR HF Budget Document. Of note: the long-standing strategy of using General Fund G.O. bonds for transportation is paying off. On June 30 of this year, the outstanding HF bond principle indebtedness will be down to \$9.8 million. At the end of the FY20-FY21 biennium, it will be \$0.

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 over 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 \$42.6 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 pages 31 and 32 of the OFPR 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 – over 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 \$364M for the biennium, the six HF budget items related to the M&O program are summarized on pages 4 and 5 of Appendix A and are set forth on pages 32 to 34 of the OFPR HF Budget document. Of note is the approximately \$7.5 million in funding each year for the purchase of 55 pieces 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 and increase All Other within the M&O program to allow more direct infrastructure improvements through additional contracting and purchase of highway materials, which will result in additional All Other allocations of \$8 million in each year.

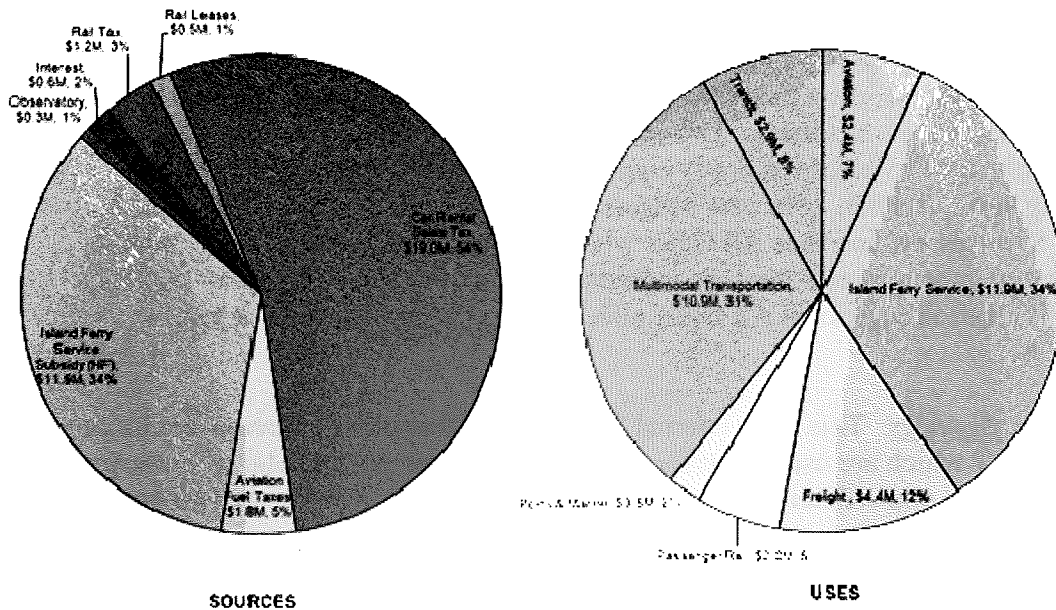
Fleet Services. This is an Internal Service fund that provides heavy trucks and equipment for MaineDOT which are used to perform the daily tasks of making Maine's transportation system more safe and efficient. MaineDOT operates 944 pieces of heavy equipment including 590 medium & heavy-duty trucks, 129 pieces of heavy construction equipment, and 225 pieces of specialty equipment comprised mostly of traffic control devices. The number of pieces of medium/heavy duty trucks & construction equipment has been reduced by 35% over the past 10 years. 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. Overall multimodal funding for capital and operations is shown as the purple wedge in the Uses of Funds pie chart on page 5. This includes federal and bond funds. As you can see, this represents about 9% of all Maine DOT expenditures. Note this does not include any new major services like extensions of passenger rail.

The state, non-bond sources and uses of state multimodal funding totals about \$35 M for the biennium and is depicted in the two pie charts on page 8. 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 17 HF budget items related to Multimodal Programs are summarized on pages 5 to 8 of Appendix A and are set forth on pages 35 to 41 of the OFPR HF Budget Document.

Each mode has its own funding complexities, and experience shows that modal stakeholders may want to drill down into “their mode” to understand them. Accordingly, past Transportation Committees have determined that it is best done in work session.

Multimodal Accounts  
Sources and Uses of State Funds  
FY20/21 Biennium  
Total \$35.3 Million



Other “Standard” Language Items. This budget includes language items similar to previous budgets that allow savings from unallocated HF revenue (Part F, page 49) and MaineDOT personnel savings (Part G, page 50) to be used for MaineDOT capital and all other purposes.

### 3. MaineDOT’s Highway Prioritization System

As noted above, this HF budget is the primary means of achieving our mission, and we are thankful for the substantial funding provided in it. As transportation professionals, however, we have a duty to determine whether this funding will “get the job done.” Before doing so, we know that any opinion of the adequacy of funding must be preceded by an effort to minimize funding need by setting priorities and communicating them to policymakers to test whether they establish the right balance between customer service and cost. Accordingly, this section sets forth our highway corridor priority system. As can be seen by the chart on page 9, MaineDOT has divided the highways for which it is responsible into four priority groupings.



| <b>Maine Highway Corridor Priorities</b> |               |                |              |  |                      |
|--|---------------|----------------|--------------|--|----------------------|
| <i>(2017 inventory data)</i>             |               |                |              |  |                      |
| <b>HCP</b>                               | <b>Miles</b>  | <b>% Miles</b> | <b>% VMT</b> | <b>Federal Functional Classifications</b>  | <b>Unbuilt Miles</b> |
| 1  | 1,760         | 8%             | 40%          | Interstates (includes Turnpike)<br>Freeways & Expressways<br>Principal & Minor Arterials | 27                   |
| 2  | 1,356         | 6%             | 18%          | Freeways & Expressways<br>Principal and Minor Arterials<br>Major Collector               | 80                   |
| 3  | 2,211         | 9%             | 16%          | Minor Arterials<br>Major & Minor Collectors  | 545                  |
| 4  | 3,733         | 16%            | 13%          | Major & Minor Collectors   | N/A - LCP            |
| <b>Subtotal</b>                          | <b>9,060</b>  | <b>39%</b>     | <b>87%</b>   |  | <b>652</b>           |
| Local                                    | 14,324        | 61%            | 13%          | Local  | N/A                  |
| <b>Totals</b>                            | <b>23,384</b> | <b>100%</b>    | <b>100%</b>  |  | <b>652</b>           |

Due to perennial funding challenges, MainedOT continues to aggressively prioritize and remains measured in its reconstruction goals. As can be seen from the chart above, we are focusing on only about 100 miles of unbuilt Priority 1 and 2 highways for major reconstruction statewide. Even after considering the 545 miles of unbuilt Priority 3 highways, MainedOT is considering improving only 652 miles of roads statewide, which represents only about 7% of the 8,812 miles for which MainedOT has capital responsibility. Over 3,700 miles – or about 42% of these MainedOT miles – are scheduled only for Light Capital Paving (LCP) every 7 years, with improvement to come only if a Municipal Partnership Initiative (MPI) project or a MainedOT maintenance spot fix materializes. Although basic safety is always assured, bridges are being prioritized based upon the priority of the highway corridor they are in, leading to tough choices regarding posting bridges (restricting heavy vehicles) and even closing low use or redundant bridges.

As knowledgeable policymakers, we welcome your input regarding our highway prioritization system. Multimodal proponents with legitimate goals sometimes advocate for shifting funding from highways to other modes. Other policymakers, municipal officials, industry groups, and travelers have stated over the years that we may have prioritized too aggressively and thus understated our highway system needs. In any event, as the next section demonstrates, we have a substantial funding challenge.

#### 4. Unmet Capital Funding Needs

After prioritization, goal setting, and defining acceptable customer service and treatment levels, MaineDOT has a duty as the professional stewards of our transportation system to quantify and communicate the scope of our funding challenge. The following charts do so at a summary level.

| <b><i>Highway &amp; Bridge</i></b>                 |                          |                                     |                            |                    |
|--|--------------------------|-------------------------------------|----------------------------|--------------------|
| <b><i>Capital Needs vs Anticipated Funding</i></b> |                          |                                     |                            |                    |
| <i>(millions of \$)</i>                            |                          |                                     |                            |                    |
| <b>Work Group</b>                                  | <b>Annual Basic Need</b> | <b>Anticipated Annual Funding *</b> | <b>Annual \$ Shortfall</b> | <b>% Shortfall</b> |
| Bridge Projects                                    | \$160                    | \$120                               | -\$40                      | -25%               |
| Pavement Preservation                              | \$97                     | \$95                                | -\$2                       | -2%                |
| Light Capital Paving                               | \$27                     | \$25                                | -\$2                       | -7%                |
| Highway Safety Program                             | \$21                     | \$17                                | -\$4                       | -19%               |
| Large Culverts (5'-10')                            | \$12                     | \$8                                 | -\$4                       | -34%               |
| Regional Spot Improvements (RAMP)                  | \$8                      | \$4                                 | -\$4                       | -51%               |
| Traffic/Mobility/Capacity/ITS Improvements         | \$33                     | \$13                                | -\$20                      | -61%               |
| Highway Reconstruction/Rehab                       | \$91                     | \$63                                | -\$28                      | -31%               |
| Partnership Programs                               | \$10                     | \$6                                 | -\$4                       | -41%               |
| <b>Totals</b>                                      | <b>\$459</b>             | <b>\$351</b>                        | <b>-\$108</b>              | <b>-23%</b>        |

**\* Note Anticipated Funding includes assumptions for Less Predictable Funding:**

- \$80M GF G.O. Bonding for Highways and Bridges
- \$25M in Federal Discretionary Grants (TIGER, BUILD, INFRA)
- \$10M in Federal August Redistribution
- \$3M in Highway Fund Year-End Receipts

| <b>Multimodal</b>                           |                    |   |
|---|--------------------|---|
| <b>Capital Needs vs Anticipated Funding</b> |                    |   |
| <i>(millions of \$)</i>                     |                    |   |
| <b>Multimodal</b>                           | <b>Annual Need</b> | <b>Comments</b>   |
| Transit Buses                               | \$6                | Bus Replacement, Current Backlog - \$6M   |
| Rail Lines - Bridges                        | \$19               | Active State Owned Lines (10 Yr)  |
| Rail Lines - Other                          | \$5                | IRAP & Crossings Included   |
| Ports & Harbors                             | \$7                | Includes BIG & SHIP   |
| Ferry Capital                               | \$7                | Ferry Boat Replacement Plan (5-10 Yr)   |
| Aviation                                    | \$32               | Aviation Program need analysis not available  |
|   |                    |   |
| <b>Total Need</b>                           | <b>\$75</b>        |   |
|   |                    |   |
| Annual Multimodal Anticipated Funding       | \$56               | Includes FAA \$30M, GF G.O. Bond \$20M, Multimodal State Capital \$2.1, FTA \$3.6M, Ferry Boat Program \$0.5M |
|   |                    |   |
| <b>Annual Shortfall</b>                     | <b>-\$19</b>       |   |

As can be seen above, even after extensive prioritization, we have a substantial unmet capital funding need. Other legitimate policy goals - like reducing our reliance on bonding - would make the situation even more challenging.

With that said, in my view we can make real progress toward possible funding solutions if we continue to focus on the importance of transportation to our fellow Mainers with the spirit of bipartisanship that transportation usually engenders. I welcome being fully involved in such discussions as we consider other bills in this session.

In conclusion, I want to thank the Governor and this Committee for the support shown to MaineDOT. LD 1002 is mission critical, and we urge your support. I would be happy to answer any questions you may have.

**Line-by-line Supporting Information on LD 1002****" 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, 2019, June 30, 2020 and June 30, 2021"****March 26, 2019**

The following is a line by line explanation of the MaineDOT requests for the FY2020-2021 biennium included in LD 1002.

**ADMINISTRATION**

The **Administration** program, beginning on page 26 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 \$13,405,107 for FY20 and \$13,857,954 for FY21.
- 2) The **Administration** initiative adjusts funding for management-initiated reorganizations in the amount of \$125,204 in FY20 and \$130,156 in FY21.

**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.

- 3) The **Bond Interest - Highway baseline request** on page 26 is \$905,540 in FY20 and \$905,540 in FY21.
- 4) The **Bond Interest - Highway** initiative adjusts funding to correctly reflect the debt service costs based on the debt service schedule in the amount of (\$515,873) in FY20 and (\$795,040) in FY21.

**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.

- 5) The **Bond Retirement - Highway baseline request** on page 27 is \$12,500,000 in FY20 and \$12,500,000 in FY21.

- 6) The Bond Retirement - Highway initiative adjusts funding to correctly reflect the debt service costs based on the debt service schedule in the amount of (\$4,890,000) in FY20 and (\$10,290,000) in FY21.

The long-term strategy of using General Fund General Obligation bonds for transportation is paying off. At the end of the current fiscal year, the outstanding Highway Fund bond principal will be \$9.82 million and at the end of the 20/21 biennium, it will be \$0.

## CALLAHAN MINE SITE RESTORATION

Callahan Mine Site Restoration is an Other Special Revenue program for mitigation expenses for the Callahan Mine Site Restoration program. The funding of this account had been provided by the General Fund.

- 7) The Callahan Mine Site Restoration baseline request on page 43 is for \$740,000 each year. There are no initiatives in this program.

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. 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-2020.

As a potentially responsible party, the state of Maine has had to pay for 100% of the investigatory and design work. Following submission of what we anticipate will be the final remedial design in mid-2020, 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.

- 8) The Fleet Services baseline request on page 28 is \$29,498,202 for FY20 and \$30,120,218 for FY21.
- 9) The Fleet Services initiative adjusts funding for management-initiated reorganizations as described in the Public Hearing in the amount of \$35,366 in FY20 and \$36,328 in FY21.

## 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.

- 10) The **Highway and Bridge Capital baseline request** on page 29 is a Highway Fund request for Personal Services and All Other of \$39,484,576 for FY20 and \$40,498,658 for FY21. The Federal baseline amount is \$65,576,790 in FY20 and \$66,698,947 in FY21 and the Other Special Revenue Fund request is \$6,907,156 in FY20 and \$7,019,039 in FY21.
- 11) The first **Highway and Bridge Capital** item 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 \$123,000,000 in FY20 and \$126,000,000 in FY21 for the Federal account and \$10,000,000 in each year for the Other Special Revenue account.
- 12) The second **Highway and Bridge Capital** item on page 30 adjusts funding for management-initiated reorganizations in the amount of \$740,654 in FY20 and \$813,644 in FY21 in the Highway Fund, \$820,362 in FY20 and \$901,203 in FY21 in the Federal Fund, and \$82,019 in FY20 and \$90,147 in FY21 in the Other Special Revenue Fund.
- 13) The third **Highway and Bridge Capital** item on page 30 provides an allocation to spend the proceeds of a new \$75 million GARVEE bond that would be authorized by the language in Part E on page 48. 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 31 is a Highway Fund request of \$2,250,000 in All Other in each year.
- 15) The first **Highway Light Capital** item is a Highway Fund request of \$4,250,000 in each year to provide funding for light capital paving.
- 16) The second **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. There is language in Part I on page 52 to allow these funds to be used for projects with a 5-year useful life. This is an allocation of \$17,500,000 in each year.

All together the proposed allocations provide the estimated \$24 million of the \$27 million per year that is needed to accomplish 600 miles of Light Capital Paving. While this is short of the needed funding, there will be multiple revenue forecasts and year-end adjustments between now and when the 2020 paving is put out to bid, so we hope and expect that we will be able to reach our 600 mile 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.

- 17) The **Local Road Assistance Program baseline request** beginning on page 31 is a request of \$21,079,597 in both FY20 and FY21.
- 18) 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.

- 19) The **Maintenance and Operations baseline request** on page 32 is a Highway Fund request for Personal Services and All Other of \$161,829,630 for FY20 and \$166,444,438 for FY21. The Federal baseline amount is \$8,711,262 in FY20 and \$8,901,682 in FY21, the Other Special Revenue Fund request is \$1,473,913 in each year and the Industrial Drive Facility Fund request is \$500,000 in each year.
- 20) The first **Maintenance and Operations** item on page 33 provides funding for the purchase of approximately 55 heavy equipment vehicles in each year in accordance with the long-term equipment purchasing plan. This item is \$7.5 million in each year of the biennium.
- 21) The second **Maintenance and Operations** item is a request of \$607,800 in FY20 and \$600,300 in FY21 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.
- 22) The third **Maintenance and Operations** item represents the net cost of eliminating 35 full-time equivalent positions to partially fund the management initiated reclasses as previously discussed. The savings in the Highway Fund are \$970,232 in FY20 and \$1,029,193 in FY21 and a cost of \$19,208 in FY20 and \$20,025 in FY21 in the Federal Fund.
- 23) The fourth **Maintenance & Operations** item on page 34 is a request to transfer Personal Services savings to All Other to provide more direct infrastructure improvements through additional contracting and purchase of highway materials. The anticipated savings will be generated through the projection of actual benefit costs matching workforce demographics and continued aggressive management of vacancies. The net of this initiative is \$0.

- 24) The fifth Maintenance & Operations item provides funding for capital improvements to the headquarters building on Child Street including a roof membrane, parking lot improvements and necessary HVAC upgrades. This is a cost of \$400,000 in FY20 and \$500,000 in FY21.

### 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.

- 25) The Multimodal - Aviation baseline request on page 35 is a Federal request of \$1,585,782 for FY20 and \$1,585,782 for FY21 for federal aviation grants. The request for the Other Special Revenue program is \$1,175,713 in FY20 and \$1,184,228 in FY21.
- 26) The first Multimodal - Aviation item is a request for Federal Capital expenditures of \$300,000 per year for a biennial request of \$600,000.
- 27) The second Multimodal - Aviation item is for management initiated reclasses as previously discussed in the amount of \$13,046 in FY20 and \$13,511 in FY21.

### 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.

- 28) The Multimodal - Freight Rail baseline request on page 36 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 \$1,688,039 in FY20 and \$1,701,803 in FY21.
- 29) The Multimodal - Freight Program item provides a capital allocation of \$500,000 per year. This 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 37 is \$5,395,711 in FY20 and \$5,395,711 in FY21 for the Highway Fund and \$11,062,434 in FY20 and \$11,375,736 in FY21 for the Enterprise Fund.
- 31) The first Multimodal – Island Ferry Service request funds reclasses in the amount of \$167,919 in FY20 and \$176,084 in FY21 in the Enterprise Fund for 7 Ferry Terminal Supervisor positions, 32 Customer Service Representatives, 1 Port Engineer and 9 Captain positions.
- 32) The second Multimodal – Island Ferry Service request is to adjust the funding to 50% in accordance with Maine Revised Statutes, Title 23, section 4210-C. This is a Highway Fund cost of \$219,465 in FY20 and \$380,199 in FY21.
- 33) The third Multimodal – Island Ferry Service request on page 38 is to provide funding for the increased cost of repairs to the aging fleet of boats in the amount of \$250,000 per year in the Highway Fund and \$500,000 per year in the Enterprise Fund.

We would like to request the Committee consider adding an initiative to add 4 Ordinary Seaman positions to the Ferry Service account. Additional staff are needed due to Coast Guard regulations about the staffing necessary for boats the size of the Captain E. Frank Thompson and the Captain Richard G. Spear which is currently under construction. We have previously been using contracted staffing to cover 2 positions, so the increased cost is only for 2 additional positions.

#### Multimodal – Island Ferry Service Z016

Initiative: Establishes 4 Ordinary Seaman positions to meeting staffing requirements of ferry vessels.

|                                 | 2019-20          | 2020-21          |
|---------------------------------|------------------|------------------|
| HIGHWAY FUND                    |                  |                  |
| All Other                       | <u>126,130</u>   | <u>131,356</u>   |
| HIGHWAY FUND TOTAL              | 126,130          | 131,356          |
|                                 | 2019-20          | 2020-21          |
| ISLAND FERRY SERVICE FUND       |                  |                  |
| POSITIONS – LEGISLATIVE COUNT   | 4,000            | 4,000            |
| Personal Services               | 252,260          | 262,712          |
| All Other                       | <u>(126,130)</u> | <u>(131,356)</u> |
| ISLAND FERRY SERVICE FUND TOTAL | 126,130          | 131,356          |

#### 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 Highway

Administration, Congestion Mitigation, Air Quality funding and Federal Transit Administration State of Good Repair 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.

- 34) The Multimodal – Passenger Rail **baseline request** on page 38 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.

- 35) The Multimodal - Ports and Marine **baseline request** on page 39 includes \$150,000 in each year in the Federal Fund, and \$332,672 in FY20 and \$351,043 in FY21 in Other Special Revenue Fund.
- 36) The first Multimodal - Ports and Marine initiative is to provide \$50,000 per year for all other in the Other Special Revenue Fund.
- 37) The second Multimodal - Ports and Marine initiative is to provide funding for approved management initiated reclasses. This is an Other Special Revenue allocation of \$9,002 in FY20 and \$9,335 in FY21.

### 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.

- 38) The Multimodal - Transit **baseline request** on page 40 is a Federal Fund request of \$8,633,899 for FY20 and \$8,658,794 in FY21 and Other Special Revenue request of \$1,467,281 in FY20 and \$1,472,283 in FY21.
- 39) 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.

- 40) The Multimodal Transportation Fund **baseline request** on page 41 is a request of \$1,209,519 million in each year in the Federal Funds and \$250,000 in each year in the Other Special Revenue Fund.
- 41) The Multimodal Transportation Fund item provides for engineering services performed by department staff for projects financed through general obligation bond funds and adjusts Capital and All Other allotment to the anticipated revenues levels. This is a request of \$4,336,825 in FY20 and \$4,249,079 in FY21.

### **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.

- 42) The Receivables **baseline request** on page 41 is a request of \$1,012,121 in each year. 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.

- 43) The State Infrastructure Bank **baseline request** on page 42 is an Other Special Revenue Fund request of \$150,000 in each year. There are no initiatives in this program.

### **TRANSPORTATION FACILITIES FUND**

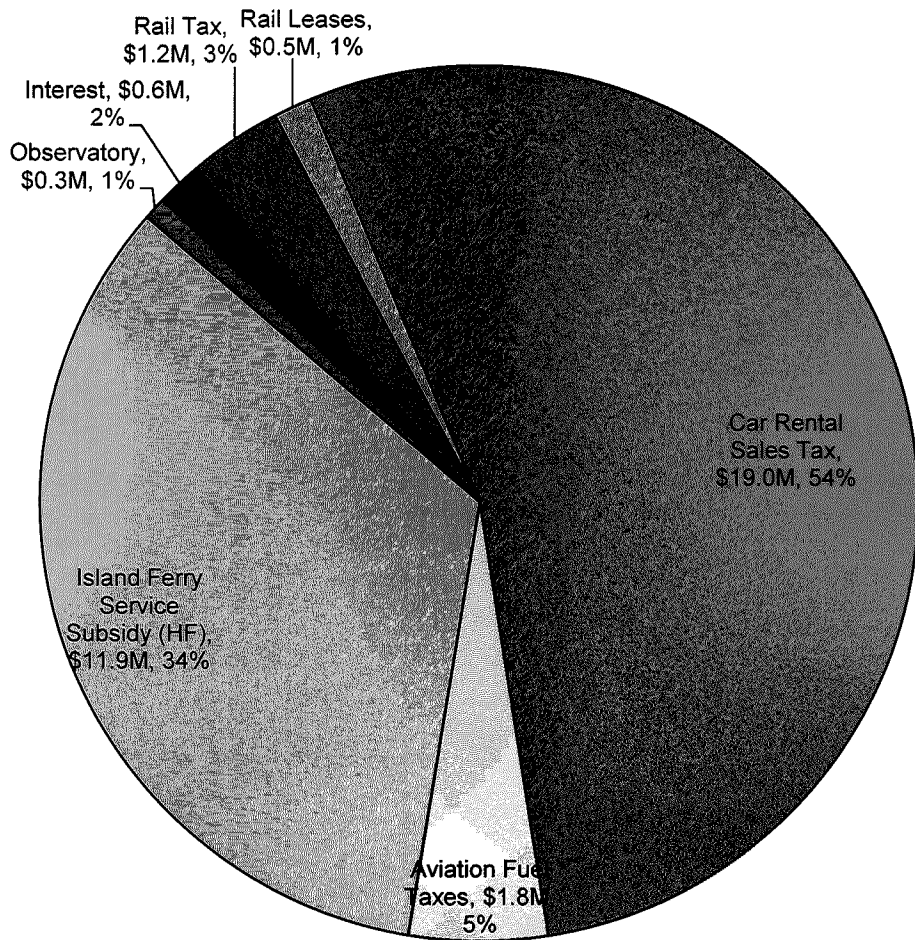
**Transportation Facilities Fund** is an Internal Service Fund that provides an organized and managed program to address the ongoing capital and maintenance needs of the department's more than 600 buildings.

- 44) The Transportation Facilities Fund **baseline request** on page 42 is a request of \$2,200,000 in each year. There are no initiatives in this program.

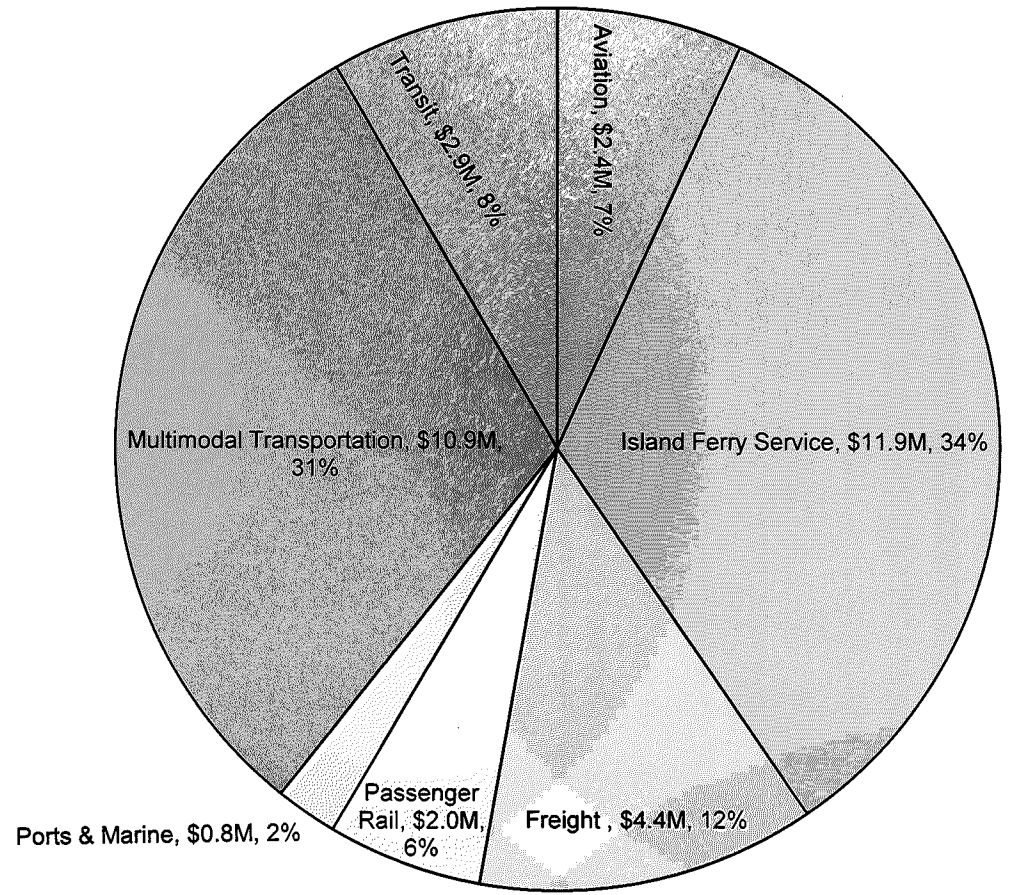
**LANGUAGE**

- 1) **Part D – Page 47 of the Committee Document**  
This allows the Commissioner of Transportation to use funds in the Multimodal Transportation Fund to make loans to counties and municipalities, state agencies and quasi-state government agencies for multimodal forms of transportation.
- 2) **Part E – Page 48 of the Committee Document**  
This authorizes a \$75 million GARVEE to be issued during the biennium.
- 3) **Part F – Page 49 of the Committee 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.
- 4) **Part G – Page 50 of the Committee 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.
- 5) **Part H – Page 51 of the Committee 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.
- 6) **Part I– Page 52 of the Committee Document**  
This language allows transfer of non-bond funds from the TranCap Trust Fund to 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 600 miles per year.
- 7) **Part J– Page 53 of the Committee Document**  
This language repeals the section of law that allows Marine Highway to be excluded from the Local Road Assistance calculation. PL 2013, c. 354 codified the Local Road Assistance amount at 9% of the Highway Fund allocation of MaineDOT; it created a conflict with this section. This will eliminate the conflict and does not change how the allocation has been calculated since FY15.

**Multimodal Accounts  
Sources and Uses of State Funds  
FY20/21 biennium  
Total \$35.3 Million**



**SOURCES**



**USES**

**Title 23: TRANSPORTATION**  
**Part 1: STATE HIGHWAY LAW**  
**Chapter 3: OFFICIALS AND THEIR DUTIES**  
Subchapter 1: DEPARTMENT OF TRANSPORTATION

**§73. Transportation policy**

**7. Priorities, service levels, capital goals and reporting.** The Department of Transportation shall classify the State's public highways as Priority 1 to Priority 6 corridors using factors such as the federal functional classification system, regional economic significance, heavy haul truck use and relative regional traffic volumes. The department shall also establish customer service levels related to safety, condition and serviceability appropriate to the priority of the highway, resulting in a system that grades each highway as Excellent, Good, Fair, Poor or Unacceptable.

To provide a capital transportation program that is geographically balanced and that addresses urban and rural needs, the department shall include the following goals as part of its capital improvement plans and program delivery. The goals are to:

- A. By 2022, improve all Priority 1 and Priority 2 corridors so that their safety, condition and serviceability customer service level equals Fair or better; [2011, c. 610, Pt. B, §2 (NEW).]
- B. By 2027, improve all Priority 3 corridors so that their safety, condition and serviceability customer service level equals Fair or better; [2011, c. 610, Pt. B, §2 (NEW).]
- C. By 2017, implement a pavement program for all Priority 4 corridors that maintains their ride quality customer service level at Fair or better; [2011, c. 610, Pt. B, §2 (NEW).]
- D. Continue the light capital paving program on a 7-year cycle for Priority 5 corridors outside compact areas as defined in section 754; and [2011, c. 610, Pt. B, §2 (NEW).]
- E. By 2015, develop and implement a similar asset priority and customer service level system of measurement for all major freight and passenger transportation assets owned or supported by the department, including capital goals. [2011, c. 610, Pt. B, §2 (NEW).]

The department shall report to the joint standing committee of the Legislature having jurisdiction over transportation matters **by March 1st of each odd-numbered year** quantifying progress realized and time that has elapsed since the goals were established. The department shall recommend any remedial actions, including additional funding or revisions to the goals, that the department determines to be necessary or appropriate.