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LOCAL & STATE
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Bonds provide more than half the state's share of money to repair and replace roads and bridges, a tactic many call unsustainable.

BY [PETER MCGUIRE](#) STAFF WRITER

Next month Maine voters will be asked to borrow \$106 million for the state's transportation infrastructure, adding to hundreds of millions of dollars in debt the state has taken on in recent years to prop up its underfunded highway budget.

If passed, Question 3 on the November ballot will authorize state government to sell general obligation bonds to fund \$80 million in road and bridge construction, \$20 million for ports, harbors, airports, railroads, public transit and bicycle and pedestrian trails, \$1 million to improve the pier at Maine Maritime Academy in Castine, and \$5 million to upgrade municipal culverts.

Mainers have overwhelmingly supported the last four transportation bonds with at least 59 percent of the vote. But despite success at the ballot box, there is a consensus that regular borrowing masks persistent, multimillion-dollar budget shortfalls to maintain and upgrade the state's battered highway infrastructure.

There is also an admission, from officials, advocates and politicians, that successive governors and legislatures have largely ignored the problem, opting to buy time through bonding, a more expensive way to pay for road and bridge work. For instance, the \$106 million requested in this ballot question will end up costing taxpayers \$135 million over the 10-year life of the bond.

But with interest rates low and a backlog of projects, the state can afford the extra expense, at least for now, said David Bernhardt, commissioner of the Maine Department of Transportation. However, Maine will eventually have to reconcile the annual budget gap, he concedes.

“The fact of the matter is, bonding is a way to fill that hole until everyone comes to terms with what is that funding,” he said.

“The issue always is, both the administration and the Legislature have to agree to it and push the green button to make something happen. My job is to take that funding and use it the best we can. I feel that’s what we’re doing.”

‘KICKING THE CAN DOWN THE ROAD’

Highway funding is a low priority for Maine lawmakers, and this campaign season is no different, said Rep. Andrew McLean, D-Gorham, House chairman of the Legislature’s Transportation Committee.

“I don’t think it has gotten the attention it deserves from any candidate,” said McLean, who is running for a fourth term in the House this year. “There is nothing that government does that is more fundamental than ensuring we have safe roads and bridges.”

McLean believes there are bipartisan, compromise solutions to the bridge transportation funding gap, but the issue is not a prime concern for Maine politicians.

“When we can’t find solutions to some of the most basic problems, that is where people lose trust in government,” McLean said. “We have an opportunity as a state, as a Legislature, to build that trust back again by

finding solutions to some of these most critical problems, like funding infrastructure.”

Even after spending around \$80 million in borrowed money a year, the Maine Department of Transportation’s \$324 million capital improvement budget is still \$59 million below where the department says it needs to be to achieve long-term goals set out in state law. Maria Fuentes, executive director of the Maine Better Transportation Association, a nonprofit that advocates for transportation issues, said Maine has been lucky that voters have consistently supported large transportation bonds, but warns it is not sustainable.

“Currently interest rates continue to be low, but that won’t be the case forever,” she said. “We are kicking the can down the road,” she said.

LOTS OF WORK, LITTLE MONEY

The cost of underfunding the state’s transportation infrastructure should be obvious to anyone who has spent time on Maine’s nearly 21,200 miles of state highway.

The American Society of Civil Engineers, in a 2016 report card, gave Maine’s roads a D rating and its bridges a C- rating, unchanged from the same report four years earlier. A 2014 state report found more than 15 percent of the state’s bridges were structurally deficient and recommended doubling annual spending to \$140 million to maintain the 2,744 bridges it owns.

As of last year, the state was 70 percent to its statutory goal of bringing 1,400 miles of priority highway miles into acceptable service by 2022 – a percentage that has barely moved in the last six years.

“There is never enough money. We have a standing list of projects across the state that need to be addressed,” said Ron Collins, a Republican state senator from Wells. Collins, Senate chairman of the Transportation Committee, has served in the Legislature for 16 years and is termed out this election.

Lawmakers for years have [unsuccessfully pitched bills](#) to bring in more revenue for the state’s Highway Fund, the main source of state-derived road

funding. Gov. Paul LePage has refused to entertain raising Maine's gasoline tax, and proposals such as putting fees on [hybrid and electric vehicles](#) have set off partisan fights in the State House.

"No one wants to increase taxes, no one wants to be on the record for voting for tax increases," Collins said. "There are avenues of additional revenue generation if people would have the courage to go for them."

The dominant revenue for road and bridge work is Maine's 30 cent-per-gallon gasoline tax. The tax went up 5 cents in 2011, but was decoupled from inflation. The 18 cent-per-gallon federal gas tax, which helps pay for state projects, hasn't increased in 25 years.

So as construction costs rose to the highest level since the Great Recession, Maine's highway revenue stagnated – in 2017 the Highway Fund had \$181 million from gas taxes, virtually unchanged from a decade ago.

Revenue is expected to fall further as fuel-efficient, hybrid and all-electric vehicles gain popularity. Maine could find itself in a deeper budget hole if it doesn't reform its funding program, said Matt Marks, president and CEO of the Associated General Contractors of Maine.

"It has to be a more thoughtful approach," Marks said. "We are seeing vehicle miles traveled actually go up, and we are seeing the dollars per mile reduce," he said. "We have to commit more dollars to it, but how do we do that?"

BORROWED MONEY

In the absence of predictable and appropriate levels of funding, Maine state government has turned to bonding.

Including this year's proposal, Maine will have borrowed \$817 million to fund transportation projects over the last 13 years. That's almost twice the amount of bonds approved for all other purposes, including higher education, research and development, clean water and land conservation.

More than half the transportation bonds have been authorized under LePage, and his administration plans to keep borrowing.

The state's work plan assumes voters will approve annual \$100 million, 10-year transportation bonds over the next six years to overcome budget shortfalls, said Bernhardt, the Maine DOT commissioner.

Borrowed money currently makes up about 25 percent of the state's annual highway capital spending. That money is used on big-ticket items, such as bridge construction, that will last much longer than the life of the bond or to match federal funding, Bernhardt said.

"It is sustainable," he said. "How far out, I'm not sure how far you can go. Maine is fairly conservative with our bonding."

Maine's debt obligations are low compared to other states – it was in the bottom quarter of states with outstanding transportation bonds in 2016, according to the Federal Highway Administration.

The state has \$584 million in outstanding debt, including \$97 million interest, plus almost \$65 million in voter-approved bonds that have been authorized but not yet sold, according to the state Treasurer's Office. Another \$255 million, including \$55 million in interest, will be added to the balance sheet if voters approve all three bond questions on the ballot next month.

Public borrowing is normal for road and bridge projects, but in the last six years over half the states in the U.S. have approved some form of revenue increases to pay for infrastructure, said Joung Lee, policy director at the American Association of State Highway and Transportation Officials.

"I think in general, one of the things we tell folks thinking about the financing route is there is no substitute for revenue," Lee said.

"If you don't have a revenue base, you are not going anywhere with your financing," he said. "We have seen some examples of states that really rely on borrowing, to the point when you run out of room, you max out your credit card."