

### **C. Unmet Need: A Time to Reassess**

Providing safe and reliable transportation in Maine will always be a big challenge for several reasons: Maine's large land area, its relatively low and widely dispersed population, its geology and weather that – while beautiful – result in an expansive multimodal transportation system that is a challenge to manage. All this means that transportation needs will always exceed available funding.

That being so, a seemingly simple question is “How much is the unmet funding need for transportation in Maine?” As explained below, the answer to that question is not simple, especially this year.

The last time the question of unmet need was seriously analyzed was in March of 2020, just before the pandemic impacts struck the nation. At that time, which seems much longer than 22 months ago, the bipartisan Blue Ribbon Commission to Study and Recommend Funding Solutions for the State's Transportation Systems (BRC) found that Maine's unmet capital transportation need was about \$232 million per year. That figure was calculated using estimated 2019 construction costs and after assuming ongoing General Fund support of \$100 million per year would continue – usually in the form of general obligation bonding. If that support did not exist, the unmet need as found by the BRC would be about \$330 million per year (<https://legislature.maine.gov/doc/4091>).

To update an unmet funding need in any policy area, one needs to be able to responsibly estimate at least three basic variables: goals, costs, and available funding. Simply put, one needs to know what one is trying to achieve, what achieving those goals costs, and what funding is available. A review of each of these three variables regarding transportation shows that they are all very much in flux right now, making this an especially difficult time to speak with specificity.

Goals from Long-term Planning. First, transportation goals in Maine are appropriately under review. On the federal level, policy changes and funding for new programs mean we need to adjust to make sure Maine is securing its fair share of available federal funding. Federal and state laws and other policy factors require that we undertake a long-term review of our transportation system and customer needs to establish long-term goals. As summarized in section B(1)(c) above, MaineDOT is currently leading numerous high-level, long-term planning and asset management studies that will guide an update of long-term transportation goals. These assessments are slated to be complete by the end of this year.

A myriad of transportation goals that affect funding will result from these planning and asset management efforts. By way of example only, goals could arise regarding the rate of Priority 3 highway rehabilitation, the number of village projects to undertake each year, and the rate of EV charging station installation.

In addition, other non-transportation policy goals can have a dramatic impact on unmet need. For example, as noted above, if policymakers wanted to rely less on bonding to support MaineDOT capital programs, the unmet need could increase by up to \$100 million per year. Policy goals are bounded only by a policymaker's imagination. The point is that all of this is necessary to determine the goals that define the need.

Costs. After determining goals, the next step in determining an unmet funding need is to estimate the cost of meeting them. Unfortunately, that is another moving target. As noted above, Maine and the nation have been experiencing a superheated construction bidding environment in recent years. The cost of materials has skyrocketed, and Maine contractors – like contractors across the country – continue to struggle to attract construction workers. In Maine, over three years, major paving treatments have increased by more than 40% and bridge costs have increased by 33%. Just applying a 20% adjustment from the 2019 estimate of the BRC referenced above would yield an additional unmet need amount of at least \$130 million. Whether this steep climb in construction prices will continue to moderate is unknown. Most economists think things will settle out eventually, possibly before the end of this year. Therefore, that would be a better time to try to estimate what it will cost to meet our goals.

Available Resources. Once we estimate an overall funding need for transportation, we then must subtract the estimated amount of funding that we reasonably expect to receive. Again, this is a tough time to make that calculation. On the federal front, as noted in section A(2) above, we can estimate the increase in the amount of reliable formula funds per year (\$66 million), but that won't be enough to make up for the loss of buying power. More importantly, the expanded and new discretionary grant programs may provide significant influx of transportation funding – perhaps more than \$100 million every year. However, as noted above, we cannot reasonably estimate that right now, as eligibility and award criteria and related policy surrounding these grant programs are still being defined, a process that will take months or longer.

Moreover, we need to remember that more federal funding does not mean less need for state funding in most cases. In fact, because federal funding almost always requires a state match, the need for state funding will likely increase. Although that may seem counterintuitive, recall that each additional state dollar may bring in four federal dollars, which make it a very sound transportation investment. Again, it looks like we will know much more by the end of 2022.

So, what is the answer to the question posed earlier: How much is the unmet funding need for transportation in Maine? The reasoned answer is that because the variables of goals, costs, and available funding are all in flux, the question cannot be answered with a precise dollar amount right now. However, we do know that the new federal BIL, although potentially very helpful, certainly will not eliminate the need for ongoing state support for transportation; in fact, it could increase that need. We also know that every dollar we spend on transportation in Maine affects the safety, economic opportunity, and quality of life of Maine people in very tangible ways.

Infrastructure funding ensures that people can reliably get to and from work and that children can get safely to and from school. The package on your doorstep at the end of the day was on several trucks, likely a ship, and perhaps a plane. Transportation connects all of us and everything we do, and the money invested in transportation provides benefits that are tangible and immediate.

By next year, the fog currently surrounding these variables should clear, and we expect to be able to provide a better estimate of unmet need. In the meantime, the 1,700 dedicated teammates at MaineDOT will continue to fulfill our mission of supporting economic opportunity and quality of life by responsibly providing our customers the safest and most reliable transportation system possible, given available resources.