



Chapter 5. Financial Assessment: Regional Needs and Available Funding

Introduction

The previous chapters provided a comprehensive assessment of the state of the existing transportation system, improvements and modifications needed to improve upon it, and techniques and innovations to help maintain or preserve the mobility capacity we currently have. But financial resources are limited requiring an assessment, over the 20-year time horizon of this plan, as to how we may best allocate available resources to accomplish the strategies that are our priorities.

This chapter assesses the needs of the regional transportation system, estimates potential future transportation funding based on a number of assumptions, identifies the probable large funding shortfall, and describes how PACTS will allocate its resources in attempting to meet the needs of the transportation system. A system-level look at MaineDOT's allocation of resources is also included in this chapter. Given the current transportation funding situation, PACTS, MaineDOT, and the State of Maine all face significant and continuing funding shortfalls in meeting the needs of maintaining the existing transportation system and making the additional investments necessary to plan for continued economic growth and changing demands on the transportation system. The past has shown that careful planning and identification of key projects of highest priority that are ready for funding have the most potential for implementation when funding opportunities present themselves.

Several key assumptions and factors are embedded in the financial assessment:

- The current level of state and federal funding for Maine would be maintained (uncertain).
- PACTS will continue to program a biennial MPO allocation of federal funds.
- MaineDOT and the Maine Turnpike Authority will continue to finance additional highway and bridge projects in the PACTS area beyond the PACTS MPO allocation.
- The Plan's highest priority is maintaining and improving the existing system. This priority will necessarily constrain making other investments in the transportation system.
- The federal government requires that *Destination Tomorrow* demonstrate a reasonable relationship between the Plan's identified needs and the level of available funding that can realistically be anticipated over the life of the Plan.
- Implementation of *Destination Tomorrow's* strategies must efficiently use limited resources and be attentive to environmental, social and land use impacts.
- The financial assessment does not include municipal and state operational costs or subsidies used to maintain the existing highway system and public transportation services.
- The STAR Account (State Transit, Air, Rail) can provide State funding for

The PACTS Policy Committee will use this financial assessment as a guide in the following ways. MaineDOT and other organizations included in the region's transportation system may also use this assessment.



The PACTS Policy Committee, including MaineDOT in particular, will use it in advising the Legislature, Congress and the general public of the region's short-term and long-term transportation funding needs and priorities.

The PACTS Policy Committee and MaineDOT will use it in 2012 during the development of the 2014-2015 MaineDOT Biennial Capital Work Plan, and subsequent ones. A 2011 PACTS TIP Process Committee will use it as context in advising the Policy Committee in preparation for the PACTS priority-setting process for the 2014-2015 biennium.

Regional Transportation Needs

An assessment of the region's transportation needs over the next 20 years was conducted through a collaborative effort of PACTS, MaineDOT and Maine Turnpike Authority staff. The assessment was restricted to the following three areas:

- Maintaining the existing transportation system;
- Making appropriate improvements to the existing system; and
- Making necessary strategic expansions to the existing system to complete multimodal infrastructure to help relieve existing automotive congestion, improve safety, and accommodate increasing transportation demand.

Table 5-1 lists the region's system-wide transportation needs over the 20-year timeframe of the Plan. The total needs exceed \$1.4 billion with more than half of that amount –approximately \$837 million– required to simply maintain and appropriately improve the existing transportation system. The needs list also includes a limited number of large infrastructure projects to meet regional needs. Only capital infrastructure needs are included in the table. The new capacity needs are those that are needed to maintain a safe, efficient transportation system amid continued economic growth and increasing transportation demand. Table 5-1 is organized according to three concepts that are based on *Destination Tomorrow's* Five Policies.

Again for reference the policies are:

Policy 1: Regional Focus

Policy 2: Maintaining and Improving the Current Transportation System

Policy 3: Economic Development

Policy 4: Transportation-Land Use Connection

Policy 5: Environmental Quality and Energy Conservation



Table 5-1
20-Year Capital Needs Estimate for 2010 PACTS Plan Update

Amounts are in millions of constant dollars.

The 10 biennia in the 2010 Plan will begin with the 2012/2013 biennium.

| <u>Principles</u> | <u>Action</u> | <u>2010 Plan Amount</u> |
|-------------------|---|---------------------------------|
| Maintain | Preserve region's collector roads | \$300 |
| Maintain | Preserve region's arterials and I-295 | \$100 |
| Maintain | Maintain existing transit infrastructure | \$140 |
| Maintain | Address critical intersections | \$60 |
| Maintain | Improve access management | \$10 |
| Maintain | Turnpike bridges, paving, and build climbing lane | \$101 |
| Maintain | Turnpike interchange improvements | \$28 |
| Maintain | Establish Turnpike regional toll system* | \$31 |
| Maintain | Electronics (ITS) strategies | <u>\$17</u> |
| | Subtotal | \$787 |
| | Arterial | |
| Community | investment/enhancement | \$50 |
| Community | Bicycle and pedestrian systems | \$10 |
| Community | Active Transportation Proposal | \$40 |
| Community | Tri-Community 2010 Plan | \$30 |
| Community | Portland's 2009 Peninsula Transit Plan (short term) | \$40 |
| Community | Portland Franklin Street Plan (2011) | \$20 |
| Community | Scarborough's 2005 Transportation Plan | <u>\$50</u> |
| | Subtotal | \$240 |
| Add capacity | Gorham East West Transit Expansion | \$20 |
| Add capacity | Gorham East West Near Term Highways | \$20 |
| Add capacity | Gorham East West Long Term Highways | \$100 |
| Add capacity | Other major regional highway corridors | \$75 |
| Add capacity | More buses for increased service frequency and for bus service area expansion | \$15 |
| Add capacity | Passenger rail services to Brunswick and Yarmouth | \$25 |
| Add capacity | I-295 MaineDOT safety and capacity improvements | \$35 |
| Add capacity | Widen/modernize Turnpike from Exit 44 to 48 | \$67 |
| Add capacity | Turnpike add interchanges (if warranted) | \$30 |
| Add capacity | New connector streets | \$40 |
| Add capacity | Freight system investments | \$30 |
| | Subtotal | <u>\$457</u> |
| | Total | \$1,484 |



Funding Sources

Funding for capital investments comes primarily from three sources: Federal, State and local governments. The federal government – through the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) – normally supplies 70-80 percent of the funding. For highway projects in the PACTS area, the State contributes five percent, largely through the gasoline sales tax and title fee revenues. Local governments contribute the final 25 percent.

Capital investments for the Maine Turnpike are financed exclusively through toll revenues. The Maine Turnpike Authority does not receive any federal, state or local government funds.

Table 5-2 presents a PACTS estimate (with input from the MaineDOT and the Maine Turnpike Authority) of the available sources and amounts of capital funding that can be reasonably expected during the 20-year span of the Plan. The table includes system-level estimates of funding for the MaineDOT and is not meant to imply actual types of investments. Two assumptions were made in developing the table: (1) current levels of funding will be maintained throughout the life of the Plan; and (2) all amounts are in 2010 dollars and are not adjusted for inflation. Following the table is a list of various funding programs and sources within the federal, state and local governments and the private sector.

| Table 5-2 | | | |
|---|-------------------------|-----------------------------|---------------------------|
| <u>Draft 20-Year Capital Funds Available Estimate for 2010 Destination Tomorrow Update</u> | | | |
| (Amounts are in millions of constant dollars.) | | | |
| The 10 biennia in the 2010 Plan will begin with the 2012/2013 biennium. | | | |
| | <u>2010 Plan Update</u> | | |
| | Avg/ <u>Bienn.</u> | 10 Biennia <u>Totals</u> | <u>Basis for Avg.</u> |
| PACTS Allocation | \$15.1 | \$151 | 12/13 actual |
| MaineDOT Programs | | | <u>2010/2011 Actuals</u> |
| Interstate Maintain | \$5.0 | \$50 | \$2.7 |
| Bridge | \$3.0 | \$30 | \$3.2 |
| STP Safety | \$1.0 | \$10 | \$2.0 |
| CMAQ (capital) | \$0.5 | \$5 | \$0.0 |
| Arterial Paving | \$2.0 | \$20 | \$1.4 |
| Enhancement | \$1.5 | \$15 | \$0.0 |
| Other STP/NHS | \$5.0 | \$50 | \$0.0 |
| Rural Road Initiative | \$4.0 | \$40 | Unknown |
| FTA Section 5307 | \$2.0 | \$20 | \$3.1 |
| Federal Earmarks and High Priority Projects | | | |
| HPP (Highways) | na | \$0 | Cannot predict |
| HPP (Transit) | na | \$0 | Cannot predict |
| Annual earmarks | na | \$0 | Cannot predict |
| FTA discretionary | na | \$0 | Cannot predict |
| Federal Stimulus | na | \$0 | Cannot predict |
| Developers | \$1.5 | \$15 | Rough est. |
| Turnpike Authority | <u>na</u> | <u>\$100</u> | Placeholder. |
| Total | \$50.6 | \$506 | |



Federal Sources of Funding

MaineDOT programs the following federal funds with the concurrence of PACTS.

- Interstate Maintenance Program
- National Highway System (NHS)
- Surface Transportation Program (STP)
- STP Enhancement Program
- Highway Safety Improvement Program
- Bridge Program
- Congestion Mitigation Air Quality Program (CMAQ)
- FTA’s Section 5303 Metropolitan Planning Program
- Congressional earmarks identified by Maine’s Congressional Delegation
- Safe Routes To School Program
- Recreational Trails Program

In addition, PACTS programs the following federal funds with the concurrence of MaineDOT.

- The PACTS MPO Allocation
- FTA’s Section 5307 Urbanized Area Formula Program

State Sources of Funding

- The Highway Fund – primarily motor fuel taxes, motor vehicle registrations and fees.
- The General Fund.
- Obligated bond issues
- STAR Account (State Transit Air Rail)

Local Sources of Funding

- Tax-Increment Financing (TIF) -- the new (2009) Transit-TIF.
- Bond issues
- Capital Improvement Programs
- Special financing options such as tax increment financing.
- Private development.
- Miscellaneous other sources.

Toll Funding

- Maine Turnpike Authority

Private Sources

- Traffic impact fees.
- Transportation improvements made by and /or paid for by developers to mitigate the transportation impacts of their developments.



The MPO Allocation

The MPO Allocation is an amount of federal funds plus state and local match which the PACTS Policy Committee allocates with the concurrence of MaineDOT. The MPO Allocation amount is based on a formula adopted by MaineDOT and PACTS. The inputs are the region's highway lane miles, vehicle miles of travel and population. The product of the formula is applied to the amounts of federal funding that come to Maine under three FHWA programs. The resulting MPO Allocation for the 2010/2011 biennium is currently approximately \$15,000,000 (including federal, state and local matches).

PACTS routinely receives many more proposals than can be funded under the MPO Allocation -- a situation that MaineDOT also faces regularly. For instance, in 2003 the members submitted \$130 million in proposals for use of the 2006/2007 \$11.25 million MPO Allocation. In 2005, the members submitted \$60 million in proposals for use of the 2008/2009 \$11.25 million MPO Allocation. The significant reduction in proposals reflected the members' recognition that the MPO Allocation is woefully insufficient to meet the region's needs, and was not reflective of a decline in the needs of the transportation system.

Beyond the MPO Allocation, the MaineDOT has consistently spent additional funds to make capital improvements in the PACTS area. Between 1990 and 2002, these additional funds spent by MaineDOT were more than double the collective total MPO Allocation. (Data between 1990 and 2002 is based on the original, seven-community size of the PACTS region.)

The PACTS members have connected the MPO Allocation to *Destination Tomorrow*. One of the ties is the PACTS Set-Aside Policy established in 2004. The intent of the policy is for the Policy Committee to act upon the priorities in *Destination Tomorrow*. The policy contains six set-aside categories and covers a rolling six-year period, currently the 2010/2011, 2012/2013 and 2014/2015 biennia. The categories and funding amounts dedicated to them are based on a synthesis of *Destination Tomorrow's* Five Policies, estimates of the funding needed to upgrade and preserve the region's collector roadway network through appropriate paving strategies, to complete deficiencies in multimodal infrastructure, to maintain and expand transit and other choices, and historical spending patterns in the pre-2004 PACTS Funding Area. The Policy Committee may deviate from the set-aside amounts within one biennium with the intention to achieve on average the three biennia set-aside percentages. Table 5-3 lists the six set-aside categories and the funding amounts dedicated to them.



Table 5-3
Set-Asides for MPO Allocations

Amounts include federal, state and local funds

| <u>Category</u> | <u>Target Percent</u> | <u>Biennial Goals*</u> | <u>3 Biennium Goals**</u> |
|--------------------------|-----------------------|------------------------|---------------------------|
| Preserve Collector Roads | 57% | \$8,550,000 | \$25,650,000 |
| Intersections | 20% | \$3,000,000 | \$9,000,000 |
| Rebuild Roads | 10% | \$1,500,000 | \$4,500,000 |
| Transit | 9% | \$1,350,000 | \$4,050,000 |
| Bicycle/Pedestrians | 4% | \$600,000 | \$1,800,000 |
| Total | 100% | \$15,000,000 | \$45,000,000 |

* The biennial amount may change due to changes in the statewide amount of federal funds received in Maine

Anticipated Funding Shortfall

The identified capital investment needs of the transportation system total \$1.484 billion over the 20-year time horizon of *Destination Tomorrow*. This amount includes \$787 million to maintain and appropriately improve the existing system (see Table 5-1). The total anticipated funding (and revenues) during this time period are forecast to be about \$506 million. This amount is roughly a little under one-third the total amount needed to maintain and transform a safe, efficient transportation system in advance of anticipated economic growth and increasing and dynamic transportation demand, and to fully realize the vision of *Destination Tomorrow*. In addition:

The level of investment needed just to maintain the existing system exceeds the total anticipated funding and revenues, and highlights the tough choices that decision-makers will face in the years ahead.

The difference between identified needs and available funds results in a funding gap of \$787 million as displayed in Figure 5-1. Several factors have contributed to the magnitude of the funding gap and include:

- transportation funds persistently falling short of needs;
- maintenance needs that have been deferred due to funding shortfalls;
- significant rises in the costs of construction;
- investments needed to meet the increased demand for travel resulting from peoples’ choices about where to live and where to work; and
- investments needed to transform the system to accommodate future growth.



Bridging the Funding Gap

The anticipated \$697 million total shortfall represents a major challenge to PACTS as well as all levels of governments and agencies responsible for maintaining a safe and efficient transportation system. Balancing the limited available resources between maintaining the existing system and making investments to transform the system for expanded transportation choices has been and will continue to be the challenge and focus for PACTS committee members for the foreseeable future. Compounded by the coming economic growth, more people living in the region – a third of which will be over 65 years old – and with more jobs and more driving, additional challenges will be presented. To help meet these challenges, all the planning and management tools available to governments and transportation agencies as well as continued exploration of new tools and mechanisms to increase transportation funding will need to be used.

The MaineDOT, the Maine Turnpike Authority, and the region's municipalities and public transit organizations have all succeeded in stretching transportation dollars further in recent years. New highway building techniques, new traffic-signal technologies, new bus communication systems, streamlined organizations and other actions have helped transportation decision-makers more efficiently use the limited funding. The projected funding gap will require continuation of this success, and will also require an ongoing concerted effort by local and state officials in seeking additional funding from the Maine Legislature, the MaineDOT and our Congressional Delegation. Efforts to secure additional funding will continue to be a top priority for PACTS during the next several years.

Although Congressional Appropriations (earmarks through the Federal Highway and Transit Administrations) have been an important mechanism for addressing the transportation funding shortfall in the PACTS region, it appears Congress will not continue this trend for transportation funding. In recent years, Congress has financed a significantly greater part of the nation's federal transportation program with earmarks than in the past. More than \$200 million in federal earmarks was appropriated to the State of Maine during the latest reauthorization of the federal transportation bill (SAFETEA-LU, adopted in 2005); approximately \$30 million of this amount was dedicated to the PACTS area of southern Maine.

In 2009 PACTS secured \$800,000 from the federal government for a \$1 million traffic signal upgrade project as specified in PACTS' Regional Traffic Management System plan for high volume arterial corridors with transit.

With nearly 20 percent of Maine's population living in the expanded PACTS region, PACTS members will work to have a stronger voice in Augusta and in Washington when seeking the funds necessary to meet the needs of the transportation system and fully implement *Destination Tomorrow*.



Other actions may be taken and other potential funding sources may be explored to close the funding gap including:

- Additional general obligation bonds issued by the State and/or municipalities.
- Increases in the use and level of assessment of tax increment financing.
- Broadening the list of transportation projects eligible for funding through the Highway Fund; and increasing the motor fuel tax, which would require amending the State of Maine Constitution.
- Increasing the local match requirements for certain projects to make the PACTS MPO Allocation stretch farther.
- Increased use of fees such as traffic impact fees and driveway or access permit fees.
- Increased developer exactions.
- Local option sales taxes with a portion of the proceeds dedicated to transportation.
- Transportation utility fees assessed to landowners based on the transportation impacts determined by the vehicle trip generation rate.

While MaineDOT could veto a PACTS recommendation, no veto has ever been applied because of excellent communication between PACTS and MaineDOT during the priority setting process. Beginning with the 2006/2007 MPO Allocation, the biennial amount is calculated annually. Therefore the amount can only be estimated during the first year of the allocation.