

Maine Department of Transportation braces for big revenue loss

A drop in revenue from fuel taxes and motor vehicle fees because of the coronavirus means less money for local towns and cities to spend on road projects.

BY [GILLIAN GRAHAM](#) | STAFF WRITER | MAY 11, 2020
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A gas station on Congress Street in Portland was quiet on Friday. *Shawn Patrick Ouellette/Staff Photographer*

The Maine Department of Transportation is bracing for a massive drop in revenues from fuel tax and motor vehicle fees that fund a large share of the state's road repair budget as both residents and tourists stay home and buy less gas during the coronavirus pandemic.

The department is preparing for a revenue drop of \$125 million, or 24 percent, over the next 18 months for the state's Highway Fund, which is derived largely from per-gallon fuel sales and motor vehicles fees. That loss comes at a time

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

The impact also will ripple through the municipal budgets in Maine cities and towns, where officials are being warned that the amount of Highway Fund money they receive for local road maintenance will be significantly reduced. That funding is one of many revenue sources expected to decline as local officials try to set annual budgets for the fiscal year beginning July 1.

The state transportation department is "bracing" for a \$74 million, of 40 percent, drop in revenue in the next six months, said spokesman Paul Merrill. The projected revenue drop of \$125 million over the next 18 months represents a 24 percent decline and includes the \$74 million decrease anticipated over the next six months.

"We were already in dire straits with funding," Merrill said. "Things were not good and COVID is making things worse."

The department received \$17 million from the federal CARES Act, but that money cannot be used to cover revenue shortfalls, Merrill said. Of that money, \$2 million went to the Maine State Ferry Service and the rest is earmarked for transit. Commissioner Bruce Van Note is working with Maine's congressional delegation to see if there is any flexibility, Merrill said.

"The analogy that gets thrown around the office is it's like your roof caves in and you get a pot of money, but you can only use it to put an addition on the house and not replace the roof," Merrill said.

The revenue loss means there will also be a drop in payments to local municipalities from the Local Road Assistance Program, which is used to pay for capital improvements to local roads.

Each year, 9 percent of the state Highway Fund goes to the Local Road Assistance Program, which is distributed to each municipality based on how many miles of roads it maintains. After the Legislature determines the highway

budget, towns and cities are notified by July each year what their LRAP allocation will total.



The state's Department of Transportation is "bracing" for a \$74 million, or 40 percent, drop in revenue in the next six months, says spokesman Paul Merrill. *Shawn Patrick Ouellette/Staff Photographer*

The department recently issued a notice of a possible reduction in funds for the Local Road Assistance Program, which is usually received by towns in late November. The Maine Municipal Association warned its members that the impacts to LRAP will not be known until after many municipal budget adoption deadlines.

"The state fuel tax, which provides the bulk of the revenue for transportation purposes, was already inadequate to meet MEDOT projected needs due to lower receipts caused by increasing vehicle fuel efficiency," the Maine Municipal Association said in a notice to its members. "The COVID-19 health emergency has brought fuel tax revenue collections to a near halt, and with tourism season in question, there are likely to be re-adjustments to final allocations."

For fiscal year 2021, the Local Road Assistance Program was set to receive more than \$21.3 million, down 1.4 percent from the previous year. The department expects to know how big of a hit the program will take after state forecasts for revenue losses are released, possibly in July, said Peter Coughlin, a Maine DOT engineer.

“What this is going to have for an impact, we simply don’t yet know,” he said.

Many southern Maine towns and cities receive \$200,000 or more from LRAP annually. In fiscal year 2020, Biddeford received about \$202,000, South Portland took in \$270,000 and Scarborough received \$331,000. Portland received more than \$522,000.

James Bennett, the city manager in Biddeford, said local roads are one of several revenue streams municipalities are looking at as they anticipate revenue losses that will impact spending and potentially property taxes. For many communities, the largest source of revenue that could take a hit is municipal revenue sharing, a share of state sales and income tax revenue that goes to communities and fluctuates with the economy. Revenue from excise taxes is also likely to be down, he said.

“There are only two choices for communities when that happens: Either you don’t spend the money on a project or you raise property taxes to make up for it,” Bennett said. “Where people are right now, particularly given everything that’s going on, I think there’s going to be a real reluctance to do much, if any, increase in property taxes. I think most municipal officials will try to do everything they can to minimize or eliminate additional financial pressure on taxpayers.”