

# Memorandum

TO: Janet T. Mills, Governor

FROM: Dale Doughty, Commissioner, MaineDOT



DATE: 5/18/2026

RE: MaineDOT Funding Update

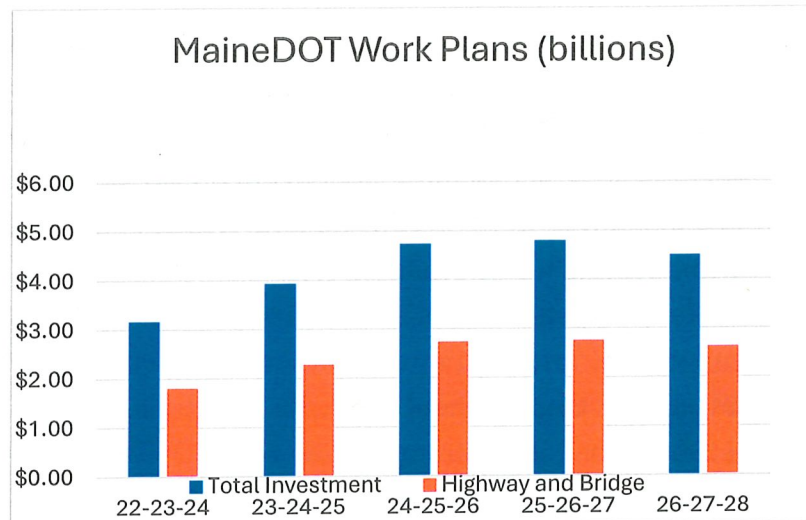
As you know, MaineDOT expends much of its resources and effort maintaining a vast network of highways, bridges and infrastructure and when possible, makes targeted transformational improvements to further enhance Maine's economic vitality and improve quality of life. Managing transportation investment is a long-term planning and development process. We develop long-range plans that feed our 3-year Work Plan published annually.

## Work Plan

Development of these plans requires us to make funding resource projections on a horizon of three or more years. At the time of publishing, our Work Plan always uses projections, because future federal annual appropriation legislation and biennial state budgets are unknown. This year the current surface transportation reauthorization bill expires on September 30, 2026, and yet our current three-year Work Plan includes work performed through December of 2028, with expenditures extending well beyond that date. Many

things may evolve in the three years that affect the viability of the Work Plan. Generally, projects in the Work Plan that are funded for design will be ready to move to construction within one to three years in subsequent Work Plans. Projects that are funded for construction will be advertised and contracts

executed within the three years, depending on their complexity. Contractors, towns and



businesses depend on timely delivery. The above chart shows the total investment and the highway and bridge investment built into the last five Work Plans. The current CY 26-27-28 Work Plan is reduced from the previous Work Plan by \$300 million ( \$121M in highway and bridge capital) and included \$130 million in projected state investment whose source has not yet been determined. Conversations with then Commissioner Figueroa are discussed below.

A couple of key points:

- 1) Federal-aid and federal grant projects are built on a reimbursement basis, they are constructed with state funding and typically 80% is reimbursed when the appropriate type of funding becomes available.
- 2) The department runs on a cashflow basis, not a commitment basis, where funding and expenses for hundreds of projects and fund sources are projected over a couple years and we consume resources as they become available. This provides the best value for taxpayer funds.
- 3) Construction projects have a one to four-year expenditure profile. Once contracts are executed, they run their life cycle with little MaineDOT control. This is why it is so important to manage the projections and control contract execution tightly in advance.

### **Funding Uncertainty**

This year there are a few funding risk areas that have emerged or intensified since we developed the 26-27-28 Work Plan in the late fall of 2025.

The following is a summary:

1. **Fall Federal Shutdown.** If there is a federal shutdown at the end of the federal fiscal year or after the mid-term elections and there is no reauthorization of the surface transportation programs, there would be no access to new formula funds for obligation and reimbursements of previously obligated funds would likely be significantly slowed. There could be weeks or months of delay in paying contractors without state funds available to “pre-pay”. With current state funding for MaineDOT there are no state funds available to prepay without timely reimbursement. We make every effort to pay contractors as timely as possible.
2. **Structural Gap.** Without filling the structural gap of even the reduced amount of \$130 million (state structural gap was \$170 million in the fall of 2025) MaineDOT's ability to manage state and federal funding in traditionally efficient ways becomes limited. As stated above, we use state funding to build a federal project before we seek reimbursement through “suspense recovery”. TransCAP funding can only be

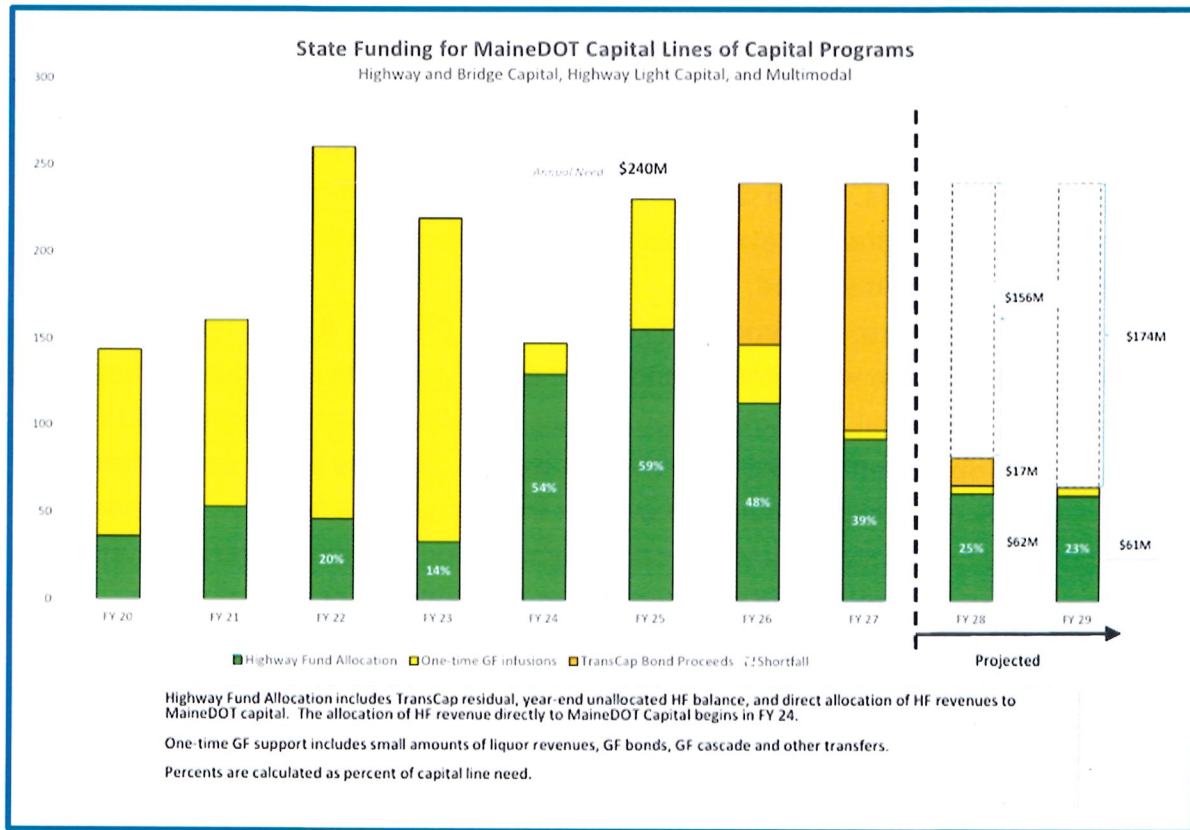
used on specific projects and cannot be used for federal prepayment and therefore further greatly reduces MaineDOT's flexibility.

3. **Large Grant Projects.** This is not new, but many of these need to be delivered very soon. Completing grant projects within the allotted grant funding will be challenging, as construction inflation has consumed any contingency that was in the original estimates. Grant duration requirements could require prioritizing grant projects over traditional asset management investment in some cases. This may look to some as short sighted.
4. **Fuel, Asphalt and other Commodity Prices.** Fuel prices will likely remain unstable for some time, as the war with Iran and other global conflicts continue to impact the supply and price of oil. While we have not seen the full impact, it is inevitable that MaineDOT's operational costs will increase, as well as those of our contractors. This will reduce our capital buying power for the foreseeable future. Additionally, fuel tax revenue is a significant source of Highway Fund revenue, and with rising prices, fuel consumption and therefore revenue will likely not meet current projections over the upcoming state fiscal year.
5. **Federal Surface Transportation Authorization.** In addition to any delay, the content of the bill could also be problematic. Core funding flexibility is key to align state priorities with funding eligibility. Some Work Plan adjustments are likely simply due to the final bill content. Additionally, other lurking bills like the Basics Act, that could be incorporated into Federal Surface Transportation Authorization, would have further implications on the current and future Work Plans. The Highway Trust Fund insolvency has been an issue during reauthorization for decades but could become much more acute if the President's proposed Fuel Tax Holiday were to take effect.

### **The Most Pressing Issue State Capital Structural Gap**

The chart below outlines State Capital funding. The green section represents the remaining Highway Fund (HF) allocation available for MaineDOT capital projects after distributions to the Secretary of State and Department of Public Safety, as well as allocations for MaineDOT operations and maintenance. The yellow represents General Fund bonding and transfers (including cascade transfers) to fill past structural gaps. The orange are funds

from the TransCap Bond.



Maintaining the existing system adequately and making limited pragmatic progress, like matching transformative grants, will take about \$240 million in state capital funding (2025 dollars). Anything less than \$200 million will erode the condition of the existing system over time. In FY 2028 of this Work Plan, identified resources were \$156 million less than the \$240M. Based on conversations with Commissioner Figueroa, MaineDOT reduced programming to meet resources that included a \$130M bond, slightly higher than the \$100M number suggested by DAFS, slightly lower than the identified need. This structural gap will continue at \$174 million, growing with inflation, until a permanent fix can be found. In the second session of the 132nd Legislature there were two bills that could have made a dent in the \$130 million hole in the CY26-27-28 Work Plan. These were LD 1804, *An Act Concerning Funding and Oversight of Transportation Matters* and LD 2094 (original title): *An Act to Authorize General Fund Bond Issues to Support Maine's Agricultural and Forestry Sectors*. Both Bills were not successful.

### Prudent Actions at This Time

Faced with no clear path to fill at least the \$130 million state gap, federal uncertainty beginning September 30, 2026, and the specter of rising fuel and commodity prices, MaineDOT must take action to manage spending from the fall of 2026 through 2028, while

we still have viable controls available. MaineDOT has already delayed 6 paving projects with a total value of approximately \$50 million (\$10M in State). We further plan to reduce the Work Plan by \$350 to \$400 million. We will remove or delay \$150 million in Bridge, Highway, Intersection, and multimodal improvements in mid-June of 2026. We will then, as part of the CY 2027-2028-2029 Work Plan development, reduce the previously planned projects by another \$200+ million, this reduction is likely to be more pavement focused. The addition of CY 2029 to that Plan will represent a very large reduction in historic Work Plans and will be composed mostly of delayed projects. See projected State Capitol Resources shown in the chart above.

We have asked each of our internal modal committees to review their project portfolios in a manner that protects existing infrastructure condition and safety to the best extent possible. We have asked them to protect grants and other special federal funding where possible. We will continue to make these projects ready so that we may accelerate quickly should the funding environment improve.

### **Solutions**

As I had discussed with Commissioner Figueroa, on a couple occasions, and then later with Commissioner Clark and Tom Abello, the only solution I see for the next few years would be a series of annual or biennial General Fund Bonds beginning as soon as possible.

Without some relief I am concerned that a serious decline in our existing highway and bridge infrastructure is inevitable. Currently, our bridge ratings are declining in relation to our New England neighbors. We have stabilized our poor ratings, but our good bridge ratings are declining, thus calling for more effort in preservation, not less. I am worried about reduction in transit investment for our most vulnerable neighbors. Finally and significantly, I am concerned that our contracting and consulting engineering community will be damaged for the long-term which will result in less competition and higher prices. I look forward to discussing these matters further next week and answering any questions you might have.

