



Transportation Research Division



Technical Report 08-02 Can Maine Metropolitan Planning Organizations (MPOs) Finance Transportation Projects through Bond Financing?

Summary of a Report Completed by MaineDOT

December 2008

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I think knowing what you cannot do is more important than knowing what you can.
~Lucille Ball~

Introduction

In January 2008 the Maine metropolitan planning organizations (MPOs) requested the Transportation Research Division of the Maine Department of Transportation to conduct research to determine if it is possible for MPOs to finance projects through the sale of bonds. The MPOs also wanted to learn if MPOs in other states have utilized the bond process for financing transportation projects. This report presents the results of MaineDOT's research into this complex and specialized topic. This work was conducted for the four MPOs in Maine, which are:

Portland Area Comprehensive Traffic Committee (PACTS)
Bangor Area Comprehensive Traffic System (BACTS)
Kittery Area Comprehensive Traffic Study (KACTS)
Androscoggin Transportation Resource Center (ATRC)

This document present a brief summary of the full report prepared for this project and delivered to the MPOs. The opinions expressed in this report are solely those of the authors, the survey respondents, and the sources referenced.

Scope of Work

The MaineDOT Transportation Research Division conducted the following research for this project:

1. *Requested the Maine FHWA Division Office to ask other FHWA Divisions in the U.S. if they know of any MPOs that have done bond financing.*
2. *Sent a survey to the AASHTO Research Advisory Committee.*
3. *Conducted Internet searches.*
4. *Contacted the Association of Metropolitan Planning Organizations (AMPO) for information.*
5. *Queried the state DOT libraries listserv for information on MPO bond finance.*
6. *Reviewed the Maine MPO organizational documents.*
7. *Discussed the potential of MPO bond finance with the Maine Municipal Bond Bank.*

Key Points

- *Maine MPOs probably do not have the ability to issue bonds directly for transportation projects.*
- *Legislation might be required to give MPOs authority to participate in bond finance.*
- *MPOs might be able to set up special transportation districts or special organizational structures in order to participate in bond finance.*
- *Maine MPOs do not have a source of independent funding with which to pay debt service on bonds.*
- *Bond finance is a very specialized area of law. MPOs should consider obtaining advice from qualified legal counsel on this topic.*

Conclusions

Maine MPOs probably do not have authority to initiate bond financing for two reasons. First, they may not qualify as governmental entities eligible to participate with the Maine Municipal Bond Bank. Secondly, they do not have sources of revenue with which to repay bond debts. Having said that, Maine MPOs might be able to form alternative organizations for transportation projects, which might be able to secure bonds if a source of revenue (fares, tolls, taxes) could be generated. Participation in the Maine Bond Bank bond sales might be possible if special districts were created, or if enabling legislation enacted.

There are several examples of hybrid organizations from around the country that have authority for bond financing for transportation projects. This report does not make any conclusions about whether these hybrid models can be used in Maine. Further research would need to be done to determine the legal and financial implications.

In addition, some states have designated “regional transportation authorities” which have been given power to raise revenues. Special legislation might be required to enable the creation of these “joint powers authorities” in Maine. If Maine MPOs wish to pursue this topic in more detail, they should seek qualified legal and financial specialists. Other innovative financing techniques such as the formation of Transportation Benefit Districts (TBDs) or Local Improvement Districts (LIDs) might also be possible.

The transportation finance dilemma is a national problem. Many states are grappling with various alternatives. The National Conference of State Legislatures (NCSL) maintains a Website database that is intended to promote information on transportation funding initiatives on a national level. (See <http://www.ncsl.org/programs/transportation/fundingdb.cfm>) That site could be of value in observing the national trends.

In 2005, MaineDOT sponsored and a University of Maine study on transportation funding. The final report entitled, Sustainable Transportation Funding for Maine’s Future, was presented to the Maine Legislature in January 2006. The report looks at a number of funding alternatives for possible consideration on a statewide basis. As transportation finance continues to evolve, Maine municipalities will also need to explore alternative financing mechanisms.

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