



**TRANSITION COMMITTEE ON TRANSPORTATION**  
**Transition Advisory Team**

**Governor-Elect John Bel Edwards**

**January 4, 2016**

**Greg Morrison, *Chair***

**Rochelle Michaud Dugas, *Co-Chair***

## **TRANSITION COMMITTEE ON TRANSPORTATION**

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Johnny Bradberry, Chief Operating Officer, TOPCOR Companies LLC  
Ernest Broussard, Business Development Manager, Hunt Guillot & Associates  
Mike Bruce, Senior Principal, Stantec  
Daniel Casey, Director of State Government Affairs, Dealertrack Technologies  
Cedric Grant, Executive Director, Sewerage and Water Board, New Orleans  
Randy Denmon, President, Denmon Engineering  
Rochelle Michaud Dugas, President, Michaud Dugas Companies  
David Duplechain, State Legislative Director, SMART  
Perry Franklin, President, Franklin and Associates  
N. Sundiata Haley, General Counsel, New Orleans Regional Transit Authority  
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Jerry Walley, Sales-Marketing Manager, Ergon Companies  
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Jay Winford, President, Prairie Contractors  
Jimmie Woods, CEO, Metro Service Group

January 4, 2016

Governor-Elect John Bel Edwards  
Louisiana Transition Office  
LSU, Kirby-Smith Hall  
Baton Rouge, LA 70803

Governor-Elect Edwards:

On behalf of the appointees to your Transition Committee on Transportation, we were honored to serve and assist in providing our expertise in formulating this report -- providing our thoughts, ideas and possible programming for your transportation agenda. It has been a pleasure to serve you and the constituents of our state.

The committee met five times over a two and a half week period. During these meetings, the committee was provided with an overview of the Department of Transportation and Development (DOTD), the Transportation Trust Fund, capital outlay as it relates to transportation infrastructure, and the new office of multimodal commerce within the DOTD. Armed with this information, the committee had open and robust conversations regarding the current state of Louisiana's transportation system and funding related to that system. These conversations culminated in this report.

The general consensus of the committee was that proper funding of the transportation system is key. In the past several years, dollars spent directly on the transportation system have dwindled and improvements have been halted. An infusion of dollars into Louisiana's transportation system would put these improvements back on track and be an excellent initial step in putting Louisiana first.

We are planning a follow-up meeting with the new Secretary of DOTD and are available to serve you in an advisory capacity as needed, especially in the initial development of your agenda.

Sincerely,

Greg Morrison  
Chair

Rochelle Michaud Dugas  
Co-Chair

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## CHARGE

The Transportation Transition Committee (committee) was informed by its chairman that Governor-Elect John Bel Edwards had put together a diverse group of individuals from across the state to have open and honest discussions where each member could provide their suggestions and recommendations.

The committee was charged with proposing an agenda for the Governor-Elect that included the following:

- (1) Restoring the Transportation Trust Fund (TTF), i.e., ending the practice of using state TTF funds for alternative purposes.
- (2) Addressing a long-term sustainable plan to reduce Louisiana's current \$12.7 billion backlog of transportation infrastructure projects.
- (3) Committing another 25 (twenty-five) percent of the capital outlay budget to construction for roads, bridges, airports, freight and passenger rail, and ports -- increasing the state commitment to these projects by \$75 million more per year.
- (4) Louisiana should maximize receipt of federal funds which will greatly expand our ability to address the backlog of transportation infrastructure projects plaguing our state.

# EXECUTIVE SUMMARY

## The Transportation Trust Fund

The committee found that over time the monies in the Transportation Trust Fund that are dedicated to transportation infrastructure have been reduced, either by inflation or by the transfer of these funds to other entities. In order to address this, administrative budgeting practices of the past eight years need to be reversed where practical. In addition, the operating and administrative budget of DOTD is in need of a thorough examination in order to determine if transportation dollars are being spent to accelerate project delivery.

## Highway and Bridge Backlog

There is a \$12.7 billion need in highway and bridge projects. It is recommended that \$1 billion in construction lettings should take place each year to address these needs.

## Capital Outlay and Revenue Recommendations

Within the capital outlay bill, two paths were discussed regarding transportation funding: (1) Keep the current capital outlay authorization the same and displace local projects or require local projects to be limited to transportation infrastructure, and (2) Find new money for an additional \$75 million in transportation funding.

The generation of new state dollars for transportation infrastructure projects by raising taxes or fees, while not attractive, may be the only way in which Louisiana's unmet transportation infrastructure needs will begin to be addressed along with new projects and necessary maintenance.

Potential sources for new revenue for transportation infrastructure projects are listed below. The administration should work with the legislature to determine what method, whether included in the list below or from another source, would be most effective. The cafeteria menu of choices for consideration includes the following:

- Motor fuel tax increase
- Sales tax increase
- Motor vehicle and truck registration fee adjustments
- Local option gas tax

- Processing tax on all oil and gas
- Sales tax on auto parts and repairs
- Vehicle miles traveled approach for tax determination
- Sales tax on all fuels
- Indexing all fuel taxes
- Public/private partnerships
- Tolls
- Alternative fuel or power source motor vehicle fees or taxes

Consideration of new revenue should be coupled with strong voter education to adequately explain both the need for funds to address infrastructure needs and how those funds will be allocated.

In addition, new projects should be prioritized that support economic development. As such, the associated benefits of transportation investments, including the economic benefits of those investments, should be identified and explained to the public prior to funding or construction of any of these projects.

## **Federal Funds**

The Fixing America's Surface Transportation (FAST) Act was just signed into federal law. It has been reported that the act could result in Louisiana obtaining increased federal funding over the life of the bill. It is imperative that this administration aggressively pursue all funds available as a result of the passage of this act.

## **Multimodalism**

The incoming administration should elect to make the new office of multimodal commerce a priority over the next four years and encourage the incoming commissioner to seek federal funding for freight and passenger rail, airport and port expansion, while also ensuring that the state's multimodal infrastructure is improved to increase commerce throughout the state.



# REPORT

## The Transportation Trust Fund

DOTD leverages state transportation dollars to draw additional funds from the federal government in order to provide for the state's infrastructure requirements. The primary source of state monies is the state Transportation Trust Fund. The state TTF is a constitutional dedication deriving its revenues primarily from a 16¢ per gallon gasoline tax, vehicle license taxes, weights and enforcement permits, aviation fuel and interest earnings. The federal Highway Trust Fund is funded with an 18.4¢ per gallon federal gasoline tax and a 24.4¢ per gallon federal diesel tax. Louisiana's portion of this tax is deposited into the Transportation Trust Fund – Federal (TTF-Federal). These funds are used in combination (along with periodic supplemental funding sources) to fund the state's transportation program through appropriations to DOTD's operating and capital outlay budgets.

There is also an additional 4¢ per gallon state gasoline tax for the sole purpose of completing projects in the Transportation Infrastructure Model for Economic Development Program (TIMED) program. This revenue stream is dedicated to paying debt service until 2045.

## Permitted Uses for the Transportation Trust Fund

Louisiana Constitution Article VII, §27(B) provides for the use of the funds within the TTF:

“The monies in the trust fund shall be appropriated or dedicated solely and exclusively for the costs for and associated with construction and maintenance of the roads and bridges of the state and federal highway systems, the Statewide Flood-Control Program or its successor, ports, airports, transit, state police for traffic control purposes, and the Parish Transportation Fund or its successor and for the payment of all principal, interest, premium, if any, and other obligations incident to the issuance, security, and payment in respect of bonds or other obligations payable from the trust fund as authorized in Paragraph (D) hereof.”



Louisiana Constitution Article VII, §27(B) further provides that the appropriation from TTF to the ports, the Parish Transportation Fund, the Statewide-Flood Control Program, and state police for traffic control purposes cannot exceed 20% annually of the tax revenues of the TTF. However, no less than the avails of 1¢ of the gasoline tax is to be annually appropriated to the Parish Transportation Fund.

## **Unanticipated Burdens on the Transportation Trust Fund**

Since the 1989 constitutional dedication of the gas tax to the TTF, construction costs have soared due to inflation and TTF monies have been utilized in a way many people believe was not intended nor expected.

While construction costs have increased, gas tax purchasing power has decreased due to inflation. Unlike sales taxes where collections increase with inflation of the cost of items purchased, motor fuels are taxed on volume, so growth occurs only through higher sales. As gas prices rise, the taxes remain the same. Consequently, the 16¢ per gallon tax is worth about seven cents in 1990 dollars.<sup>1</sup>

Today's vehicles are more fuel efficient, allowing drivers to purchase less fuel and pay less in transportation taxes. The average Louisiana driver pays about \$100 a year in state fuel taxes (12,000 miles per year, 24 miles per gallon).<sup>2</sup>

Shortly after the TTF was created, monies for DOTD's administration and operating budget began to be appropriated from the state TTF rather than the general fund. At the time this practice began, the DOTD administrative and operating budget was estimated to be approximately \$175M annually, of which \$76.8M was state TTF. Today that budget is approximately \$590M annually, of which \$370M is state TTF. This represents an 18.9% increase in administrative and operating costs coming from state TTF since 1990 that could have been spent on transportation infrastructure projects.

While the public expects these dollars to pay for transportation infrastructure, in actuality these dollars primarily are paying for personnel, personnel related benefits, materials, utilities, equipment maintenance, travel, supplies, interagency transfers, some professional services, and equipment replacement. A portion of state dollars are also used as a match for federal highway construction dollars.

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<sup>1</sup> Louisiana Good Roads and Transportation Association, A White Paper on Louisiana's Transportation Funding, August 2015

<sup>2</sup> *Id.*

The operating and administrative budget of DOTD is in need of thorough examination in order to determine if the state's transportation dollars are being spent effectively. This examination could include determining if privatization of certain functions could produce a cost savings. Consideration should also be given to capping the administrative and operations budget to a percentage of revenues received.

This examination is necessary as state dollars available to match federal dollars for highway projects are woefully inadequate. Only approximately \$70 million of state generated transportation funds are available to provide state dollars as federal match for highway projects. The state is currently utilizing \$40 million worth of toll credits to match, in part, federal dollars and it is anticipated that additional toll credits will be used for this purpose in the next fiscal year.

Between 2005 and 2012, construction lettings averaged \$1.2 billion per year.<sup>3</sup> Since that time, construction lettings have averaged only \$600 million per year. It is estimated that \$100 to \$125 million in state dollars are necessary to provide maximum flexibility in usage of federal and state dollars on the projects that are most important to Louisiana citizens. According to the recently adopted update of the Statewide Transportation Plan, the state should focus on paving an additional 1,200 lane miles each year. In order to do this, and potentially address large regionally significant projects, the gas tax would need to be increased by 17¢. An increase of this amount would provide for a properly maintained system based on highway pavement life cycle analysis.

To add to these demands on the TTF, the 4¢ gas tax dedicated to the TIMED program is not adequate to cover the debt service on the TIMED bonds. Debt service on these bonds in Fiscal Year 2015-2016 is projected to utilize \$13,889,989 from the 16¢ portion of the gas tax (equivalent of 0.5¢). By Fiscal Year 2029-2030, \$33,150,869 will need to be taken from the 16¢ portion of the gas tax (equivalent of 1¢) to meet debt service on the bonds issued for TIMED projects and by Fiscal Year 2043-2044, \$76,600,457 will be needed from the 16¢ portion of the gas tax (equivalent of 2.1¢) to meet debt service on the bonds issued for TIMED projects. This will thereby leave less money available for other necessary transportation infrastructure projects.

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<sup>3</sup> It is noted that this was a time when many TIMED projects were under construction, federal hurricane recovery dollars were coming in, surplus dollars were spent on transportation, and American Recovery and Reinvestment Act projects were under construction.

Additionally, in recent years, a number of practices have been put into place regarding concepts that were initially believed to provide cost savings to state government, i.e., human resources and information technology services for DOTD have been consolidated within the Division of Administration (DOA). DOTD pays DOA approximately \$20 million per year to provide DOTD information technology and approximately \$5 million per year to provide human resource services. A determination should be made as to whether the consolidation of these services has resulted in a savings to DOTD. If not, the services should be returned to the department.

These practices also include requiring DOTD employees to make travel arrangements for work-related travel that are illogical and do not necessarily result in costs savings. Travel requirements should be reviewed and adjusted in such a way that provides for the maximum costs savings for DOTD while allowing for common sense travel arrangements to be made for employees while conducting state business.

Over the past five fiscal years, the state has added to these burdens on the TTF by diverting growing shares of the revenues deposited into the state TTF for use by other constitutionally permissive activities, primarily to provide for the operations of the Office of State Police (OSP), with expenditures projected to exceed \$292 million between Fiscal Years 2012-2016. The allocation of state TTF funds appropriated to the capital outlay DOTD Highway Priority Program (HPP) in turn has decreased by \$37 million over the same time period. The TTF-Federal allocation to the state fluctuates on a year-to-year basis, but has remained relatively steady in comparison.

## **Recent Measures Regarding the Transportation Trust Fund**

In an effort to ensure that more state TTF monies be spent on direct transportation operations and construction costs, legislation was approved during the 2015 Regular Session of the Legislature to limit the amounts that could be appropriated to the OSP.

Historically, the 20% rule referenced herein was applied only to state tax generated revenues which allowed any amount of revenues received from other sources to be appropriated to the OSP. Act 380 of the 2015 Regular Session of the Louisiana Legislature specified that going forward the 20% cap would be applied to all monies deposited into the state TTF including fees, penalties, and interest earnings instead of just tax generated revenues.

Proceeds from weights and enforcement permits and interest earnings have been excluded from the 20% calculation in past fiscal years (projected at \$28.2 million in Fiscal Year 2016-17 as per the most recent estimate by the Revenue Estimating Conference). Act 380 resulted in disallowing \$20.1 million of TTF in the initial executive budget recommendation for Fiscal Year 2016 from being appropriated to the OSP, \$45.1 million in Fiscal Year 2017 and \$55.1 million in Fiscal Year 2018 and beyond. The OSP will still be eligible for roughly \$10 million annually in appropriation from the TTF under current revenue assumptions.

Act 380 of 2015 made an additional \$20.1 million TTF available for appropriation to the DOTD Capital Outlay budget for Fiscal Year 2016, and in future years made funds available for either the operating or capital outlay budget in amounts of \$45.1 million for Fiscal Year 2017 and \$55.1 million in Fiscal Year 2018 and beyond. The corresponding reduction of state TTF support to the OSP will require an appropriation offset from an alternate means of finance or will require reductions to the budget appropriation for the OSP. Act 111 of the 2015 Regular Session offset the Fiscal Year 2016 reduction, generating a projected \$21.8 million in state general revenue. The projected need for revenue offsets in the OSP for Fiscal Year 2017 will be approximately \$23.3 million and the need will grow to \$33.1 million in Fiscal Year 2018 and beyond.

## **Backlog**

Louisiana is facing a \$12.7 billion backlog of state highway and bridge needs. Types of highway projects included in this estimate are capacity, geometric “safety” land width alignment, shoulders, operation and motorist services, and resurfacing. Bridges included in this estimate are those that are deficient and have a sufficiency rating of less than 50.

Included in the appendix is a recently completed DOTD assessment of the backlog as of 2014. This information includes total highway and bridge needs, highway and bridge needs by comparison, distribution of 2014 needs by category, summary of highway needs by functional class, summary of highway needs by highway district, and summary of highway needs by federal system. While this information sheds light on transportation infrastructure needs, DOTD should further explain this information to the public in layman’s terms.

It is recommended that to address the \$12.7 billion of needs that \$1 billion in construction lettings should take place each year. Even then the backlog will not be completely addressed within four years. The focus should be on sustainable investment that will have an impact on the backlog in the long run as opposed to simply looking at the impact of investments on present day infrastructure needs.

While the average driver may not think of how these infrastructure needs impact him or her on a daily basis, groups have recently reported that the impact on the average driver's pocket book is significant. A recent report from the U.S. Department of Transportation stated Louisiana drivers annually pay \$1.2 billion, or \$408 per individual driver, in extra vehicle repairs and operating costs because of poor roads. Although Louisiana drivers save \$55 per year in lower gas taxes, this directly impacts the funds available for road maintenance, which results in poorly maintained roads and extra costs per driver.

In October 2013, TRIP, a national transportation research group, reported that drivers in Baton Rouge and Shreveport pay an extra \$600 a year in increased fuel consumption and vehicle maintenance costs from driving on congested and rough roads. The research group said New Orleans drivers pay an extra \$700 a year because of road conditions. Automobile insurance costs in Louisiana are among the nation's highest, in part because of the high number of wrecks and fatalities attributed to road conditions.

## **Fiscal Year 2015-2016 Transportation Revenue and Expenditures<sup>4</sup>**

The Department of Transportation and Development's Fiscal Year 2015-2016 operating and capital budget is \$1,804,000,000 (inclusive of all funds received such as fuel tax dollars, federal funds, motor vehicle license taxes, interest, etc.).<sup>5</sup>

Sources of these revenues along with amounts are:

- Federal funds: \$736 million (18.4¢ federal gas tax, transit funds, and grants)
- State TTF funds: \$597 million (16¢ gas tax, motor vehicle license fees, weights and permits fines, interest earnings, aviation fuel tax)

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<sup>4</sup> Please note that the numbers are only from a particular moment in time and change from day to day. These particular numbers were obtained from the DOTD office of management and finance on December 11, 2015.

<sup>5</sup> Act No. 16 of the 2015 Regular Session (HB 1) appropriated \$97,500 of TTF dollars for related expenses for the office of multimodal commerce, including one authorized position.

- Interagency transfers: \$16 million
- General obligation bonds/other (capital outlay): \$227 million
- State Highway Improvement funds (truck registration): \$57 million
- Self-generated revenues: \$47 million (state ferries, matching funds from municipalities, equipment buy-back program, budget authority to utilize in emergencies)
- TIMED/TTF: \$124 million

The Department of Transportation and Development's Fiscal Year 2015-2016 expenditures are:

- Capital outlay and engineering (highways): \$854 million (related to highway and bridge construction during the year)
- DOTD operating budget: \$587 million (administration and operations)
- Debt service (TIMED and State Highway Improvement Fund bonds): \$166 million
- Capital outlay (non-highways): \$75 million (ports, flood control, aviation, public works, secretary emergency fund, state ferries, Crescent City Connection ferry capitalization, facility program maintenance projects)
- Non-DOTD dedicated<sup>6</sup>: \$89 million (\$43 million for the Office of State Police, \$46 million for the Parish Transportation Fund)
- Non-federal aid eligible roads: \$33 million (engineering and construction of projects on the state system but not eligible for federal funding)

## Capital Outlay

Construction projects utilizing federal matching funds from the federal Highway Trust Fund require varying levels of state matching funds, depending upon the type of project and the route upon which the work is done. An individual project may receive 100% federal funding or may involve a match of federal to state funding at various levels (90/10, 80/20, 75/25, or less).

As the availability of state TTF funds deteriorated, DOTD shifted its planned project outlays to those with lower state match requirements so as to retain its ability to draw down all available TTF-Federal funds. Those projects with lower match

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<sup>6</sup> Payments to the Parish Transportation Fund and State Police for traffic management are funded with TTF dollars, but are not part of DOTD's appropriated budget.



requirements are generally centered on interstate pavement preservation and improvements, while projects with higher match requirements may include capacity projects (lane expansion or improvements) or pavement preservation and improvements on federal-aid eligible highways in the state.

DOTD capital outlay appropriations are generally expended over a number of state fiscal years, rather than within the year of appropriation. This is due to the complexities and labor involved with environmental impact analyses, design and construction, a process that generally cannot be completed within a 12-month period. Construction projects let in any given fiscal year may be comprised of appropriations across several prior fiscal years.

As such, there will be some degree of lag between changes to the allocation of funds from lower to higher federal match shares and the letting of those contracts. That trend is becoming more obvious when comparing construction project letting costs over the past five fiscal years. The share of funds allocated to projects with a federal share of 90% or greater has grown substantially while those with a federal share of 80% or less have fallen when comparing total project letting costs in Fiscal Year 2011 to those in Fiscal Year 2015.

In comparing expenditures in Fiscal Year 2011 to Fiscal Year 2015, it is evident that there has been a dramatic increase in projects funded by local or other non-TTF state funds (with federal match) and in projects funded 100% by other state or local funds (largely driven by the creation and utilization of the State Highway Improvement Fund). Additionally, the total spent across all project categories increased approximately \$99.5 million when comparing Fiscal Year 2011 to Fiscal Year 2015, again driven largely by the utilization of the State Highway Improvement Fund. As the state allocated a greater share of state TTF resources to allowable expenditures that are not directly related to DOTD operating or capital outlay activities, the department has responded by narrowing its focus for the majority of planned projects to those that will allow the greatest opportunity to draw down its allotment of federal funds.

As a result, the allocation of the traditional transportation fund mechanism, the state TTF, has been focused, to a growing degree, on pavement preservation of the interstate system at the expense of capacity and preservation of federal aid eligible highways. State TTF allocated to construction projects let in Fiscal Year 2015 providing a 90% or greater federal share increased 79.3% when compared to those let in Fiscal Year 2011.



Likewise, the state TTF allocated to projects providing an 80% or less federal share fell by 52.5% when comparing the same time periods. Overall spending across all project types has grown between Fiscal Year 2011 and Fiscal Year 2015, largely due to the creation and implementation of the State Highway Improvement Fund and other non-TTF sources.

Using standard 20-year level debt assumptions of \$12:\$1 for bond proceeds to debt service, \$75 million in bond proceeds is roughly estimated at \$6 million per year in debt service, though this amount could be significantly different given the actual structure of the bonds issued. Using current collections, an increase in the fuel tax of 0.2¢ per gallon would generate \$6 million per year. Alternatively, and with the same caveats, \$75 million in annual debt service could generate \$900 million in project funding. An increase in the fuel tax of 2.5¢ per gallon would generate \$75 million per year.

Projects are authorized through the Capital Outlay bill (HB 2) and funded through a cash appropriation or the issuance of lines of credit by the State Bond Commission. The Capital Outlay Escrow Fund (COEF) holds some bond proceeds, general fund, fees and self-generated revenue, and federal funds that are used to pay for projects authorized in the Capital Outlay bill. The general fund in the COEF has been in the fund since the post-Katrina budget surpluses and has been used over the years to provide liquidity between bond sales, which are now sold on a reimbursable basis. If, and when, the general fund is depleted, most liquidity will be provided by bond proceeds instead, which means the bonds must be sold on an advanced funding basis. Given the significant backlog of authorized cash and non-cash lines of credit, matching actual project expenditures to the timing of bond sales will become increasingly important, not only in determining bonding requirements but also in remaining within the Net State Tax Supported Debt Limit. However, an increase in revenue would also increase the debt limit (calculated as 6% of taxes, licenses and fees in the state), which would help alleviate the issue.

Within the Capital Outlay bill, two paths were discussed in regard to new transportation funding. The first path was to keep the current capital outlay authorization the same and either displace current local projects or encourage local project submissions that are related to transportation, which would cause the least disruption to the financial plan but could prove difficult politically. The second was to find new money for an additional \$75 million in transportation funding, which if achieved through bond sales, may be constrained by the debt limit.

Under preliminary calculations, the current Net State Tax Supported Debt limit allows General Obligation Bond sales of about \$385 million per year beginning in Fiscal Year 2017, given the most recent revenue estimates. These bond sales could be required to cover existing lines of credit but the exact amount of bonds to be sold annually has not been determined. Whether there would be room under the limit for additional bond issues in excess of \$385 million in the future is tentative until some degree of certainty is attained concerning the state revenue outlook.

## **Fixing America's Surface Transportation (FAST) Act**

On December 4, 2015, President Obama signed the Fixing America's Surface Transportation (FAST) Act, which represents the first long-term, comprehensive surface transportation policy proposal since 2005's SAFETEA-LU. The FAST Act authorizes federal highway, highway safety, transit, and rail programs for five years from federal fiscal years 2016 through 2020. It is estimated that over the five-year life of the new federal bill, Louisiana could realize an increase in federal highway spending authority of \$315 million, of which DOTD will have discretion over about \$250 million with the rest being allocated to local governments and special programs. In addition, the bill provides possible grant opportunities funded at \$800 million in federal fiscal year 2016 and escalating to \$1 billion in federal fiscal year 2020.

It is imperative that this administration aggressively pursue all funds available as a result of the passage of this act.

## **Revenue Recommendations**

The items listed below are potential sources for new revenue for transportation infrastructure projects. The concepts below and incorporated in this report as well as any and all other options should be reviewed and considered. The administration should work with the legislature to determine what method, whether included in the list below or from another source, would be most effective. The cafeteria menu of choices for consideration includes:

- Motor fuel tax increase<sup>7</sup>

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<sup>7</sup> As of July 23, 2015, 40 states have a per gallon state gas tax that exceeds the per gallon state gas tax in Louisiana. This is excluding the federal gas tax. Source: Tax Foundation.

Seventeen states have a combined state and federal gas tax greater than 49.5 cents per gallon. Source: American Petroleum Institute, October 1, 2015.

Twenty-two states have raised their gas taxes in recent years. Source: Louisiana Associated General Contractors.

- Sales tax increase<sup>8</sup>
- Motor vehicle and truck registration fee adjustments<sup>9</sup>
- Local option gas tax
- Processing tax on all oil and gas
- Sales tax on auto parts/repairs, or other transportation related sources
- Vehicle miles traveled approach for tax determination
- Sales tax on all fuels
- Indexing all fuel taxes
- Public/private partnerships
- Tolls
- Alternative fuel or power source motor vehicle fees or taxes

Other states have taken or are taking steps to raise additional dollars for transportation projects - whether by reallocating dollars or increasing taxes or fees. The generation of new state dollars for transportation infrastructure projects by raising taxes or fees, while not attractive, may be the only way in which Louisiana's unmet transportation infrastructure needs will begin to be addressed along with new and necessary projects.

We believe voters will be reluctant to approve a new tax to pay solely for administration and operations or maintenance of the transportation system. While our transportation needs may require that some new revenue be allocated to direct service delivery on our existing backlog, it will take the funding of new projects in order to garner voter approval of any new taxes. These new projects should include projects for all modes of transportation including ports, airports, and freight and passenger rail, in addition to highway projects. Any new projects should be those that will drive economic development. As such, the economic impact of the new projects should be identified and explained to the public prior to funding or construction of any of these projects.

However, we should note that often when new taxes or fees are raised to address a particular problem there is a general belief amongst the public that the problem has been solved. This often is not the case because there is a lack of political will to raise

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<sup>8</sup> Louisiana has one of the highest sales taxes in the nation when our local and state sales taxes are combined.

<sup>9</sup> There are different classes of truck registration taxes depending on what commodity is being carried. A common carrier's base registration tax is \$512. However, certain carriers who haul specific commodities pay significantly less than this average due to specific provisions in the law levying this tax.

the fee or tax to an amount which will adequately address whatever problem that was faced. This cycle often leads the public to believe it has been misled.

To combat this, a concerted effort should be made by the governor and senior level state officials to educate the public to ensure that there is a clear understanding of where transportation dollars are coming from and where and on what those dollars will be spent. It should be communicated to the public that it is impractical to raise sufficient revenues to address all transportation needs. The state's focus should be on the most critical needs by developing a steady, sustainable revenue stream that aggressively addresses the backlog. This education component will be especially necessary should any new revenue raising measures be undertaken.

## **Office of Multimodal Commerce within the Department of Transportation and Development**

Act 719 of the 2014 Regular Session of the Louisiana Legislature and Act 31 of the 2015 Regular Session of the Louisiana Legislature created the new Office of Multimodal Commerce within DOTD under the direction of the newly created commissioner of multimodal commerce. While the Office of Multimodal Commerce will be within the DOTD, the commissioner will answer directly to the governor.

This structure will allow for the secretary of DOTD to spend more time and effort on roads and bridges with a dedicated commissioner concentrating on transportation infrastructure and economic development as both relate to commercial trucking, ports and waterways, aviation, and freight and passenger rail development.

This will be the first administration under which there will be a commissioner and Office of Multimodal Commerce. The incoming administration should elect to make the new Office of Multimodal Commerce a priority over the next four years and encourage the incoming commissioner to seek federal funding for freight and passenger rail, and airport and port expansion, while ensuring that the highways and waterways are improved to increase commerce throughout the state. The commissioner should be actively involved in building out further the structure to maximize federal dollars such that the traditional surface transportation can be leveraged.

# Appendix

DOTD Structure

Overview of the DOTD Highway Selection Process, Fall 2014

Transportation Trust Fund, Louisiana Legislative Auditor, Financial Audit Services, Informational Report, August 5, 2015

Louisiana Fiscal Reform: A Framework for the Future, Chapter 7: Transportation Infrastructure and the Rainy Day Fund, Tax Foundation

House Bill 777 of the 2015 Regular Session and Fiscal Note, Original Version

House Bill 778 of the 2015 Regular Session, Fiscal Note, House Floor Amendment, and Miscellaneous Document, Engrossed Version

Connecting Baton Rouge and New Orleans by Intercity Passenger Rail, Gubernatorial Briefing Book, Southern Rail Commission, September 2015

Information provided by Louisiana Associated General Contractors

Information Provided by the Ports Association of Louisiana

Report of the Multimodal Commission dated January 1, 2015

State Highway and Bridge Needs as assessed by LADOTD for the Year 2014