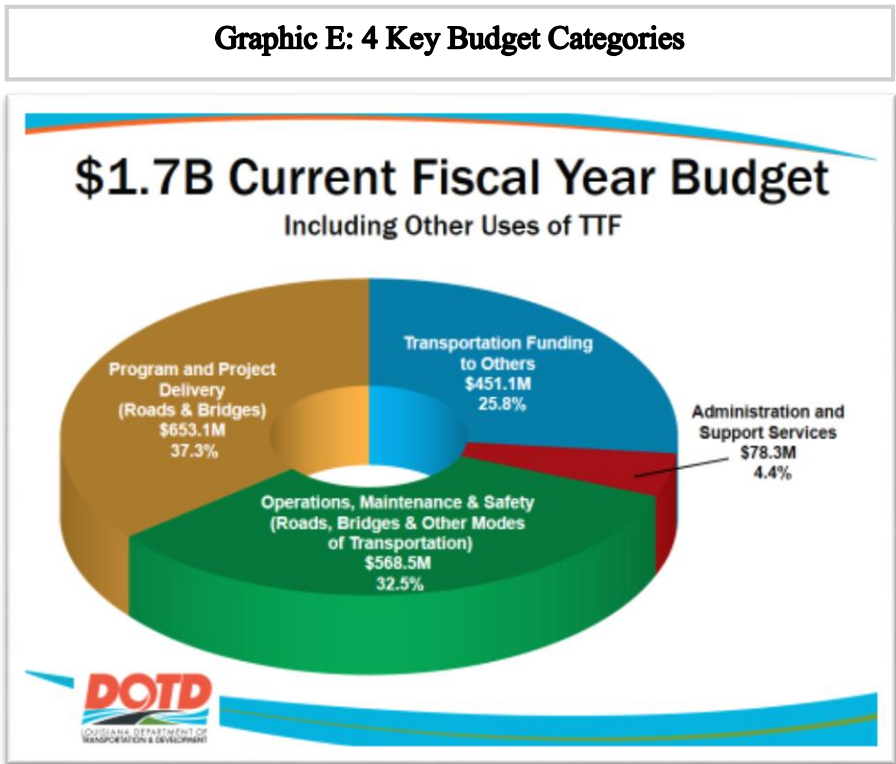


Section 3.0: Allocation of Funds

Section 3.1: Annual Budget

One of the greatest challenges facing DOTD is correcting misstatements and misrepresentations that are made regarding the use of the TTF. To be clear, the facts do not support claims of misuse and waste. As illustrated in Graphic E, DOTD's annual budget is divided into four key categories that demonstrate how HTF and TTF revenues are invested in Louisiana's transportation system. This categorization is not unique and is aligned with the federal government, the State's only other principal investor.



Only 4.4 percent of DOTD's budget is dedicated to "administration & support services"⁵, which includes staff costs associated with executive level oversight and administrative supervision of the various business support functions of DOTD. These functions include the Compliance Program, Human Resources, Information Technology, Budget, Finance, Procurement, Enterprise Support Services, Legal, Audit, and Quality and Continuous Improvement. This category is funded with approximately 86 percent state funds and 14 percent federal funds.

25.8 percent DOTD's budget can be described as "transportation funding to others," which includes certain multimodal programs such as ports, aviation, freight, transit, and public works. This category also includes funding for local Metropolitan Planning Organizations and debt service on past bond programs used to finance highway construction projects. This category is funded with approximately 80 percent state funds and 20 percent federal funds. However, as described in Subsection 2.3 and illustrated in Graphic C, the nature of debt service is such that payments increase over time until fully repaid, requiring additional state funds each year to be taken away from the other budget categories. Bond issuances are an effective way to deliver specific projects but must be used responsibly to prevent cannibalization of recurring funds necessary to fund transportation statewide.

32.5 percent of DOTD's budget is considered "operations and maintenance," which includes non-administrative activities like roadway repair and maintenance such as: pothole patching, mowing, ditch cleaning, striping, signal repair and installation, bridge repair, and maintenance. This category includes

⁵ According to the Reason Foundation's method of determining state DOT administrative expenses, DOTD has lower administrative costs per mile than 36 states. Note that every state DOT calculates its administrative expenses differently, and the Reason Foundation applies its own approach to data reported by all states.

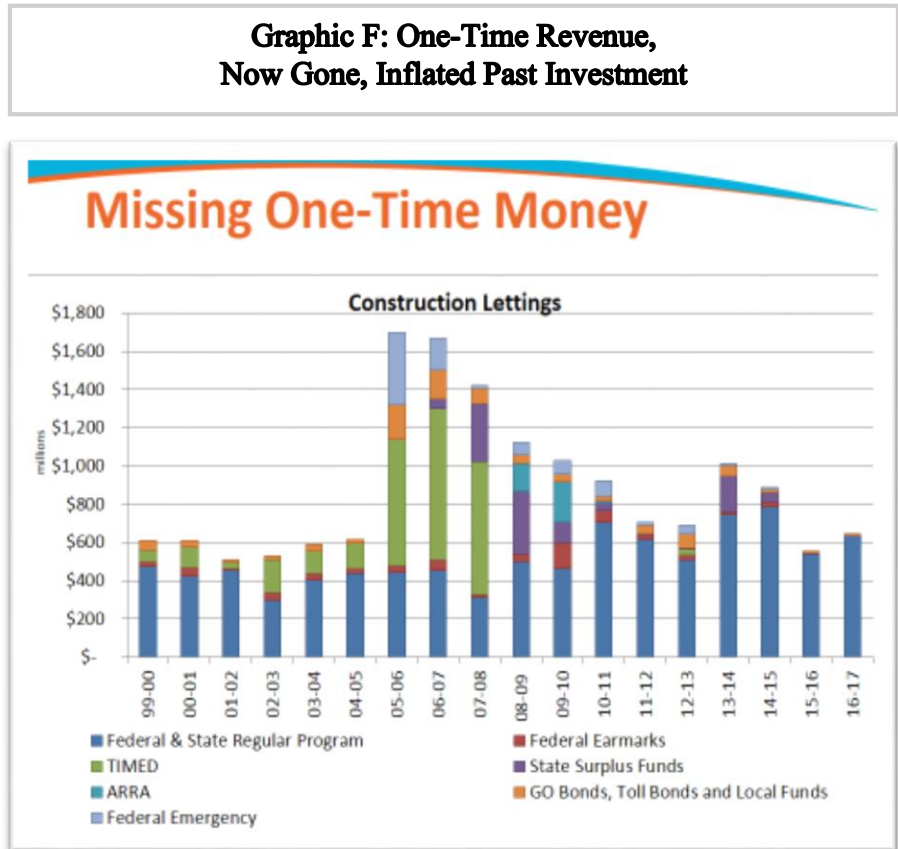
the salaries and benefits for the approximate 3,200 DOTD employees who provide these direct services locally across 9 district offices throughout the entire State. This category is funded with approximately 72 percent state funds and 28 percent federal funds.

Without this category of funding, the State would not meet the federal performance requirements of maintaining the federal investment because this category funds emergency response, construction engineering, and inspection services in the construction program. Furthermore, state funding of these key functions are a best practice at every state department of transportation around the nation as many of these services are required but not eligible for federal funding. As such, it is noteworthy that JBE 2016-23 specifically charges the Task Force with making recommendations that include funding the operation and maintenance of the State’s existing transportation system.

37.3 percent of DOTD’s budget is considered “program and project delivery,” including construction and construction engineering costs for projects. This category is funded with approximately 71 percent federal funds and 29 percent state funds, and is best understood as the portion of the budget that is building the economy because it represents actual construction that has an economic multiplier effect throughout the State. Louisiana’s construction budget was inflated by one-time revenues for many years, creating a perception that the investment in transportation was on a strong foundation in terms of the long-term outlook for construction expenditures. The reliance on one-time funding contributed to misleading the public with regards to DOTD’s responsibility to adequately fund the transportation system of the State. As seen in Graphic F, over the last 10 years, the state enjoyed one-time construction dollars that, at its height, helped infuse more than \$1 billion into the economy. The precipitous decline is the reason the construction industry is hurting, road and bridge conditions are worsening, and congestion issues are not being resolved.

Section 3.2: Program and Project Delivery Process

Consistent with national best practices, the State of Louisiana performs short- and long-term transportation planning to identify and select projects. The State’s long-term transportation plan is referred to as the Louisiana Statewide Transportation Plan (LSTP) and was first developed in 1996 through a collaborative process, inclusive of stakeholders and public officials from every region of the



State and subsequently adopted by the Louisiana Transportation Policy Committee. The LSTP was most recently revised through the same collaborative and comprehensive process in 2015.

The Highway Priority Program (HPP) within DOTD was established in state law in 1974, developing a transparent, resource-driven process that considers both quantitative and qualitative data in determining which projects move forward each fiscal year. More specifically, the HPP is developed each year by DOTD and then presented to the public and the legislature through joint annual field hearings of the House and Senate Transportation Committees. Comments from legislators and the public are considered as DOTD revises and refines the annual plan, which must be approved by the House and Senate Committees on Transportation as well as the full bodies of the House and Senate.

This transparent and data-driven process of identifying and selecting projects for each fiscal year has proven to be an effective means of making annual investment decisions about the State's system of highways. In practice, the HPP has become the State's annual approach toward reaching the long-term highway goals of the LSTP. Other states view this selection process as a national best practice as it relates to delivering transportation in a non-political environment, which aids in ensuring a consistent, comprehensive, and strategic investment of dollars that leverage economic opportunity to support the State's economy.

Act 355 of the 2015 Regular Legislative Session revised the HPP, which incorporated more transparency and modernization into the project selection process. Citizens now have more opportunity to understand the projects and financing issues, which is important as it helps to ensure accurate expectations from the public. Again, the annual scope and scale of the HPP is resource-driven, meaning that the process can very easily deliver many more projects each year – if funded. The HPP process is not a hindrance to project delivery but instead the best mechanism to efficiently and affordably deliver projects on an annual basis.