RESET
LOUISIANA'S FUTURE

Transportation/ Infrastructure

Louisiana's transportation infrastructure should be an asset, not a liability. The state should significantly invest in its transportation infrastructure, including ports and waterways, enhance public safety, relieve congestion in major urban areas and support commerce and economic development.

Make Transportation Infrastructure an Asset

Louisiana's transportation system is in disrepair. Louisiana has not invested adequate resources on infrastructure for three decades, a high percentage of state roads and bridges are deficient, congestion in major cities is among the worst in the country of similarly sized urban areas and drivers spend a disproportionately high amount of money on repairs caused by highway hazards.

Much of this is quantified in the 2017 Infrastructure Report Card from the *American Society of Civil Engineers*, which gives Louisiana's roads a grade of D and its bridges an only slightly better D+. According to the report, Louisiana's "infrastructure is poorly maintained, inadequately funded, and not designed to meet tomorrow's demands. Consequently, the state is at a disadvantage and will continue to lose its economic competitiveness."

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> **- American Society of Civil Engineers, 2017**

Louisiana relies almost entirely on a 16-cent fuel tax that has been in place since 1984. Those revenues are constitutionally dedicated to the Transportation Trust Fund, which limits their use to infrastructure-related projects.

In 1990, voters approved another four cents in fuel taxes which can only be used to fund 16 constitutionally required projects in the state's TIMED program. Unfortunately, the tax was not enough to cover construction costs for all 16 projects and today two of them remain unfunded. The four-cent tax is now dedicated to debt service through 2045, and a portion of the state's 16 cents is also being used to service a portion of that debt. As a result, a significant amount of the state's transportation resources are paying the bills for projects that have already been completed.

Decades Without New Investment

Louisiana is one of only four states that has not adjusted its fuel taxes in almost 30 years. Since then, much in the world of transportation has changed:

- Purchasing power of the state's gasoline tax has deteriorated significantly in the face of steady increases in the costs for highway construction[i];
- Fuel efficiency has increased with fuel economy standards rising from 27.5 mpg in 1985 to 36.5 mpg in 2016[ii]; and
- Growth in the use of electric and hybrid vehicles means that more and more drivers who are using state roads are paying significantly less for maintenance and new construction or sometimes nothing at all[iii].

In the meantime, 29 states have raised their fuel taxes since 2013 including both Arkansas and Alabama, which passed legislation this year[iv]. In 2016, the Governor's Task Force on Transportation Infrastructure Investment issued a report framing the problems facing the state's transportation system and making a series of recommendations. Chief among them was a new investment in infrastructure totaling $700 million per year – basically doubling the current state effort and moving Louisiana from the bottom to the middle range of southern states[v].

The huge amount of money in that recommendation is predicated on two fundamental issues:

- Louisiana has a maintenance backlog on existing highways and bridges totaling more than $14 billion and it continues to grow[vi].
- The state has a list of Priority A and B megaprojects with a price tag approaching $15 billion[vii]. These include such high-profile projects as a Mississippi River bridge in Baton Rouge, a bridge over the Calcasieu River in Lake Charles, completion of I-49 north and south and a new Red River bridge connecting Shreveport and Bossier City. The Governor's task force concluded that it would take about $700 million per year to meaningfully attack the backlog while also funding all of the megaprojects in Priority A and B.

Administrative Concerns

There has historically been controversy over increasing gasoline taxes to fund this work because of concerns that existing revenues from fuel taxes were being diverted to non-infrastructure purposes. In addition, some critics complained about the size of the Department of Transportation and Development (DOTD), saying it had grown into an inefficient bureaucracy. In recent years, efforts have been made to address those issues.

In 2016, the state administratively eliminated the diversion of trust fund revenues to the state police, and in 2017 and 2018, voters passed constitutional amendments prohibiting the practice all together and requiring that the proceeds from any new fuel taxes be used only for direct infrastructure expenses.

DOTD has also touted its efforts to increase administrative efficiencies. In 2017, the agency reported that only 4.4% of its revenues support administration, and a report for the same year from the Reason Foundation ranked Louisiana 5th best in the country in terms of administrative expenditures per state-controlled mile of highway. In addition, since the early 1990s, filled positions at DOTD have dropped by nearly 25%[viii].

Other structural changes could be made to further reduce the footprint of the agency without having a significant impact on operations, but historically obstacles to implementation have come more from legislative political concerns than the reluctance of the department. Still, it should be understood that improvements like this alone are insufficient to address the state's huge infrastructure needs, and DOTD should continue to implement policies with the goal of becoming one of the most efficient and accountable agencies of its kind in the country.

Federal Funds Jeopardized

Another prospective problem facing the state deals with the potential loss of federal dollars. Like every state, Louisiana is allowed to put up a certain amount of state revenues as a match to receive its share of federal funding for infrastructure projects. For the last few years, Louisiana has come dangerously close to not meeting that match.

The only way it has been able to do so is by using a mechanism called "toll credits" to supplement the cash requirements needed to access the revenues. The current dilemma is that now all of those credits have been obligated. To make the match this year, the state will have to use one-time surplus dollars from the prior fiscal year or leave millions of dollars in available road funding on the table[ix].

Losing these revenues would further hinder the state's efforts to both preserve and expand the existing highway system. It would also mark the end of a three-year period where the state has actually been able to draw down more than $200 million in additional revenues that other states left behind.

Alternative Revenue Sources

Problems like these do not impact Louisiana alone. Other states have begun looking at ways to generate new money by using additional revenue sources to supplement the gasoline tax and prevent the loss of federal dollars. The two most common, particularly for certain megaprojects, are tolling and public/private partnerships, also known as P3s. Both are used in Louisiana and to varying degrees in states across the country, but in some ways they are more problematic here.

Tolling, as its name implies, refers to fees paid for access to a roadway or bridge. Tolls are used extensively in highly populated areas as a means of financing new highways, expansions and bridges. They are often mentioned as a way for Louisiana to fund some of its expensive megaprojects without having to raise gasoline taxes.

This has proven feasible in other parts of the country because of the huge volumes of road and bridge traffic those areas experience. As heavy as traffic seems in some of the state's most congested areas, current volume is not enough to fully fund the major megaprojects that are most needed with tolls alone.

That also impacts public-private partnerships (P3s). Under the P3 concept, private sector companies put up financing for a large project, and then get money back over time through continuing revenue streams, usually tolls or fees. Tolls are not enough to support full financing of most of these large projects and would have to be supplemented with some other type of state funding. Despite these limitations, Louisiana is currently pursuing its first transportation P3 with the help of discretionary dollars, maintenance money and local contributions.

States are also looking at new ways to make up lost funding caused by inflation and changing modes of transportation[x]. Some of the ideas being considered include:

- Automatic adjustments to fuel taxes based on the national Consumer Price Index or the state's rate of inflation;
- Tying gasoline taxes to improvements in fuel efficiency standards;
- Adjusting gasoline taxes based on population growth; and

- Annual registration fees for hybrid or electric vehicles.

It is important to note that these mechanisms by themselves will do nothing to address the state's major infrastructure needs, but they can serve as a hedge against further erosion of the transportation funding base.

Ports and Waterways

Besides the direct maintenance and construction of roads and bridges, the state DOTD also has various responsibilities with regard to ports, airports, railroads, rivers and levees. Most of it deals with activities involving construction, maintenance and inspections.

The biggest of these areas is water transportation. While the state does not fund the operating costs of its 40 deep-water and shallow ports, it is a critical source of funding for capital improvements. The importance of that is significant, considering that the five ports along the lower Mississippi River in Louisiana together make up the largest port complex in the world[xi] and the state's port system as a whole handles a quarter of the nation's waterborne shipping, 60% of its grain, and is a primary supporter of the state's energy and manufacturing industries[xii]. Despite its inability to generate new revenue, the state has managed to increase funding to the Port Priority Program every year since 2016.

Today, the state spends on average about $39.9 million in the Port Priority Program to help fund expansions and modernizations and maintain competitiveness with other Gulf ports. Despite the recent increases, the DOTD transportation plan notes that level of funding is still inadequate and recommends continuing to increase that amount to help meet more than $7 billion in identified needs over the next 30 years[xiii].

Some of these projects are also part of the state's current megaproject list and include deepening the Mississippi River from 45 ft. to 50 ft. to accommodate large-draft ships, deepening of coastal channels, and repair or replacement of aging locks. Failure to support these efforts puts the economic prosperity of the deep-water ports at risk.

The RESET

Louisiana is a small state but one that plays a major role in national and global commerce. It is vital to take steps to preserve, expand and modernize infrastructure, which is part of the state's economic lifeblood.

Louisiana should take action in the short-term to make significant investments in the state's transportation infrastructure including roads, bridges, ports, waterways and other modes of transportation.

- **Louisiana should make investments that are substantial enough to make a difference in the state's $14.2 billion backlog of safety, maintenance and capacity-building projects, as well as the $15 billion of identified needs, including Priority A and B megaprojects.**

- **Louisiana should develop a funding proposal for infrastructure which might include:**
    - **Adjusting the gas tax to account for its long-term loss in buying power;**
    - **Indexing to prevent erosion of future purchasing power due to inflation;**

- **Assessing appropriate fees on vehicles using alternative fuels to ensure that all motorists who use state highways and other infrastructure contribute to their maintenance, safety and expansion; and**
- **Utilizing alternative and innovative delivery methods, including, but not limited to P3s.**

- **Louisiana should continue to seek other recurring revenue sources in addition to gasoline taxes as other states have done to address their infrastructure needs.**

Endnotes

i Governor's Task Force on Transportation Infrastructure Investment; 2016; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Administration/GTFTII/Recommendations/06_Section_4_The_Problem.pdf

ii National Conference of State Legislatures; http://www.ncsl.org/bookstore/state-legislatures-magazine/deep-dive-transportation-funding.aspx

iii National Conference of State Legislatures; http://www.ncsl.org/bookstore/state-legislatures-magazine/deep-dive-transportation-funding.aspx

iv National Conference of State Legislatures; http://www.ncsl.org/research/transportation/2013-and-2014-legislative-actions-likely-to-change-gas-taxes.aspx#Map

v Louisiana Department of Transportation and Development; Louisiana Statewide Transportation Plan; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Multimodal/Transportation_Plan/2015_Statewide_Transportation_Plan/07_Megaprojects.pdf

vi Governor's Task Force on Transportation Infrastructure Investment; 2016; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Administration/GTFTII/Recommendations/02_Executive_Summary.pdf

vii Louisiana Department of Transportation and Development; Louisiana Statewide Transportation Plan; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Multimodal/Transportation_Plan/2015_Statewide_Transportation_Plan/07_Megaprojects.pdf

viii Governor's Task Force on Transportation Infrastructure Investment; 2016; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Administration/GTFTII/Recommendations/06_Section_4_The_Problem.pdf

ix Governor's Task Force on Transportation Infrastructure Investment; 2016; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Administration/GTFTII/Recommendations/06_Section_4_The_Problem.pdf

x National Conference of State Legislatures; http://www.ncsl.org/bookstore/state-legislatures-magazine/deep-dive-transportation-funding.aspx

xi Ports Association of Louisiana; PowerPoint Presentation; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Administration/GTFTII/Docs/11.09.16%20Task%20Force%20Meeting/PAL%20Presentation.pdf

xii Ports Association of Louisiana; PowerPoint Presentation; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Administration/GTFTII/Docs/11.09.16%20Task%20Force%20Meeting/PAL%20Presentation.pdf

xiii Ports Association of Louisiana; PowerPoint Presentation; http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Administration/GTFTII/Docs/11.09.16%20Task%20Force%20Meeting/PAL%20Presentation.pdf