



TIME...AND TIME AGAIN?

PUBLIC AFFAIRS RESEARCH COUNCIL OF LA., INC.

The Legislature created the Transportation Infrastructure Model for Economic Development ("TIME") program in 1989 to fund 16 transportation-related projects. The projects included highway, bridge, port and airport improvements expected to spur economic development. The Legislature levied a four-cent-per-gallon gasoline tax for 15 years to pay for the projects.

Today, at the mid-point in the program, only three of the projects have been completed and it is clear there will not be enough money to finish them all. This report examines the history of the TIME program and recommends a future course of action.

HISTORY

The TIME program was enacted in 1989 subject to voter adoption of a constitutional amendment later that year. The broader purpose of the amendment was to dedicate transportation-related taxes to be spent on highways and other transportation purposes. Voter approval of the amendment created the Transportation Trust Fund, which would pay for most transportation programs in the state, and activated the TIME program legislation as well. Both the TIME program and the Transportation Trust Fund became effective January 1, 1990. The state projects funded by both are the responsibility of the state Department of Transportation and Development (DOTD).

The TIME law levied a four-cent per gallon tax on gasoline and special fuels for 15 years (from January 1, 1990 to December 31, 2004) and dedicated the revenues to be spent only on 16 designated projects. The constitution exempted these 16 from the general requirement that projects compete in the regular priority system for funding.

The funding for most transportation and public works spending in Louisiana, other than for TIME projects, is from the Transportation Trust Fund. Revenue from the state tax on gasoline, motor fuels and special fuels (currently 16 cents per gallon) and the license tax on private automobiles is dedicated to the Transportation Trust Fund. Money in this fund may only be appropriated for transportation-related expenditures. Prior to the creation of this fund, these taxes were mingled with other state revenues in the

analysis

state's general fund. There was no requirement that the state spend its transportation-related revenue only on transportation and, in fact, it was using much of the revenue for other purposes.

Today, the Legislature may appropriate Transportation Trust Fund money for the DOTD, construction and maintenance of state and federal roads and bridges, flood control, ports, airports, transit, parish roads, state police (traffic control), and repayment of bonded indebtedness. Funding of road and bridge, flood control, port and airport projects must be done using priority systems based on demonstrated need.

Most of the Transportation Trust Fund revenues are spent on road maintenance and construction (generally called the highway priority program). The sum of the appropriations for ports, flood control, parish roads and state police may not exceed 20% of the annual transportation-related revenues. No less than one cent must go to the parish road fund (this minimum has been exceeded in recent years). An amount equal to the tax revenues from aviation fuel must be used for airports.

The Transportation Trust Fund's major revenue source is the state's 16-cents-per-gallon tax on gasoline and special fuels. The 1989 constitutional amendment phased in the dedication of this tax to the fund over three years starting with 12 cents in fiscal year 1989 (July 1, 1989 to June 30, 1990), increasing to 14 cents in fiscal year 1990 (July 1, 1990 to June 30, 1991) and then to the full tax beginning July 1, 1991. Together, the motor fuels taxes dedicated to the TIME program and to the Transportation Trust Fund total 20 cents per gallon.

TABLE 1
TIME Projects

- U.S. 171 from Lake Charles to Shreveport: Widen to four lanes
- U.S. 165 from I-10 to Alexandria, Monroe, Bastrop to the Arkansas Line: Widen to four lanes
- U.S. 90 from Houma to Morgan City: Widen to four lanes
- U.S. 167 from Alexandria to Ruston to Arkansas Line: Widen to four lanes
- LA 3241 from I-12 to Bush (Bogalusa): Build a new road
- LA 15 from Natchez, Mississippi, to Monroe: Widen to four lanes
- U.S. 61 from Bains to Mississippi Line: Widen to four lanes
- Mississippi River Bridge at St. Francisville: Build a new bridge

NEW ORLEANS AREA PROJECTS

- Westbank Expressway from Avenue D to Ames Boulevard: Build a new, elevated road that connects to U.S. 90; old road will still be used
- New Orleans Tchoupitoulas Corridor: Build a new port access road, exclusively for port traffic, between the flood wall and the river. The project also includes reconstruction of the public Tchoupitoulas Street that port traffic used before the new access road was built.
- Earhart Boulevard-New Orleans Parish Line to Loyola Avenue: Rebuild the old road
- West Napoleon Boulevard (Jefferson Parish): Build a new road
- Huey P. Long Bridge: Widen lanes to current standards and possibly add a lane
- New Florida Avenue Bridge over Industrial Canal: Build a new bridge
- Port of New Orleans: Improve wharves and terminals, increase flood protection, and demolish an obsolete grain elevator
- New Orleans International Airport: Improve and expand terminals, increase capacity for U.S. Customs, immigration and agricultural inspection services, improve runways and taxiways, and expand cargo facilities

SOURCE: Louisiana Department of Transportation and Development.

**THE ARGUMENT
FOR TIME**

TIME supporters promoted the program as an economic development tool and a way to create jobs. One of the program's major goals was to build a four-lane highway network linking cities with populations of 5,000 or more.

TIME consists of 16 major highway, bridge, port and airport construction projects. (See Table 1.) Included are projects involving about 500 miles of

highway, mostly to widen existing two-lane highways on north-south routes to four lanes. Other projects include major improvements to the New Orleans port and airport, construction of two new bridges and the widening of an existing bridge. DOTD has divided these major projects into more manageable sub-projects, which may be as small as widening a single mile of road. The constitution limits the TIME program to those projects listed in the statute and says they "shall be funded as provided by law." The TIME law lists an expenditure amount for each project.

However, a 1996 Attorney General opinion stated that, while the TIME projects are constitutionally designated, the costs are not. Thus, the Legislature can change them. The opinion also says money other than TIME revenue could be used to fund the projects. This would include Transportation Trust Fund money as well as federal funds. Annually, DOTD officials give the Legislature a list of the TIME sub-projects scheduled for construction during the next year. The Legislature then appropriates a lump sum amount to be spent on the TIME projects. The department retains discretion to reallocate the money among the projects.

Some of the TIME projects were previously in the highway priority program. One argument used to build support for TIME was that transferring the projects would free priority program money for other projects. Another argument was that no federal funds would be spent on the TIME projects, thus ensuring those funds would be available for the priority program.

THE PROBLEMS

Critics have noted the program's slow progress, the number of projects funded in the New Orleans area, the rising costs and the lack of money to complete the planned projects by 2004. Other concerns are that the program lacks priorities and that the Legislature (in writing the original bill) added some projects, for political reasons, that may not be justifiable.

Several decisions and assumptions made before, and soon after the

initiation of the program, contributed to this situation. These included:

- Underestimated project costs.
- No documentation of the economic benefits the projects would provide.
- A decision to sell bonds that added interest costs to projects.
- A decision to lend \$160 million to the Transportation Trust Fund.
- Flawed provisions for repayment of the loan.
- A decline in the real value of transportation revenues.
- Unrealistic promises made to the public.
- Inclusion of some TIME projects that are not part of the state highway system.

The question now is should the remaining TIME projects be completed and, if so, how will the state pay for them?

Only Three Projects Completed

In the eight years since the Legislature enacted TIME, only three of the 16 projects have been completed: improvements to the Port of New Orleans and the New Orleans International Airport, and the construction of a new Westbank Expressway.

As of October 31, 1997, only 65 of nearly 500 miles of planned TIME road improvements were either completed or under a construction contract. (See Tables 2 and 3.) A total of \$687 million had been spent or obligated to contracts since the program's inception. (See Table 4.) The three completed projects cost \$208 million, or 30% of the spending to date.

TABLE 2
TIME Miles Completed¹
or Under Contract
As of October 31, 1997
By Fiscal Year²

Year	Miles
1990	12.39
1991	6.57
1992	13.22
1993	0.32
1994	8.14
1995	0.05
1996	4.93
1997	11.13
1998	8.17
TOTAL	64.92

¹ Includes widening and new construction.

² The state's fiscal year begins July 1 and ends June 30.

SOURCE: Louisiana Department of Transportation and Development.

The costliest project to date is U.S. 90 from Morgan City to Houma, with \$256 million spent or currently under contract. The project will be completed when the current contracts are finished in 1999.

The remaining \$223 million was allocated among most of the other projects. DOTD's policy has been to spread money among all the TIME projects rather than to complete them sequentially. The only project that has not received any funding is the widening of the Huey P. Long bridge in New Orleans. DOTD has placed this project indefinitely on hold along with two new bridges—one for St. Francisville and one over the Industrial Canal in New Orleans.

Some critics have complained that New Orleans has and will continue to benefit disproportionately from the TIME program. While it is true that about half the TIME

TABLE 3
TIME Miles Completed* Or Under Contract
As of October 31, 1997
By Project

<u>TIME Projects</u>	<u>Miles</u>
U.S. 171: Lake Charles to Shreveport	10.76
U.S. 165: I-10 Alexandria-Monroe-Bastrop-Arkansas Line	10.44
U.S. 90: Morgan City to Houma	25.93
U.S. 167: Alexandria-Ruston to Arkansas Line	4.83
LA 3241: I-12 to Bush (Bogalusa)	0.00
LA 15 Natchez, Mississippi to Monroe	8.98
U.S. 61- Bains to Mississippi Line	0.00
Mississippi River Bridge at St. Francisville	0.00
Westbank Expressway	1.03
New Orleans Tchoupitoulas Corridor	2.00
Earhart Boulevard	0.95
West Napoleon	0.00
Huey P. Long Bridge	0.00
New Florida Avenue Bridge over Industrial Canal	0.00
Port of New Orleans	na
New Orleans International Airport	na
TOTAL	64.92

na = not applicable

* Includes widening and new construction.

SOURCE: Louisiana Department of Transportation and Development.

projects are in the New Orleans area, their combined cost is only about one-fourth of the total planned spending on the TIME program. The New Orleans projects have received much of their funding in the early years of the program. The early funding was due largely to the fact that pre-construction work had been completed for the airport and port projects prior to the enactment of TIME and they were ready to begin construction while pre-construction work on other statewide projects had not begun. As of October 31, 1997, the New

Orleans projects had received about \$275 million or 40% of all TIME spending to that date.

Costs Increase/ Revenues Do Not

The TIME law stipulated that the 16 projects would cost \$1.36 billion. The four-cent TIME tax was expected to produce revenue of about \$100 million per year for 15 years, for a total of \$1.5 billion. The revenue estimates are proving to be accurate. However, the DOTD has since increased the

cost estimates to \$2.54 billion. (See Table 4.) As a result, the program is about \$1.17 billion short of fulfilling its promises. The shortfall stems from a number of problems, one of which is that the original cost estimates were far too low.

No one has been willing to take responsibility for these inaccurate original estimates. In fact, current DOTD officials say there are no records to explain how these estimates were determined. Some critics argue they were decided politically with estimates lowered to coincide with the revenue expected from the four-cent tax. Others have suggested that the original estimates were adequate to construct the projects as first envisioned but that subsequent upgrading of the projects (referred to as "scope creep" or "gold plating") is responsible for much of the cost increase. For example, there were instances in which DOTD chose to build a new four-lane road rather than adding two lanes to the existing road (a less expensive option) when adding two lanes may have sufficed. Because the TIME law is so vague in its description of the projects, either approach would be legal. DOTD officials argue that they are obligated to build roads consistent with current standards to provide safer roads and to protect the state from liability.

The cost of other projects grew due to other factors such as the cost of buying rights-of-way, complying with environmental regulations, and responding to local public input. Unlike several of the New Orleans-area projects, for which pre-construction work had already been completed, DOTD had to start from scratch on most of the north-south routes as there had not been any plans previously

TABLE 4
TIME Projects: Costs and Spending
As of October 31, 1997
(In Millions)

TIME Projects	Original Authorized Spending*	Revised Cost Estimate	Shortfall	Spent To Date	Balance To Complete	If TIME Tax Not Renewed/ % of Revised Cost Estimate That Will Be Spent
U.S. 171: Lake Charles to Shreveport	\$170	\$415	\$245	\$53	\$362	41%
U.S. 165: I-10 Alexandria-Monroe-Bastrop-Arkansas Line	\$248	\$492	\$244	\$42	\$450	50%
U.S. 90: Morgan City to Houma	\$210	\$256	\$46	\$256	\$0	100%
U.S. 167: Alexandria-Ruston to Arkansas Line	\$182	\$389	\$207	\$41	\$348	47%
LA 3241: I-12 to Bush (Bogalusa)	\$50	\$52	\$2	\$4	\$49	96%
LA 15 Natchez, Mississippi to Monroe	\$52	\$66	\$14	\$11	\$55	79%
U.S. 61- Bains to Mississippi Line	\$32	\$29	(\$3)	\$3	\$26	100%
Mississippi River Bridge at St. Francisville	\$50	\$150	\$100	\$2	\$148	1%
Westbank Expressway	\$30	\$34	\$4	\$33	Completed	100%
New Orleans Tchoupitoulas Corridor	\$35	\$55	\$20	\$32	\$23	64%
Earhart Boulevard	\$10	\$20	\$10	\$5	\$15	50%
West Napoleon Boulevard	\$25	\$53	\$28	\$25	\$28	47%
Huey P. Long Bridge	\$60	\$220	\$160	\$0	\$220	0%
New Florida Avenue Bridge over Industrial Canal	\$32	\$129	\$97	\$5	\$124	4%
Port of New Orleans	\$100	\$100	\$0	\$100	Completed	100%
New Orleans International Airport	\$75	\$75	\$0	\$75	Completed	100%
TOTAL	\$1,361	\$2,535	\$1,174	\$687	\$1,848	

* In Act 16 of the 1989 First Extraordinary Session.
 SOURCE: Louisiana Department of Transportation and Development.

to widen these. For many of these projects, it would have been difficult to make more than rough cost estimates.

Bonds Added Interest Costs To Projects

Borrowing money (selling bonds) also contributed to the shortage in the TIME program by adding \$193.4 million in interest costs. In 1990, \$263.9 million in bonds were issued on behalf of TIME. This guaranteed that the program would not be able to deliver on its promises. From the bond proceeds, a \$160 million loan was made from TIME to the

Transportation Trust Fund (as allowed by the TIME law). The remainder was used to "jumpstart" the TIME construction program.

Even if the original project cost estimates of \$1.36 billion had been accurate and there had been no inflation, the addition of \$193.4 million in interest payments would have pushed the total program costs above the \$1.5 billion revenue stream expected over the 15-year life of the program.

Principal and interest on the bonds will total \$457.6 million. The annual debt service on the bonds takes about \$35 million of the approximately

\$100 million in annual TIME revenues. This leaves only about \$65 million for construction each year. The TIME law requires that the TIME tax expire in 2004 or when the bonds are paid off, "whichever is sooner." This means that an early retirement of the TIME bonds would trigger an early expiration of the TIME tax. If state officials want to retire the bonds early and keep the TIME program operating until the end of 2004, as originally intended, the law would have to be amended to allow the tax to continue even if the bonds are retired. Retiring the bonds would save \$35 million per year in interest, cash that would then be available for the TIME projects.

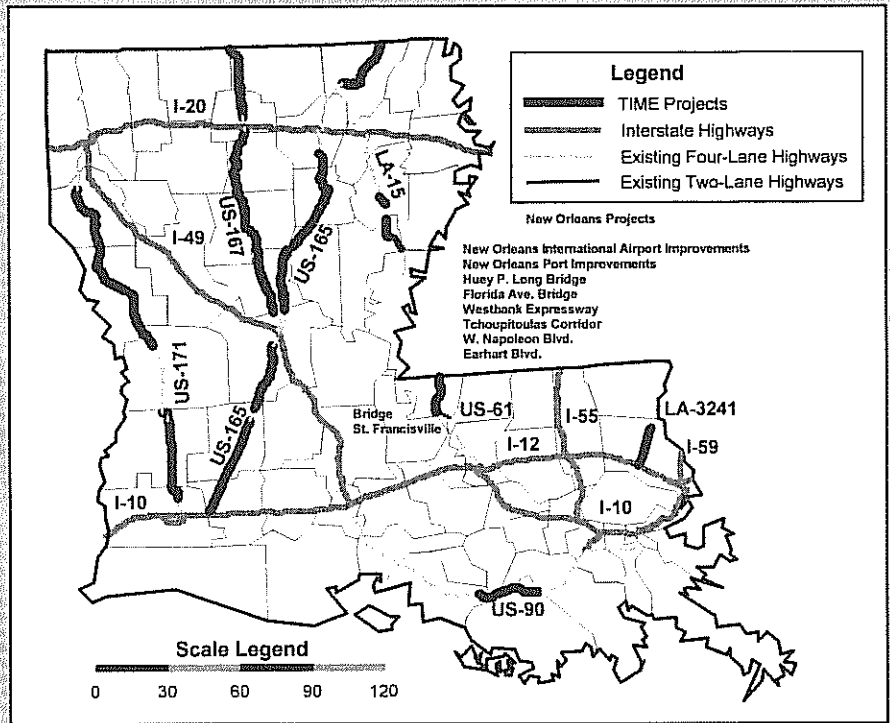
TIME Loaned Money To Trust Fund

The \$160 million loan from the bond proceeds helped balance DOTD's budget in the first two years that the Transportation Trust Fund was being phased in (\$103 million for FY 1990 and \$57 million for FY 1991). The Legislature had authorized the loan (up to \$160 million) recognizing that the gasoline tax dedication would not begin until the middle of the fiscal year (January 1, 1990) and the general fund would have to carry the DOTD until then. The loan, in effect, was used to reimburse the state general fund for its support of highway programs during the first half of the year. The law required the Transportation Trust Fund to repay the loan to TIME by the year 2010, six years past the TIME program's scheduled termination date. There was no requirement that interest be paid.

Instead of repaying TIME directly from the Transportation Trust Fund, federal funds that would have been used for Transportation Trust Fund (highway priority program) projects were instead used for the TIME program. DOTD officials consider this repayment of the loan. As of July 31, 1997, \$134 million in federal funds had been spent on TIME projects. If this is repayment, then \$26 million is still owed to the TIME account.

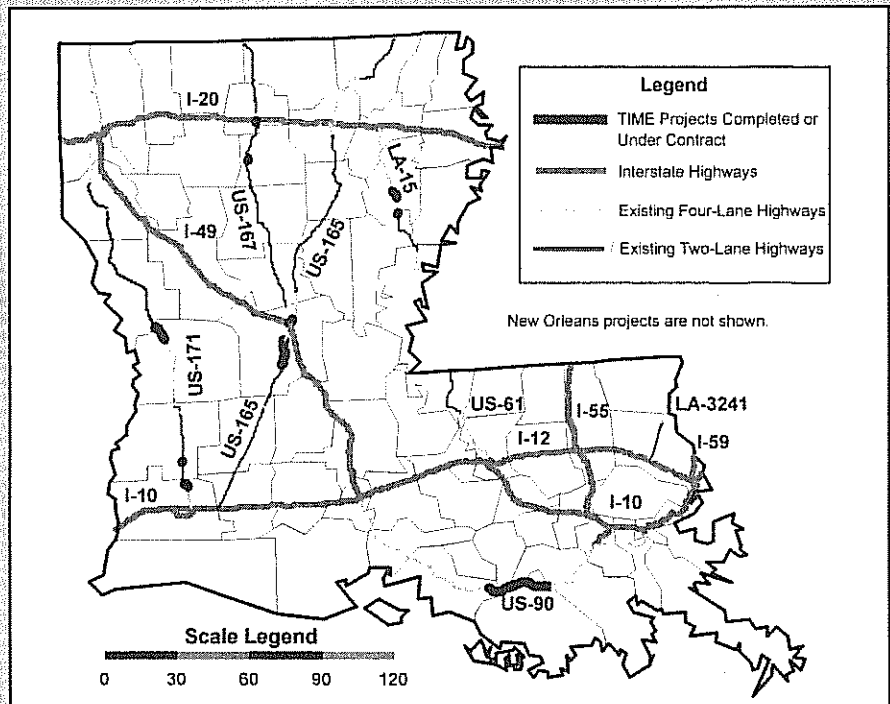
In 1989 TIME supporters argued that the four-cent tax would fund the projects and as a result the highway priority program would not lose any federal money. Although spending federal money on TIME may have broken the pledge to the public, nothing in the constitution or the TIME law prohibits it. In fact, a 1996 Attorney General opinion validated it. The

TIME Projects



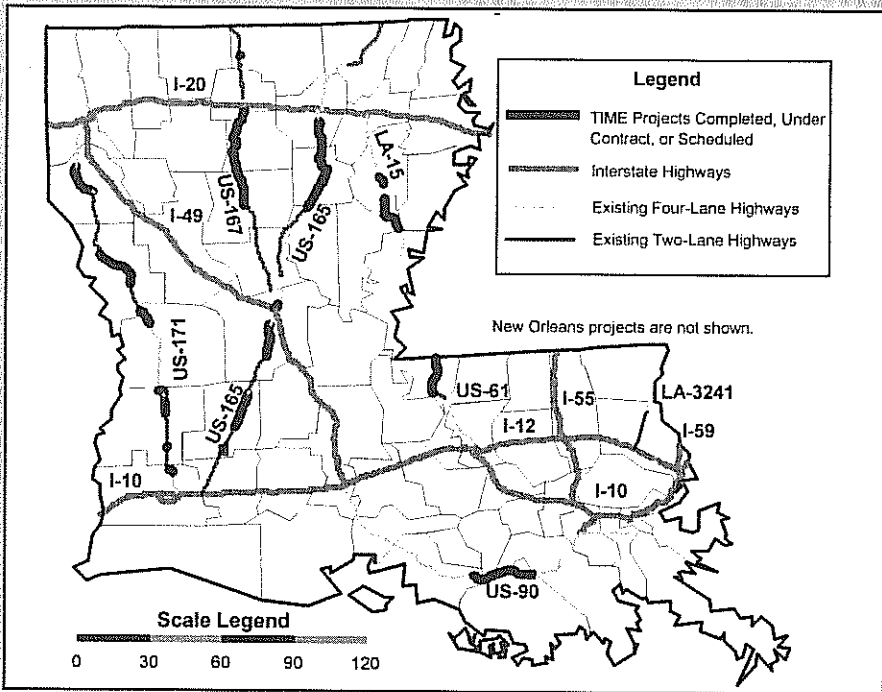
SOURCE: Louisiana Department of Transportation and Development.

TIME Projects Completed Or Under Contract As of October 31, 1997



SOURCE: Louisiana Department of Transportation and Development.

TIME Projects Expected To Be Completed With Existing Tax



* Construction scheduled based on existing tax.
 SOURCE: Louisiana Department of Transportation and Development, October 31, 1997.

opinion stated that “if there are not sufficient monies to complete all of the projects...additional funds could be appropriated from other sources for completion of the projects.” It said these “other sources” could include federal money or non-TIME Transportation Trust Fund money.

TIME Program Lacks Priorities

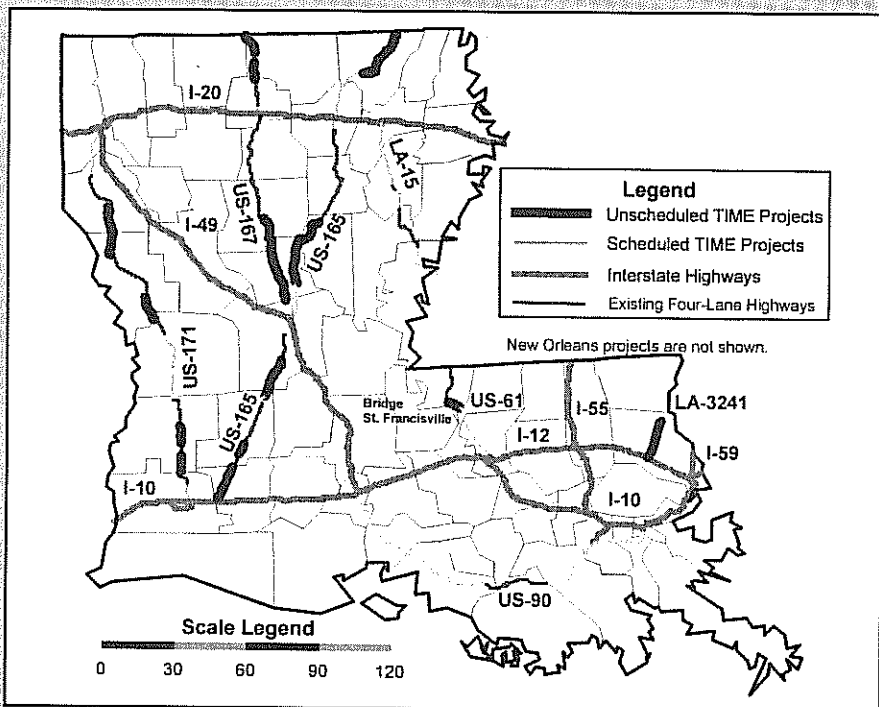
Annual Transportation Trust Fund appropriations are based on an evaluation of state highways and bridges. The evaluation (the highway priority program) considers road condition, traffic count and safety. Based on the results, the most needed projects are to be completed first.

In contrast, the TIME law fails to specify how or when the projects are to be completed. The law lacks any criteria for how to allocate TIME money each year. No project is deemed more important than any other, nor is any description of project goals included. Unlike the regular highway priority program, which strives to meet existing traffic needs, the TIME projects were originally selected to encourage additional traffic, and ultimately development, in certain parts of the state.

While “economic development” was the stated reason for the TIME program, the term was not defined. There were no criteria or guidelines to follow in determining whether or to what extent a given project would contribute to the state’s economy. In the absence of such criteria, “economic development” can be a handy justification for a political method of selecting projects. Without criteria, it is difficult to judge whether all the TIME projects are valid or which are most needed.

The lack of direction from the TIME law has left DOTD officials with significant discretion as to how and when to sched-

TIME Projects Not Expected To Be Completed If Tax Not Renewed



SOURCE: Louisiana Department of Transportation and Development, October 31, 1997.

ule the projects. If anything, the law has encouraged the DOTD to spread the TIME funds among as many projects as possible. In spite of this, the TIME program has developed a general set of priorities. Projects that were ready first, such as the port and airport projects, were funded first. The costly bridge projects have been put on hold. The DOTD secretary, who decides which projects will be funded first, has recently made it a policy to fund those highway sub-projects closer to cities and towns rather than those in the more rural areas.

Transportation Estimating Conference Has Yet To Meet

The Transportation Estimating Conference (TEC) is one of several conferences created in 1990 to develop expertise in policy areas to aid planning and budgeting. The Revenue Estimating Conference (REC) is a good example of how such a conference is designed to work. It receives recommendations from legislative and executive branch staff, as well as outside experts, and then agrees on revenue estimates to which the Legislature must adhere.

Although the TEC was created in 1990, some members have just recently been appointed. It is expected to meet for the first time in the near future. It includes:

- A professional staff member of the Governor's Office (appointed by the Governor)
- A professional staff member of the Office of State Planning or the Division of Administration (appointed by the Commissioner of Administration)
- A professional legislative staff member with forecasting

expertise (appointed by the Senate President)

- A professional legislative staff member with forecasting expertise (appointed by the Speaker of the House of Representatives)
- A professional staff member from the Department of Transportation and Development with forecasting expertise (appointed by the DOTD Secretary)

The TEC could serve as a forum for analysis of and debate about the validity of the TIME projects, thereby clarifying how TIME decisions are made. Charging the conference with setting criteria for evaluating projects (as well as stipulating their scope, priorities and costs) would promote accountability and public trust.

Real Value of Transportation Revenues Declines

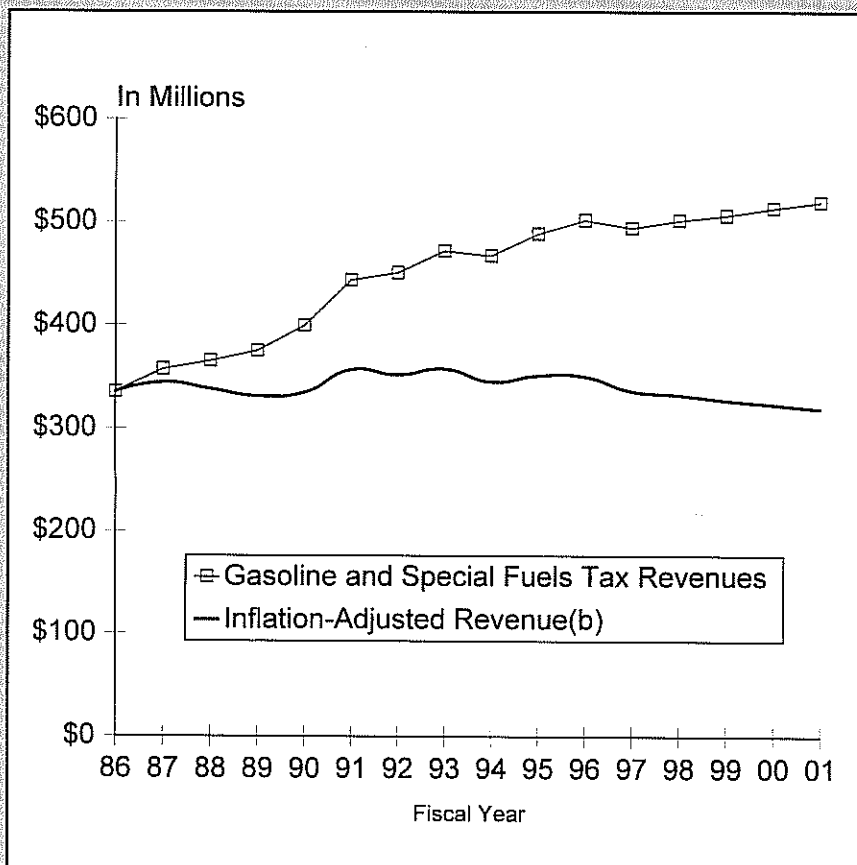
Because the state's fuel taxes are based on volume (per gallon) rather than price, transportation revenues do not respond directly to price changes or inflation. Rather, they only reflect changes in consumption. Improved engine efficiency has slowed consumption increases.

As shown in Figure 1, gasoline and special fuels tax collections have risen only gradually since 1986 except for a jump between 1989 and 1991 when the four-cent TIME tax was added. In spite of the tax increase from 16 to 20 cents per gallon, the inflation-adjusted revenues actually declined between 1986 and 1997. (The consumer price index used in this adjustment may not accurately reflect the change in highway construction costs which have been more volatile and differ greatly by type of construction.)

The four-year revenue forecast presented at the September Revenue Estimating Conference (REC) projects gasoline and special fuels tax revenues to increase only 1% each year between fiscal 1998 and 2001. The report estimated an annual inflation rate of 2.6% during the same period. This means that both the Transportation Trust Fund and the TIME program revenues are assumed to be declining in real dollar value at an annual rate of 1.6%. If this trend continues until the TIME program ends, these revenues would effectively be cut by almost 10%. The declining real value of fuel tax revenues has affected DOTD's ability to complete the list of TIME projects as well as hindering the Transportation Trust Fund. This decline is important in considering the question of whether to renew the four-cent tax beyond its scheduled expiration on December 31, 2004.

Another consideration in renewing the tax is the fact that the four-cent-per-gallon gasoline and special fuels tax dedicated to the TIME program did not result in a four-cent tax increase when it was levied in January 1990. This was because a constitutional ban against a sales tax on gasoline took effect at the same time. (Gasoline had traditionally been exempt from the general sales tax but, beginning in fiscal 1987, the exemption was suspended.) Gasoline was subject to a 3% state sales tax during the first half of fiscal year 1990, but this tax was removed on January 1, 1990 when the four-cent-per-gallon gasoline tax took effect. Revenue from the 3% sales tax on gasoline was producing about \$120 million a year at the time. The new four-cent-a-gallon tax actually produced less revenue—about \$90 million in the first full year. The effect on the

Figure 1
Gasoline and Special Fuels Tax Revenues
1986-2001^a



NOTE: (a) Tax was 16 cents until January 1, 1990 when it increased to 20 cents. FY 1998-2001 revenues are estimates provided by the Economic Estimating Conference.

(b) The Inflation-Adjusted Revenue is in 1986 dollars.

SOURCE: (1) Louisiana Comprehensive Annual Financial Report
 (2) State of Louisiana Economic Estimating Conference Memo dated September 19, 1997.

taxpayer of the switch from a 3% to a four-cent/gallon tax depends on the price of gasoline—at \$1.33 per gallon there was no difference. Of course, now that gasoline is constitutionally exempt from the sales tax, any reduction in the gasoline tax would be a full savings to the taxpayer.

Other important considerations in deciding whether to renew the

four-cent tax are how Louisiana's transportation taxes and spending compare to other states. Louisiana's combined 20-cent-per-gallon motor fuels tax ties with five other states for 19th highest in the nation based on state rates reported by the Commerce Clearing House (CCH) for July 1997. While 25 states have lower state rates, the ranking does not consider local gasoline taxes, various environmental

taxes and fees or license and inspection fees. The CCH data also do not indicate whether a general sales tax is applied to motor fuels. Except for a 1/32-cent-per-gallon inspection fee, Louisiana does not levy any of these extra fees and taxes on motor fuels, but a number of other states do.

Among the 15 southern states, Louisiana's 20-cent tax ties with Texas and Tennessee for fourth highest state tax. (See Table 5.) Again, though, the ranking does not take local taxes into account. For example, Florida's state gasoline tax of 12.8 cents per gallon puts it well below Louisiana in the CCH data. However, counties have the option to levy taxes up to 12 cents per gallon. An added state tax tied to the option brings the maximum total tax to 29.6 cents. In most Florida counties, taxes on gasoline total 23.6 cents per gallon, but among counties range from 12.8 to 29.6 cents.

Georgia, with a state tax of 7.5 cents per gallon, also ranks very low when just state gas tax is considered. However, additional taxes, including some state and local sales taxes, would bring the total tax closer to 15 cents on a \$1.25 gallon of gasoline. In short, Louisiana's 20-cent-per-gallon gasoline tax is at the mid-range nationally and for the South.

U.S. Census Bureau data on combined state and local government revenues and spending permit some additional comparisons that show Louisiana's overall transportation taxes and spending are about average. (The most recent available data is for 1993-94. See Table 5.)

The average motor fuel taxes for all states were \$97 per capita. Louisiana, at \$108, was somewhat

TABLE 5
Southern State Comparison:
Gasoline Tax Rates*, Motor Fuel Taxes and Highway Spending

State	State Gasoline Tax Rates* 7/1/97 (In Cents/Gallon)	Rank	1993/94 State/Local Motor Fuel Tax Revenue ^b (Per Capita)	Rank	1993/94 State/Local Highway Spending ^b (Per Capita)	Rank
Maryland	23.5	1	\$117.43	6	\$228	13
North Carolina	22.6	2	128.51	4	259	8
West Virginia	20.5	3	112.32	9	406	1
LOUISIANA	20.0	4	107.98	11	270	6
Texas	20.0	4	118.15	5	244	11
Tennessee	20.0	4	132.27	1	250	10
Arkansas	18.5	7	130.91	2	281	4
Mississippi	18.0	8	129.97	3	273	5
Virginia	17.5	9	102.38	12	286	2
Oklahoma	16.0	10	108.49	10	241	12
Alabama	16.0	10	114.84	7	268	7
South Carolina	16.0	10	82.95	14	194	15
Kentucky	15.0	13	99.40	13	257	9
Florida	12.8	14	114.20	8	283	3
Georgia	7.5	15	69.58	15	216	14
Southern Average			\$111.00		\$258	
LA as % of South			97%		105%	
U.S. Average			\$97.00		\$277	
LA as % of U.S.			112%		98%	

* The rates shown above are state rates only and do not include:

GA An additional tax of 3% of the retail price.

FL Local option rates up to 12 cents/gallon and an additional state rate of up to 4.8 cents/gallon based on the local option tax used (maximum potential rate of 29.6 cents/gallon).

OK An additional 1 cent/gallon on fuel sold by a distributor.

MS A 3 cent/gallon tax in three counties and a 0.4 cent environmental fee.

TN A special 1 cent/gallon tax on petroleum products; a 1 cent/gallon local option tax to fund a public transportation system.

AL Local taxes authorized for many counties and municipalities with rates ranging from 1 to 13 cents/gallon.

AR Local taxes may be levied by voter approval.

KY An additional 1.4 cents/gallon environmental fee is levied.

LA An inspection fee of 1/32 cents/gallon.

VA A 2% sales tax on fuels in 10 counties and municipalities to fund mass transit systems.

SOURCE: (a) Commerce Clearing House.

(b) U. S. Bureau of the Census, *1993-94 State and Local Government Spending*.

higher than the national average but ranked only 11th highest among the 15 southern states on this measure. (When measured against state personal income,

Louisiana's motor fuel taxes ranked 7th highest in the South.) The census

data also permits comparison of combined state and local highway spending. Louisiana spent \$270 per capita on highways in 1993-94 or about 98% of the

national average of \$277. Louisiana's \$270 per capita ranked 6th among the 15 southern states but was only 4% higher than the southern average of \$258.

If the TIME tax were allowed to lapse in 2004, Louisiana's transportation taxes and spending would likely fall well below the southern and national averages.

CONCLUSION

With seven years remaining in the TIME program, it is clear that a number of whole projects and major portions of others will not be completed. There are several options for the TIME program. An unlikely possibility would be to increase the tax (to 9.5 cents or more) and complete the projects by 2004 as planned. On the other hand, the program could be allowed to die in 2004 forcing the remaining projects to compete for funding through the regular highway priority program. Between these two extremes lies the option of extending the tax and completing more of the remaining projects.

Pressure is building to renew the four-cent gasoline tax now to ensure continuation of the program beyond 2004 and to allow the DOTD to prepare in advance for the remaining construction projects. This option assumes that the original justifications for the remaining projects are still valid. It also assumes these projects would be the best use of the tax. Alternatives would be to let the tax expire or renew it for use in the regular highway program to help meet the DOTD's estimated \$4 billion in construction and maintenance needs.

The TIME projects were originally chosen to advance "economic

development" without the benefit of guidelines, economic goals, priorities or, in many cases, a clear definition of what the projects entailed. The DOTD still has no formal guidelines for setting project priorities and no one is charged with responsibility for determining the viability of the remaining projects. The Transportation Estimating Conference is a logical mechanism for defining and evaluating the projects. However, the conference has been dormant since its creation in 1990.

RECOMMENDATIONS

1. The Transportation Estimating Conference (TEC) should be activated immediately to begin making consensus decisions regarding the viability, scope, priority and estimated costs of the remaining TIME projects and sub-projects. The law should be amended to authorize and require the TEC to:
 - Establish criteria for evaluating TIME projects (drawing on economic development needs and standard highway needs criteria).
 - Re-evaluate the need for each project and sub-project.
 - Define the scope of each sub-project sufficiently to allow accurate cost estimates to be made.
 - Give a priority rating to each project and sub-project to determine the order of construction.
 - Agree upon cost estimates for each of the sub-projects.
 - Meet at least quarterly to review progress on projects and reconsider the TIME project definitions, priorities and cost estimates.
 - Monitor the TIME and other transportation and public works priority programs to determine if criteria are being met.
 - Report annually to the governor and Legislature its findings and recommendations concerning the TIME program and other priority programs.

The TEC, inactive to date, offers a way to bring executive and legislative staff together to set guidelines for the remainder of the TIME program, regardless of whether it is continued beyond 2004. In addition to the TIME program, the TEC would also serve an important role in providing DOTD with information to assist in preparing its other capital outlay budget requests and in advising the legislative committees.

2. The four-cent TIME gasoline tax should not be considered for renewal beyond 2004 until the Transportation Estimating Conference has been activated and has conducted a thorough evaluation of all remaining TIME projects.

The TEC should evaluate the TIME projects currently scheduled for construction, as well as those that have not yet been scheduled. This evaluation should be undertaken as soon as possible. If the TIME program is to continue beyond 2004, the tax should be renewed far enough in advance to allow time for pre-construction work and to prevent interruption of the construction already under way.

3. If the TIME tax is renewed, the following limitations should apply:
 - The duration of the tax should be limited to a period sufficient to complete only those TIME projects or sub-projects certified by the TEC to be viable and justifiable according to its criteria. Projects should be funded in order of priority and on a pay-as-you-go basis.
 - Bonding of the tax revenues should be prohibited.
 - No new projects should be added to the TIME program.

The TIME projects are constitutionally designated by reference to

the list in the 1989 bill and apparently cannot be added to or removed from the list without a constitutional amendment. However, there is no constitutional requirement that they all be funded. If the Legislature allowed the tax to run only long enough to pay for the top priority projects, the lowest priority projects would, in effect, be removed from the program. Even if the tax is renewed for a limited duration, the Joint Legislative Committee on Transportation, Highways and Public Works should annually review the program, consider TEC recommendations and determine if TIME should be continued.

4. Certain requirements should be made of the DOTD:

- An annual report should be prepared on the TIME program and submitted to the TEC, governor and relevant legislative committees.
- A DOTD official should be designated responsible for oversight of the TIME program.

5. The TIME statute should be amended to:

- Reflect the new TIME project cost estimates as agreed upon by the TEC.
- Include a definition of the economic development criteria to be used by the TEC.
- Allow early payment of the TIME bonds without triggering the early expiration of the tax.

6. The Legislature should strongly consider paying off the TIME bonds early, particularly if the program is to be continued beyond 2004. The preferable approach would be to use prior year general fund surplus.

If the present statutory impediment is removed, the TIME bonds could be defeased, or paid off early, in one of several ways. The constitution presently requires that a state general fund surplus may only be used to pay off state debt early. The TIME bonds, paying 6.5 to 7.25% interest, are

among the most costly of the state's outstanding debt. Using the surplus to pay this debt would free more TIME revenue for construction projects. This would shorten the period that a dedicated tax would be required.

Using the surplus in this way would, of course, reduce the potential for paying off general obligation debt and freeing general fund money for other purposes. However, it might be justified considering that the TIME bonds were originally issued, in large part, to indirectly boost general fund spending in 1990. The DOTD has used this reasoning to argue that the general fund should be responsible for repaying the loan from the TIME program to the Transportation Trust Fund.

Another approach would be to delay work on TIME projects for a period and use the accumulated revenue to pay off the debt. The two approaches could be combined using part state surplus and part TIME revenue.