

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.



**Modernize
Infrastructure for
the 21st Century
Economy**

For years there hasn't been much on the positive side to say about Louisiana's transportation infrastructure. High percentages of state roads and bridges are deficient, congestion in major cities is among the worst of similarly sized urban areas and drivers spend a disproportionately high amount of money on vehicle repairs caused by highway hazards.

Much of this is well-documented in various national studies. U.S. News & World Report ranks Louisiana's transportation infrastructure 48th in the nation. The Reason Foundation's Annual Highway Report puts Louisiana at 45th for structurally deficient bridges, 43rd for rural interstate pavement condition and 49th for urban condition.

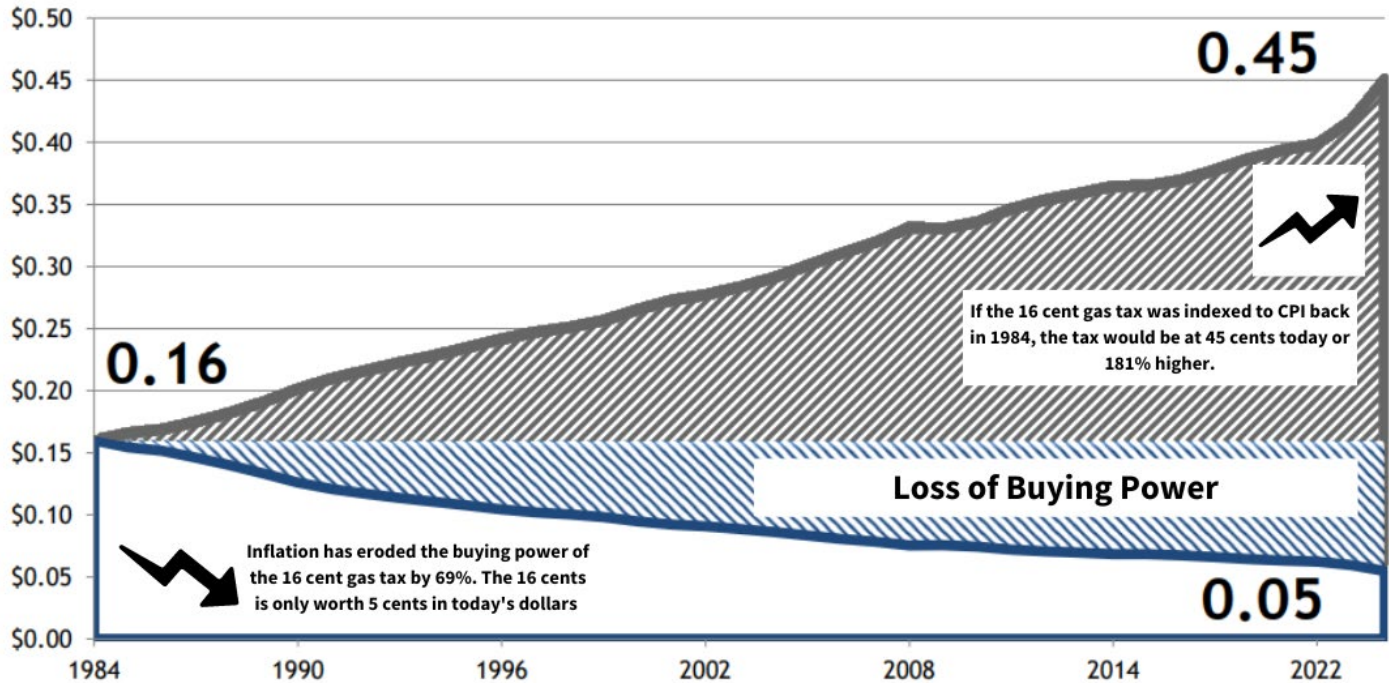
The state Department of Transportation and Development estimates Louisiana's backlog in highway and bridge needs now totals about \$18.8 billion. The problem has been years in the making, thanks in large part to a lack of ongoing investment in infrastructure.

The state portion for maintenance and construction of roads and bridges in Louisiana comes almost entirely from a 16-cent fuel tax in place since 1984. Those revenues are constitutionally dedicated to the Transportation Trust Fund, which limits their use to infrastructure projects.

Voters in 1990 approved another 4-cent fuel tax that could only be used to fund 16 constitutionally required projects in the state's TIMED building program. Two of those projects have yet to be completed, and the entire 4-cent levy is dedicated to debt service on TIMED projects, unavailable for other uses. In addition, a portion of the state's 16-cent gasoline tax is being used to service that debt. As a result, a growing amount of the state's transportation resources are paying bills for decades-old TIMED projects that are complete.

Besides a backlog in road and bridge maintenance needs, the state also has a list of multibillion-dollar capacity-building projects it has been trying to fund for years. These include such high-profile mega-projects as a new Mississippi River bridge in Baton Rouge, a replacement bridge over the Calcasieu River in Lake Charles, completion of Interstate 49 north and south and a new Red River bridge connecting Shreveport and Bossier City.

Inflation Impact on Louisiana's 16-Cent Gas Tax



Source: House Fiscal Division

Louisiana is one of only a handful of states that has not adjusted its fuel taxes in more than 30 years and, as a result, those taxes are 43rd lowest in the nation. Since then, much in the world of transportation has changed.

The purchasing power of the state's gasoline tax has deteriorated significantly in the face of steady increases in highway construction costs. Fuel efficiency standards have continued to increase. And the growth in the use of electric and hybrid vehicles has meant that more and more drivers have been paying significantly less in fuel taxes toward maintenance of the state roads they use.

Though Louisiana has not raised gasoline taxes in decades, it has recently taken steps to place more state revenues in the Transportation Trust Fund. Lawmakers in 2021 agreed to eventually direct 60% of the money from vehicle sales taxes into the fund resulting in a projected increase of more than \$300 million annually by the 2024-25 budget year, according to the Legislative Fiscal Office.

The Legislature in 2022 imposed a road usage fee on hybrid and electric vehicles designed to offset the loss of gasoline taxes resulting from greater use of those types of cars and trucks. For drivers, that amounts to a new \$110 annual fee on electric vehicles and a \$60 fee on hybrids.

A report by the Louisiana Legislative Auditor found the new fees on electric vehicles should offset the loss in fuel tax collections, but would fall somewhat short of making up the losses from greater use of hybrid vehicles. The report concludes in its primary finding that revenues coming into the Transportation Trust Fund have been insufficient to meet the state's transportation needs and suggests that will continue.

Despite that, Louisiana recently has seen an unprecedented influx of federal dollars and state revenues targeted to transportation and other infrastructure. The state dollars come from surpluses and other short-term sources of cash, and the federal funding comes primarily from pandemic relief legislation and the bipartisan infrastructure law passed by Congress.

The Legislature appropriated approximately \$1.3 billion to transportation projects in 2022 from a variety of sources. Just over half is earmarked for the state's high-priority mega-projects with the remainder going to the state highway program, local roads, passenger rail and federal match dollars. Up to \$5.9 billion could be available from the federal infrastructure bill over the next five years if the state is able to provide matching funds. Louisiana also will be able to compete for \$30 billion more through bridge repair and mega-project programs.

Though these are huge investments that could accelerate progress on some of the state's most in-demand projects, they still do not cover all the costs of big ticket items like the Baton Rouge and Calcasieu bridges or the I-49 expansion. To fully pay for those, the state will have to consider other funding strategies which would likely include public/private partnerships and tolls.

While all these dollars will provide a much-needed boost, they will not be enough to meet the state's long-term operational and maintenance needs. That will require a more comprehensive strategy and a plan to ensure that state funds are available to meet the federal matches many of them will require.

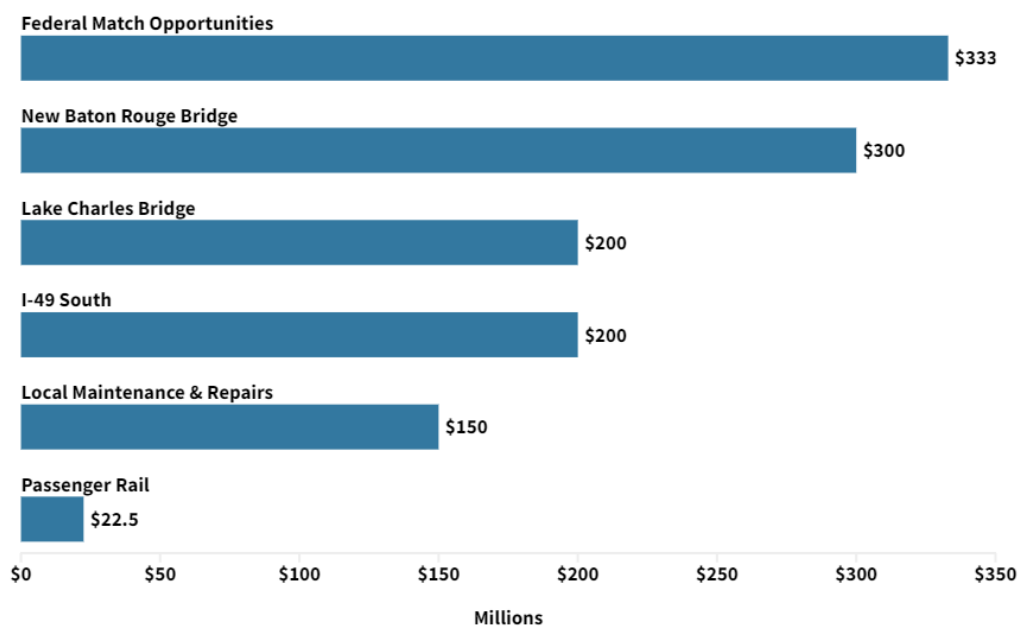
Other states are experiencing this, too. The legislative auditor notes that states across the country are looking at ways to diversify their funding sources for transportation or modernize

their existing ones. 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.
- Fee systems based on how many miles a motorist drives.

It is important to note these mechanisms by themselves would likely do little to address Louisiana's major infrastructure needs, but they could serve as a hedge against further erosion of the transportation funding base.

Major Louisiana Transportation Appropriations 2022



Source: Louisiana Department of Transportation and Development

Beyond the direct maintenance and construction of roads and bridges, the state Department of Transportation and Development has various responsibilities involving ports, airports, railroads, rivers and levees. They include activities involving construction, maintenance and inspections.

Ports

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. That is significant when considering the five ports along the lower Mississippi River in Louisiana together make up the largest port complex in the world. The state's port system combined handles a quarter of the nation's waterborne shipping and 60% of its grain, and it is a primary supporter of the state's energy and manufacturing industries.

In recent years, Louisiana has spent on average nearly \$40 million annually in the Port Priority Program to help fund expansions and modernizations and maintain competitiveness with other Gulf ports. Lawmakers also have steered some state construction budget dollars and federal pandemic aid to the effort. Despite recent increases, the DOTD Transportation Plan says that level of funding is inadequate and recommends continuing to increase the amount to help meet more than \$7 billion in identified needs over the next 30 years.

Rail

Railroads make up a major portion of Louisiana's inter-modal transportation infrastructure. The state is served by six Class I rail carriers that together move cargo across much of the North American continent. The Port of New Orleans is the only deep-draft port in the country to be served by six major railroads. Together, they originate or terminate about 144 million tons of cargo in the state each year over about 2,600 miles of track.

While freight is a huge economic driver, most of the recent discussion has been about passenger rail. Louisiana is only sparingly served by Amtrak passenger service, and New Orleans is its only hub. Three major routes connect the city to Chicago, New York and Los Angeles. Trains stop in a handful of Louisiana communities along the way, but otherwise there is little in-state passenger rail service.

Recently, talk has intensified of expanding passenger rail service in two parts of the state.

One is a connection between Baton Rouge and New Orleans that has not had passenger service since 1969. The project is part of a potentially wider expansion that could see passenger travel from New Orleans to Mobile resumed for the first time since Hurricane Katrina. That could eventually result in access to a completed route tying Louisiana to the entire Gulf Coast.

Further north, interest exists in passenger service along the Interstate 20 corridor. Currently, Amtrak provides an east-west route between Atlanta and Meridian, Mississippi. A new plan being considered would take it from there, across all north Louisiana, and into Fort Worth.

The Legislature set aside \$10 million in 2022 for the north Louisiana project and \$12.5 million for the Baton Rouge to New Orleans leg. Both projects would require significantly more funding, but the state dollars could be used to match funds in a major federal transportation program. Progress on both initiatives is farther along than ever before.

Other Infrastructure

Other aspects of infrastructure do not deal with transportation but are of critical importance.

Coastal Restoration: Louisiana’s coastal issues are well known and documented. The state’s coastal restoration initiatives are spearheaded by the Coastal Protection and Restoration Authority, created in the aftermath of Hurricanes Katrina and Rita.

The CPRA has developed a \$50 billion master plan with the goal of improving flood protection, recreating the natural processes that originally built Louisiana’s delta and ensuring the continued economic viability of Louisiana’s coast. The agency has completed 150 projects at a cost of almost \$15 billion since 2007.

Between 2024 and 2026 it projects to spend more than \$4.6 billion on initiatives as part of its ongoing flood mitigation and coastal protection efforts.

Those dollars come primarily from state and federal funds and proceeds from the Deepwater Horizon oil spill settlement. This combination of

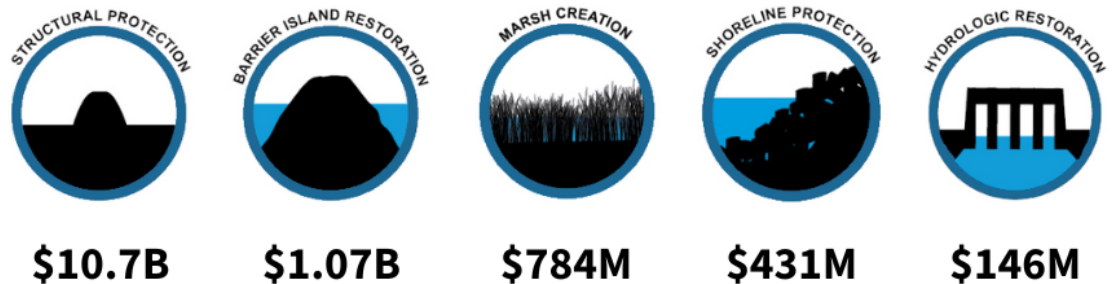
resources has allowed Louisiana to make historic investments in coastal projects, but that level of income will not last forever. Federal pandemic relief and infrastructure payments, extraordinary levels of state surplus and short-term cash and oil spill payouts are only temporary. They will mostly disappear within the next decade.

While some recurring dollars will remain, they will fall far short of current investments for the foreseeable future. State leaders should begin developing plans now to address the coming drop in financing to ensure the vital work of coastal preservation and flood protection can continue at the pace needed.

Broadband: Many people may not have considered high-speed internet connectivity a part of the infrastructure discussion, but the pandemic was quick to change that.

Timely data is difficult to obtain in an area that is undergoing such tremendous change. But information

Major Coastal Projects Completed Since 2007



Source: Coastal Protection and Restoration Authority, 2024 Annual Plan

from national sources suggests Louisiana ranks somewhere in the middle of the pack of states when it comes to the availability of very high-speed or “gigabyte” internet. Yet, that is in no way uniform across the state. Urban, suburban and parishes with higher concentrations of industry appear to have relatively good access to high-speed internet. But broadband deserts exist in many rural parishes, particularly in north Louisiana, where access can be extremely limited.

While that is a significant problem, affordability seems to be a bigger issue. Even if good internet connections are available, state data indicate that nearly 45% of Louisiana households lack access to low-cost, high-speed internet. This is backed up by national data that show Louisiana ranks near the bottom for broadband subscription rates.

Seeking to make improvements, the state established the Broadband for Everyone in Louisiana Commission in 2019, with a goal to ensure universal access to at least a mid-level of high-speed internet by 2029. That will come at no small cost. Estimates to achieve that are in the range of \$1 billion. The commission is working to leverage about half of that amount using federal dollars already allocated through grants and other programs to help local communities and providers build out additional internet infrastructure. Those grants include incentives to make internet subscriptions more affordable.

Digital literacy is another major issue in Louisiana. An analysis by the state’s broadband commission suggests as many as 460,000 Louisiana residents ages 18 to 64 lack the basic computer skills needed to fully use internet services.

The goal for Louisiana must be to continue to improve access, develop strategies to make high-speed internet costs more affordable for a poor population and ensure that citizens have the skills they need to take advantage of the opportunities connection to broadband offers.

Water Systems: The Louisiana Department of Health oversees more than 1,300 water systems across the state. The vast majority are community water systems that provide drinking water to people from major urban areas to the state’s smallest towns and villages. The viability of many of those systems is at risk.

The health department this year issued its first letter grades for more than 950 of the community water systems, based on factors including water quality violations, infrastructure and maintenance. Of those, 138 received grades of either D or F. Though most of those with major issues are in small rural communities, collectively they serve more than 230,000 people.

The grades provide a quantitative look at a problem in the making for years. The American Society of Civil Engineers issued a warning about the state’s water systems in 2017, noting at the time that about 58% of them were more than 50 years old. Old water systems increasingly run into problems with frequent breakdowns and issues with water quality. On average, Louisiana records 1,600 to 1,700 boil water advisories per year.

Sustainability is also a problem. Small water systems are often less efficient to operate because they can require many workers to serve a tiny base of customers. This has led to discussions about consolidating systems to spread personnel over larger service areas and calls for studies to determine if the rates being charged are adequate to keep these systems viable.

The influx of federal pandemic relief dollars has provided a major source of revenue to begin addressing the problem. Lawmakers have steered \$750 million since 2021 to water and sewer projects. While that's more than ever before, state health officials still see it as little more than a down payment on work expected to cost as much as \$7 billion over the next 20 years.

The RESET

To address the state's many infrastructure needs, Louisiana should:

- **Develop a state plan for increasing long-term investment in transportation infrastructure that considers the decreasing purchasing power of the gasoline tax caused by inflation and changes in fuel efficiency.**
- **Create a comprehensive database that shows how much money has been allocated to state infrastructure projects, how much has been spent and where projects stand in terms of construction.**
- **Explore ways to make local water and sewerage systems more cost efficient, such as consolidating districts and allowing personnel to service systems in multiple jurisdictions.**
- **Identify ways to sustain long-term state financing of coastal restoration projects that go beyond the current reliance on surplus and excess revenues.**
- **Continue to prioritize investment in rail to diversify transportation options and encourage economic development.**
- **Develop plans to spend federal dollars for expanding access to high-speed internet that ensure service is affordable for most citizens and people are equipped with the digital skills needed to take advantage of the opportunities enhanced connectivity provides.**
- **Ensure that infrastructure spending is based on state priorities and not parochial interests or politics.**

