

Louisiana Good Roads and Transportation Association

A White Paper on Louisiana's Transportation Funding Issues

Issue

Louisiana's transportation infrastructure no longer meets the economic, mobility and safety needs of its citizens because of systemic funding problems. The willingness of gubernatorial and legislative candidates to honestly address these issues in the 2015 elections and take decisive and positive action will determine the future of our transportation system for decades to come.

Infrastructure Facts

Louisiana has more than 61,000 miles of federal, state and local roadways; approximately 13,000 bridges; seven deep draft ports; 34 shallow draft ports; 62 general aviation airports; seven commercial airports, and 19 freight railroads operating on more than 2,700 miles of railroad tracks. Together, these modes constitute Louisiana's transportation infrastructure that supports our society. People rely on the network daily for work, school, medical and leisure purposes, and businesses depend on it to deliver and receive materials and products. Ensuring that travel is safe and convenient requires regular monitoring, maintenance and updating of the system.

Transportation is a key economic driver

According to the U.S. Federal Highway Administration, each \$1 billion invested in transportation leads to more than 31,000 jobs. Many of these jobs obviously are the direct and indirect jobs the construction activity induces. However, the biggest economic impact of transportation projects is the increased development activity it encourages. A 2014 study from the National Association of Manufacturers concluded that targeted and long-term increases in U.S. public infrastructure investments over the next 15 years will:

- Increase jobs.
- Grow real GDP 1.3 percent by 2020 and 2.9 percent by 2030.
- Create a progressively more productive economy.
- Provide Americans with more take-home pay.

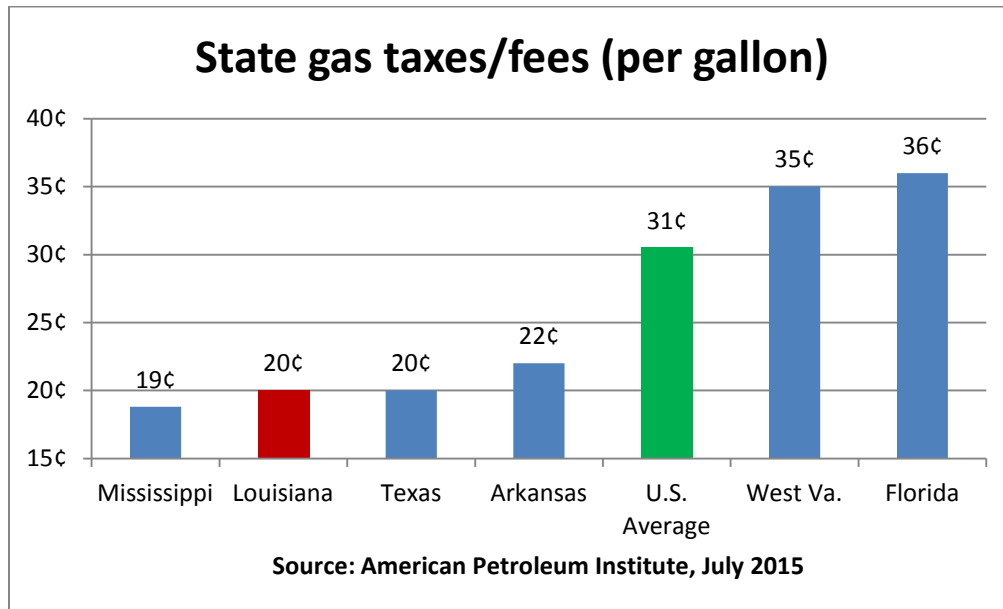
This link between transportation investment and economic development is well established. Every year, Area Development Magazine surveys U.S. business executives on their expansion, relocation and new facility plans. Highway accessibility is consistently the top factor, surveying higher than labor costs, corporate tax rates or building and land costs. Simply put, states that do not have a sound transportation system are at a disadvantage in attracting new business.

How Louisiana pays for transportation

Louisiana drivers pay a 20-cents-per-gallon state motor fuels tax, which is collected into the Transportation Trust Fund (TTF). Four cents is dedicated to pay bonds for the Transportation Infrastructure Model for Economic Development (TIMED) program, 16 voter-approved projects across the state. The remaining 16 cents-per-gallon provides about \$400-\$450 million a year and pays for transportation projects and operating expenses for the state Department of Transportation and Development (DOTD). Some projects are funded through special funds or the state's capital outlay process, but Louisiana generally does not pay for transportation projects from its general fund.

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Louisiana's 20 cents-per-gallon motor fuel tax was set in 1990, when the four cents were added for the TIMED program. Since then, 46 other states have increased gas taxes. Louisiana now has the 9th lowest gas tax rate in the U.S.; the national average is 30.5 cents-per-gallon. Other states additionally fund transportation through general sales taxes, vehicle sales taxes, tolling, fees, etc.



Louisiana also receives money from the federal 18.4-cents-per-gallon gas tax. Louisiana uses its TTF to provide matching funds to attract federal dollars for qualifying transportation projects.

The state of Louisiana's infrastructure financing

Like an outdated bridge carrying more traffic and weight than it was designed to bear, the TTF has fundamental structural issues. There are several factors that exacerbate this funding problem:

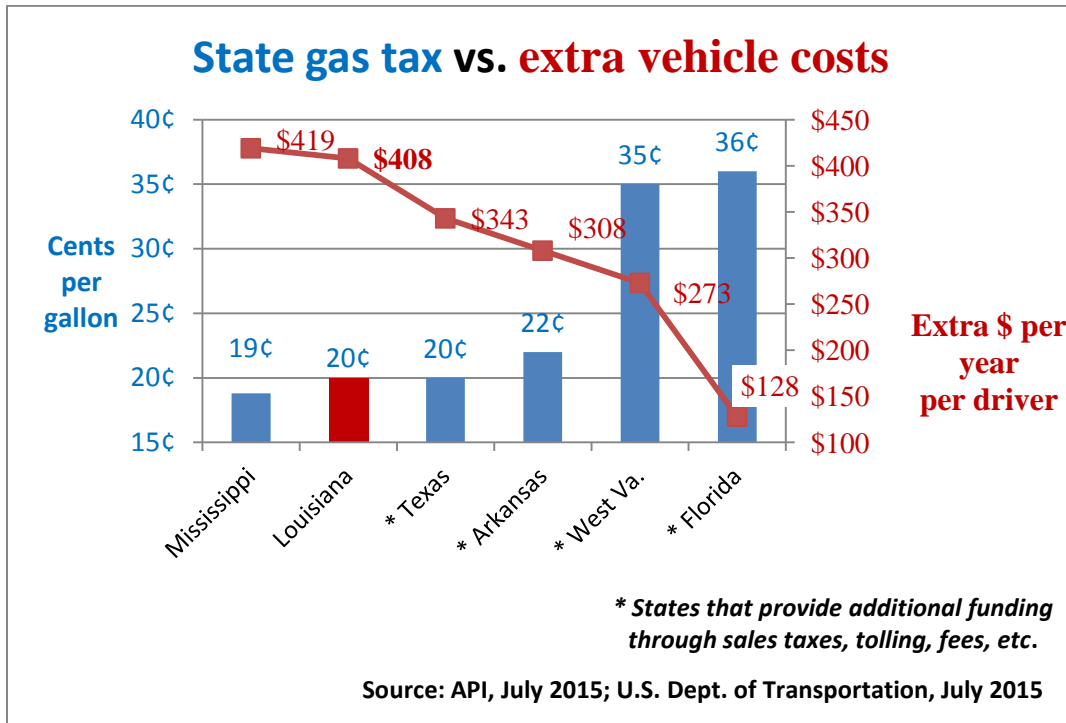
- Unlike sales taxes that increase with inflation, motor fuels are taxed on volume, so growth occurs only through higher sales. As gas prices rise, the taxes remain the same. Consequently, the 16 cents-per-gallon tax is worth about seven cents in 1990 dollars.
- Today's vehicles are more fuel efficient, allowing drivers to purchase less fuel and pay less in transportation taxes. The average Louisiana driver (12,000 miles per year, 24 miles per gallon) pays about \$100 a year in state fuel taxes.
- In recent years, funds from the state TTF have been redirected to pay for items that have no direct bearing on the condition of the transportation system.

This lack of funding has forced Louisiana to defer maintenance, which accelerates road deterioration, and delay projects, which worsens congestion and lowers safety. The value of backlogged projects in Louisiana is reported to be more than \$12 billion; the true figure, which has not been updated since 2009, may be several billion dollars higher. This translates to poorly maintained, congested system that slows economic development, hinders mobility and decreases safety.

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The “Bad Roads Tax” – The hidden costs of Louisiana’s transportation system

It is incorrect to assume that Louisiana drivers are not paying more in transportation costs because state transportation taxes have not increased since 1990. A recent report from the U.S. Department of Transportation said 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.



Congestion on major routes in the urban areas, especially Baton Rouge, New Orleans and Shreveport, costs individuals time, money and fuel. In October 2013, TRIP, a national transportation research group, said 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.

Funding Needs

There is no serious debate of the proposition that Louisiana needs more transportation funding. The only questions are “how much, where does it come from, and what are the priorities?”

Louisiana’s recent political climate has been hostile to suggestions of increased taxes. Meanwhile, state government’s chronic budget problems have made shifts of available public funds into transportation impossible; indeed, as noted above, funds that previously were dedicated to transportation have been redirected to other government functions.

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In 2009, the non-partisan Public Affairs Research Council (PAR) published a study, “Moving Highway Funding to Stable Ground,” that called for an annual increase of \$650 million in state aid to meet Louisiana’s capacity, maintenance and safety needs. PAR noted, however, that \$650 million extra per year “would only allow nominal progress on the list of very large projects over the next three decades. Most of these projects would require complex financing packages in which state funding would be only one element. A variety of funding sources and innovative financing strategies would be required.”

The needs of the state highway system are best prioritized by DOTD’s professional staff, through the state’s Highway Priority Plan. Any increases should address capacity, maintenance, safety and economic development needs while recognizing the importance of enhancing Louisiana’s intermodal transportation and support for commuter rail and public transit.

Conclusions and Funding Recommendations

A well-planned, properly maintained and adequately financed transportation infrastructure drives economic development, contributes to citizens’ quality of life and improves safety. When our infrastructure suffers from inadequate funding, the resulting congestion, lack of mobility and limited access hurts business growth and negatively impacts our lives. Louisiana must address its long-term transportation issues and provide sustainable funding to improve roadways, bridges, ports, and airports if our state is to be economically competitive with other states.

The Louisiana Good Roads and Transportation Association recommends that the incoming governor and 2016 Louisiana Legislature support and enact the following recommendations to improve our transportation system, encourage economic growth, increase mobility and enhance safety:

- *Increase Louisiana’s motor fuels tax to at least 30 cents-per-gallon, which is near the national average, to raise \$250 million to \$280 million a year. These funds should be dedicated to fund improvements to the transportation system.*
- *Repeal the prohibition on local and parish governments’ raising their own revenue through a local fuel tax to address local needs.*

These funding recommendations, along with innovative funding proposals such as toll financing, public-private partnerships, federal TIFIA loans and GARVEE bonds, must be crafted into a comprehensive blueprint for a progressive state transportation plan for the future of Louisiana.

Good Roads also supports and encourages the gubernatorial and legislative candidates to support two Constitutional Amendments on the October 2015 ballot:

- *Constitutional Amendment 1, Creation of the Budget and Transportation Stabilization Trust.*
- *Constitutional Amendment 2, Authorization of Investment of Funds for a State Infrastructure Bank.*

The condition of any state’s transportation infrastructure has a direct bearing on citizens’ quality of life and is an indicator of that state’s economic well-being. Louisiana must make appropriate investments in its declining infrastructure to improve our mobility, safety and economic competitiveness.