

TRANSPORTATION TRUST FUND
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
INFORMATIONAL REPORT
ISSUED AUGUST 5, 2015

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 5, 2015

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Mrs. Sherri LeBas, Secretary
Louisiana Department of Transportation and Development

Dear Senator Alario, Representative Kleckley, and Secretary LeBas:

This report provides information on the Transportation Trust Fund (TTF) sources and uses of funding, the results of our procedures relating to the adequacy of TTF's future levels of funding to address the transportation infrastructure needs of the state, and the methods considered by Louisiana and other states to increase transportation funding. I hope this report will benefit you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of the Department of Transportation and Development for their assistance during our work.

Sincerely,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

EBT:RR:BQD:EFS:aa

TTF 2015

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Transportation Trust Fund

August 2015

Audit Control # 80140021

Introduction

The Louisiana Department of Transportation and Development (DOTD) has an estimated backlog of construction projects totaling approximately \$12 billion. As the costs of construction increase, there has been an increased concern that state and federal funding will not be sufficient to address the transportation infrastructure needs of the state.

According to a publication titled *21st Annual Report on the Performance of State Highway Systems (1984-2012)* issued September 2014, Louisiana is ranked 48th of 50 states on the condition of urban interstates and is listed as one of only six states that account for 49.5% of the poor-condition urban interstate mileage. In addition, Louisiana's overall highway performance ranking (considering categories such as disbursements, pavement condition, deficient bridges, fatality rate, and narrow rural arterial lanes) was 40th out of 50 states based on the 2012 data. Using 2009 and 2011 data, Louisiana ranked 35th and 24th, respectively, indicating an overall decline in performance ranking.

The Transportation Trust Fund (TTF)¹ was established January 1, 1990, and its monies were intended to be appropriated or dedicated for the cost associated with construction and maintenance of state and federal roads and bridges; the Statewide Flood Control Program; ports; airports; transit; State Police for traffic control purposes; the Parish Transportation Fund; and for the payment of all principal, interest, premium, if any, and other obligations incident to the issuance, security, and payment in respect of bonds or other obligations payable from the trust fund.² In fiscal year 2014, DOTD received 84.7% of its revenue for capital outlay projects and 85.4% of its revenue for operations from TTF, which includes the TIMED Account³ and federal receipts.

The purpose of this report is to provide information relating to TTF sources and uses of funding, to evaluate whether the expected future levels of funding will be sufficient to address the transportation infrastructure needs of the state, and to identify methods considered by Louisiana and other states to increase transportation funding. Our procedures will address the following objectives:

¹ A special permanent trust in the state treasury established by Act 847 of the 1989 (Article 7, Part IV of the 1974 Louisiana Constitution).

² Article 7, Section 27(B) of the Louisiana Constitution

³ The TIMED Account was established within the Transportation Trust Fund by Act 16 of the 1989 Extraordinary Session of the Louisiana Legislature (Louisiana Revised Statute 47.820.2). Monies in the account are to be used solely to fund the TIMED Account projects as specified in the Act.

Objective 1: Identify the sources and uses of TTF.

Objective 2: Evaluate whether the expected future levels of funding will be sufficient to address the transportation infrastructure needs of the state.

Objective 3: Identify the methods considered by Louisiana and other states to increase transportation funding.

Overall, TTF revenues are being distributed as required by law; however, with rising costs and an expected decrease in federal funds, there is concern that the TTF may not be able to address the transportation infrastructure needs of the state. Based upon the information obtained, TTF revenues may not be sufficient to address the transportation infrastructure needs of the state without additional or increased revenue sources and/or changes to the allocation of TTF funds.

Appendix A contains management's response, Appendix B provides our scope and methodology, Appendix C explains TTF revenue sources, and Appendix D lists TIMED Account projects.

Objective 1: Identify the sources and uses of TTF.

Sources of TTF Funds

TTF revenues consist of motor fuels (gasoline, diesel, and special fuels) taxes, federal receipts, motor vehicle license tax, aviation fuel tax, miscellaneous fees and fines, and interest earnings. See Appendix C for a description of each component.

For fiscal years 2010 through 2014, motor fuels and federal receipts have represented at least 92% of the total TTF revenue.

Each state in the nation levies taxes on motor fuels (gasoline, diesel, and special fuels); currently, Louisiana's taxes are 20 cents per gallon. Sixteen cents are to be deposited into TTF, and the remaining four cents of the taxes are to be deposited into the TIMED Account after any debt service requirements are met.

The federal government also receives a portion of each gallon sold (\$0.184 for gasoline and \$0.244 for diesel fuel), which is then distributed to the states based upon a formula. Because of a decreased demand for gasoline, the federal funding from the Highway Transportation Fund has decreased over the past several years. The federal government is looking into ways to more adequately fund construction projects across the nation.

Exhibit 1 shows the sources of revenue for the TTF (excluding TIMED revenues). For fiscal years 2010 through 2014, motor fuels taxes and federal receipts ranged from 92-93% of total TTF revenue.

Exhibit 1 - TTF Revenues, by Source (Excluding TIMED) (in millions)					
Revenue Source	FY10	FY11	FY12	FY13	FY14
Motor Fuels Taxes*	\$470.4	\$486.0	\$460.1	\$466.4	\$471.1
Motor Vehicle License Tax	44.6	42.6	47.3	47.3	49.2
Aviation Fuel Tax	29.8	29.8	29.8	29.8	29.8
Miscellaneous Fees and Fines	28.0	28.1	27.6	27.4	28.0
Interest Earnings	1.8	1.5	0.8	0.7	0.5
Total (excluding Federal)	\$574.6	\$588.0	\$565.6	\$571.6	\$578.6
Federal Receipts	823.4	958.7	924.7	827.4	715.5
Total Revenue	\$1,398.0	\$1,546.7	\$1,490.3	\$1,399.0	\$1,294.1
*Amounts presented excluded TIMED revenues; therefore, only the \$.16 motor fuels tax is reflected. Source: Prepared by LLA staff using data obtained from the CAFR and ISIS using Business Objects					

Uses of TTF Funds

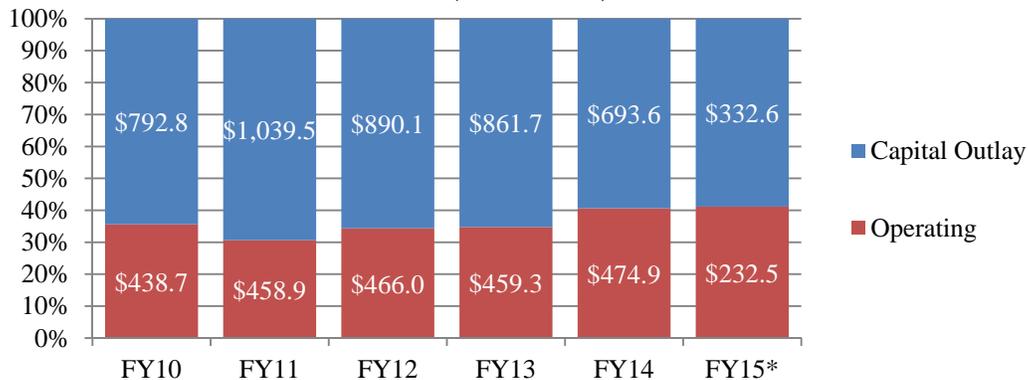
The collections of motor fuels taxes, except for the four-cent tax dedicated for TIMED debt service, are first credited to the Bond Security and Redemption Fund in the State Treasury and then transferred to TTF, as required by the Louisiana Constitution. Once transferred to TTF, the monies are disbursed to the Louisiana Department of Transportation and Development (DOTD); the Office of State Police; the Parish Transportation Fund (PTF); and to the debt service trustee accounts, if the amount dedicated for debt service (four-cent tax) is not sufficient to meet debt obligations.

The following explains how TTF funds are being used and evaluates compliance with certain limitations on appropriations. Based on the information obtained and procedures performed, TTF revenues are being distributed as required by law.

The majority of TTF funds are used by DOTD for capital outlay; however, if federal receipts are excluded, the majority is used for DOTD operations.

DOTD is appropriated TTF funding through House Bills 1 and 2 of the Regular Session of the Louisiana Legislature each year. Exhibit 2 shows the distribution of TTF warrants (including federal funds) received by DOTD for both operating and capital outlay purposes. It reflects that more than 50% of TTF funds received by DOTD (including federal funds) are used for capital outlay.

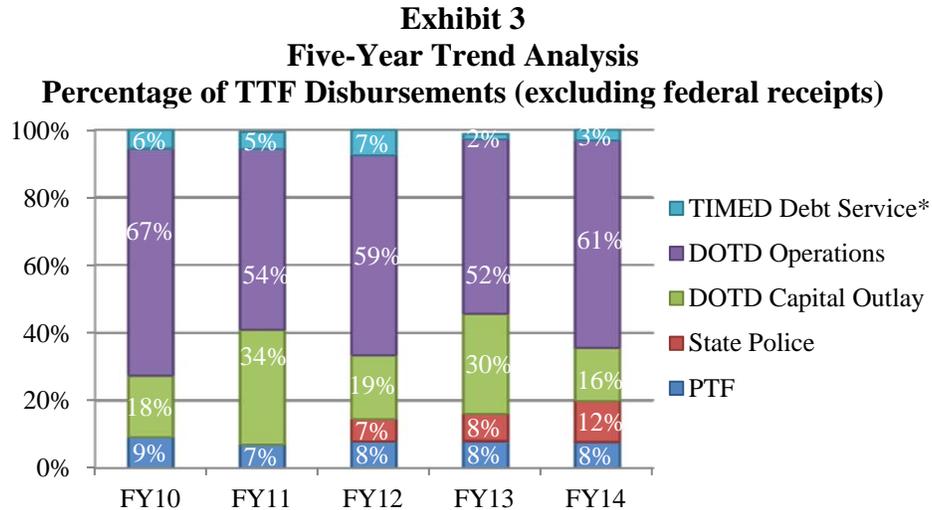
Exhibit 2
Total TTF Funding to DOTD (including federal funds)
(in millions)



* Data only through December 31, 2014

Source: Prepared by LLA staff using unaudited data obtained from ISIS using Business Objects and DOTD AFR

Exhibit 3 shows the percentage of TTF disbursements (excluding federal receipts) by category from fiscal year (FY) 2010 through FY 2014. It reflects that 52-67% of TTF funds (excluding federal) have been used for DOTD operations.



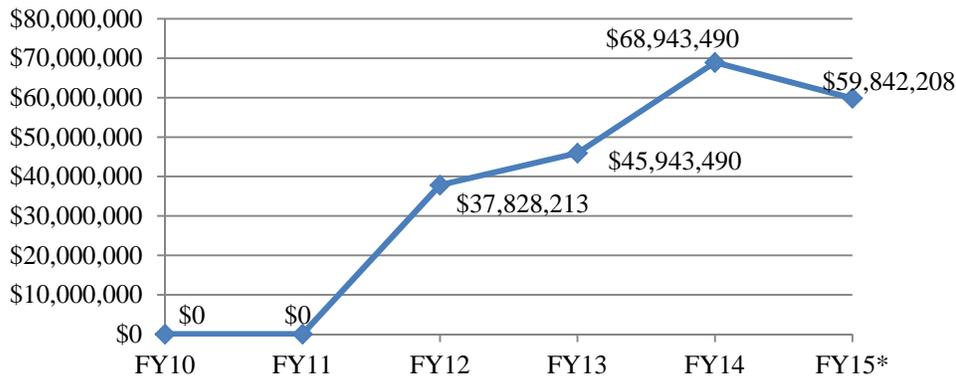
*This includes only the additional monies used in excess of the \$.04 tax dedicated for debt service.

Source: Prepared by LLA staff using data obtained from ISIS using Business Objects and DOTD Capital Outlay AFR

The Office of State Police has received between 7% and 12% of the TTF revenues (excluding federal) in FY12, FY13, and FY14.

The Office of State Police is authorized to use TTF monies for the costs for and associated with State Police traffic control purposes. Exhibit 4 shows the disbursements to the State Police for FY 2012 through FY 2014, which totaled \$152.7 million, and the FY 2015 appropriated amount of \$59.8 million. No disbursements were made during FY 2010 or FY 2011 to State Police from TTF. From FY 2012 to FY 2014, state general fund (direct) appropriations decreased, while appropriations for State Police from TTF increased. Increased appropriations from TTF to State Police result in decreased TTF monies to fund state transportation infrastructure needs. However, Act 380 of the 2015 Regular Session restricts the amount of TTF funds that can be appropriated to the Office of State Police to \$45 million for fiscal year 2015-16, \$20 million for fiscal year 2016-17, \$10 million for fiscal year 2017-18, and each fiscal year thereafter.

**Exhibit 4
TTF Disbursements to State Police**



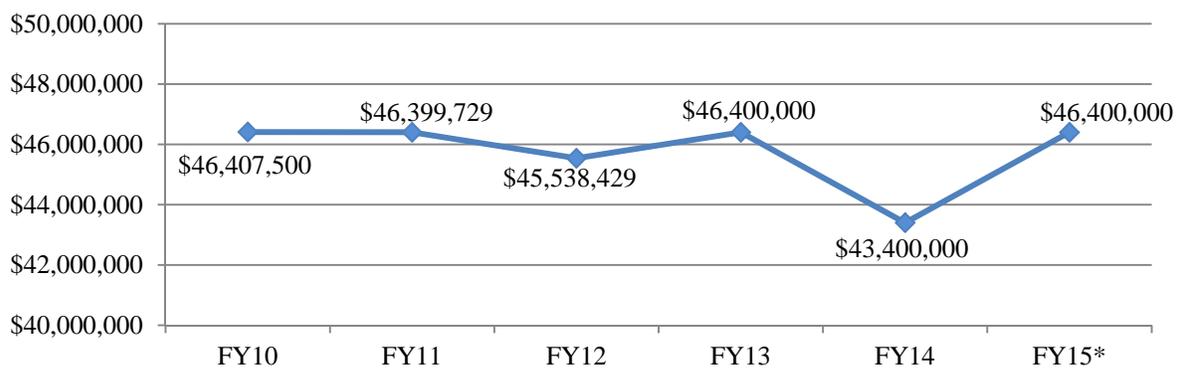
*Appropriated by Act 15 of the 2014 Regular Session. As of December 31, 2014, \$39,172,764 had been disbursed to the State Police.

Source: Prepared by LLA staff using unaudited data obtained from ISIS using Business Objects and www.legis.la.gov

During fiscal years 2010 through 2014, the Parish Transportation Fund has received \$82 million in excess of the minimum TTF funding required by law.

In order to provide funding for the maintenance, construction, and repair of parish roads, the Louisiana Legislature annually appropriates funding from the TTF to the Parish Transportation Fund (PTF). Exhibit 5 reflects the actual disbursements to PTF from FY 2010 to FY 2014 and the FY 2015 appropriated amount.

**Exhibit 5
TTF Disbursements to the Parish Transportation Fund**



*Appropriated by Act 15 of the 2014 Regular Session. As of December 31, 2014, \$16,154,348 had been warranted to the PTF.

Source: Prepared by LLA staff using data obtained from ISIS using Business Objects

In accordance with Article 7, Section 27(B) of the Louisiana Constitution, at least one cent per gallon of the tax on gasoline and special fuels shall be appropriated to PTF. Based upon the appropriations and revenue projections for fiscal year 2015 and five prior fiscal years, the funding requirement has been met and has been exceeded by approximately \$99 million over the last six fiscal years. See Exhibit 6.

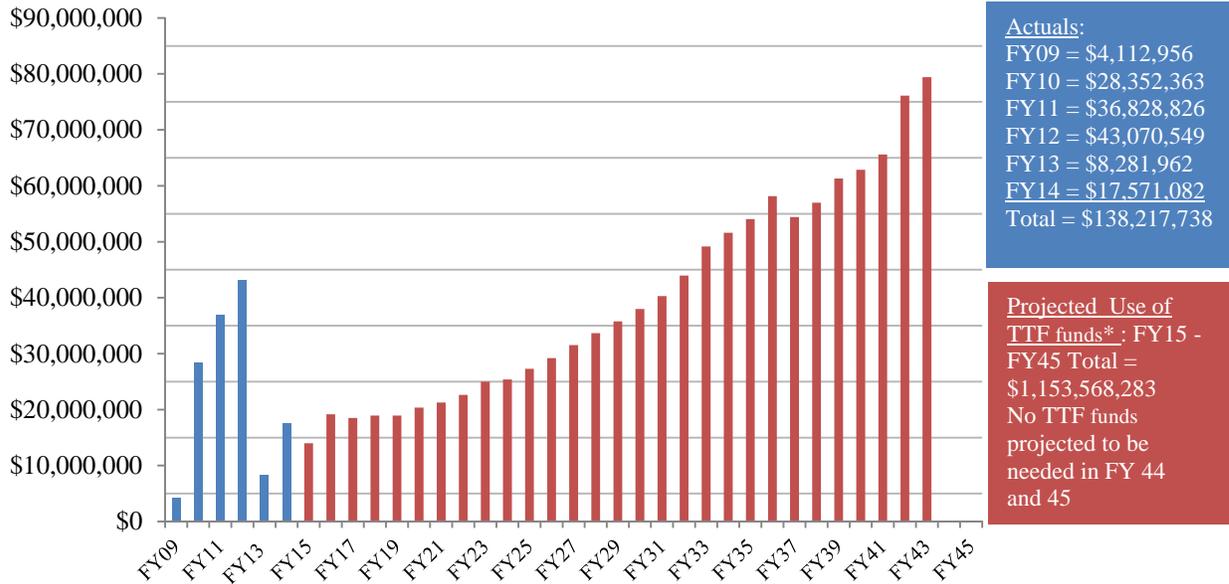
Exhibit 6 - Parish Transportation Fund Funding Requirement					
Motor Fuels Taxes¹		Avails of 1 cent	Appropriated to PTF	Excess of Required Appropriation	Met Funding Requirement?
FY10	\$470,396,303	\$29,399,769	\$46,400,000	\$17,000,231	Yes
FY11	486,031,728	30,376,983	46,400,000	16,023,017	Yes
FY12	460,050,506	28,753,157	46,400,000	17,646,843	Yes
FY13	466,420,297	29,151,269	46,400,000	17,248,731	Yes
FY14	471,088,025	29,443,002	43,400,000	13,956,998	Yes
FY15*	470,100,000	29,381,250	46,400,000	17,018,750	Yes
Totals	\$2,824,086,859	\$176,505,430	\$275,400,000	\$98,894,570	

¹Amounts presented exclude TIMED revenues; therefore, only the \$.16 motor fuels tax is reflected.
 *Revenue noted for FY 2015 is the adopted forecast during the 2014 Regular Session (5/19/14).
Source: Prepared by LLA staff using unaudited data obtained from ISIS using Business Objects and www.legis.la.gov

Over \$138 million (or 4.9%) of the total \$2.8 billion of the 16-cent motor fuels tax collected from fiscal year 2009 to 2014 has been used to supplement the TIMED debt. An additional \$1.2 billion of the 16-cent tax is projected to be needed over the next 30 years to pay off the TIMED debt.

Based on information provided by DOTD for fiscal years 2009 through 2014, the four-cent motor fuels tax dedicated to the TIMED debt service has been insufficient to pay debt service payments; therefore, \$138,217,738 of TTF revenues have been used to supplement the debt service payments. As illustrated in Exhibit 7, it is estimated that \$1,153,568,283 (or 6.9%) of projected future TTF funds over the next 30 years will be needed to service the TIMED debt. The future TIMED debt service owed from fiscal year 2016 through fiscal year 2045 is more than \$5 billion.

**Exhibit 7
TTF Revenues for TIMED Debt**



*Projected use of TTF funds for TIMED debt was calculated by DOTD using current TIMED debt and estimated revenues. Estimated revenues used for FY17-19 were from the 1/26/15 adopted REC forecast.

Note: \$13,919,658 of TTF funds were used to pay TIMED debt during fiscal year 2015 as of May 18, 2015.

Source: Prepared by LLA staff using unaudited information obtained from DOTD and State Treasury

During FY13, FY14, and FY15, the state generated tax revenues were not sufficient to fund the entire appropriations for the ports, PTF, flood control program, or traffic control for State Police. As a result, revenues received from interest and miscellaneous fees and fines were used to fund the appropriations.

In accordance with Article 7, Section 27(B) of the Louisiana Constitution, the state-generated tax monies appropriated for the ports, Parish Transportation Fund (PTF), Statewide Flood-Control Program, and the State Police for traffic control purposes shall not exceed 20% of the annual state-generated tax revenues in the trust fund.⁴ Since the state-generated tax revenues were not sufficient, interest and miscellaneous fees and fines totaling \$13.2 million in FY13, \$4.3 million in FY14, and, as of 1/26/15, estimated receipts of \$21.8 million in FY15 were used or will be used to fund the appropriations. Exhibit 8 evaluates compliance with this funding requirement.

⁴ Annual state-generated tax revenues in the trust fund are calculated as gasoline and special fuels taxes, motor vehicle license taxes, and aviation fuel taxes.

Exhibit 8 - 20% Funding Requirement (in millions)					
	FY11	FY12	FY13	FY14	FY15
Tax Revenues: ¹					
Motor Fuels Taxes	\$486.0	\$460.1	\$466.4	\$471.1	\$484.8
Motor Vehicles License Tax	42.6	47.3	47.3	49.2	50.4
Aviation Fuel Tax	29.8	29.8	29.8	29.8	29.8
Total Tax Revenues	\$558.4	\$537.2	\$543.5	\$550.1	\$565.0
20% Cap	\$111.7	\$107.4	\$108.7	\$110.0	\$113.0
Appropriations: ²					
Ports	\$19.7	\$19.7	\$19.7	\$16.1	\$19.7
PTF	46.4	46.4	46.4	43.4	46.4
Flood	9.9	9.9	9.9	8.9	8.9
State Police		26.5	45.9	45.9	59.8
Total Appropriations	\$76.0	\$102.5	\$121.9	\$114.3	\$134.8
Met Funding Requirement?	Yes	Yes	Yes ³	Yes ³	Yes ³
¹ Actuals from Business Objects, except for FY15 which is estimated from the 1/26/15 adopted REC forecast. ² From House Bills 1 and 2 of each Regular Session. These appropriations include monies from state-generated tax revenues, as well as, monies from interest, fees, fines, and other miscellaneous receipts. ³ \$13.2 million, \$4.3 million, and \$21.8 million of the FY13, FY14, and FY15 appropriations, respectively, were funded using revenues from interest, fees, fines, and other miscellaneous receipts. Source: Prepared by LLA staff using unaudited information obtained from www.legis.la.gov , ISIS using Business Objects, and the Revenue Estimating Conference					

Airport expenditures have been less than the estimated revenues per the Revenue Estimating Conference and the appropriated amounts.

In accordance with Article 7, Section 27(B) of the Louisiana Constitution, the annual appropriation for airports shall be equal to, but not greater than, the estimated state taxes to be collected and received on aviation fuel. In evaluating FY10 through FY15, the estimated revenues per the Revenue Estimating Conference (REC) have remained \$29.8 million each year; however, the annual appropriations have exceeded the estimated revenues for fiscal years 2010 through 2015, excluding 2014. Although the annual appropriations were in excess of the estimated revenues for the aforementioned fiscal years, DOTD spent less than the appropriated amount each year, and each year the actual expenditures have been less than the estimated revenues per REC. It should be noted that the total appropriation for airports contained in House Bills 1 and 2 of the 2015 Regular Legislative session agrees with the estimated aviation fuel tax revenues as estimated by the REC of \$29.8 million.

Objective 2: Evaluate whether the expected future levels of funding will be sufficient to meet the transportation infrastructure needs of the state.

As mentioned earlier, the Louisiana Department of Transportation and Development (DOTD) estimates a \$12 billion backlog of construction projects. As the costs of construction for transportation infrastructure increase, combined with the continued decrease in federal funding, there are concerns regarding how the state will address its highway infrastructure needs. A publication titled *21st Annual Report on the Performance of State Highway Systems (1984-2012)* issued September 2014 through the Reason Foundation reported the following:

- Louisiana is ranked 48th of 50 states on the condition of urban interstates and is listed as one of only six states that account for 49.5% of the poor-condition urban interstate mileage.
- Louisiana's fatality rate ranked 44th out of 50 and is one of eight states with a fatality rate greater than 1.5 fatalities per 100 million vehicle-miles.
- Louisiana's overall highway performance ranking (considering categories such as disbursements, pavement condition, deficient bridges, fatality rate, and narrow rural arterial lanes) was 40th out of 50 states based on the 2012 data. Using 2009 and 2011 data, Louisiana ranked 35th and 24th, respectively, indicating an overall decline in performance ranking.

Based upon the information obtained, the revenues of the TTF may not be sufficient to address the transportation infrastructure needs of the state without additional or increased revenue sources and/or changes to the allocation of TTF funds.

With a significant rise in the costs of construction, a decline in federal funds, and only modest growth in state funding, there is concern that the TTF may not be able to address the transportation infrastructure needs of the state.

Inflation and the rising costs of construction. As of 2013, 38% of purchasing power has been lost since 1993, and an expected 52% of purchasing power will be lost by 2024 (as estimated on the 20-year-average from 1993–2013).⁵ Therefore, items costing \$1 in 1993 would now cost approximately \$1.63 in 2014.⁶ Exhibit 9 shows the difference the inflation rate has on costs.

⁵ Based upon testimony of the President of the American Association of State Highway and Transportation Officials (AASHTO) before the Committee on Environment and Public Works of the United States Senate on February 12, 2014, as published by AASHTO.

⁶ www.usinflationcalculator.com

A significant increase in the costs of construction negatively impacts the fund's ability to address the transportation infrastructure needs of the state, especially considering that the tax rate has not been increased over this 20-year period.

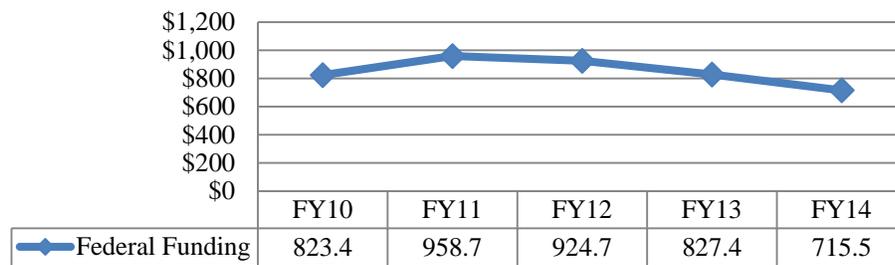
Exhibit 9 - Project Costs in 1993 versus 2014	
Project Costs in 1993	Would cost in 2014
\$100,000	\$163,426
\$500,000	\$817,131
\$1,000,000	\$1,634,263
\$10,000,000	\$16,342,630
\$25,000,000	\$40,856,574
\$50,000,000	\$81,713,149
\$100,000,000	\$163,426,297
Source: Prepared by LLA staff using computations from www.usinflationcalculator.com	

Decline in federal funding. As previously mentioned, federal funding has declined in recent years. The federal government is having trouble maintaining current levels of funding paid to the states. The Federal Highway Trust Fund (HTF) is primarily funded with excise taxes on motor fuels, which means revenues for the fund increase or decrease based on the amount of fuel purchased. Per a February 2014 document obtained from American Association of State Highway and Transportation Officials (AASHTO), three factors impact the funding of the HTF: 1) Vehicle miles traveled are not increasing at the rate seen between 1956 and 2007; 2) federal motor fuel taxes were last increased in 1993, and therefore, over the years these taxes have lost a significant share of their purchasing power; and 3) fuel economy standards cause a reduction in fuel consumption. The obligations of the HTF are greater than its revenues and, per information on the U.S. Department of Transportation website updated June 19, 2015, the HTF will become insolvent in 2015.

On May 11, 2015, Anthony Foxx, secretary of the U.S. Department of Transportation, sent letters to state transportation leaders to notify them that all federal participation in highway transportation infrastructure construction will stop after May 31st if the current federal funding authorization is allowed to expire. Without authority to continue funding agency operations, states will not be reimbursed for construction costs or receive technical support and will have to shoulder the burden themselves. Public Law 114-21, which passed May 29, 2015, further extended funding through July 31, 2015. On July 30, 2015, Congress passed a bill to extend funding through October 29, 2015. The bill was signed by President Obama on July 31.

Exhibit 10 shows the decline in federal transportation funding in the TTF over the past few years. The increase in 2011 was because of additional one-time funding provided through the American Recovery and Reinvestment Act.

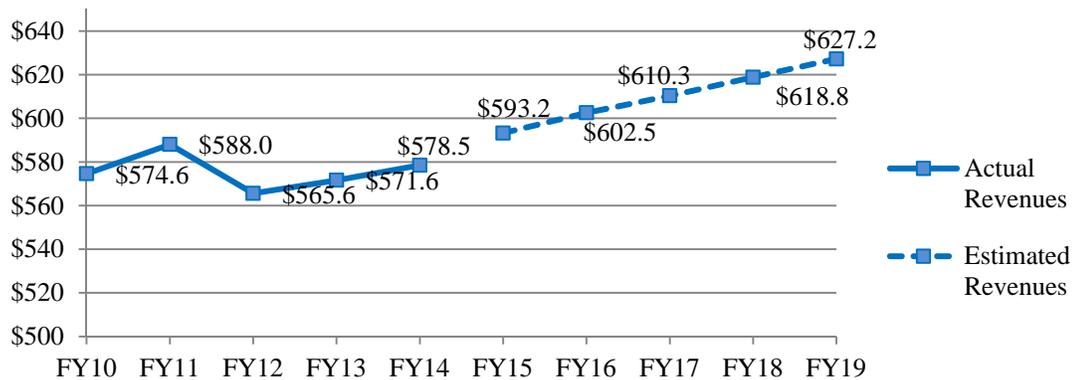
Exhibit 10
Five-Year Trend of Federal Funding
(in millions)



Source: Prepared by LLA staff using data obtained from the Louisiana Comprehensive Annual Financial Report

Modest growth in state funding. The Legislative Fiscal Office estimates that Louisiana will see a modest growth in motor fuels taxes in the coming years, while other TTF revenues will remain stable. See the trend of actual and estimated revenues in Exhibit 11-1, as well as the detailed revenues in Exhibit 11-2. Although there appears to be an expected slight upwards trend in total TTF receipts in the coming years, this increase will not be able to compensate for the backlog of infrastructure projects, nor keep up with inflation and the ever-increasing construction costs.

Exhibit 11-1
TTF Actual and Estimated Revenues
(excluding TIMED and federal)
FY10-FY19 (in millions)



Source: Prepared by LLA staff using unaudited data from Business Objects and the Revenue Estimating Conference 1/26/15

Exhibit 11-2 - Estimated Revenues for Fiscal Years 2015 through 2019 (in millions)					
	FY15	FY16	FY17	FY18	FY19
Motor Fuels Taxes	\$484.8	\$491.4	\$498.7	\$506.1	\$513.4
Motor Vehicle License Tax	50.4	53.1	53.6	54.7	55.8
Aviation Fuel Tax	29.8	29.8	29.8	29.8	29.8
Interest and Miscellaneous Fees	28.2	28.2	28.2	28.2	28.2
Total	\$593.2	\$602.5	\$610.3	\$618.8	\$627.2
Source: Prepared by LLA staff using unaudited data from Business Objects and the Revenue Estimating Conference 1/26/15					

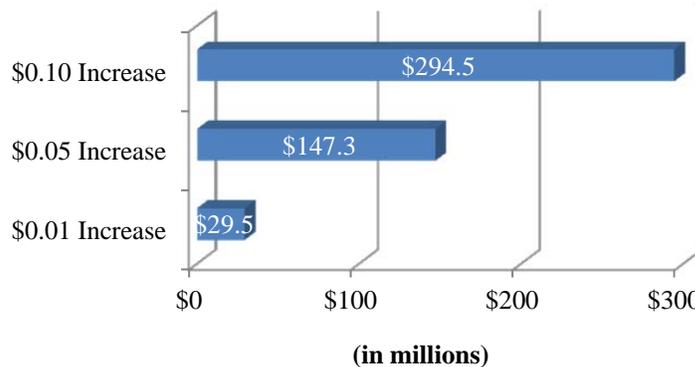
Objective 3: Identify the methods considered by Louisiana and other states to increase transportation funding.

INCREASE TAXES ON MOTOR FUELS

Many states have been discussing ways to increase transportation funding in recent years, and some states have passed legislation to increase funding for highway infrastructure (whether by increasing the excise tax, sales tax, or other user fees). In 2013, Wyoming increased its tax rate by 10 cents, and in 2014, Pennsylvania, Virginia, and Maryland passed transportation finance laws that increased gas tax rates. The current tax rates for motor fuels (\$0.20 per gallon) generated revenues for Louisiana totaling \$589 million in FY 2014.

Below are several different illustrations to show the potential revenue generated by increasing Louisiana’s excise taxes on gasoline and special fuels, starting with a one-cent increase to the tax rate. If the tax rate were increased from \$0.20 to \$0.21, the increase in potential revenues is approximately \$29.5 million (5%) per year based upon FY14 actual tax revenues. If Louisiana had increased the tax rates by 10 cents the potential increase to FY 2014 tax revenues would have been \$294.5 million or 50% greater, totaling \$883.5 million available for transportation expenditures (including TIMED debt service). House Bill 777 of the 2015 Regular Session of the Louisiana Legislature proposed a 10 cent increase to the motor fuels taxes; however, after making it out of committee, there was no vote on the House floor.

**Exhibit 12
Potential Increase in Revenues Generated with Tax Increases**



Source: Prepared by LLA staff using unaudited data obtained from ISIS using Business Objects

Comparison of Gasoline and Diesel Taxes

The total state tax on gasoline and diesel in Louisiana are the same, as illustrated in Exhibit 13. Based on an analysis of the April 2015 American Petroleum Institute (API) summary report on gasoline and diesel taxes, the federal tax, as well as taxes in 20 other states, are higher for diesel than for gasoline. The API summary report also reported the following:

- Louisiana’s overall taxes and fees on gasoline and diesel (including the federal excise tax) are approximately 10 cents less than the national averages of 48.86 cents and 54.10 cents, respectively. However, Louisiana’s taxes are less than one cent lower than the averages of the Southern region.
- Louisiana ranks 42nd among 51 states (including District of Columbia) in the amount of gasoline taxes assessed and 43rd in the amount of diesel taxes assessed. The highest ranked state is Pennsylvania with 70 cents for gasoline and 89.7 cents for diesel. The lowest ranked state is Alaska at 29.7 cents for gasoline and 36.2 cents for diesel.

Exhibit 13 reflects the assessed taxes for Louisiana and its neighboring states, as well as the Southern region and national averages below.

Exhibit 13					
Gasoline and Diesel Taxes - Comparison with Border States, Regional, and National					
(in cents)					
	State	Other State		Federal	
GASOLINE	Excise Tax	Taxes/Fees¹	Total State	Excise Tax	Total Taxes
Arkansas	21.50	0.30	21.80	18.40	40.20
Mississippi	18.00	0.78	18.78	18.40	37.18
Texas	20.00	0.00	20.00	18.40	38.40
Louisiana	20.00	0.01	20.01	18.40	38.41
Region Average - South	19.33	0.75	20.08	18.40	38.48
National Average	20.70	9.76	30.46	18.40	48.86
	State	Other State		Federal	
DIESEL	Excise Tax	Taxes/Fees¹	Total State	Excise Tax	Total Taxes
Arkansas	22.50	0.30	22.80	24.40	47.20
Mississippi	18.00	0.40	18.40	24.40	42.80
Texas	20.00	0.00	20.00	24.40	44.40
Louisiana	20.00	0.01	20.01	24.40	44.41
Region Average - South	20.02	0.47	20.49	24.40	44.89
National Average	19.13	10.57	29.70	24.40	54.10
¹ Louisiana has two other fuel-related taxes/fees that are collected by the state that are not deposited into the Transportation Trust Fund. The .008-cents per gallon motor fuel delivery fee authorized by LA R.S. 30:2195.3 and the .00125 petroleum products fee authorized by LRS 3:4684. These revenues are deposited into the Tank Trust Fund and the Petroleum Products Fund, respectively. Source: www.api.org					

TURN OVER ROADS TO LOCAL GOVERNMENTS

As noted in the April 2013 DOTD report *Right-Sizing the State Highway System*, one option for decreasing the costs of state-owned highways and bridges is to turn over roads to the local governments. DOTD provided that Louisiana owns more than 27% of the public road mileage in the state, while the national average is approximately 19%. House Concurrent Resolution 38 of the 2010 Regular Session requested that DOTD prepare a proposal for “right sizing” the state highway system to include a schedule for transferring state roads to local governments, increased funding for the Parish Transportation Fund (PTF), and decreased operating budgets and staffing levels for DOTD.

Based upon DOTD’s research, it implemented the Road Transfer Program, which is estimated to transfer approximately 5,000 miles of state-owned roads to local governments. The program is voluntary and provides local governments with repaired roads initially and maintenance credits to be used for other highway capital projects. Local governments have to determine if they would have the necessary manpower and resources to undertake the additional responsibilities of day-to-day road maintenance. Per DOTD management, interest among local governments is high, and DOTD has already entered into agreements with many parishes and towns. DOTD represented that as of May 29, 2015, they have transferred 35.44 miles to local governments and have agreements on 92.84 additional miles.

LEGISLATION - 2015 REGULAR SESSION OF THE LOUISIANA LEGISLATURE

- Act 431 creates the Louisiana State Transportation Infrastructure Bank (Bank) to select and assist in financing eligible transportation projects by providing loans and other financial assistance to municipalities, parishes, and political subdivisions of the state for planning, constructing, and improving transportation facilities necessary for public purposes. The Louisiana State Transportation Infrastructure Fund would be created within the state treasury to be maintained and operated by the board of the Bank in administering a revolving fund for eligible transportation projects. This act does not directly finance the Bank, but it does contemplate funding from various potential revenue sources. Act 471 authorizes the investment of state funds in the infrastructure bank and requires a Constitutional Amendment that will need to be approved by Louisiana voters.
- Acts 473 and 465 rename the Budget Stabilization Fund to the Budget and Transportation Stabilization Trust Fund; provide for the deposit of excess mineral revenues into this fund and for the related distribution of revenues into subfunds for Budget Stabilization and Transportation Stabilization with specified restrictions on the use of those funds. This would require a Constitutional Amendment that would need to be approved by Louisiana voters. Based on the fiscal note, it is projected that the first year excess mineral revenues would be deposited into the Transportation Stabilization Subfund would be fiscal year 2018. The fiscal note estimates \$4.4 million, \$7.2 million, and \$9.3 million of excess mineral revenues for fiscal years 2018, 2019, and 2020, respectively. However, in projecting excess mineral revenue, the fiscal note used a base amount

of \$850 million, which was increased to \$950 million by Act 257. This increase in the base would likely cause the estimated excess mineral revenues to be less than reported in the fiscal note.

- Acts 257 and 275, companions to Acts 473 and 465 discussed previously, increase the base amount of mineral revenues received by the state prior to the annual deposit into the Budget Stabilization Fund by \$100 million and provide for the distribution and use of those funds to the TTF and for other transportation purposes.
- Act 147 provides for a tax equivalent to the 16-cent motor fuels tax on all special fuels, including compressed natural gas, liquefied natural gas, and liquefied petroleum gas, and reduces certain discounts on petroleum products. The fiscal note states that the conversion of the taxation basis for special fuels will likely result in an indeterminable increase in fuels tax collections to be deposited into TTF. It is also estimated that the reduction to the allowable discounts will result in a fuels tax revenue increase of approximately \$6 million each year into TTF.

OTHER OPTIONS

The following are other options that are used or have been considered by Louisiana and/or other states, according to presentations from the American Association of State Highway and Transportation Officials (AASHTO):⁷

- State sales tax towards transportation - House Bill 778 of the 2015 Regular Session proposed to increase the Louisiana state sales and use tax by 1% to be used for construction of specific highway and bridge projects; however, it failed to pass.
- Vehicle miles traveled fees
- Rental car taxes
- Tolls
- Public-private partnerships (PPP), which are contractual arrangements between a public agency and private sector entity that allow for greater private sector participation in the delivery and financing of transportation projects. There are many different PPP structures. The degree to which the private sector assumes responsibility, including financial risk, differs from one application to another. Different types of PPP arrangements lend themselves to the development of new facilities and others to the operation or expansion of existing assets.
- Selling bonds and borrowing funds - Examples include general obligation or revenue bonds; grant anticipation revenue (GARVEE) bonds; Private Activity Bonds; and the Transportation Infrastructure Finance and Innovation Act (TIFIA) federal credit assistance from the Federal Highway Administration.

⁷ Sources: AASHTO presentation slides, “What’s After the Gas Tax? Transportation Revenue Options and State Funding Initiatives” dated July 17, 2013 (www.transportation.org/SiteAssets/Pages/Presentations/Lee-2013-07-17.pdf) and “Transportation Funding Summit - Transportation Revenue Options and Recent State Initiatives” dated October 7, 2014 (www.transportation.org/Documents/Lee-2014-10-07.pdf)

APPENDIX A: MANAGEMENT'S RESPONSE



Office of the Secretary
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Bobby Jindal, Governor
Sherri H. LeBas, P.E., Secretary

July 27, 2015

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

**RE: Department of Transportation and Development
Transportation Trust Fund Informational Report**

Dear Mr. Purpera:

The Department is in receipt of your Informational Report titled "Transportation Trust Fund". I appreciate the opportunity to provide input.

DOTD has reviewed and concurs with the information provided in this report. It should also be noted that House Resolution No. 166 of the 2014 Regular Session created and charged a Transportation Funding Task Force to study and make recommendations relative to transportation funding mechanisms to be used in the state. The final report was issued by this Task Force in March 2015.

Thank you for the opportunity to review and respond to this Informational Report and to have this Management Response letter included in the final report. Please feel free to contact Nita Chambers, Undersecretary, at (225) 379-1270 or myself should you have any questions.

Sincerely,

Sherri H. LeBas, P.E.
Secretary

SHL/MWS/ch

- c: Mr. Ricky Rodriguez, C.P.A., LLA
Dr. Eric Kalivoda, P.E., DOTD Deputy Secretary
Ms. Nita Chambers, DOTD Undersecretary
Mr. Shawn Wilson, DOTD Confidential Assistant
Mr. Don Johnson, DOTD Deputy Undersecretary
Ms. Leshia Woods, DOTD Financial Services Administrator
Ms. Susan Stockstill, DOTD Budget Director
Ms. Linda McNeil, Internal Auditor
Mr. Mark St.Cyr, DOTD Audit Director

APPENDIX B: SCOPE AND METHODOLOGY

We conducted procedures to provide information to the Legislature on the Transportation Trust Fund (TTF) sources and uses of funding, to evaluate whether the expected future levels of funding will be sufficient to address the transportation infrastructure needs of the state, and to identify methods used by Louisiana and other states to increase transportation funding. To achieve our objectives, we reviewed relevant information and performed the following steps:

- Obtained and reviewed sections of Article 7 of the Louisiana Constitution, as well as applicable Louisiana revised statutes applicable to the TTF.
- Identified the sources of revenues and types of expenditures of the TTF.
- Obtained data from the Louisiana CAFR and DOTD Annual Fiscal Reports, used Business Objects software to obtain information from ISIS, and obtained information from various other sources as referenced.
- Reviewed and analyzed TTF revenues and disbursements for fiscal years 2010 through 2014, including funding requirements, per Louisiana law.
- Obtained TTF revenue projections from the Revenue Estimating Conference for fiscal years 2015 through 2019.
- Interviewed DOTD personnel to obtain TTF funds used and amounts projected to be used for debt service.
- Performed research to determine the inflation rate, which was then used to estimate the change in construction costs from 1993 to 2014; to compare taxes charged on gasoline and diesel for other states; and to identify methods being considered by other states to increase transportation funding.
- Reviewed current legislation from the 2015 Regular Session of the Louisiana Legislature.

APPENDIX C: TTF REVENUE SOURCES

1. Motor Fuels Taxes

Each state in the nation levies taxes on motor fuels (gasoline, diesel, and special fuels); currently, Louisiana's taxes are 20 cents per gallon. Sixteen cents are to be deposited into the Transportation Trust Fund (TTF), and the remaining four cents are to be deposited into the TIMED Account after any debt service requirements are met.

2. Motor Vehicle License Tax

The Office of Motor Vehicles under the Department of Public Safety and Corrections assesses an annual tax of no more than \$1 per \$1,000 of actual value on automobiles in private use, but not less than \$10 per automobile. After satisfying the prior dedications on these tax proceeds of \$3, the remaining taxes collected are required to be deposited into the TTF in accordance with Article 7, Section 5 of the 1974 Louisiana Constitution.

3. Motor Vehicle Sales Tax

Taxes from the sale, use, lease or rental, the distribution, the consumption, and the storage for use or consumption of motor vehicles are currently deposited in the state's general fund; however, Act 275 of the 2015 Legislative Session could cause up to \$100 million of vehicle sales tax to be deposited into the TTF beginning in fiscal year 2018. The depositing of these funds into TTF is dependent upon an increase in general fund revenues as defined in the Act.

4. Aviation Fuel Tax

There is a 4% sales tax on aviation fuel in Louisiana; however, because it is collected by the state with the rest of the sales tax, this exact amount cannot be determined and an estimate is used. The Revenue Estimating Committee estimates the amount of sales tax attributable to aviation fuel. In recent years, this amount has been estimated as \$29,800,000. The taxes are used to finance the annual appropriations for aviation projects.

5. Miscellaneous Fees and Fines

Miscellaneous fees and fines includes payments received for penalties related to weights and standards imposed by the Department of Public Safety and Corrections as well as special permits issued by Louisiana Department of Transportation and Development (DOTD). Louisiana Revised Statute 32:388(F) requires payments for penalties imposed by the Department of Public Safety and Corrections under this statute to be remitted to the TTF. Louisiana Revised Statute 32:387(E)(1)(b) requires all fees collected under this statute by DOTD for special permits to be remitted to the TTF.

6. Interest Earnings

Per Article 7, Part IV, of the 1974 Louisiana Constitution, unencumbered and unexpended balances at the end of each fiscal year shall remain in the TTF. The earnings realized in each fiscal year on the investment of monies in the TTF shall be deposited in and credited to the fund.

7. Federal Receipts

The federal government also receives a portion of each gallon sold (\$0.184 for gasoline and \$0.244 for diesel fuel), which is then distributed to the states based upon a formula. Because of a decreased demand for gasoline, the federal funding from the Highway Transportation Fund has decreased over the past several years. The federal government is looking into ways to more adequately fund construction projects across the nation.

APPENDIX D: LISTING OF TIMED PROJECTS

TIMED Projects	
Highway Projects	
	US 171 - Lake Charles to Shreveport
	US 165 - I-10 to Alexandria to Monroe to Bastrop and thence on US Highway 425 from Bastrop to the Arkansas Line
	US 90 - Morgan City to Houma
	US 167 - Alexandria/Ruston to Arkansas Line
	LA 3241 - I-12 to Bush (Bogalusa)
	Jefferson Parish West Bank Expressway (Avenue D to Ames Blvd)
	New Orleans Tchoupitoulas Street Corridor
	Earhart Blvd. (Orleans Parish Line to Loyola Avenue)
	West Napoleon (Jefferson Parish/City of Kenner)
	Baton Rouge to Monroe:
	LA 15 - Natchez, Mississippi to Chase
	US 61 - Thompson Creek to Mississippi Line
Bridge Projects	
	New Mississippi River Bridge at St. Francisville (Connection to US 61)
	Huey P. Long Bridge (widen to six lanes)
	New Florida Avenue Bridge over Industrial Canal
Port Project	
	Port of New Orleans
Aviation Project	
	New Orleans International Airport
Source: List of Projects from Louisiana Revised Statute 47:820.2	