6. Funding Louisiana's Transportation Needs

Growth in transportation funding in Louisiana has been anemic since the 1990s. Louisiana last increased the state gasoline tax in 1989 by 4 cents, to 20 cents per gallon, as part of the Transportation Infrastructure Model for Economic Development (TIMED) program. With inflation affecting the buying power of the 20-cent gas tax (being worth only 7 cents today) and continual improvements in automobile efficiency, DOTD has lost ground over the last 30 years in its ability to maintain 16,600 miles of state-owned roadways effectively and meet the demands of a changing economy and mobile population. DOTD is challenged to meet the current and future transportation needs of the state to remain economically competitive, both regionally and nationally.

The consequence of inadequate funding is a backlog of unmet transportation infrastructure needs. DOTD annually conducts a highway needs assessment, which includes preservation, operations, safety, and capacity. In 2013, the DOTD had a $12.3 billion backlog of highway needs compared to $650 million in available funding.

6.1 Highlights

State Transportation Funding

- Motor fuel taxes generate most of DOTD's transportation funding; other sources include vehicle registration fees and self-generated revenues.

Federal Funding

- Federal funds account for roughly half of DOTD revenue for state system maintenance, operation, and expansion.

Four Future Funding Scenarios

- The Plan is built around four funding scenarios, ranging in 30 year yields from $16 billion to $35.1 billion. Scenario 3 ($28.1 billion) assumes that additional state revenues of $400 million annually would be available for transportation expenditures by FY 2022.

6.2 Recurring Funding Sources

Louisiana funds highway operations, maintenance, and enhancements through the following sources of revenue.

6.2.1 State Motor Fuel Tax

Louisiana motorists pay a 16-cent-per-gallon state tax on motor fuel (gasoline and diesel fuel). Since 2010, the revenue from this tax has yielded approximately $460 to $470 million per year. These funds are deposited in the Louisiana Transportation Trust Fund (TTF), which supports the DOTD's operations. In 2015, Louisiana's motor fuel (gasoline and diesel) tax, inclusive of the 4-cent-per-gallon TIMED tax, ranked 41st among the 50 states and the District of Columbia. **Table 6-1** compares Louisiana's fuel tax with several other states and the U.S. average. The state TTF is anticipated to grow at 0.5 percent annually, due to growth in VMT.

Table 6-1: State Comparison of Fuel Tax

State	Gasoline State Excise Tax plus other per gallon (cents/gallon)	Diesel Tax* (cents/gallon)
Louisiana	20.01	20.01
Alabama	20.87	21.85
Arkansas	21.80	22.80
Connecticut	40.86	50.30
Florida	36.42	33.67
Georgia	32.62	36.18
Maryland	32.10	32.85
Mississippi	18.78	18.40
North Carolina	36.25	36.25
Oregon	31.07	30.34
Texas	20.00	20.00
Virginia	22.33	26.03
Washington	37.50	37.50
U.S. Average	30.48	30.10

Source: American Petroleum Institute, http://www.api.org/oil-and-natural-gas-overview/industry-economics/fuel-taxes/gasoline-tax. July 2015.

6.2.2 TIMED Program

In 1989, the Louisiana legislature imposed an additional 4-cent-per-gallon gasoline tax ($115 to $118 million per year) with the provision that revenues from this tax be dedicated to the completion of 16 major projects in the state, and that the use of these funds for any other projects be prohibited. The TIMED program was completed in July 2013, with the exception of the Florida Avenue Bridge and the LA 3241 from I-12 to Bush projects. For the next 30 years, the revenues from the 4-cent-per-gallon gasoline tax are dedicated to retire the bonds issued to complete the program, with no funding available for the Florida Avenue Bridge or the LA 3241 from I-12 to Bush projects.

6.2.3 Registration Fees

Louisiana's private automobile and truck registration fees are among the lowest in the country. Private automobile license fees generate approximately $48.3 million annually. This revenue is deposited in the State's TTF. Truck registration fees are estimated to generate approximately $49.5 million annually, with revenue being deposited in the State Highway Improvement Fund (SHIF). Based on the most recent

projections from the State's Revenue Estimating Conference, revenue from both sources is estimated to remain flat through state fiscal year 2018-19. **Table 6-2** provides a comparison of motor-vehicle fee registration schedules for Louisiana and several other states.

Table 6-2: State Comparison of Motor-Vehicle Fee Registration Schedules

State	Auto Registration Fee for Typical Vehicle	Single-Unit Truck Registration Fee for Typical Vehicle
Louisiana	**$10 - $82, based on the selling price of the vehicle; current rate is 0.1 percent with a minimum base of $10,000; license plates sold every 2 years. An $8.00 handling fee is added to all transactions. A parish fee not to exceed $3.00 is assessed in certain parishes.**	**$28 to $563.20 [varies by Gross Vehicle Weight (GVW)]**
Alabama	$23	$35 to $890 (varies by GVW)
Arkansas	$17 cars 3,000 lbs. or less; $25 cars 3,000 lbs. - 4,500 lbs.; $30 cars over 4,500 lbs. + $2.50 validation decal for all automobiles	$39-$650 (varies by GVW)
Connecticut	$80 for two years	$47 to $1,546 (varies by GVW)
Florida	Up to 2,499 lbs.: $27.60 for 1 year or $55.20 for 2 years. 2,500 to 3,499 lbs.: $35.60 for 1 year or $71.50 for 2 years. 3,500 lbs.: $45.60 for 1 year or $91.20 for 2 years.	Up to 1,999 lbs.: $27.60 for 1 year or $55.20 for 2 years 2,000 to 3,000 lbs.: $35.60 for 1 year or $71.20 for 2 years 3,001 to 5,000 lbs.: $45.60 for 1 year or $91.20 for 2 years
Georgia	One time ad valorem tax for Georgia residents, generally 7.0 percent, in place or title and registration fee.	7 percent one-time ad valorem tax in place of registration fee
Maryland	$135 for vehicles 3,700 lbs. or less, and $187 for vehicles over 3,700 lbs.	$76.50
Mississippi	$14	$25 to $1,512 (varies by GVW)
North Carolina	$28 plate fee	$19
Oregon	$86 for two years	$55 to $1,295 (varies by GVW)
Texas	Passenger Vehicles/Trucks 0 – 6,000 lbs.: $50.75 (plus additional county fees) 6,100 lbs. – 10,000 lbs.: $54.00 (plus additional county fees)	$110 to $840+ (varies by GVW)
Virginia	$40.75 - less than 4,000 lbs. $45.75 - more than 4,000 lbs.	$18 to $40 (varies by GVW)
Washington	$43.75: 0 – 4,000 lbs. $53.75: 4,001 – 6,000 lbs. $63.75: 6,001 – 8,000 lbs.	$27.50 to $1,668.50 (varies by GVW)

Sources: National Conference of State Legislatures http://www.ncsl.org/research/transportation/registration-and-title-fees-by-state.aspx and individual state DMV websites. Updated August 2014. Fees are annual unless noted.
http://www.irponline.org/members/?id=13000539&hhSearchTerms=%22mississippi%22
http://ador.alabama.gov/motorvehicle/mvforms/feeschedule.cfm
http://www.dfa.arkansas.gov/offices/motorVehicle/Documents/schedule_fee2.pdf
http://www.ct.gov/dmv/cwp/view.asp?a=802&q=270596
http://www.ncdot.gov/dmv/fees/default.html?s=VF
http://www.mva.maryland.gov/vehicles/registration/fees.htm

http://www.odot.state.or.us/forms/dmv/6013.pdf
http://www.txdmv.gov/motorists/register-your-vehicle
http://www.dol.wa.gov/vehicleregistration/fees.html
https://dor.georgia.gov/vehicle-registration
https://www.dmv.org/fl-florida/car-registration.php

6.2.4 Unclaimed Property

Louisiana's Department of Treasury allocates $15 million annually from the Unclaimed Property Fund, which is dedicated to the completion of the northern and southern segments of the I-49 project.[11] These funds are equally divided between the two segments and are used to support bonding of their design and construction costs.

6.2.5 Federal Funds

DOTD receives approximately $680 million annually from the FHWA, and administers nearly $20 million annually in FTA funds, principally for rural transit programs. The FTA allocates funding directly to urban transit providers. The FAA provides funding directly to airports for specific projects. The USACE funds maintenance dredging for navigable waterways and participates in funding capital improvements for navigation as appropriated by the U.S. Congress.

6.2.6 Louisiana Capital Outlay Program

The Capital Outlay Program (Bond Program) provides a source of funding for public improvement projects of various types. The funds are provided through the sale of state General Obligation Bonds and can be used for acquiring land, buildings, equipment or other properties, or for the preservation or development of permanent improvements. The program requires that projects be submitted by a department secretary. However, local officials from political subdivisions also may make requests through their state senator or representative. Projects then compete through the legislative process, and successful projects are grouped into various funding priorities and included in the approved Capital Outlay Bill. Funding for a specific project does not become available until such time as the bonds for that project are sold or an advance cash line of credit is approved by the State Bond Commission. In 2010, the Capital Outlay Bill dedicated $150 million for 16 transportation projects.

6.3 Revenue Scenarios

This section documents the development of a baseline transportation revenue forecast (no new revenues) and three additional scenario forecasts for Louisiana's Plan. The forecasts cover FY 2012 to FY 2044 (32 years), the time horizon of the Plan. The purpose of the forecasting is to anticipate a wide range of possible financial futures, to guide future investment decisions, regardless of which scenario actually occurs. A reasonable revenue forecast is essential for developing realistic, practical investment strategies for Louisiana's future.

The result of each forecast scenario is shown in **Table 6-3** in constant 2010 dollars, which accounts for the effects of future inflation. **Section 6.3.6** defines and describes the scenarios.

[11] *The northern portion of future I-49 extends from Shreveport to the Arkansas state line, roughly parallel to US 71 on the west northward from I-220. The southern portion of future I-49 extends from Lafayette to New Orleans roughly following the path of the current US 90.*

Table 6-3: Revenue Scenario Totals by Mode through 2044 (in billions of 2010 dollars)

Mode	Scenario 1 (Baseline)	Scenario 2 (Reduction)	Scenario 3 (Modest Increase)	Scenario 4 (Aggressive Increase)
Roadway & Bridge	$15.6	$13.4	$24.5	$31.0
Transit	$1.8	$1.5	$1.8	$2.3
Port	$0.4	$0.4	$1.0	$1.0
Aviation	$0.7	$0.7	$0.7	$0.7
Freight Rail	$0.0	$0.0	$0.1	$0.1
Total	**$18.5**	**$16.0**	**$28.1**	**$35.1**
Annual Average	$0.58	$0.50	$0.88	$1.10

This section also documents the history of state and federal transportation revenues in Louisiana, key forecast assumptions and scenario forecast results, and the funding gap to FY 2044.

6.3.1 Current Roadway and Bridge Revenues

As shown in **Table 6-3**, the majority of the revenue is allocated to roadways and bridges. The State's TTF is the primary state mechanism through which the DOTD's programs are funded: The TTF's sources are:

- **$0.16 Motor Fuels Tax** – revenues from $0.16 paid per gallon at the pump
- **$0.04 Motor Fuels Tax (TIMED)** – an additional $0.04 paid per gallon at the pump, dedicated to the TIMED program, a multi-billion dollar improvement program designed to enhance economic development in Louisiana through investment in transportation projects
- **Vehicle License Tax** – revenues from the registration fee Louisiana residents pay on their automobiles (includes pickup trucks, vans, and SUVs) based on the value of their vehicles
- **Aviation Fuels** – revenues from a 4 percent sales tax on aviation fuels; these revenues can only be used for aviation
- **Interest & Weights Fines** – revenues from truck permits, fees, interest, fines, etc.
- **Truck and Trailer Registration Fees** – revenues from truck and trailer registration fees deposited into the State Highway Improvement Fund

The year 2012 was used as the base financial year for generating long-range transportation revenue estimates. Federal aid is made available for Louisiana's roadways by the $0.184 per gallon (24.4 cents per gallon for diesel fuel) tax charged nationally through federal legislation. In 2012, the amount of obligated federal highway funds for Louisiana totaled $761 million.

6.3.2 Current Transit Revenue

Transit services in Louisiana are funded primarily through the FTA. Other than transferring (or flexing) $5 million in federal highway funds to transit and supporting local transportation needs through the Parish Transportation Fund, Louisiana does not provide direct state funding for transit. However, Parish Transportation Fund dollars can be used for a variety of transportation investments, including transit services.

Other FHWA funding programs provide additional opportunities for supporting transit. The Congestion Mitigation and Air Quality (CMAQ) program allows areas that qualify to use those funds for public transportation. MPOs also have the option of flexing their highway funds to transit.

The majority of FTA revenues received by Louisiana are urbanized area formula grants, which provide capital and operating assistance to urbanized areas with populations of over 50,000. Alexandria, Baton Rouge, Houma, Lafayette, Lake Charles, Mandeville-Covington, Monroe, New Orleans, Shreveport, and Slidell each received these funds. New Orleans has received funds for fixed guideway modernization. Louisiana also has received formula grant funds for areas other than the urbanized areas and formula grants for the special needs of elderly individuals and individuals with disabilities.

Apportionments to Louisiana for FY12 are shown in **Table 6-4**.

Table 6-4: FTA Apportionments to Louisiana FY 2011-2012 (in millions of dollars)

FTA Apportionment Line Item		2012
5307	**Urbanized Area Formula Program – 1m and over**	**$13.73**
	New Orleans, LA	*$13.73*
5307	**5307 Urbanized Area Formula Program – from 200k to 999,999**	**$7.85**
	Baton Rouge, LA	*$4.45*
	Shreveport, LA	*$3.41*
5307	**Urbanized Area Formula Program – less than 200k**	**$9.36**
	Alexandria, LA	*$0.90*
	Houma, LA	*$1.56*
	Lafayette, LA	*$2.35*
	Lake Charles, LA	*$1.57*
	Mandeville-Covington, LA	*$0.72*
	Monroe, LA	*$1.34*
	Slidell, LA	*$0.93*
5309	**Capital Investment Program – Fixed Guideway**	**$5.50**
	New Orleans, LA	*$5.50*
5309	**Bus and Bus Facility Program**	**$0.00**
Other Apportionment Line Items (5311,5311(b)(3), 5310, 5303, 5304, 5316, 5317)		**$19.10**
Total FTA Apportionment to Louisiana (Current Year Dollars)		**$55.55**

Source: FTA. Note: The full apportionment amount for multi-state urbanized areas is shown in each state that the urbanized area falls within.

6.3.3 Current Port, Aviation, and Rail Revenue

Louisiana provides funding for ports through the Ports Construction and Development Priority Program, which was created in 1989. Funding for the program is provided through the state TTF. The program is limited to the construction, improvement, capital facility rehabilitation, and expansion of publicly owned port facilities, including intermodal facilities and maritime-related industrial park infrastructure developments. The program was funded at $19.7 million in in FY 2012.

Louisiana also provides funding for airports through the Airport Construction and Development Priority Program. This state TTF-funded program was allocated $29 million in FY 2012. The state revenues are generated through a 4 percent sales tax on aviation fuels. In FY 2012, the FAA allocated $42.2 million to Louisiana airport projects.

There is no dedicated state or federal revenue for rail; however, grants and loans through the Federal Rail Administration (FRA) are available. Highway rail crossing improvements are funded through federal and state highway programs.

6.3.4 Revenue Forecasts Key Assumptions

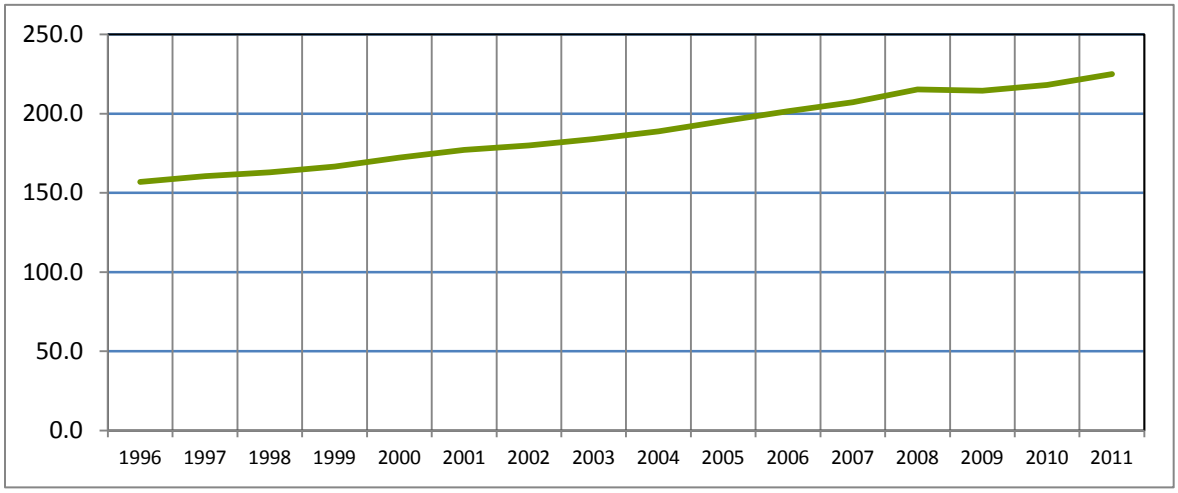
This section explains key assumptions made as part of the forecasting work and summarizes the four transportation revenue forecasts for the Plan. These forecasts are planning-level projections of revenues available for capital programming. Scenario forecast totals shown in **Table 6-3** are in constant 2010 dollars. FY 2012 actual revenues were used as the base for all projections. Inflation was estimated to grow by 2 percent annually over the forecast period.

6.3.5 Inflation Indices

An important aspect of plan-level financial forecasting is the deflation of forecasted revenues in future years to a base year, which accounts for future inflation. Because infrastructure "needs" were developed for the Plan using 2010 dollars, the conversion of forecasted revenues to constant 2010 dollars allows a direct comparison between needs and revenues (the "gap").

The Consumer Price Index (CPI) has been a commonly used source for documenting historic "inflation" for several decades. Less volatile than indices based on historic construction costs, it is accepted by the FHWA as a measure of past and future inflation for long-range state planning purposes. **Figure 6-1** shows the U.S. CPI since 1996. This equates to an average annual rate of 2.43 percent. After analyzing this information and discussions with DOTD experts, a future deflator of 2 percent annually was selected for the Plan.

Figure 6-1: U.S. Consumer Price Index, 1996 to 2011



Source: U.S. Bureau of Labor Statistics

In addition to the baseline revenue forecast, three revenue forecast scenarios were developed early on in the Plan development. Alternative scenarios were developed to evaluate possible future funding outcomes from changes in federal or state funding. These scenarios allow the DOTD to understand the revenue possibilities and plan the transportation investments more effectively. Key considerations in the development of the scenarios included variations in population, changes in VMT, changes in vehicle

characteristics, changes in CAFE[12] standards, the potential for mode shifts, and potential changes in user fee collection mechanisms. The estimates of federal funding scenarios were based on MAP-21 provisions, as well as other viable reauthorization proposals.

The revenue forecast assumes that DOTD will suballocate funds consistent with historical patterns. These suballocations include the remainder of the federal Transportation Alternatives Program revenue (after the mandatory 50 percent suballocation), revenues for the Local Road Safety Program, federal CMAQ funds, Surface Transportation Program (STP) allocated to non-Transportation Management Areas (TMAs), and revenues for railroad crossings.

6.3.6 Scenario Definitions

Scenario 1 "Baseline"

Scenario 1 "baseline" models business as usual: no new revenues, no adjustments in funding, up or down, over the life of the Plan.

The baseline revenue forecast includes the following growth assumptions:

- 0.5 percent annual growth in federal highway and transit funds
- 0.5 percent annual growth in state TTF revenues
- 2 percent annual inflation (as discussed in **Section 6.3.4**)

Under this baseline scenario, DOTD is expected to have $18.5 billion available in 2010 dollars, as shown in **Table 6-3**. DOTD would not be able to provide the state share ("match") on all available federal dollars during any Plan year.

Scenario 2 "Reduction"

Scenario 2 "reduction" models a dramatic reduction in federal funds based on a forecast of federal-aid revenues that relies only on federal Highway Trust Fund revenue streams with no General Fund appropriation. This work cautions that federal aid could decrease nationally from about $40 billion in 2015 to $4.2 billion in 2016, then rebound to $34.7 billion in 2017 and grow thereafter. In line with this estimate, Scenario 2 assumes federal highway apportionments to Louisiana will decline from $685.7 million in FY 2014 to $72.2 million in FY 2016. FY 2017 is estimated at $597 million and 0.5 percent annual growth is assumed thereafter. The state revenue portion of the Scenario 2 forecast is unchanged from the Scenario 1's baseline.

Scenario 2 includes the following growth assumptions:

- 0.5 percent annual growth in federal highway and transit funds
- 0.5 percent annual growth in State TTF revenues
- 2 percent annual inflation (as discussed in **Section 6.3.4**)

[12] *Corporate average fuel economy standards are set by the USDOT.*

Total revenues from FY 2012 to FY 2044 are expected to be $16.0 billion in constant 2010 dollars, as shown in **Table 6-3**. DOTD would be able to provide the state share ("match") on all available federal dollars during FY 2016, when federal funds are assumed to significantly decrease.

Scenario 3 "Moderate Increase"

Scenario 3's "moderate increase" forecasts an increase in the state TTF due to the infusion of a $400 million annual increase in state revenues. Scenario 3 assumes that new state revenues will increase by 2.5 percent annually from FY 2023 to FY 2044. The federal revenue portion of the forecast is unchanged from Scenario 1's baseline.

Scenario 3 includes the following growth assumptions:

- 0.5 percent annual growth in federal highway and transit funds
- 0.5 percent annual growth in traditional State TTF revenues
- 2.5 percent in new state revenues, applied annually after year 2023
- 2 percent annual inflation (as discussed in **Section 6.3.4**)

Under this scenario, DOTD is expected to have $28.1 billion available in 2010 dollars, as shown in **Table 6-3**. DOTD would not be able to provide the state share ("match") on all available federal dollars through FY 2020. The agency would be able to match federal dollars with the addition of the dedicated additional state revenue beyond FY 2020.

Scenario 4 "Aggressive Increase"

Scenario 4's "aggressive increase" models the State TTF increase from additional state revenues (shown in Scenario 3) and a $300 million annual increase in federal highway revenues (and proportional increase in federal transit revenues) beginning in 2020.

Scenario 4 includes the following growth assumptions:

- 0.5 percent annual growth in federal highway and transit funds, except for the additional $300 million in highway funds beginning in 2020, which is assumed to increase by 2.5 percent annually
- 0.5 percent annual growth in State TTF revenues and a growth rate of 2.5 percent annually in the additional dedicated state revenues beginning in FY 2020
- 2.0 percent annual inflation (as discussed in **Section 6.3.4**)

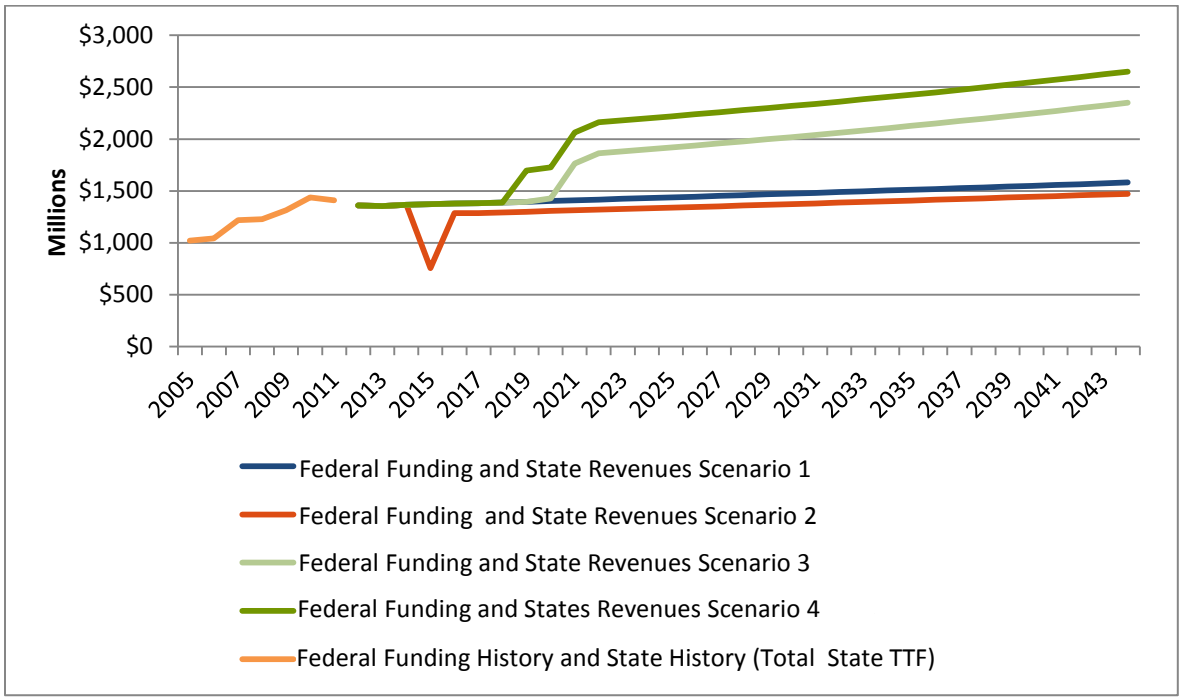
Total estimated revenues from FY 2012 to FY 2044 are $35.1 billion in constant 2010 dollars, as shown in **Table 6-3**. As with Scenario 3, DOTD would only be able to match federal dollars beginning in FY 2021 and continuing through FY 2044.

6.3.7 History vs Forecast (Highway and Transit Revenue)

Figure 6-2 displays total federal funding and total state TTF revenues from 2005 to 2011 and from 2012 to 2044. The $0.16 tax on gasoline is the primary state revenue source for transportation system improvements in Louisiana. From FY 2005 to FY 2012, revenues from this tax grew 0.4 percent annually on average. In all scenarios developed for the Plan, these revenues are expected to grow at a rate of 0.5 percent annually. Scenario 3 benefits from the additional state revenues beginning in FY 2020. However, with inflation, state revenue buying power declines. Louisiana's federal highway revenues

increased 4.8 percent annually on average from FY 2005 to FY 2012. The trend of increasing federal revenues will not continue without a change to the current taxing mechanism. This is due to continually increasing vehicle efficiency and, potentially, a continued trend of stable or decreasing travel on a per-person basis. As shown in the previous section, all revenue scenarios assume federal revenues will increase at 0.5 percent per year. Scenario 4 assumes the additional federal revenue stream that comes into play in 2020 would increase 2.5 percent per year. It assumes that if Congress addresses the decreasing revenue problem, it will do so with a sustainable source.

Figure 6-2: Historic vs. Forecast Revenues



As previously shown in **Table 6-3**, the estimated baseline (Scenario 1) transit forecast totals $1.8 billion over the planning horizon in constant 2010 dollars, or $2.6 billion in current year dollars not adjusted for inflation. For comparison, the 2003 Plan estimated that $2.83 billion in federal transit funds would be available from FY 2003 to FY 2032 (30 years). At the time of that plan, Louisiana's transit funding had grown approximately 9.4 percent per year since 1998, and it was expected that continued pressure for additional transit services would result in a future growth of 5 percent per year. Given the economic difficulties the U.S. has faced since 2003, it is no surprise that the forecast of federal transit revenues is less than the 2003 estimate. The estimated transit forecast for Scenario 4 in **Table 6-3** totals $2.3 billion.

6.4 Funding Gap

A comparison of the baseline revenue forecast (Scenario 1) with the $55.89 billion in modal needs identified in **Chapter 5** reveal a funding gap of $37.4 billion through FY 2044. The gap is shown by mode in **Table 6-5** below.

Table 6-5: Needs versus Revenues (Funding Gap), FY 2012-2044 (in billions of 2010 dollars)

Mode	Needs	Scenario 1 (Baseline)	Funding Gap
Road and Bridge	$35.99	$15.60	$20.39
Transit	$7.19	$1.80	$5.39
Passenger Rail	$0.56	$0.00	$0.56
Freight Rail	$1.16	$0.00	$1.16
Ports & Waterway	$7.13	$0.40	$6.73
Aviation	$3.48	$0.70	$2.78
Non-Motorized	$0.38	$0.00	$0.38
Total	**$55.89**	**$18.50**	**$37.39**

Note: Constant 2010 dollars.

6.5 Public-Private Partnerships

The Louisiana legislature passed comprehensive public-private partnership (P3) legislation that provides for both solicited and unsolicited proposals. The legislature also created the Louisiana Transportation Authority to oversee P3 activities on behalf of the state.

6.5.1 Louisiana Transportation Authority

The Louisiana Transportation Authority (LTA) was created to pursue alternative and innovative funding sources, including but not limited to P3 and tolls, to supplement public revenue sources and to improve Louisiana's transportation system. The LTA has full power for planning, design, funding, and construction of projects within Louisiana's transportation systems.

6.5.2 Public-Private Partnerships

Revised Statute 48:2072 authorizes the LTA to pursue P3 to supplement public revenue sources and to pursue alternative and innovative funding sources, including user fees, for improving Louisiana's transportation system. Revised Statute 48:2084 to 48:2084.15 discusses the LTA's authority in approving P3 proposals.

6.6 Potential State Funding Options

Due to increased automobile efficiency and a motor fuel taxing mechanism that has kept the tax rate flat since the 1980s, transportation needs and costs far outpace revenues. Transportation infrastructure conditions will continue a long-term decline without a viable revenue solution. All U.S. states are currently facing these issues and many have passed or are considering legislation to address their transportation funding gap. A number of potential options are presented below.

6.6.1 General Sales Tax

Description: Replace the 20 cents per gallon motor fuel tax with an increase in the statewide sales tax on all items subject to the current Louisiana sales tax. In the legislative process, the state legislature would need to repeal the gas tax and increase the State's sales tax. All generated funds would be dedicated to the state TTF to ensure the integrity of the obligations of it. A portion of the revenue would be set aside to ensure that the bonds issued for the TIMED program are securely serviced. A 1-cent sales tax can generate approximately $675 million in revenue. This figure is more than the current revenue of

approximately $600 million generated by the 20-cent gasoline tax. The appropriate percentage would need to be implemented to maintain revenue neutrality.

Advantages/Disadvantages: A general sales tax would produce revenue in proportion to consumer sales and would be quite sensitive to prevailing economic conditions. As a tax levied on the basis of a percentage of sales, it would not be affected by inflation that has eroded the value of the gas tax. It is not a user fee, such as the motor fuel tax and, it would allow transit users and alternative fuel users to contribute to the cost of maintaining transportation infrastructure.

Feasibility: This approach is feasible, especially if introduced in a revenue neutral fashion; its enactment requires legislative action.

Potential Yield: A 1-cent sales tax generates approximately $675 million annually, compared to the approximately $600 million generated per year from the current gasoline tax.

Project Level: Statewide

Implemented Elsewhere: Kansas, Missouri, Nevada, and Utah have dedicated portions of their statewide sales taxes to transportation, and California has countywide transportation sales taxes. Virginia passed a transportation bill in 2013 that eliminates the gasoline tax and replaces it with a 1-cent sales tax, a wholesale tax on fuel distributors, and an increase in the vehicle sales tax. It is estimated that the average family will pay approximately $10 to $20 more a month in taxes.

6.6.2 Motor Fuels Sales Tax (Percentage of Value)

Description: Convert the 20-cent-per-gallon gasoline tax to a statewide percentage sales tax applied to the value of the motor fuel purchased (or add a smaller sales tax).

Advantages/Disadvantages: Revenues fluctuate depending on the price of the gasoline; however, indexing addresses the potential loss in buying power of the current 20-cent-per-gallon excise tax. Revenue planning under this option may be difficult because of price uncertainties, especially if an unexpected drop in fuel prices was to occur. A price per gallon floor could be set to protect the revenue stream. Motor fuel taxes are mildly regressive, meaning that they impose more of a proportional burden on lower-income drivers. Sales taxes on fuel are becoming of greater interest due to the increase in fuel prices and decreasing fuel consumption rates.

Feasibility: This option is more sustainable than the existing per gallon excise tax because it automatically changes as fuel prices change. Public acceptance of the tax is likely to be much lower when fuel prices are rising than when they are decreasing. From a political perspective, increased motor fuel sales taxes at the state (or federal) level may work against local governments' efforts to raise revenue for their local transportation needs.

Potential Yield: In 2012, the Louisiana Department of Revenue collected $585,223,054 from the 20-cent-per-gallon tax (TIMED and state TTF). During this same time period, the average price of gasoline was $3.35 per gallon. To collect approximately the same revenue without the $0.20 state tax, the sales tax on the price of fuel would have to be 6.75 percent. If the tax rate were 7 percent, revenue in the amount of $607,520,052 ($22,297,000 additional revenue) would have been generated.

Project Level: Local, regional, or statewide

Implemented Elsewhere: Twelve states currently impose a motor fuel sales tax, most in the 4 to 6 percent range, as traditional cent-per-gallon tax supplements. In California, Proposition 42 guarantees the sales tax on motor fuels is used for transportation purposes. However, the proceeds from this tax vary with the price of fuel.

6.6.3 Vehicle Miles Traveled Fee

Description: Assess a mileage-based, direct user fee to all drivers. VMT fees could be levied as a flat fee (e.g., a fixed number of cents per mile, regardless of where or when the travel occurred), a variable fee based on user choice considerations such as time of travel, congestion levels on a facility, type of road traveled, type and weight of the vehicle, and vehicle emission levels, or a combination of these factors.

Advantages/Disadvantages: VMT fees could fully or partially replace motor fuel taxes as a primary revenue source and these charges are well-aligned with the full cost of travel. However, tremendous technical, administrative, and institutional challenges exist with this potential option, as well as strong public resistance.

Feasibility: Given the complexity of this potential option, a nationwide VMT fee may need to be implemented. As an interim step to implementing a true VMT tax, a federal per-mile fee (an annual highway miles traveled fee) could be implemented, based on self-reporting of annual miles traveled and collected by states along with annual vehicle registration fees. Enforcement would be difficult.

Potential Yield: According to AASHTO's Center for Excellence in Project Finance, a 1-cent-per-mile fee could raise $32.4 billion nationally (in 2010).

Project Level: Statewide or nationwide

Implemented Elsewhere: Oregon and Minnesota have tested this concept through pilot programs, and as many as 16 states have investigated mileage-based fee legislation. After two pilot projects in 2007 and 2012, the 2013 Oregon legislatures passed Senate Bill 810, the first legislation in the U.S. to establish a road usage charge system for transportation funding. SB 810 authorizes the Oregon Department of Transportation to conduct a 5,000-person volunteer program implementing a per-mile charge as an alternate to the gas tax beginning July 1, 2015. For those who volunteer to participate, the Road Usage Charge Program will assess a charge of 1.5 cents per mile and issue a gas tax credit as warranted (http://roadchargeoregon.org/).

There are currently several studies underway in the U.S. to explore approaches for implementing VMT taxes and a few European countries (e.g., Germany and the Czech Republic) have implemented distance-based fees for trucks.

It should be noted that tolls are a form of a VMT tax for a specific facility.

6.6.4 Local Funding Options

Description: Provide local governments the ability to implement local funding options to supplement federal and state funding for transportation investments. This may include local motor fuel taxes, local vehicle registration fees, property taxes, local option sales taxes, and local income taxes.

Advantages/Disadvantages: The state would not raise taxes but would simply allow parishes (and cities) the ability to generate transportation funds up to a defined limit by a vote of the parish council and/or the voters of that parish. Such an initiative would complement DOTD's current "right-sizing" initiative, where local governments assume ownership of state roads while having the ability to create a revenue stream to maintain the facilities they own.

Feasibility: This option may be more politically acceptable in a climate where an increase in the state gas tax is untenable. This option is relatively favorable to the public, as the local tax would only be assessed by a vote of the parish council and/or by a vote of the people.

Potential Yield: Varies, dependent on population, size of local government, and amount of tax levied.

Project Level: Local

Implemented Elsewhere: Local option taxes have been widely used to support highway and transit investments. The Baton Rouge Green Light Plan is an example of this. In 2005, the citizens of East Baton Rouge Parish approved an extension to the current 0.5 percent sales tax and use the additional revenue for local street and roadway improvements. Seventy percent of the proceeds were used for transportation improvements, including the construction of new roads, widening of existing roads, intersection improvements, and upgrades to traffic signalization and synchronization.

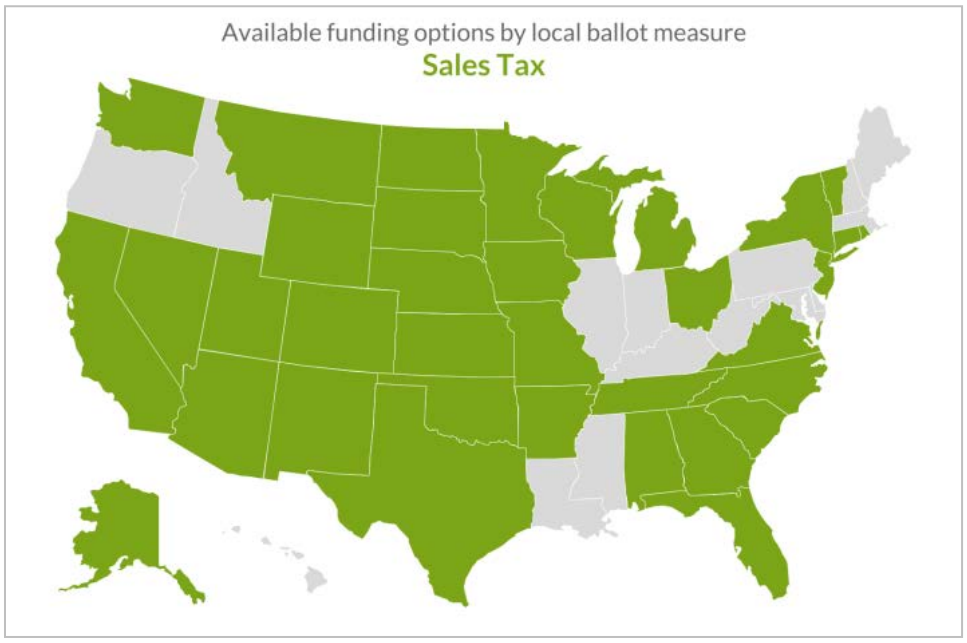
Transportation for America Research

According to research by Transportation for America (T4America), 14 states enacted legislation in 2013 and 2014 to raise or allow increased local funding. They include California, Nevada, Arizona, Colorado, Minnesota, Indiana, Ohio, Pennsylvania, Massachusetts, Virginia, North Carolina, Alabama and Georgia.

T4America also researched which funding tools states have available to use for local ballot measures. Not all funding mechanisms are permitted to go to the ballot in all states. Their research was compiled from the following sources: AASHTO, Center for Transportation Excellence, National Association of Counties, National Cooperative Highway Research Program, National Conference of State Legislators, T4America, Transit Cooperative Research Program, and UC Berkeley Institute of Transportation Studies. The funding tools researched include sales tax, property tax, vehicle fees, bonding, income tax, and gas tax. A quick description of each and accompanying maps follow:

Local Option Sales Tax – According to T4America's research, 35 states allow local option sales taxes authorized at the municipal or county level as a funding tool for transportation (**Figure 6-3**).

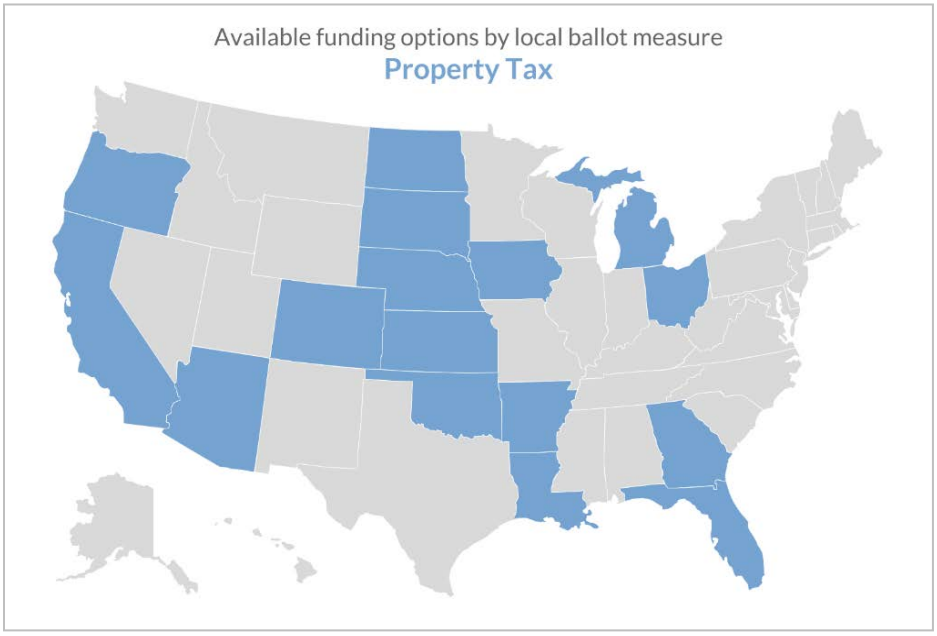
Figure 6-3: States with Local Option Sales Tax



Source: Transportation for America Website, http://t4america.org/maps-tools/measuring-up/maps-available-local-funding-options/, accessed December 17, 2014.

Property Tax – **Figure 6-4** illustrates states that have municipal- or county-level authority to levy property taxes. Ballot measures are required in some jurisdictions.

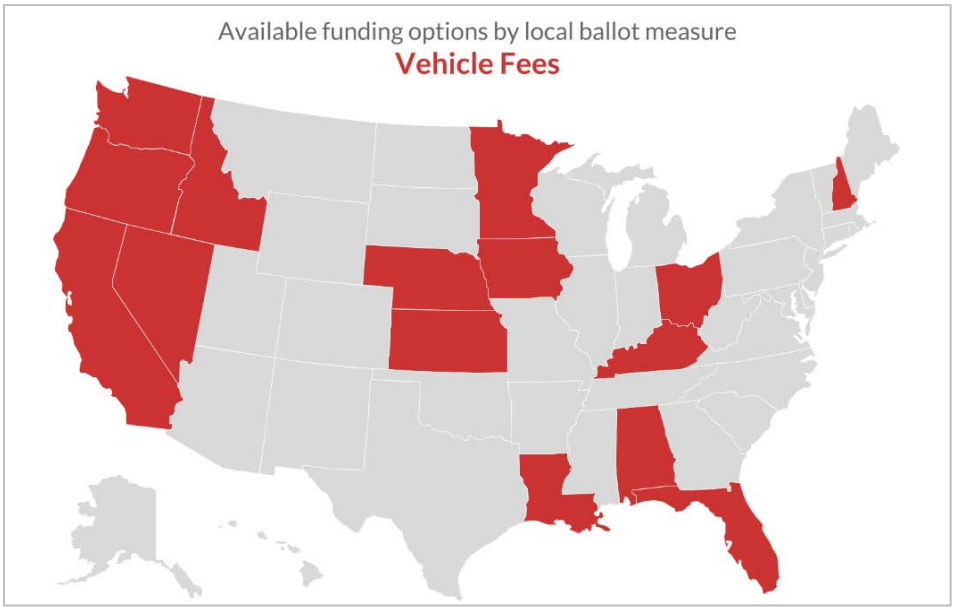
Figure 6-4: States with Local Option Property Tax



Source: Transportation for America Website, http://t4america.org/maps-tools/measuring-up/maps-available-local-funding-options/, accessed December 17, 2014.

Vehicle Fees – **Figure 6-5** illustrates states with an authorized local option for a vehicle registration tax or fee – this typically requires a ballot measure. In Louisiana, only Jefferson Parish is authorized to levy a local vehicle registration fee.

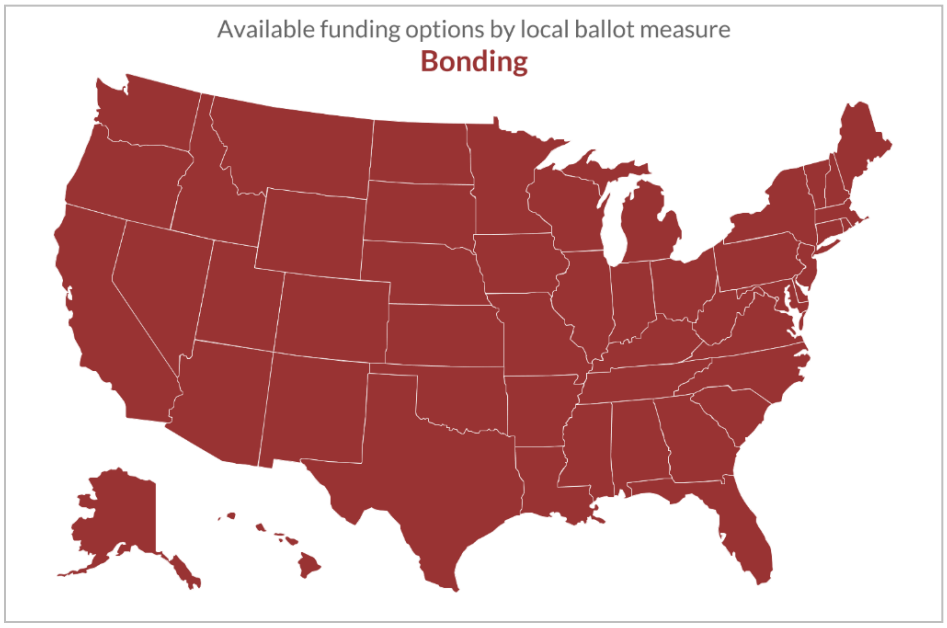
Figure 6-5: States with Local Option Vehicle Fees



Source: Transportation for America Website, http://t4america.org/maps-tools/measuring-up/maps-available-local-funding-options/, accessed December 17, 2014.

Bonding – **Figure 6-6** illustrates states that give local authority for general obligation bond ballot measures.

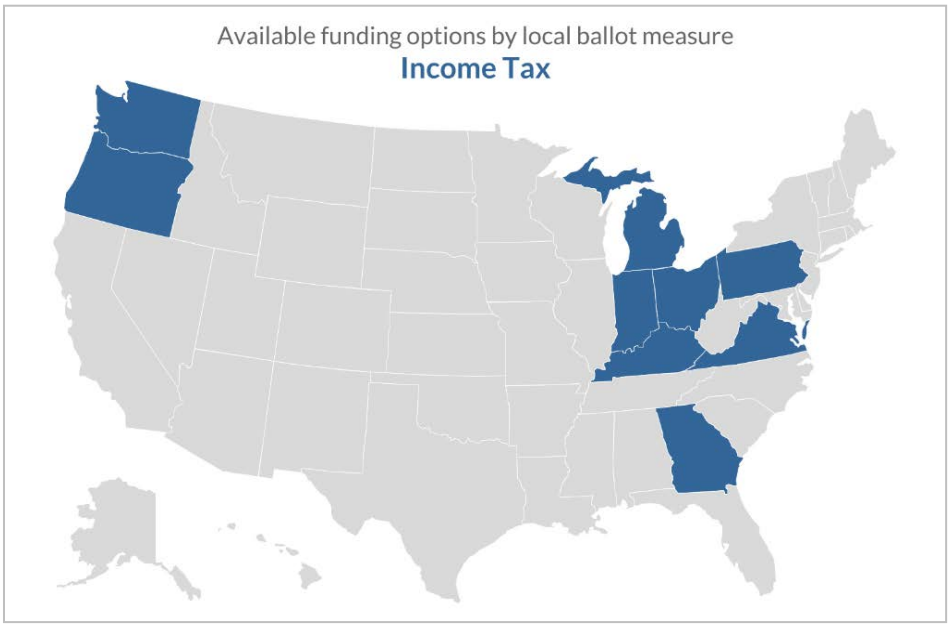
Figure 6-6: States with Local Option Bonding



Source: Transportation for America Website, http://t4america.org/maps-tools/measuring-up/maps-available-local-funding-options/, accessed December 17, 2014.

Income Tax – **Figure 6-7** illustrates states that allow local option income and payroll taxes, which typically require ballot measure.

Figure 6-7: States with Local Option Income Tax



Source: Transportation for America Website, http://t4america.org/maps-tools/measuring-up/maps-available-local-funding-options/, accessed December 17, 2014.

Gas Tax – **Figure 6-8** illustrates states that allow local option gas tax authorized at the municipal or county level.

Figure 6-8: States with Local Option Gas Tax

Source: Transportation for America Website, http://t4america.org/maps-tools/measuring-up/maps-available-local-funding-options/, accessed December 17, 2014.

6.6.5 Advanced Transportation District

Description: Advanced transportation districts are regional tax districts that may be established to fund transportation projects.

Advantages/Disadvantages: Projects that cut across funding categories or do not qualify for traditional funding categories may be advanced through this funding mechanism. To gain community support of a new tax, the funds may be entirely appropriated to leverage a one-time bond sale, thus obligating the revenues to debt service over a significant time frame.

Feasibility: It would be difficult to gain support for such a tax in rural areas, and as such, statewide implementation may not be feasible. Execution of regional advanced transportation districts may be cumbersome because of agency/jurisdictional competition. The general public is less focused on jurisdictional boundaries; therefore, regional implementation will likely gain the greatest degree of support. Localized advanced transportation districts may face less agency/jurisdictional obstacles but could create anti-business barriers in multi-jurisdictional metropolitan areas.

Potential Yield: Yields would vary depending on the size and boundaries of the district(s). As an example, it is estimated that the Baton Rouge Metropolitan Area could have generated $20 million dollars in 2011 with a 0.25-cent sales tax.

Project Level: Local or regional

Implemented Elsewhere: The City of San Antonio, Texas Department of Transportation, and VIA Metropolitan Transit were able to fund a wide range of projects utilizing a 0.25-cent sales tax through an advanced transportation district, which generated $316 million in revenues between 2005 and 2012. Other state examples of advanced transportation districts are listed in **Table 6-6**.

Table 6-6: State Examples of Advanced Transportation Districts

State	Program	Description	Website
Arizona	Regional Public Transportation Authority	Varies by municipality/ region	http://www.valleymetro.org/overview/history_funding
Colorado	Regional Transportation Districts	Use on capital projects	https://www.springsgov.com/units/salestax/special%20messages/PPRTA%20Brochure.pdf
Georgia	Transportation Investment Act	Regional transportation projects	http://www.ga-tia.com/
Washington	Regional Transportation Investments Districts	Sales and use tax, capital improvements to highways	http://leg.wa.gov/JTC/trm/Documents/TRM_1315Update/8a%20-%20Local%20Option%20Taxes%20-%20Summary%20Chart.pdf
Texas	Advanced Transportation District	Regional or city	http://sanantonioedf.com/business-profile/taxes-incentives/
New Mexico	Transportation Districts	City	http://www.tax-rates.org/new_mexico/city_of_las_cruces_tid_district_sales_tax

State	Program	Description	Website
South Carolina	Transportation Districts	Upon referendum approval, localities can levy a capital projects sales tax (nine counties levy for specific projects, including highway, bridge, and sidewalk projects) and a transportation authority sales tax (three counties levy for highways, streets, and bridges)	http://www.tax-rates.org/south_carolina/charleston_sales_tax

6.6.6 Tolling

Description: Tolls are fees directly imposed to utilize a specific facility. This revenue source is generally used to finance individual projects, such as major bridges and high volume controlled access roadways. Currently, restrictions are in place for the tolling of existing interstate highways, but this can be done under several pilot programs.

Advantages/Disadvantages: Tolls have been proven as reliable and stable generators of revenue. Tolling can foster P3 by attracting private capital; draw on the public's willingness to pay direct user charges; allow a state to leverage new sources of capital, such as additional debt; free up traditional public resources for non-revenue-generating projects; and help to accelerate projects. However, the tolling option faces costs for borrowing, high administrative costs for operations, and significant public opposition. Additionally, it can be difficult to set an optimal price.

Feasibility: According to the *Texas Transportation Institute, University Transportation Center for Mobility, A Guide to Transportation Funding Options*, 30 to 40 percent of new limited access highway mileage has been financed at least in part through tolls. However, the feasibility of tolling as a means of producing 100 percent of funding needs is highly dependent on the prevailing level of congestion, income profile of users, and availability of alternative routes.

Legislation was enacted in Louisiana in 1997, 2001, and 2003 regarding the creation of toll authorities to plan, design, construct, and operate toll roads. This legislation included a bill that permits the formation of local toll authorities for any parish or contiguous parishes in the state (1997) and the creation of the LTA, which has statewide jurisdiction for toll roads (2001); the Lafayette Metropolitan Expressway Commission (LMEC), which is a toll authority charged specifically with implementing a loop around Lafayette (2003); the Baton Rouge Capital Area Expressway Authority (2004); and the Ouachita Expressway Authority (2007). Louisiana also has P3 legislation.

Special types of toll facilities, such as truck lanes or high occupancy vehicle (HOT) lanes, are also options for consideration. Legislation may be necessary to enable new types of tolls or pricing initiatives.

Potential Yield: Potential yield varies. Electronic pricing, variable pricing, and tying tolls to inflation (or similar indicators of increasing cost) offer significant future funding opportunities. Toll revenues have

been relatively stable at 5 to 7 percent of total revenues for highways, according to the *Texas Transportation Institute's, A Guide to Transportation Funding Options*.

Project Level: Local, regional, or statewide

Implemented Elsewhere: Tolling is widely used across the U.S. yet is not prevalent in Louisiana. There have been feasibility and environmental studies for toll roads in Louisiana, but little further advancement. An exception is the LA 1 South project, for which project toll revenues are being supplemented by DOTD to cover operations, maintenance, and toll collection costs.

6.6.7 Indexing Motor Fuel Taxes

Description: This funding option ties motor fuel taxes to an inflation index (such as the cost of living index and CPI) or to some other barometer (motor fuel prices, construction prices, etc.), allowing revenues to grow without legislative action.

Advantages/Disadvantages: This method is certainly more sustainable than the per gallon motor fuel excise tax; depending on how it is structured, it can avoid the erosion of purchasing power. A ceiling and floor on the change in the indexed rate may be desirable to prevent large changes in tax rates.

Feasibility: This method may be feasible, if introduced in a revenue neutral fashion. Still, many see indexing simply as a tax increase.

Potential Yield: Yield varies depending on indexing mechanism, but could be set initially as revenue neutral.

Project Level: Statewide

Implemented Elsewhere: Florida, Minnesota, Kentucky, Vermont, West Virginia, Maine, and North Carolina have either all or a portion of their motor fuel tax indexed to CPI or the wholesale price of fuel. Nebraska adjusts their gasoline tax to account for inflation.

6.6.8 Project Specific Tax

Description: This option requires passage of a sales or motor fuels tax for a specified period to cover the cost of one or more projects.

Advantages/Disadvantages: An advantage with public appeal exists because the tax ceases once the project payment is complete. The disadvantage is that funding is tied to specific projects and cannot be applied to general transportation needs.

Feasibility: This method is feasible, provided a project is desired by the public.

Potential Yield: Varies according to project cost and public willingness to pay.

Project Level: Local, regional, or statewide

Implemented Elsewhere: Louisiana's TIMED program (**Section 6.2.2**) and Mississippi's 4-Lane program are examples of this funding technique.

6.6.9 Increase Registration Fees

Description: Most states impose some type of registration fee or have adjusted the current registration fee to align with a vehicle's value. Louisiana's fee (**Section 6.2.3**) could be increased or revised through legislative action.

Advantages/Disadvantages: Registration fees can provide significant revenue and are relatively inexpensive to administer. However, the fact that registration fees do not vary by miles traveled is a source of inequity and inefficiency.

Feasibility: Registration fee adjustments are promising as both short- and long-term options for funding highways. Historically, the Louisiana trucking industry has been opposed to increases in truck registration fees despite having one of the lowest registration fees in the U.S.

Potential Yield: According to U.S. Census data, 4,033,000 automobiles, trucks, and buses were registered in Louisiana in 2009 (excluding motorcycles and vehicles owned by military services). Therefore, as a rough estimate, an effective $1 increase in vehicle registration fees could generate approximately $4 million annually.

Project Level: Local, regional, or statewide; currently implemented statewide in Louisiana.

Implemented Elsewhere: All states levy motor vehicle registration fees for passenger and commercial vehicles, assessed by various vehicle characteristics (or combinations thereof), including a flat fee, by weight, by age, and by value. In some states, county and/or local registration fees are collected either with the state fee or separately.

6.6.10 Violation Surcharge

Description: Several states have ventured into another innovative area of revenue generation: a series of "surcharges" on certain traffic violations. These surcharges are an addition to the normal court-inflicted penalties (fines, driver's license points, probation, suspensions, vehicle impoundment, etc.), with the proceeds allocated to specific public programs (transportation, health care, education, etc.). The programs target drunk driving and other violations, such as operating without insurance or a driver's license and serious moving violations (e.g., leaving the scene, excessive speeding).

Advantages/Disadvantages: Since surcharges punish illegal behavior, they encounter less initial resistance than proposals that raise taxes. However, the surcharges tend to fall disproportionately on the poor and have a high non-payment rate, and studies have shown no relationship between the surcharge program and the intended result of reducing drunk driving. Texas is facing a push to repeal its current law, largely because of the increase in unlicensed, uninsured drivers created by non-payment.

Feasibility: Legislators may relate to the negative Texas experience, decreasing the feasibility in Louisiana.

Potential Yield: According to an estimate developed as part of the Louisiana Statewide Transportation Plan Implementation Strategy (2006), Louisiana could expect to generate $25 to $40 million annually from a Texas-style surcharge program in the first year.

Project Level: Local, regional, or statewide.

Implemented Elsewhere: Texas, Michigan, and New Jersey currently have violation surcharge laws. Texas enacted its Driver Responsibility Program in 2003 and the New Jersey Surcharge Violation System, which has been in place since 1984, has gained more acceptance. In 2012, Michigan's Driver Responsibility Law (enacted in 2003) removed driving without a valid license and failing to have mandatory insurance from the surcharge program.

6.7 Feedback on Funding Uncertainty

As part of the early outreach conducted for the Plan, executive level DOTD staff interviews, a legislative survey, and a public opinion poll were conducted (discussed in **Chapters 2** and **3**). Overall, stakeholders agree that the uncertainty of funding at both the state and federal level is a major issue. From these stakeholders, a consensus emerges that funding is the number one obstacle to maintaining existing transportation facilities and to creating a complete intermodal network. Stakeholders understand that funding needs to keep up with inflation, yet it is unclear whether Louisianians would be receptive to increased taxes and fees. A survey of state legislators revealed that they do not consider local option taxes and fees feasible, but nearly three-fourths of the general public telephone survey respondents indicated that they would approve of a local tax to fund projects in their respective areas.