Report Highlights

Sufficiency of the Transportation Trust Fund in Meeting the State's Transportation Needs

State of Louisiana

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Why We Conducted This Audit

We evaluated the sufficiency of the Louisiana Transportation Trust Fund (TTF) in meeting the transportation needs of the state. The TTF is the main funding source used to meet the state's transportation needs and was established January 1, 1990, to provide funding for the costs associated with construction and maintenance of roads and bridges of the state and federal highway systems. The TTF also provides funding for the Statewide Flood-Control program, ports, aviation, transit, and the Parish Transportation Fund. We conducted this audit because DOTD's 2019 State Highway and Bridge Needs report identified $14.87 billion in unmet transportation infrastructure needs in Louisiana.

What We Found

Overall, we found that TTF funding has not been sufficient to fund state transportation needs because stagnant motor fuel taxes and constitutionally-authorized uses of TTF revenues have reduced the amount that can be used toward the state transportation backlog. In addition, TTF revenues will further decrease because of the impact of electric and fuel-efficient vehicles. Other states are adopting additional mechanisms, such as requiring a special registration fee for plug-in electric vehicles (PEVs) and plug-in hybrid vehicles (PHEVs) to make up funding shortfalls and increase transportation funding beyond increasing motor fuel taxes. Specifically, we found that:

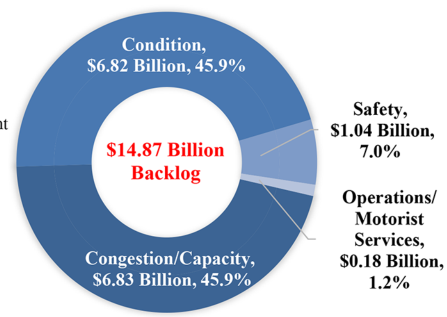
DOTD State Highway and Bridge Needs
Calendar Year 2019

Congestion/Capacity consists of major road widening and adding lanes.

Condition consists of resurfacing roads, repairing structurally deficient bridges, bridge painting, etc.

Safety consists of isolated reconstruction, minor widening, shoulders, railroad crossings, etc.

Operations/Motorist Services consists of interstate striping and signs, rest areas, ferries, etc.



Source: Prepared by legislative auditor's staff using information from DOTD State Highway and Bridge Needs Report for the calendar year 2019.

- **TTF funding has not been sufficient because motor fuel taxes, which are the TTF's largest revenue source, have not increased since 1990 and are not indexed for inflation. Twenty-two states have variable-rate gas taxes that automatically adjust with economic measures such as the price of gas or the general inflation rate. In addition, the average fuel efficiency of light duty passenger cars in the United States increased from 18.8 miles per gallon in 1990 to 22.9 miles per gallon in 2020, a 21.8% increase, which decreased the amount of revenue that the state receives per Vehicle Miles Traveled (VMT).** As a result of inflation and fuel efficiency, the inflation-adjusted funding per vehicle mile traveled has decreased by 64.4% since 1990, from 2.81 cents per VMT in 1990 to 1.00 cent per VMT in 2020 dollars. If the 1990 motor fuel tax of 20 cents were indexed to the Consumer Price Index, the tax would have been at 41 cents in 2021. If the tax were indexed to the Producer Price Index/the National Highway Construction Cost Index, the tax would have been at 49 cents in 2021.

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What We Found (Cont.)

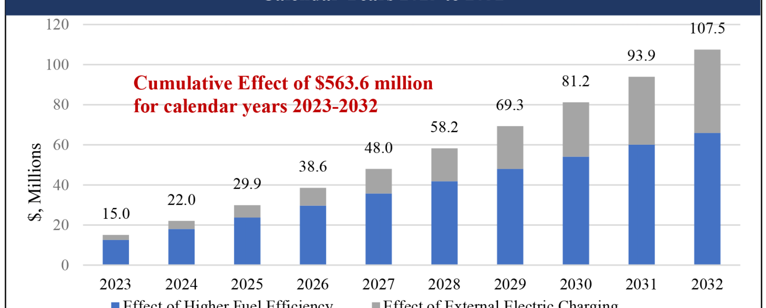
- **From fiscal year 2015 through fiscal year 2021, $309.6 million of TTF-Regular revenues were used to supplement the debt service associated with Transportation Infrastructure Model for Economic Development (TIMED) projects and were used for constitutionally-allowed local transportation needs, which reduced the amount of revenues for state transportation needs.** Furthermore, we estimate that $902.6 million of projected TTF-Regular funds over the next 24 years will be needed to supplement the TIMED debt, which would also reduce TTF funds available for the state backlog of transportation projects.

If the motor fuel tax had been indexed to inflation using the Consumer Price Index when it was last increased in 1990, the average Louisiana household's yearly motor fuel expense in 2021 would have been $2,849 instead of $2,646, a 7.7% increase. Even though Louisiana has not changed its gas tax, the cost of building materials, labor, and other expenses associated with building and maintaining transportation infrastructure has increased by 144.8% between 1990 and 2021.

- **We estimate that higher fuel efficiency and external electric charging vehicles will result in $563.6 million less in motor fuel tax revenues to the state over calendar years 2023 to 2032, and $107.5 million less in 2032 alone, assuming that electric vehicles will account for 30% of new vehicles sold in Louisiana by 2032.** However, Act 578 of the 2022 Regular Legislative Session will enable the state to begin collecting road usage fees from these types of vehicles, and we estimate that these fees will be sufficient to offset the impact of external electric charging vehicles on motor fuel tax collections, but not the impact of more fuel-efficient vehicles. As a result, the state could still lose $322.9 million over calendar years 2023 to 2032 from improved vehicle technologies.

- **Other states have approved alternative funding measures to provide diversified, dedicated, predictable, and sustainable revenues for statewide roads and bridges. Diversifying Louisiana's revenue sources for transportation needs is important because, even accounting for the new road usage fees passed in the 2022 Regular Legislative Session, TTF revenues will still be insufficient to address Louisiana's current and future transportation needs.** Other states use a variety of taxes and fees to support roads and bridges including state fuel taxes, vehicle fees, sales taxes, tolls, mode-specific revenues, and an assortment of other sources such as congestion pricing, cigarette taxes, and state lotteries.

Impact of Higher Fuel Efficiency and External Electric Charging
Calendar Years 2023 to 2032



Source: Prepared by legislative auditor's staff based on an analysis of data from the U.S. Bureau of Transportation Statistics, Federal Highway Administration, and National Household Transportation Survey, as well as unaudited data from the Louisiana Department of Environmental Quality and Louisiana Office of Motor Vehicles.