



Report Highlights

Supplemental Information on Louisiana’s Transportation Trust Fund

Response to a Request from the Task Force on the Administration of State Transportation and Development Services, and the Louisiana Electric Vehicle Task Force

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Why We Compiled This Information Report

During the October 19, 2022, joint meeting of the task force on the Administration of State Transportation and Development Services, and the Louisiana Electric Vehicle Task Force, our office was asked to provide answers to additional questions from members after discussing our audit, *Sufficiency of the Transportation Trust Fund (TTF) in Meeting the State’s Transportation Needs*, issued on September 1, 2022. Louisiana TTF includes revenues from motor fuel taxes (gasoline, diesel, and special fuels), federal Highway Trust Fund (HTF) receipts (from federal motor fuel taxes), motor vehicle license taxes, aviation fuel sales taxes, miscellaneous fees and fines, and interest earnings. TTF received approximately \$2.2 billion in revenue in fiscal year 2022, with \$621.2 million coming from the motor fuel tax.

What We Found

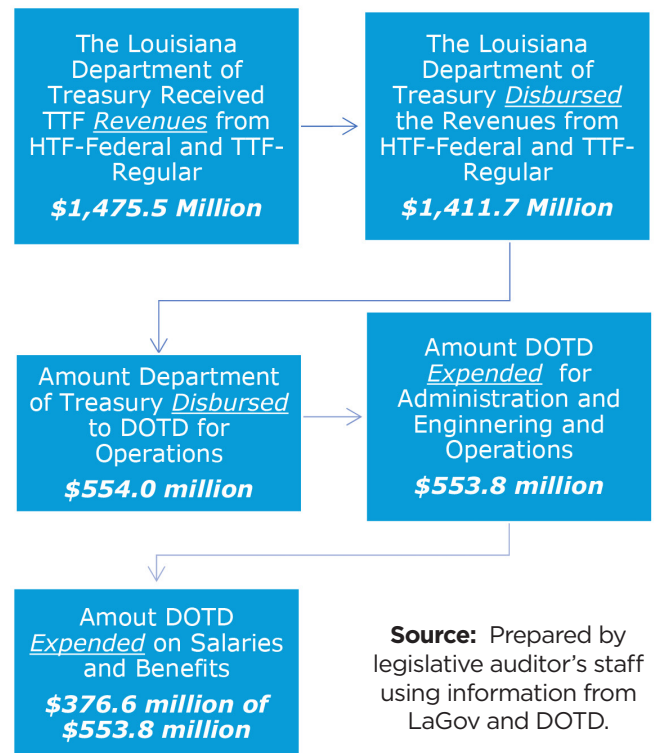
Overall, we found the following:

TTF Uses for DOTD Operations:

- 1. How much TTF funding goes toward Department of Transportation and Development (DOTD) Operations, and specifically for unclassified employees?

In Fiscal Year (FY) 2022, the Louisiana Department of Treasury disbursed \$554.0 million (39.2%) from TTF for DOTD operations and \$794.3 million (56.3%) for DOTD capital outlay (transportation projects) of the \$1,411.7 million total disbursed. During FY 2022, DOTD expended \$376.6 million (68.0%) of the \$553.8 million on personnel expenditures, of which \$1.8 million was used for salaries of 16 unclassified positions and \$231.0 million for salaries of 3,978 classified positions, as well as \$143.8 million to employees for related benefits and other compensation.

Flow of TTF Funds to DOTD for Operations Fiscal Year 2022



Source: Prepared by legislative auditor’s staff using information from LaGov and DOTD.

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What We Found (Cont.)

2. **At what point in the future will DOTD's salaries and benefits hit the budgetary ceiling so that no TTF funds would be left for construction projects?**

Based on prior-year trends in DOTD's expenditures, we estimate that DOTD's salaries and expenditures would exceed DOTD's available *HTF-Federal* and *TTF-Regular* funding by FY 2036.

Potential Revenue Sources to Eliminate State Transportation Backlog and Motor Fuel Tax:

3. **If the Motor Fuel Tax is not increased, what would road usage fees on internal combustion engine, electric, and hybrid vehicles need to be to fully eliminate the current state transportation backlog over a 30-year period?**

The answer to this question depends on certain assumptions about how much of DOTD's capital outlay budget goes toward the state transportation backlog; and how much progress DOTD is able to make towards completing projects in the state transportation backlog each year. As of 2021, DOTD identified \$18.8 billion in state highway and bridge needs (i.e., state transportation backlog). We identified seven scenarios based on several assumptions to estimate what would road usage fees on internal combustion engine, electric, and hybrid vehicles need to be to fully eliminate the current state transportation backlog over a 30-year period (FY 2024 to FY 2053). For example, for the baseline scenario, the amount per vehicle would range from \$116 per year for internal combustion engine vehicles to \$271 per year for battery electric vehicles, with all other factors remaining constant.

4. **If the state charged a flat fee on all vehicles (internal combustion engine and electric) and eliminated the Motor Fuel Tax, what would this fee need to be, and what impact would it have on out-of-state vehicles traveling on Louisiana's roads?**

If the legislature chooses to eliminate the state's Motor Fuel Tax to make up the \$621.2 million that the state received in FY 2022 from motor fuel taxes, the fee would need to be approximately \$161 per year per vehicle. However, the fee could be further refined by vehicle categories to account for difference in taxes paid by heavier vehicles, especially heavy trucks, that consume more fuel per mile and cause greater damage to roads. The fee would also need to be indexed to inflation to maintain its purchasing power over time. Eliminating the motor fuel taxes and replacing them with road usage fees would result in vehicles registered in other states not financially supporting the construction and maintenance of the state's highway system, even if they use the highways. Furthermore, according to the state's bond counsel, if the legislature statutorily eliminated the Motor Fuel Tax, the state would have to first refund and reissue the remaining bonds secured by the state's motor fuel taxes to avoid creating an impairment of contract.

5. **Can federal mineral royalties be used to pay for transportation projects, and what percentage of federal mineral royalties are allocated to Louisiana compared to other states?**

The majority of federal mineral royalties Louisiana receives are from the Gulf of Mexico Energy Security Act (GOMESA) offshore royalties, and Louisiana is limited in its use of GOMESA mineral royalties on transportation projects* unless the federal law is changed.

* As denoted in 43 U.S.C. §1331 note (Gulf of Mexico Energy Security), it appears that the state may be authorized to expend GOMESA funds on transportation projects to the degree that the transportation infrastructure was directly affected by coastal losses, or the transportation infrastructure project mitigates impact of the Outer Continental Shelf oil and gas activities.

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What We Found (Cont.)

Electric Vehicle Road-Usage Fees

6. How are other states collecting electric vehicle fees, what would be the most efficient way to collect electric vehicle fees in Louisiana, and what is the difference in the amount of damages caused to roads by heavier vehicles?

- Of the 31 states we evaluated that have an electric vehicle fee as of September 2022, Louisiana is the only state in which the entity collecting vehicle registration fees is not the one which collects electric vehicle fees.
- According to a memorandum issued in January 2023 by the Louisiana Transportation Research Center on a review of the extent of damage to pavements caused by the different classes of vehicles, the typical consumer vehicle (i.e., sedans, vans, SUVs, pick-up trucks, etc.) are known to cause minimal damage to the pavement. Busses and trucks (vehicle classes 4 to 13) are mainly responsible for pavement damage, which is caused by stresses and strains induced by loads from individual axles directly in contact with the road.

7. Can the state charge fees for using electric charging stations based on the amount of power required to charge each electric vehicle?

According to the Louisiana Department of Revenue's *Ruling No. 22-004* issued on December 6, 2022, sales of electricity to consumers charging their cars at charging stations are subject to state sales tax. According to DOTD, most charging occurs at residential and business locations of vehicle owners. However, residential utilities are currently exempt from the state sales tax.