



IN BRIEF

PAYING FOR STREETS

Options for Funding Road Maintenance in New Orleans

May 2017

Why This Report Matters

A recent pavement condition study found that 44% of New Orleans' 1,500 miles of streets have either failed or are on the verge of failure. Based on the study, the City estimates it would cost at least \$5 billion dollars to fix them. That does not include the \$30 million to \$35 million a year that the City estimates it needs to cover preventive maintenance costs.

The City is poised to receive \$1.5 billion in FEMA funding to repair streets damaged during the Hurricane Katrina disaster. This infusion of federal money provides a critical opportunity to shift to a more effective approach to maintaining the City's streets. To sustain the longer term benefits of this capital investment, the City must find a way to increase local funding for preventive street maintenance so that all those repaved roads do not deteriorate prematurely.

Finding more money for streets will require a reassessment of both the use of existing resources and the City's current approach to street maintenance. *Paying for Streets* lays the groundwork for such a reassessment. The report catalogues the City's current funding sources dedicated to streets and assesses how well these resources align with the needs. It then examines various options to increase street funding.

Key Findings

- From 2011 to 2016, the City spent an average of just \$3.8 million a year on preventive street maintenance, or about one-ninth of the amount the City estimates it needs to properly maintain the street network.
- It appears the City is not regularly spending all of the revenues dedicated to streets and traffic signals (\$8.5 million in 2017) on those purposes.
- Traffic camera tickets, parking tickets and other street-related revenue sources generate a net total of more than \$50 million a year. The City invests none of this money in street maintenance or repairs despite large increases in this pool of revenues.
- The Orleans Parish tax structure allocates just 3% of locally generated tax revenues to streets, suggesting a need to reassess dedications.
- Property taxes, the primary source of local funding for streets, generally have a weak nexus to street use. Also, exemptions shield many properties from taxation, even though some of them impose significant burdens on the street network.
- The report identifies several new funding options that have a strong nexus to streets. Among the most suitable are a local gas tax and a Transportation Utility Fee, in which property occupants pay street charges based upon estimates of how many vehicle trips the property generates.

Recommendations

- The City should implement budgeting and accounting procedures to ensure that all revenues dedicated to streets and traffic signals are spent on those purposes.
- The City should identify recurring revenues to provide the \$30 million to \$35 million it needs each year for preventive street maintenance.
- The City should direct a portion of its existing street-related fees, fines and taxes to streets. At a minimum, future net increases in these revenues should go to streets.
- The mayor and the local legislative delegation should initiate a comprehensive reassessment of existing local tax dedications with an eye toward redirecting taxes to meet basic municipal needs, including streets.
- The City should consider implementing a Transportation Utility Fee to broaden the base of contributors to street funding and better calibrate those contributions to impacts on the street network.
- Any action by the Legislature to raise the state fuel tax should include a portion dedicated to local transportation infrastructure.
- The City Council should pursue a charter change clarifying the authority of, and process for, the City to impose fees and service charges.

Read the full report at www.bgr.org.