



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 556** HLS 25RS 649
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 16, 2025	7:18 PM	Author: BOURRIAQUE
Dept./Agy.: Department of Transportation Development		
Subject: Shifts to consulting/limits use of TTF/data management		Analyst: Kimberly Fruge

TRANSPORTATION EG INCREASE GF EX See Note Page 1 of 2
Reforms operations for the Louisiana Department of Transportation and Development

Proposed law requires the department to petition the Federal Highway Administration for authority to contract services for engineering, drafting, accounting, legal, and other labor; allows the secretary to eliminate positions necessary to transition functions to the Office of Transformation and the Louisiana Highway Construction Authority; prohibits using the Transportation Trust Fund (TTF) for employee salaries and related benefits; prevents reimbursement for overhead on TTF and capital budget projects; mandates the office of transformation enact 2025 Regular Session reforms, including establishing a central data management program; requires the department develop an interactive online system to monitor project status statewide; transfers the authority of the State Highway Improvement Fund to the Louisiana Highway Construction Authority and grants it exclusive authority over agreements with local governments for non-federal-aid routes; reduces warranty duration from three years to one year; maximizes highway maintenance through third-party contracts; phases out department repair shops and laboratories in favor of privatization; and changes the liquidated damages clause in utility relocation agreements from .05 percent per day to 25 percent per day.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						
REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will result in a significant increase in SGF and potential significant increases in Statutory Dedications out of the Transportation Trust Fund - Regular (TTF-R) expenditures within the Department of Transportation and Development (DOTD). Proposed law requires the department to petition the Federal Highway Administration for authority to contract services for engineering, drafting, accounting, legal, and other labor; prohibits using the Transportation Trust Fund for employee salaries and benefits; and requires the department develop an interactive online system to monitor project status statewide. Many potential cost impacts are speculative and dependent on the execution of plans that are not finalized.

TTF - Outsourcing and Privatization of Projects

Under proposed law, DOTD would be required to use contract services for engineering, drafting, accounting, legal, and other help and labor as well as privatize repair shops and laboratories. Many studies indicate that certain in-house services tend to be cheaper than third-party consultants, including an independent review of DOTD prepared by the Boston Consulting Group which indicates increased outsourcing may lead to higher costs for the department. Any potential increase in expenditures out of the Transportation Trust Fund is indeterminable at this time.

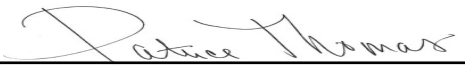
In addition, proposed law reduces the length of the warranty provided by the contractor as to the quality of materials and workmanship from three years to one year. This requires the department to cover the costs of any work that arises after one year that would typically be covered by the warranty. The magnitude of such increase in costs is indeterminable at this time.

DOTD would also be responsible for developing and managing an online system to monitor the status of projects, implement a data asset management process, and reform the access permit process. This will result in an indeterminable, but likely significant, one-time increase in expenditures, assumed here to be TTF or SGF.

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate	Dual Referral Rules	House	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	
			Patrice Thomas Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one: Page 2 of 2

EXPENDITURE EXPLANATION CONTINUED:

Proposed law shifts the authority of the State Highway Improvement Fund, its indebtedness, and all non-federal aid routes within Louisiana to the Louisiana Highway Construction Authority. The LFO assumes any expenditures associated with the State Highway Improvement Fund will shift from DOTD to the authority.

Proposed law changes the liquidated damages clause in utility relocation agreements from .05 percent per day to 25 percent per day. The department reports that if this clause is enacted, they would withhold the penalty from the relocation reimbursement payment. To the extent utilities companies are assessed this penalty, there will be a decrease in expenditures out of the Transportation Trust Fund.

State General Fund - Personal Services

DOTD will require a recurring funding source to offset its inability to utilize the TTF or Construction Subfund for employee expenses and its inability to charge an overhead on TTF and capital outlay projects. For the purpose of this fiscal note, those expenditures are assumed to be SGF.

For illustrative purposes, the FY 26 executive budget recommends approximately \$437.9 M for personnel services. The LFO anticipates that, under proposed law, the department will shift to utilizing third-party contracts rather than employees, which would lead to a significant reduction in costs for personal services. Any such decrease will depend on the number and type of employees eliminated and is indeterminable at this time.

The Federal Highway Administration stipulates that although a consultant may provide construction engineering services, the state must always retain a qualified, full-time employed, state engineer to retain responsibility for the project. In addition, the department reports that it will need to retain some staff to monitor/manage projects and to process the allocations and reimbursements of funds.

DOTD indicates that while a portion of overhead charges are used for personal services, they may be used for other expenditure categories as well. To the extent these expenditures are not able to be shifted to the Transportation Trust Fund - Regular under proposed law, the department may require additional SGF dollars to cover existing operating expenses. The amount of SGF required is indeterminable at this time.

Note: The LFO assumes the restriction of TTF for ongoing personnel services costs would facilitate an equal increase of non-personnel services and capital outlay expenditures out of the TTF. This does not allow the draw down of additional federal match monies, as DOTD already matches its full allotment.

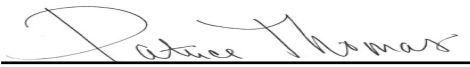
Senate

Dual Referral Rules

House

- ☒ 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
- ☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

- ☒ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- ☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}



Patrice Thomas
Deputy Fiscal Officer