Top 5 Issues for 2014: Transportation

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CSG's Program Manager for Transportation Policy Sean Slone outlines the top five issues for 2014, including the upcoming transportation reauthorization bill, the future of the Highway Trust Fund and alternative revenue options, the evolution of public-private partnerships, and the effect of an expanded Panama Canal on the nation's port system.

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MAP-21 Reauthorization & the Future of the Highway Trust Fund

MAP-21, the 2012 federal surface transportation authorization bill, will expire at the end of September 2014. Without Congressional action, the Highway Trust Fund will run out of money in the 2015 fiscal year. The federal gas tax, which is the trust fund's primary revenue source, has not been raised in more than 20 years and has never been adjusted for inflation. There appears to be little agreement in Congress about which of several avenues to take to ensure the future of the trust fund and the federal transportation program—increasing and/or indexing the gas tax, shoring up the trust fund with another transfer from the general fund, or finding a new, more sustainable primary revenue source.

The Legacy of MAP-21

MAP-21 included many policy reforms long sought by state transportation officials that likely will continue to bear fruit in 2014 and beyond. Key among them are provisions to transition to a performance-based transportation system. But 2014 might also expose more about a negative legacy of MAP-21. Since the bill provided only two years of funding—and followed nearly three years of status quo, short-term extensions of the previous bill, SAFETEA-LU, state transportation departments have been in a prolonged period of uncertainty that has negatively impacted long-term, capital program planning processes.
Continuing State Activity on Transportation Revenues
2013 saw significant activity among states exploring ways of producing additional transportation revenues. The solutions included everything from gas tax increases to complex tax swaps. Significant state activity will continue in 2014. A number of the states that were unsuccessful in 2013 have unfinished business and others have been exploring options in advance of 2014 legislative sessions. Some states that had success in 2013 could seek to do more, while others may see repeal efforts and political backlash. Ultimately, a greater abundance of statewide elections in 2014 may have some say in determining how successful states are in maintaining or achieving new revenue gains.

Evolution of Public-Private Partnerships
Some states have turned to the private sector in recent years to help fund major transportation projects and 2014 is likely to see a substantial number of these projects move forward. But new public-private partnerships—also known as P3s—are taking on different shapes than earlier ones. Managed lane projects around the country, a major transit project in Maryland and a bundle of bridges in Pennsylvania are all being explored as P3s. Some states are turning to the P3 model known as availability payments, under which the public project sponsor retains the underlying revenue risk associated with the project and makes payments to a private partner for designing, building, operating and/or maintaining a transportation facility.

Finding Strategies for a Multi-Modal Future
With an expanded Panama Canal on the horizon in June 2015, U.S. seaports need expansion and dredging to accommodate larger container ships. Inland ports, which could see additional traffic, also need upgrades. But as with surface transportation, there is little agreement on how to pay for it all. With demand for transportation alternatives growing in some communities and with future dedicated federal funding uncertain, states will need to continue to seek new partnerships and innovative funding and financing mechanisms to develop and maintain transit systems, bike and pedestrian facilities and other key features of vibrant communities.

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