



RESEARCH PROJECT CAPSULE [14-3PF]

February 2014

TECHNOLOGY TRANSFER PROGRAM

STC Synthesis of Transportation Funding Sources and Alternatives in the Southeastern States Now and in the Future

JUST THE FACTS:

Start Date:

January 2, 2014

Duration:

12 months

End Date:

January 1, 2015

Funding:

SPR: Pooled Fund: TT-Fed

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POINTS OF INTEREST:

Problem Addressed / Objective of
Research / Methodology Used
Implementation Potential

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The RAC Region II has initiated a collaborative research program consortium through the Transportation Pooled Fund (TPF) Program. The research program is called the Southeast Transportation Consortium (STC) and is intended to encourage coordination among member states and provide resources and management of collaborative studies. The consortium intends to address high priority transportation research topics of common interest to the southeastern and adjoining states. Louisiana serves as the lead agency in the STC.



PROBLEM

In recent years, the demand for reliable transportation access has increased, but it has been accompanied by rising uncertainty over funding availability. The precarious fiscal situation of many states has ratcheted up pressure on many transportation funding regimes. Currently, most states fund transportation infrastructure and assets through some or all of the following revenue sources: fees, fuel taxes, miscellaneous income, bonds, federal government transfers, local government revenues, and general funds (Eger and Hackbart, 2001). More often than not, fuel taxes have proven the most resilient source of revenue. With the recent downturn in the economic fortunes of the United States, many states have had to contend with declining revenues from sources traditionally dedicated to transportation (Vock, 2010). Most states have not responded by increasing fuel taxes; instead, they have made up revenue shortfalls by utilizing federal stimulus money to fill gaps in transportation budgets or funded new projects by issuing bonds, which in turn raise the level of debt incurred by states (Slone, 2010). The transition to alternative funding mechanisms also stems from the fact that the states can no longer depend on the Federal Highway Trust Fund to complete projects. As of late, this fund has consistently run a deficit, requiring that general funds be used to replenish it. It is unclear whether this model of replenishment is sustainable over the long term.

Because of increased financial strain placed on states, there is an urgent need to analyze current transportation funding sources to determine if they are sufficient to meet current and future transportation revenue needs. Another research need involves studying alternative revenue and financing mechanisms if current funding sources are currently forecasted to be insufficient.

OBJECTIVE

The purpose of this synthesis is to examine a wide variety of alternative funding mechanisms currently employed by individual states and to comprehensively assess policy and finance proposals with respect to their sufficiency, pragmatism, and potential for expanded application. As such, this project will develop analytical tools equally adept at analyzing contemporary transportation funding structures and forecasting the impacts of alternative funding mechanisms on the condition of transportation systems and their capacity to improve the economic situation of state transportation funds. These tools will be critical for planning the future of the United States transportation system and will provide the foundation upon which policymakers can develop innovative strategies to keep all critical transportation assets operational. The principal goals of the synthesis study are to identify current funding sources for transportation systems, examine the effects of any pending or proposed changes in revenue structures, and to identify alternative funding mechanisms that would be most beneficial and successful once implemented in states located in the southeast United States.

METHODOLOGY

The starting point of this research is an analysis of the current transportation funding mechanisms adopted by southeastern states. It will also investigate proposed or pending shifts in funding strategies that have been developed in response to declines in revenues, and whether these have been or will be adequate to meet current and future public demand placed on all facets of the transportation system. This research project will exhaustively synthesize the current state of transportation funding in the southeast United States and discuss the most promising alternative funding structures and whether alternative methods are appropriate for widespread use throughout the region. It is important to emphasize the non-normative nature of this research. The end goal is not to prescribe solutions to resolve transportation funding deficits. Rather, it will objectively review the current status of transportation funding in the southeast United States and identify possible alternative means of funding.

IMPLEMENTATION POTENTIAL

The research team will publicize the final report through conference presentations, including the annual Southeast Transportation Consortium meeting. It will make inroads with state transportation agencies by demonstrating the applicability of the final report and implications of the research results.