6.0 Financing Florida's Rail System

6.1 Overview

Strong productivity gains in Florida's economy and increases in personal mobility depend upon an efficient transportation network. Florida's growing population and economy rely on an efficient and reliable multimodal transportation network to serve the high demand for personal travel and the delivery of consumer goods, construction materials, and industrial supplies. Florida's rail system and its ability to connect to the State's overall transportation system play a vital role in accommodating the growth in people and goods movement, and in supporting the national and state economy. Florida is well positioned to meet these growing needs and challenges. Over the past five years, the State has taken significant steps to support multimodal passenger and freight transportation including passage of the 2005 Growth Management Bill (Chapter Law 2005-290), establishing the Transportation Regional Incentive Program, and creating additional state funding for priority transportation infrastructure projects, including Florida New Starts Program (NSTP) and Small County Outreach Program (SCOP). The State also has developed an innovative multimodal approach to high-priority transportation assets known as the Florida Strategic Intermodal System (SIS). The SIS includes a statewide, interconnected transportation system, including freight and passenger rail corridors and terminals that are key to enhancing Florida's economic competitiveness. The SIS includes transportation hubs, corridors, and connectors which meet a set of criteria developed to identify those transportation facilities and services that are critical to Florida's economic development.

Federal policies and programs also have illustrated a growing commitment to rail and multimodal transportation investments. The Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), enacted in August 2005, made modest advances towards creating a national rail policy and funding framework. More recent legislation, including the Passenger Rail Investment and Improvement Act (PRIIA) of 2008, the American Recovery and Reinvestment Act (ARRA) of 2009, and the Obama Administration's High-Speed Rail Initiative have placed additional emphasis on rail as a key component of the national transportation network and as a means to stimulate economic recovery.

One particular example of the growing commitment to rail and multimodal investment comes from PRIIA, which directed the Administrator of the Federal Railroad Administration (FRA) to develop a Preliminary National Rail Plan (PNRP) to address the rail needs of the Nation. The PRIIA also directed FRA to provide assistance to States in developing their state rail plans in order to ensure that the Federal, long-range National Rail Plan is consistent with approved state rail plans. Subsequent to PRIIA, ARRA sets the framework for the development of true high-speed rail in the United States. The

Preliminary Plan, therefore, serves as an important first step in an ongoing rail planning and investment process.

SAFETEA-LU expired on September 30, 2009 and was subsequently extended several times, most recently in March 2010 with an extension through December 2010. It is unclear at this point what reauthorization might look like, since neither the Administration nor Congress has released substantive information on the subject yet. Nevertheless, reauthorization does present great opportunities for new and/or expanded funding for rail transportation. Recent transportation policy discussions have emphasized the need for a national rail policy to ensure that there is adequate investment to address critical rail chokepoints and add capacity in certain locations.

In developing a State Rail System Plan, Florida has developed a policy and planning framework necessary to put forward projects that represent the highest priority for the investment of state funds in the short and long term. This section identifies existing and emerging national, state, and local funding opportunities for improvements to Florida's rail system and fulfils State Rail Plan requirements adopted in PRIIA and set forth by Public Law 110-432:

> "Statement of public financing issues for rail projects and service in the state, including a list of current and prospective public capital and operating funding resources, public subsidies, state taxation, and other financial policies relating to rail infrastructure development."

Federal Funding Sources for Transportation

Federal funding for transportation is derived from highway excise taxes on motor fuel and truck-related taxes on truck tires, sales of trucks and trailers, and heavy vehicle use. Tax revenues are deposited into either the Highway Account or the Mass Transit Account of the Federal Highway Trust Fund (HTF) and then distributed to the states. The Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) then administer and distribute funds – available for rail-related projects – from the Highway and the Mass Transit Account, respectively, to each state through a system of formula grants and discretionary allocations. Table 6.1 provides further detail on tax rates and the account distribution of these tax revenues.

Table 6.1 Overview of Federal Highway User Taxes

User Fee	Tax Rate (Cents per Gallon)	Distribution of Tax (Cents per Gallon)			
		Highway Trust Fund			
		Highway Account	Mass Transit	Underground Storage Tanks	General Fund
Gasoline	18.40	15.44	2.86	0.1	–
Diesel and Kerosene Fuel	24.40	21.44	2.86	0.1	–
Alternative Fuels[a]					
Liquefied Petroleum Gas	24.30	21.44	2.86	–	–
Liquefied Natural Gas	24.30	21.44	2.86	–	–
Other Special Fuels[b]	18.40	15.44	2.86	0.1	4.3
Compressed Natural Gas[c]	18.30	15.43	2.86	–	–
Other Taxes (All Proceeds to Highway Account)					
Tires[d]	Tax is imposed on tires sold by manufacturers, producers, or importers at the rate of $.0945 ($.04725 in the case of a bias ply or super single tire) for each 10 pounds of the maximum rated load capacity over 3,500 pounds.				
Truck and Trailer sales	12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW. The tax applies to parts and accessories sold in connection with the vehicle sale.				
Heavy Vehicle Use	Annual tax: Trucks 55,000-75,000 pounds GVW, $100 plus $22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds Trucks over 75,000 pounds; GVW, $550.				

Source: Office of Highway Policy Information, Federal Highway Administration.

a. Alternative fuels include benzol, benzene, naphtha, casing head and natural gasoline, or other liquid used as a fuel in a motor vehicle except diesel, kerosene, gas oil, fuel oil, or any product taxable under the gasoline tax provisions. Beginning October 1, 2006, LPG and LNG are taxed based on their energy content relative to gasoline.

b. Only small amounts of revenue are collected by Internal Revenue Service for taxes on neat alcohol and some other miscellaneous sources.

c. 18.3 cents per energy equivalent to a gallon of gasoline.

d. Section 1401 of the Taxpayer Relief Act of 1997 replaced a mechanism by which the fair market value of tires exceeding 40 pounds was deducted from the fair market value of a truck and replaced it with a credit for the excise tax paid. This provision was effective January 1, 1998.

State Funding Sources for Transportation

In general, transportation in Florida is financed through a combination of fuel taxes and motor vehicle-related taxes and fees. With the exception of proceeds from these taxes and fees that are diverted by law to other uses, revenues generated from these sources are deposited into the State Transportation Trust Fund (STTF) used by FDOT for transportation purposes. The following is a description of major taxes and fees authorized by Florida Constitution and State law.

State Tax Sources for State Use:

- **State Fuel Sales Tax –** The State Fuel Sales Tax is levied on highway fuels (not including alternative fuels) and nonhighway diesel fuels (levied on intrastate railroads, commercial vessels, construction equipment etc.) the State's share of the highway fuel sales tax currently is 12.0 cents per gallon tax is adjusted annually with fluctuations in the Consumer Price Index. The nonhighway fuel sales tax currently is set at 6 percent of the fuel's retail sales price, or at the highway fuel sales tax rate of 12.0 cents per gallon.

- **State Comprehensive Enhanced Transportation System (SCETS) Tax –** The SCETS Tax has a rate in each county equal to two-thirds of all local option fuel taxes. For example, in counties where 6 cents of Local Option Gas Tax is levied, the SCETS Tax will equal four cents (i.e., 2/3 x 6 = 4). While the proceeds of the SCETS Tax are not shared directly with local governments, they must be spent in the respective FDOT District, and to the extent feasible, in the county in which they were collected. Like the fuel sales tax, the tax is adjusted with fluctuations in the Consumer Price Index. Currently, the SCETS Tax rate ranges between 5.5 and 6.6 cents per gallon.

- **Aviation Fuel Tax –** Florida imposes 6.9 cents per gallon tax on aviation fuel. This fuel is used in aircraft, and also includes aviation gasoline and aviation turbine fuels and kerosene. The revenues generated from this tax are limited to aviation projects only. The funds are deposited into the Fuel Tax Collection Trust Fund, and then distributed to the State Transportation Trust Fund after an 8 percent General Revenue surcharge is transferred to the State's General Revenue Fund.

- **Fuel Use Tax and Fee –** The Fuel Use Tax is imposed by every state in the nation (via the International Fuel Tax Agreement) on heavy vehicles engaged in interstate operations. The tax is based on fuel consumed rather than fuel purchased in a state. The tax is comprised of an annual decal fee of $4.00 plus a use tax based on the number of gallons consumed times the prevailing statewide fuel tax rate.

- **Motor Vehicle License Tax –** The Motor Vehicle License Tax is an annual tax for operating motor vehicles, mopeds, motorized bicycles, and mobile homes.[67] These taxes vary according to weight and type of each vehicle. These revenues are deposited into the State Transportation Trust Fund and the General Revenue Fund.

- **Initial Registration Fee –** A one-time fee of $225 is charged for first-time registration of newly purchased vehicles. Of the proceeds of this fee, 44.44 percent are deposited to the State Transportation Trust Fund and the remaining 55.55 percent are deposited to the General Revenue Fund.

- **Title Fee –** A fee is charged to all motor vehicles when issuing a certificate of title. The fee ranges from $49 to $70 depending on the type of title transaction. A portion of this

[67] Mobile home license fees go to local governments.

fee ($21) is transferred into the State Transportation Trust Fund, while the remainder goes to the State's General Revenue Fund as provided by statute.

- **Rental Car Surcharge –** A $2.00 per day surcharge exists throughout Florida on car rentals. Eighty percent of these proceeds are deposited into the State Transportation Fund. The remainder of the proceeds is distributed to the State's General Revenue Fund (as a service charge), the Tourism Promotional Trust Fund, and the International Promotion Trust Fund.

- **State Documentary Stamp Tax –** The 2005 legislature enacted growth management legislation to address needed infrastructure in Florida. This legislation broadened the distribution of revenues from the documentary stamp tax on documents such as deeds, stocks and bonds, mortgages, etc. The State Transportation Trust Fund receives a percentage of the collections from this tax, not to exceed $541.75 million annually.

State Tax Sources for Local Use: as indicated above 12.0 cents of the State Fuel Sales Tax is distributed to FDOT. The remaining four cents of the tax are distributed to local governments as follows:

- **Constitutional Fuel Tax –** Set at two cents per gallon, this tax is distributed to counties based on a constitutional formula. The county distribution factor is calculated using population, area, and total tax collections. The priority for the proceeds of the Constitutional Gas Tax is to meet the debt service requirements, if any, on local bond issues. Any remaining resources are credited to the counties' transportation trust fund.

- **County Fuel Tax –** Set at one cent per gallon, this tax is distributed by the same formula as the Constitutional Gas Tax. Counties may use the revenues from this tax for transportation-related expenses.

- **Municipal Fuel Tax –** Set at one cent per gallon, revenues from this tax are transferred into the Revenue Sharing Trust Fund for Municipalities where they are joined with other nontransportation revenues. These revenues may be may be used for transportation-related expenditures within incorporated areas and are distributed to municipalities by statutory criteria.

Local Tax Sources: State law authorizes local governments to enact the following local option taxes for transportation purposes:

- **Ninth-Cent Fuel Tax –** Originally called the "9th Cent" tax when the State's fuel taxes totaled 8 cents, this tax may be levied in any county by an extraordinary vote (majority plus one) of its Board of County Commissioners. The tax proceeds can be shared with cities within the county by agreement. Fifty-one counties currently levy this tax.

- **Charter County Transit System Surtax –** Prior to 2009, this tax which can be levied at a rate of up to one percent of taxable transactions above $5,000, could only be levied by nine counties by countywide referendum. Legislation enacted in 2009 (HB 1205) changes the name of the surtax to "Charter County Transportation System Surtax" expands eligibility to all charter counties.

- **Local Option Fuel Tax –** Counties are authorized to levy a fuel tax of up to 11 cents per gallon of gasoline (but not diesel, which is standard in every county at 6 cents per gallon). The tax proceeds must be shared with municipalities.

Table 6.2 Summary of State Taxes

State Tax Source	Rate
Fuel Sales Tax – State Share	12.0 cents per gallon
Local Government Taxes – Local Governments Share:	
Constitutional Tax	2.0 cents per gallon
County Tax	1.0 cent per gallon
Municipality Tax	1.0 cent per gallon
SCETS Tax	5.5 to 6.6 cents per gallon
Other Fuel Taxes/Fees	
Aviation Fuel Tax	6.9 cents per gallon
Motor Vehicle License Tax	Varies
Title Fee	$21.00 per title
Rental Car Surcharge	$2.00 per day
Coastal Protection Tax	0.048 cents per gallon
Water Quality Tax	0.12 cents per gallon
Inland Protection Tax	1.9 cents per gallon
Agricultural Inspection Fee	0.125 cents per gallon

Source: Florida Legislative Committee on Intergovernmental Relations.

6.2 Federal Rail Programs

Currently, Federal funding for freight and passenger rail is available through a variety of programs that allocate funds based on formula or on a discretionary basis. These Federal programs can be grouped into two categories:

- **Federal Grants –** Grants are direct Federal investments in a state's transportation system that do not need to be repaid. Federal grant programs generally cover a significant portion of a project's cost, but often require a funding match (i.e., 80/20) or in kind contribution from the applicant. This includes the Highway-Rail Grade Crossing Grants and the Capital Grant Program for Rail Line Relocation and Improvement.

- **Federal Rail Loans and Tax Credits –** Tax credits and loans are forms of nondirect Federal assistance. Tax credits alleviate a portion of a non-Federal organization's tax responsibilities. Like grants, tax credits do not need to be repaid. The use of tax credits on projects that incorporate a public-private partnership arrangement are particularly important as they are a key way to leverage funds. Loans are funds that are borrowed by a state or other non-Federal organization that must be repaid over a fixed period of time. Examples of such tax credits and loans include State Infrastructure Banks (SIB) and Transportation Infrastructure Finance and Innovation Act (TIFIA) loans.

With the recent enactment of two key pieces of Federal legislation – the American Recovery and Reinvestment Act (ARRA) of 2009 and the Passenger Rail Infrastructure Investment Act (PRIIA) of 2008 – an unprecedented amount of Federal grant money has become available to fund transportation projects. The Florida rail planning process will also build the institutional capability to compete for future funds available through ongoing PRIIA appropriations and other potential sources, including any dedicated freight or intermodal funding made available in the forthcoming surface transportation bill. The challenge for Florida in responding to these newly available sources is its potential to expeditiously and comprehensively identify projects and their benefits to effectively compete for funding.

Florida's total apportionment of Federal transportation funds in the Federal fiscal year (FFY) 2009 is estimated at $1.88 billion. Of this amount, $1.37 billion is stimulus funding made available through ARRA. The remainder of this funding, or approximately $510 million, is made up of grants apportioned to the states by legislative formulas, allocated by the discretion of the FHWA, or by direct congressional earmarking.[68] Florida's total five-year transportation program (including funding from all Federal, state, and local sources) in Florida's FY 2011-2015 Work Program is $36.24 billion. Federal-aid accounts for 34 percent, $12.48 billion, of the five-year Work Plan.[69] The anticipated five-year total funding for all rail projects in the State is $1.74 billion. Although SAFETEA-LU created several new programs such as the Capital Grant Program for Rail Line Relocation and Improvement and the Highway-Rail Grade Crossing Program that allow funding of rail projects and new provisions for the Transportation Infrastructure Finance and Innovation Act (TIFIA) have created increased funding flexibility, funding sources for rail projects remain constrained. Some stakeholders do not favor opening the Highway Trust Fund for investment in rail projects due to concerns that this will exacerbate the current shortfall in highway investments. Another challenge to obtaining Federal funds for rail is the predominance of project earmarks in current rail funding programs. For example, Congress earmarked much of the funds for the National Corridor Infrastructure Improvement Program, the Projects of National and Regional Significance Program, and the Freight Intermodal Distribution Pilot Grant Program for projects located outside of Florida. To help address this issue, U.S. DOT recently released guidance for evaluating,

[68] FDOT. 2009-2012 State Transportation Improvement Program.

[69] FDOT. 2011-2015 Adopted Work Program.

rating, and selecting projects under the Projects of National and Regional Significance Program.

Federal Grants

Federal grant programs provide direct investment into state transportation systems. These programs frequently cover 80 to 90 percent of total project costs, with the remaining percentage the responsibility of the state or other non-Federal organization. Table 6.3 provides a summary and overview of existing Federal rail grant sources. Some of these programs currently are utilized by FDOT, while others may be potential funding sources.

Table 6.3 Federal Grant Sources

Program	Code	Funding Use	Funding Allocation	Status
ARRA Discretionary Multimodal Projects	American Recovery and Reinvestment Act of 2009	Projects in TIP/STIP that create or preserve jobs. Preference given to quick-start activities.	Federal share is up to 100%	Appropriated nationally
High-Speed Intercity Passenger Rail Program	Passenger Rail Investment and Improvement Act of 2008 Section 501, 301 American Recovery and Reinvestment Act of 2009	New service, trackage rights, grade crossings, and environmental mitigation for 100- to 600-mile rail corridors with service expected to reach 110 mph.	Federal share is up to 100%. For the current solicitation, there is a 20% match requirement	Appropriated nationally
TIGER Phase I and II	Transportation Investment Generating Economic Recovery American Recovery and Reinvestment Act of 2009	Grants awarded on a competitive basis for capital investments in surface transportation projects that will have a significant impact on the nation, a metropolitan area, or a region.	Federal Share Phase I – 100% Phase II – Up to 100%	Phases I and II appropriated nationally. Phase I grants awarded Phase II grants to be awarded through 2010
Next Generation High-Speed Rail Program	ISTEA Section 1036, 1010 Swift Rail Development Act of 1994	High-speed rail research, development, and technology (targeted at priority high-speed corridors).	Federal share is 80%	Authorized, subject to annual appropriations
Railroad Safety Technology Grants	Passenger Rail Investment and Improvement Act of 2008 Section 105	Projects that increase railroad safety and public awareness of railroad safety.	Federal share is 80%	Not yet appropriated from FY 2010 through FY 2013
State Grant Program for Rail Projects	Passenger Rail Investment and Improvement Act of 2008, Section 301, 302	Capital costs to provide new or improved intercity passenger rail.	Federal share is 80%	Authorized, subject to annual appropriations
Capital Grant Program for rail line relocation and improvement Projects	SAFETEA-LU Section 9002, 9003	Rail line relocation and improvement projects that foster economic development.	Federal share is 90%, not to exceed $20 million	Not yet appropriated

Table 6.3 Federal Grant Sources (continued)

Program	Code	Funding Use	Funding Allocation	Status
Highway Railroad Grade Crossing Program	SAFETEA-LU Section 1103	Improvement of highway-railroad crossings.	Federal share is 90% (100 % for certain project types)	Appropriated nationally from FY 2006 to FY 2009
Congestion Mitigation and Air Quality	SAFETEA-LU Section 1101, 1103, 1808	Projects that improve/mitigate congestion.	Formula-based. Federal share is 80 to 100% (based on project type and sliding-scale)	Appropriated nationally from FY 2006 to FY 2009
Projects of National and Regional Significance Program	SAFETEA-LU Section 1301	Projects of national significance (rail, highway or projects eligible under 23 USC).	Federal share is 80%	Appropriated nationally from FY 2006 to FY 2009
Freight Intermodal Distribution Pilot Program	SAFETEA-LU Section 1306	Development of intermodal freight transportation.	Up to $1 million per project per year	To be appropriated nationally from the Highway Trust Fund
Transportation Enhancements Program	SAFETEA-LU Section 1122	Restoration of historic rail facilities (trestles, tunnels, bridges, depots) and acquisition and preservation of abandoned rail right-of-ways.	Federal share is 80%	10% set-aside from Surface Transportation Program
New Starts Program	SAFETEA-LU Section 5309	Fixed-guideway transit projects, including new systems and extensions to existing systems.	Formula-based	Appropriated nationally for FY 2009
New Small Starts	SAFETEA-LU Section 1309	Transit capital investments less than $250 million, requiring less than $75 million in New Starts funds.	Formula-based	Appropriated nationally for FY 2009

Table 6.3 Federal Grant Sources (continued)

Program	Code	Funding Use	Funding Allocation	Status
Fixed Guideway Modernization	SAFETEA-LU Section 5307, 5309	Modernization, rehabilitation or creation of new fixed-guideway transit systems.	Formula-based. Federal share is 80%	Appropriated nationally for FY 2009
Economic Development Administration Funds	Public Works and Economic Development Act of 1965	Construction and rehabilitation projects that promote job creation or retention in rural/industrial regions.	Application and selection process	Appropriated nationally for FY 2009
Community Facilities Program		Community facilities in rural regions.	Application and selection process	

Source: Federal Highway Administration, Economic Development Administration. Information compiled by Cambridge Systematics, Inc.

American Recovery and Reinvestment Act of 2009[70]

ARRA was passed by Congress on February 13, 2009 and includes significant new funding for transportation. The goal of the legislation is to save and create jobs and promote economic development through targeted Federal spending. ARRA contains $275 billion in tax cuts and $550 billion in targeted direct investment. It provides $311 billion in appropriations, including $120 billion in direct investments in infrastructure and science programs.[71] "Modernizing roads, bridges, transit and waterways" is one focus area for investment, which includes $27.5 billion for highway construction $8.4 billion for transit and rail to reduce traffic congestion and gas consumption, $1.5 billion for competitive grants to state and local governments for surface transportation infrastructure, through the Transportation Investment Generating Economic Recovery Grants (TIGER, as well as $600 million from TIGER II being awarded in 2010) and $9.3 billion for investments in rail transportation (including Amtrak, high-speed rail, and intercity rail). A portion of these funds are specifically for rail projects, including:

- **New Construction –** $1 billion for Capital Investment Grants for new commuter rail or other light rail systems to increase public use of mass transit and to speed project delivery of those projects already under construction.

- **Upgrades and Repair –** $2 billion to modernize existing transit systems, including renovations to stations, security systems, computers, equipment, structures, signals, and communications. Funds will be distributed through the existing formula.

- **Transit Capital Assistance –** $6 billion to purchase buses and equipment needed to increase public transportation and improve intermodal and transit facilities.

- **Amtrak and Intercity Passenger Rail Construction Grants –** $1.1 billion to improve the speed and capacity of intercity passenger rail service.[72]

- **High-Speed Rail –** $8 billion to develop 10 high-speed rail corridors, 100 to 600 miles in length, that will provide service at speeds that reach 110 miles per hour (mph).

In general, for a project to receive ARRA funding, it must meet Federal requirements for Federal transportation aid and be included in an approved metropolitan Transportation Improvement Program (TIP) or Statewide Transportation Improvement Program (STIP). This requirement however is not applicable for rail projects. Projects eligible for funding

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[70] Recovery.gov.

[71] U.S. House of Representatives Committee on Appropriations. American Recovery and Reinvestment Conference Report. Available at: http://appropriations.house.gov/pdf/PressSummary02-12-09.pdf.

[72] U.S. House of Representatives Committee on Appropriations. American Recovery and Reinvestment Conference Agreement. Available at: http://appropriations.house.gov/pdf/Press Summary02-13-09.pdf.

include preliminary engineering, right-of-way acquisition, intelligent transportation systems (ITS), traffic signalization and signage, creation of new service, acquisition of trackage rights, and environmental mitigation. Federal funds are available for up to 100 percent of project costs. Funding priority is generally given to projects that are "shovel-ready" and:

- Have been deferred by the State;
- Are tied to concurrency where development is being held up;
- Have the potential to generate revenues and jobs;
- Are geographically balanced;
- Provide congestion relief;
- Are located in economically distressed areas; and
- Can be completed in three years.

These funding priority requirements are however not necessarily applicable to rail projects. For example, the High-Speed Rail program allows funding for projects that are expected to be completed over several years (above the three years threshold) and need not be "shovel ready." Nonetheless, rail projects should be coordinated with the relevant metropolitan planning organization (MPO) and FDOT. Rail transit projects must be coordinated with the relevant transit operating agency, MPO, and/or state DOT. FDOT has been working with cities, counties, MPOs, and other potential transportation project partners throughout the State to develop a list of projects for ARRA funding. According to the Florida Office of Economic Recovery, "preliminary estimates for transportation funding in Florida are $70 million for airport projects, $1.35 billion for highway and bridge projects, and $316 million for transit grants. Other transportation funding will be distributed on a national discretionary basis for other modes of transportation, including rail and seaport investments."[73] The 2009-2012 Florida STIP included $1.37 billion in Federal stimulus funding made available through ARRA.

Some of the Federal funding made available through ARRA has been passed directly to local governments in Florida. Local Florida governments have received $5.41 million for capital projects to modernize or improve existing fixed guideway transit facilities (rail and bus rapid transit). Rural governments (non-urbanized areas with populations under 50,000) have received $20.33 million in FTA non-urbanized area formula grants for capital purchases through ARRA. Urban governments (over 50,000 population) have received $290.46 million in FTA urbanized area formula grants.

[73] Florida Office of Economic Recovery. State and Local Projects. Available at: http://flarecovery.com/about/state-and-local-projects/infrastructure FDOT.

Passenger Rail Infrastructure Investment (PRIIA) Act of 2008

Each state must develop a State Rail Plan that complies with the Passenger Rail Infrastructure Investment Act of 2008 (PRIIA) requirements (listed in Appendix A) to be eligible for Federal funding for rail improvements, and Intercity Passenger Rail Service Corridor Capital Assistance grants authorized in PRIIA.

Going forward, Florida could benefit from identifying rail projects that may be eligible for additional discretionary transportation funding made available through ARRA in the future.

High-Speed Rail Programs

Florida has a long history of high-speed rail planning and funding. The 1984 Florida High-Speed Rail Transportation Commission Act, 1992 High-Speed Rail Act, and 2000 constitutional amendment on high-speed rail (repealed in 2004) have charged multiple commissions with implementing high-speed rail in Florida, unfortunately, securing state funding for high-speed rail has been difficult and contentious. FDOT's funding commitment of $70 million per-year for high-speed rail was implemented in 1995 and subsequently terminated in 1999.

In November 2000, Florida voters approved an amendment to the State Constitution mandating the development of high-speed passenger transportation service linking Florida's five largest urban areas. This service would have speeds in excess of 120 mph and would operate on dedicated rails or guideways. This prompted the Florida Legislature to enact the Florida High-Speed Rail Authority Act, which created the nine-member Florida High-Speed Rail Authority.

The High-Speed Rail Authority created a vision for a high-speed rail network linking the major population centers in Florida and issued a request for proposals in October 2002 to design, build, operate, maintain, and finance an initial high-speed rail service between Tampa and Orlando. The cost estimate was $2.4 billion. The route would begin near the Tampa Central Business District and travel parallel along I 4 into Orlando and on to the Orlando International Airport. A Phase I, Part 2 extension into St. Petersburg also was planned.

Growing concern over the costs of implementing a high-speed rail network led to efforts to repeal the amendment. In November 2004, Florida voters chose to overturn the original amendment, resulting in removal of the constitutional mandate. Although the amendment had been repealed, the Florida High-Speed Rail Authority decided it was in the best interest of the State of Florida to complete the Final EIS and to pursue a Record of Decision from the FRA for the initial Tampa-Orlando segment, completing and preserving the progress to date. Since 2004, the Authority has continued the preliminary design, engineering, and procurement process for the Florida high-speed rail corridor with funds previously earmarked by the U.S. Congress.

Next Generation High-Speed Rail

Federal funds for high-speed rail in Florida were originally authorized by Section 1010 of the Intermodal Surface Transportation Efficiency Act (ISTEA), enacted in December 1991. Under Section 1010, the Secretary of Transportation was directed to designate five "Next Generation" high-speed rail corridors to receive $30 million for the elimination of highway/rail grade crossings. The Florida corridor linking Miami, Orlando, and Tampa was selected as one of the five corridors to receive this funding.

Separately, Section 1036 of ISTEA authorized $50 million for demonstration of new high-speed ground transportation technologies, and $25 million for research and development. Section 1107 authorized $97.5 million for land and right-of-way acquisition and guideway construction for a 13.5-mile magnetic levitation, or maglev, line between the Orlando Airport and the International Drive complex near Disney World. ISTEA also amended the Railroad Revitalization and Regulatory Reform Act of 1976 to authorize up to $1 billion in government-guaranteed loans to finance construction of high-speed rail systems; however, these funds were never appropriated.

The Swift Rail Development Act, which was enacted into law in November 1994, authorized $184 million for FY 1995 through FY 1997 for "Next Generation" corridor planning and technology improvements. The Transportation Equity Act for the 21st Century (TEA-21), enacted in June 1998, provided additional funding for high-speed rail development and added six new lines to the list of priority high-speed corridors. In the 2003 and 2004 DOT Appropriations Bills, $3.85 million and $5 million respectively were earmarked for planning the Florida high-speed rail corridor.

ARRA and the High-Speed Intercity Passenger Rail Program

On April 16, 2009, the Obama Administration announced a new vision for developing high-speed intercity passenger rail in America. This vision, outlined in the administration's High-Speed Rail Strategic Plan, calls for collaboration between Federal government, states, railroads, and other stakeholders to develop a national system of high-speed rail corridors. Eleven designated corridors, including the Tampa-Orlando-Miami high-speed rail corridor, are addressed in the plan (see Figures 3.9 and 3.10), which details the application requirements and procedures for obtaining a portion of the $8.0 billion appropriated through the ARRA and the Department of Transportation Appropriations Acts of 2008 and 2009 (FY 2008/2009 DOT Appropriations Acts) for high-speed rail.

In July 2009, FDOT submitted a pre-application for ARRA funding seeking $2.5 billion in stimulus monies to implement the Orlando-Tampa rail project and $30 million for the National Environmental Policy Act (NEPA)/Preliminary Engineering (PE) work for the Orlando-Miami Rail segment.

Phase I: Orlando-Tampa

In January 2010, Florida DOT received a $1.25 billion award for the first phase of the abovementioned project. This investment will initiate the development of the Tampa to

Orlando segment, with speeds reaching 168 mph and 16 round trips per day on new track dedicated solely to high-speed rail. Trip time between the two cities on the new line will be less than one hour, compared to around 90 minutes by car. This project will create jobs and generate economic activity as 84 miles of track are constructed, stations are built or enhanced, and equipment is purchased. Completion of this phase is anticipated in 2015.[74]

Moving forward, FDOT is responsible for building the project with oversight by the Federal Railroad Administration (FRA). The Federal government is the principle funding source for the project, and FRA is responsible for administering the $1.25 billion award of ARRA funds and any other future Federal funding. It is expected that the FRA and FDOT will develop a funding agreement for the balance of the project's capital costs as the project progresses.

Phase II: Orlando-Miami

The second phase of the project, the 230-mile Orlando to Miami line, which, pending funding, has been scheduled for completion in 2017. This line expected to operate at speeds up to 186 mph, reducing travel time between these two cities to approximately two hours, or roughly half as long as it takes to drive the same route. Ultimately, 20 round-trips per day between Orlando and Miami are planned. Although it is likely no ARRA funding will be available for this segment, significant planning activities are ongoing to prepare for this second phase of Florida's high-speed rail vision.[9]

The Intercity Passenger Rail Service Corridor Capital Assistance Program – Authorized under Section 301 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), states may apply for grants for capital improvements to benefit all types of Intercity Passenger Rail service, including high-speed service. Amtrak may participate through a cooperative agreement with a state(s). To be eligible for funding under this program, proposed projects must meet a number of requirements (e.g., inclusion in a State Rail Plan).

High-Speed Rail Corridor Development Program – This program is authorized under Section 501 of PRIIA. Although similar in structure, criteria, and conditions to Section 301, eligibility for this program is restricted to projects intended to develop Federally designated High-Speed Rail corridors for Intercity Passenger Rail services that may reasonably be expected to reach speeds of at least 110 mph. Applicant eligibility under Section 501 is broadened from Section 301 to include Amtrak.

The Congestion Grants Program – Authorized under Section 302 of PRIIA, this program authorizes grants to states or to Amtrak (in cooperation with states) for facilities, infrastructure, and equipment for high-priority rail corridor projects to reduce congestion or facilitate ridership growth on intercity passenger rail.

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[74] http://www.whitehouse.gov/the-press-office/fact-sheet-high-speed-intercity-passenger-rail-program-tampa-orlando-miami.

High-Speed Intercity Passenger Rail Program grants will be awarded competitively based on economic performance, expected ridership and other factors related to quality of life, environmental stewardship, and reduced dependence on energy and foreign oil. Priority will be given to projects that:

- Deliver transportation, economic recovery and other public benefits, including energy independence, environmental quality, and livable communities;
- Ensure project success through effective project management, financial planning and stakeholder commitments; and
- Emphasize a balanced approach to project types, locations, innovation, and timing.

Highway Railroad Grade Crossing Program

Funds for the Highway Railroad Grade Crossing program are authorized under Section 1103 of SAFETEA-LU. Commonly known as the Section 130 Program (due to a citation in a 1970s Federal highway bill), this was originally the Rail-Highway Crossing Program from the 1973 Highway Safety Act. Funds can be used to further rail projects that improve safety at public grade crossings. At least half of the Section 130 funds must be used for installation of protective devices at grade crossings. These include:

- Standard signs and pavement markings;
- Active warning devices;
- Track circuit improvements and interconnections with highway traffic signals;
- Crossing illumination;
- Crossing surface improvements; and
- General site improvement.

The remainder of the funding can be used for construction projects, such as grade separations, sight-distance improvements, geometric improvements, and closing of grade crossings. There are 5,166 at-grade crossings in Florida, which present both safety and mobility challenges.[75] FDOT determines the relative hazard of crossings statewide using a Safety Index, which is based on a combination of specific conditions that occur at each crossing. Those crossings with the lowest Safety Index values are ranked highest in priority for installation of warning devices such as flashing lights or gates. Grade-separated structures may be recommended for extremely hazardous crossings with low-index values and high incident rates and high train/vehicular volumes, or other engineering considerations. Annually, each grade crossing is assigned a statewide priority number based on the Safety Index and project prioritization occurs on that basis. Key rail personnel representing each FDOT District, local government agencies, and

[75] http://safetydata.fra.dot.gov/.

railroads are consulted for their expertise and input on crossings in their respective Districts.

Under previous Federal transportation authorizations over the past 15 years, the total dollar amounts were between $140 and $155 million per year. SAFETEA-LU increased Section 130 program funding to $220 million per year for FY 2006 to FY 2009. A new provision also was added allowing states to use up to two thirds of the funds apportioned to their state under this program for compilation and analysis of data in meeting their reporting requirements. Federal funds are available up to 90 percent, with the remaining 10 percent matched by the state when the crossing is on a state-maintained road or by local authorities if a municipal street is affected. For certain types of projects the Federal share may be 100 percent.

In FY 2009, Florida received $8.6 million in Federal funds for eliminating hazards relating to railway-highway crossings. In FY 2006 Florida received $7.5 million, and the amount apportioned to Florida for this program has gradually increased since. In total, Florida has received a total of $30.0 million through this program between FY 2005 to FY 2009.[76] Section 207 of PRIIA authorizes $1.5 million for each fiscal year from 2010 through 2013 to continue the program.

Operation Lifesaver

Operation Lifesaver, Inc. is a nationwide, nonprofit public awareness program dedicated to ending collisions, fatalities, and injuries at highway-railroad grade crossings and on railroad property. Operation Lifesaver promotes the three Es:

- **Education –** Through increased public awareness of the dangers of grade crossings to vehicles and pedestrians.
- **Enforcement –** Of traffic laws related to crossing signs and signals.
- **Engineering –** Through encouragement of continued engineering research and innovation to improve safety.

SAFETEA-LU set aside $560,000 for Operation Lifesaver in fiscal year 2005 and from FY 2006 through FY 2009 Operation Lifesaver received a separate authorization of $560,000 annually. Section 206 of PRIIA authorizes $2 million in each year for FY 2010 and FY 2011 and $1.5 million in each year for FY 2012 and FY 2013 for grants to Operation Lifesaver and other public education and railroad safety awareness programs. These grants may be provided to states, based on the greatest safety benefit, for up to $250,000.

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[76] FHWA. SAFETEA-LU Funding Tables. Available at: http://www.fhwa.dot.gov/safetealu/fundtables.htm.

Railroad Safety Technology Grants

PRIIA, Public Law 112-432 authorizes appropriation of $1.65 billion for the nation's rail safety program for FY 2009 through FY 2013. Section 105 of the bill requires the implementation of "interoperable" positive train control systems for Class I freight and passenger rail carriers by December 31, 2015 and authorizes $250 million in Railroad Safety Technology Grants to help operators implement the technology. The grants provide up to 80 percent of total project costs, with priority given to projects that benefit both freight and passenger rail or advance positive train control technology.

State Grants for Rail Projects

Capital Assistance to States-Intercity Passenger Rail Service

In the FY 2008 DOT Appropriations Act, Congress established a new pilot program for joint Federal-state intercity passenger rail capital investment, known as Capital Assistance to States-Intercity Passenger Rail Service. Under this program, $30 million in Federal funding is available to states on a competitive basis to fund up to 50 percent of the capital cost of improving intercity passenger rail service, and up to 10 percent of the $30 million is available for rail corridor planning grants.

State Capital Grant

PRIIA, Public Law 112-432 reauthorizes Amtrak and provides a total of $13.06 billion over five years to encourage the development of new and improved intercity passenger rail service. The bill authorizes $1.9 billion for a new State Capital Grant program to assist states in covering capital costs of facilities and equipment necessary to provide new or improved passenger rail service. The Federal share for these grants is 80 percent. Grants are awarded on a competitive basis based on economic performance, expected ridership and other factors. Commuter rail projects are not eligible for grants under this program. In March 2009, $90 million was appropriated for the program as part of the FY 2009 DOT Appropriations Act.

Capital Grant Program for Rail Line Relocation and Improvement Projects

The Capital Grant Program for Rail Line Relocation and Improvement projects was created under Section 9002 of SAFETEA-LU to fund local rail line relocation and improvement projects. States are eligible to receive grant funds from this program for:

- Rail line improvement projects that mitigate the impacts of rail traffic on safety, motor vehicle traffic flow, community quality of life, and/or economic development; and
- Rail line relocation projects involving a lateral or vertical relocation of any portion of the rail line.

Section 9002 authorizes appropriation of $350 million per year for FY 2006 through FY 2009. At least 50 percent of the grant funds awarded under this program in a fiscal year must be provided as grant awards not exceeding $20 million each. The Federal share for these grants is up to 90 percent; however, funds have not been appropriated for this program.

Congestion Mitigation and Air Quality

The Congestion Mitigation and Air Quality (CMAQ) program was created in 1991 by ISTEA to provide funding for transportation projects that improve air quality and help achieve compliance with national air quality standards set forth in the Clean Air Act. Funding is available for areas that do not meet national air quality standards (nonattainment areas), and areas that formerly exceeded air quality standards, but are now in compliance (maintenance areas). CMAQ funds are eligible for use on a variety of freight and passenger rail projects, including:

- Priority control systems;
- Intermodal facilities;
- Rail track rehabilitation;
- New rail sidings and passenger rail facilities, vehicles, equipment; and
- Operating expenses (new or expanded service).

CMAQ funds may also be used for construction activities that benefit private companies, if it can be shown that the project will improve air quality by removing trucks from the road. For example, CMAQ funding has been used to cover part of the operating costs of Amtrak's *Downeaster* service between Boston and Portland, Maine.

Under SAFETEA-LU, the CMAQ program provided $8.6 billion to state DOTs, MPOs and transit agencies between 2005 and 2009. The Federal share for CMAQ funds is generally 80 percent, subject to a sliding-scale, with Interstate projects eligible for a 90 percent share. Certain activities, including priority control systems for transit vehicles and traffic control signalization, receive a Federal share of 100 percent. Funding is distributed to individual states based on the population in nonattainment areas and the severity of ozone and carbon monoxide problems. Florida's annual allocation of CMAQ funds has increased steadily over the life of the program. Between FY 2005 and FY 2009, Florida was apportioned approximately $42.5 million in CMAQ funds; the state's annual apportionment in FY 2009 was approximately $8.8 million.[77]

Federal CMAQ funds are apportioned annually to each state according to the severity of its ozone and CO problem. Each state is guaranteed a minimum apportionment of 0.5 percent of the year's total program funding, regardless of whether the state has any nonattainment or maintenance areas. These "flexible" or minimum apportionment funds can be used anywhere in the state for any projects eligible for either CMAQ or the Surface Transportation Program (STP). Florida does not currently contain any nonattainment or

[77] FHWA. Estimated Highway Apportionments Tables – 2005-2009. Available at: http://www.fhwa.dot.gov/safetealu/fundtables.htm.

maintenance areas, meaning it has a greater amount of flexibility to utilize these funds for a wider variety of transportation projects, including freight and passenger rail improvements.

Projects of National and Regional Significance

Projects of National and Regional Significance (PNRS) was created by Section 1301 of SAFETEA-LU to provide grant funds for high-cost projects of national or regional significance. Projects eligible for funding under this program include any surface transportation project authorized under Title 23, including freight rail projects. Eligible project activities include development phase activities, right-of-way acquisition, construction, rehabilitation, environmental mitigation, equipment and operational improvements. Projects must have a total eligible project cost greater than or equal to $500 million, or 75 percent of the total Federal highway funds apportioned to the state in the most recent fiscal year. Federal share for this program is generally 80 percent of total project cost.

Funds are allocated to projects through a competitive evaluation process based on the ability of projects to generate national economic benefits, reduce congestion, improve transportation safety and produce other benefits. SAFETEA-LU authorized $1.6 billion for this program from FY 2006 to FY 2009, almost all of which was earmarked for projects outside of Florida.

As a state with great potential for passenger rail ridership growth, Florida is home to multiple potential projects of national and regional significance. To secure future PNRS funding the state must proactively position larger rail infrastructure projects for consideration and make a strong case for funding. Given the prevalence of designations in the first round of PNRS allocations, obtaining funding through this program in the future will require strong planning and leadership.

Freight Intermodal Distribution Pilot Grant Program

The Freight Intermodal Distribution Pilot Grant program was created under Section 1306 of SAFETEA-LU to facilitate and support the development of intermodal freight transportation initiatives that reduce congestion and enhance safety. The grants provide capital funds to address freight distribution and infrastructure needs at intermodal freight facilities and inland ports. This is a pilot program, and Congress specified grant funds from this $30 million program for six projects, all located outside Florida. Each project was to receive $1 million annually for the five years from FY 2005 through FY 2009. FDOT may consider positioning several projects for future funding through this program.

Transportation Enhancement Program

The purpose of the Transportation Enhancement program (TEP) is to strengthen the cultural, aesthetic and environmental aspects of the nation’s intermodal transportation system. TEP funds are made available through an annual 10 percent set-aside from the

Surface Transportation Program after covering administrative costs. The TEP provides Federal-cost reimbursement for up to 80 percent of surface transportation projects that fall within one of 12 eligible categories, including rehabilitation of historic transportation facilities (rail trestles, tunnels, bridges, depots) and acquisition and preservation of abandoned rail right-of-ways. Funds are awarded based on a competitive application process and are allocated based on an equity formula.

Under SAFETEA-LU, Florida was apportioned $245.8 million in Enhancement funds for FY 2005 through FY 2009.[78] Over the life of the program (FY 1992 to FY 2009), Florida has received $637.2 million in Enhancement funds.

New Starts and Small Starts Programs

The New Starts program was continued under Section 5309 of SAFETEA-LU, which provides funds for new fixed-guideway transit projects, including new systems and extensions to existing systems. Rail transit projects eligible for funding under New Starts include heavy-rail transit systems, light-rail transit systems, automated guideway transit systems, and commuter rail. Projects eligible for New Starts funding are specified in the SAFETEA-LU authorization. Section 1309 of SAFETEA-LU also created a Small Starts program for smaller projects with a total cost of less than $250 million and a Federal New Starts share of less than $75 million. Congress designated $6.58 billion in New Starts funding from FY 2006 through FY 2009. The Small Starts program is funded from FY 2007 to FY 2009 for $600 million.

The Central Florida Commuter Rail Transit received $13.8 million in New Starts funding in FY 2008, $12.9 million in FY 2009 (through the Omnibus Appropriations Act) and is recommended for a full funding grant agreement with $40 million in the FY 2010 President's Budget.[79] In order to position additional projects for New Starts funding, Florida can track the guidelines for selection for projects and position potential urban passenger rail projects for consideration during future funding cycles. This is especially important since funding priority is given to projects that are farthest along the project development "pipeline." FTA recently issued updated guidance for advancing projects along the pipeline for New Starts funding, including recommended planning, project development, and evaluation and budgeting processes.

Fixed-Guideway Modernization

The Fixed-Guideway Modernization program, also referred to as the Rail Modernization program, remains unchanged under Section 5309 of SAFETEA-LU, and provides funds for the modernization and rehabilitation of fixed-guideway transit systems. All types of rail

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[78] FHWA. Transportation Enhancement Activities Apportionments for FY 1992-2009. Available at: http://www.fhwa.dot.gov/environment/te/apportionments.htm.

[79] FTA. Proposed Allocation of Funds for Fiscal Year 2010. Available at: http://www.fta.dot.gov/publications/reports/reports_to_congress/publications_9672.html.

transit projects are eligible for funding from this program, with funds apportioned to projects based on a formula contained in the authorizing legislation.

SAFETEA-LU authorized $6.1 billion from FY 2006 through FY 2009 for this program. All funds available through this program are designated and subsequently not available for new applicants. Should the Fixed-Guideway Modernization program be funded in the next surface transportation bill, it may be a potential funding source for Florida rail transit projects. Some fixed-guideway funds appropriated through ARRA have been allocated by FTA directly to local governments in Florida. Local Florida governments have received $5.41 million for capital projects to modernize or improve existing fixed guideway transit facilities (rail and bus rapid transit). In addition, rural governments (nonurbanized areas with populations under 50,000) have received $20.33 million in FTA nonurbanized area formula grants for capital purchases through ARRA. Up to 10 percent of ARRA urbanized and nonurbanized funds may be spent on operating expenses. Urban governments (over 50,000 population) have received $290.46 million in FTA urbanized area formula grants.

Economic Development Administration Funds

The U.S. Department of Commerce's Economic Development Administration (EDA) provides grants for economic development projects in economically distressed industrial areas. The EDA Public Works and Economic Development investments support construction or rehabilitation of public infrastructure and facilities necessary to generate or retain private sector jobs and investments and to promote regional competitiveness. Eligible projects must be located within an EDA-designated redevelopment area or economic development center. Freight-related projects eligible for funding through this program include: industrial access roads, port development, and expansion and railroad spurs and sidings.

Evidence of the economic distress that the project is intended to alleviate is required from grantees. The program provides grant assistance of up to 50 percent of a project cost; however, it can provide up to 80 percent of cost for projects located in severely depressed areas. During FY 2007 (the most recent year for which EDA grant data has been compiled), over $158 million was appropriated for the Public Works and Economic Development Assistance grant program. Florida received 13 EDA grants totaling $3.2 million.[80] Florida's Gulf Coast region received over $1.5 million for public works activities in Panama City; the City of Marianna and Jackson County received approximately $1.1 million for economic development planning and implementation activities. None of the funds received to date tackled issues specific to rail.

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[80] EDA. Economic Development Administration Fiscal Year 2007 Annual Report. Available at: http://www.eda.gov/PDF/2007AnnualReport.pdf.

Community Facilities Program

The U.S. Department of Agriculture's Community Facilities program provides three programs for funding the construction, enlargement, extension or improvement of community facilities in rural areas and towns with a population of 20,000 or less. The three programs are:

- Direct Community Facility Loans;
- Community Facility Loan Guarantees; and
- Community Facility Grant Program.

Grant assistance is available for up to 75 percent of total project cost. Rail-related community facilities eligible for funding from this program include rail spurs serving industrial parks and other railroad infrastructure serving industrial areas such as yards, sidings and mainline tracks.

In total, Florida received $111.3 million in Community Facilities loans, loan guarantees, and grants from FY 2001 through FY 2008. In FY 2008, the Community Facilities program provided the State $76.8 million in direct loans, $29.2 million in loan guarantees and $5.3 million in grants. The average loan, loan guarantee, and grant amounts nationwide are estimated to be $442,000, $860,000, and $32,000 respectively.[81]

Federal Rail Loans Guarantees and Tax Credits

The programs described in this section include both loans and credit enhancement programs. In the case of loans, a project sponsor borrows funds directly from a state DOT or the Federal government under the condition that the funds will be repaid. Credit enhancement involves a state DOT or the Federal government making financial guarantees or other types of assistance that improve the credit of underlying debt obligations. Credit enhancement has the effect of lowering interest costs and improving the marketability of bond issues. An example of this is a loan guarantee through the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. This type of credit enhancement helps to reduce the risk to investors and, thus, allows the project sponsor to borrow at lower interest rates. SAFETEA-LU created or substantially changed several loan and credit programs that can be used to finance freight rail. Table 6.4 provides detail on the existing loan and credit programs that can be used to finance rail projects.

[81] USDA. USDA Rural Development 2008 Progress Report. Available at: http://www.rurdev.usda.gov/rd/pubs/progress/2008_RD_ProgressReport.pdf.

Build America Bond Program

ARRA created the new Build America Bond program, which authorizes state and local governments to issue taxable bonds in 2009 and 2010 to finance any capital expenditures for which tax-exempt governmental bonds could have otherwise been issued. It allows states to receive a new direct Federal subsidy payment from the Treasury Department for a portion of their borrowing costs. This new program is intended to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs. [82]

Two types of Build America Bonds were created:[83]

- **Tax Credits.** These provide a Federal subsidy through Federal tax credits to investors in the bonds in an amount equal to 35 percent of the total coupon interest payable by the issuer on taxable governmental bonds (net of the tax credit), which represents a Federal subsidy to the state or local governmental issuer equal to approximately 25 percent of the total return to the investor (including the coupon interest paid by the issuer and the tax credit).

- **Direct Payment.** These bonds provide a Federal subsidy through a refundable tax credit paid to state or local governmental issuers by the Treasury Department and the Internal Revenue Service ("IRS") in an amount equal to 35 percent 2 of the total coupon interest payable to investors in these taxable bonds. The level of the 35 percent Federal interest subsidy on Direct Payment bonds is deeper than the corresponding approximately 25 percent Federal interest subsidy on Tax Credit bonds.

[82] IRS, 2009 – http://www.irs.gov/newsroom/article/0,,id=206037,00.html.

[83] IRS, 2009 – http://www.irs.gov/pub/irs-drop/n-09-26.pdf.

Table 6.4 Federal Loans and Tax Credits

Program	Code	Type of Projects Funded	Type of Funding
Build America Bonds	American Recovery and Reinvestment Act of 2009	Any capital expenditures for which a state or local government otherwise could issue tax-exempt governmental bonds	Direct Federal subsidy payments for a portion of the borrowing costs to issue taxable bonds
Railroad Rehabilitation and Improvement Financing program	SAFETEA-LU Section 9003(f)(2)	Acquisition, improvement or rehabilitation of freight and passenger rail facilities, also refinancing existing debt	Direct loans and loan guarantees to public and private entities
TIFIA	23 USC 181-189 SAFETEA-LU Section 1609	Large surface transportation projects of national significance	Loans and guarantees, contingent Federal loans
State Infrastructure Banks	National Highway System Designation Act Section 350 SAFETEA-LU Section 1602	Transportation projects	Subordinate loans, interest rate buydowns on third-party loans, loan guarantees and line of credit
Railroad Track Maintenance Credit	Internal Revenue Code Section 45G	Track maintenance on any Class II or Class III track	Tax credit equal to 50% of the maintenance and rehabilitation expenditures
Private Activity Bonds	SAFETEA-LU Section 1143	Surface transportation projects	National capacity of liability $15 billion

Railroad Rehabilitation and Improvement Financing Program

The Railroad Rehabilitation and Improvement Financing program (RRIF) was originally created under Section 7203 of TEA-21. Section 9003 of SAFETEA-LU amended the program and increased funding for RRIF tenfold, from $3.5 billion to $35 billion between FY 2000 and FY 2006. Up to $7 billion of these funds are reserved for projects benefiting freight railroads that are not Class I carriers. Additionally, SAFETEA-LU eased the requirements for securing RRIF loan to make these funds available to a broader range of rail projects. Furthermore, the interest rates for these loans

The Federal Railroad Administration (FRA) administers the RRIF program, which provides financial assistance in the form of direct loans and/or loan guarantees to eligible recipients, including railroads, state and local governments, government-sponsored authorities and corporations, joint ventures that include at least one railroad and limited option freight shippers who intend to construct a new rail connection. The following types of rail projects are eligible:

- Acquisition, improvement or rehabilitation of freight (intermodal or carload) and passenger rail equipment and facilities, including tracks, yards, bridges, etc.;
- Refinancing of outstanding debt incurred in the acquisition, improvement, or rehabilitation of freight and passenger rail equipment and facilities; and
- Development of new freight and passenger rail facilities.

Direct loans from RRIF can be used to finance up to 100 percent of the total project cost, while loan guarantees can be made for up to 80 percent of the cost of a loan, for terms up to 35 years and interest rates equal to the rate of Treasury securities of a similar term. The program requires applicants to cover the subsidy costs through payment of a "credit risk premium" equal to a fraction of the loan amount calculated based on the financial viability of the applicant and the value of the collateral provided to secure the debt. The RRIF program does not provide financial assistance for rail operating expenses.

Twenty-six loans, totaling $1.023 billion, have been issued since FY 2002. The smallest and largest loans approved respectively were $2.1 million for Mount Hood Railroad, Oregon and $233 million for the Dakota, Minnesota, and Eastern Railroad. A wide variety of projects (including bridge improvement or rehabilitation) are eligible for funding under the RRIF, making it a valuable potential source of future funding for Florida rail projects. RRIF set-asides for non-Class I carriers make the program especially well-suited to funding improvements to Florida's short-line facilities.

Transportation Infrastructure Finance and Innovation Act

TIFIA's strategic goal is to leverage limited Federal resources and stimulate private capital investment by providing credit assistance (up to one-third of the project cost) for major transportation investments of national or regional significance. The program has a minimum project cost threshold for eligibility, which is the lower of $50 million, or 33 percent of a state's annual Federal-aid apportionment for highway projects. Federal credit assistance from this program cannot exceed 33 percent of the total project cost, with an interest rate equal to the rate on U.S. Treasury securities of similar maturity on the day of loan closing. Under SAFETEA-LU, eligible TIFIA projects were expanded to include:

- Public and/or private freight rail facilities that provide benefits to highway users;
- Intermodal freight transfer facilities;
- Access to freight facilities and service improvements, including capital investments for Intelligent Transportation Systems; and
- Port terminals, but only when related to surface transportation infrastructure modifications to facilitate intermodal interchange, transfer and access into and out of the port.

TIFIA offers three distinct types of financial assistance: secured (direct) Federal loans to project sponsors; loan guarantees by the Federal government to institutional investors, and standby lines of credit in the form of contingent Federal loans. SAFETEA-LU authorized $122 million per year to pay the subsidy costs of supporting Federal credit under

TIFIA. There is no limit on the amount of credit assistance that can be provided to borrowers in a given fiscal year. Repayment of TIFIA loans must come from tolls, user fees, or other dedicated revenue sources. As of August 2010, TIFIA assistance amounted to $7.9 billion, leveraging $29.8 billion of investment in 23 transportation projects.[84] Florida has used TIFIA assistance for three projects:

- **Miami Intermodal Center –** Up to $439 million in TIFIA commitments were provided under two separate obligations:
  - FDOT Program Elements loan: $269 million; to be repaid from fuel tax revenues.
  - Rental Car Facility loan: up to $170 million, amended to $270 million; to be repaid from fees levied on rental car users.
- **I-595 Corridor Roadway Improvements –** A $603 million loan assisted in the reconstruction, operation, and maintenance of the I-595 mainline, express lanes, and all associated improvements to adjacent crossroads, frontage roads, and ramps from the I-75/Sawgrass Expressway interchange to the I-595/I-95 interchange.
- **Port of Miami Tunnel –** A $341 million TIFIA loan was used to cover approximately 32 percent of the project's costs. The project will improve access to/from the Port of Miami, serving as a dedicated roadway connector linking the Port (located on an island in Biscayne Bay) with the MacArthur Causeway (State Road A1A – which connects Miami to Miami Beach) and I-395 on the mainland.

State Infrastructure Banks

Florida's State Infrastructure Bank (SIB) is a revolving loan and credit enhancement program consisting of two separate accounts. The Federally funded account is capitalized by Federal money matched with state money as required by law and the state-funded account is capitalized by state money and bond proceeds.

The SIB can provide loans and other assistance to public and private entities carrying out or proposing to carry out projects eligible for assistance under state and Federal law. SIB participation from the Federally funded account is limited to projects which meet all Federal requirements pursuant to the Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users (SAFETEA-LU) and applicable Federal guidelines. SIB participation from the state-funded account is limited to a transportation facility project that is on the State Highway System or that provides for increased mobility on the state's transportation system in accordance with Section 339.55, Florida Statutes or provides for intermodal connectivity with airports, seaports, rail facilities, transportation terminals, and other intermodal options for increased accessibility and movement of people, cargo, and freight.

[84] U.S. DOT. Transportation Infrastructure Finance and Innovation Act: Approved Projects. Available at: http://tifia.fhwa.dot.gov/projects/approved.cfm.

The SIB can leverage funds through loans, and credit enhancement assistance to improve project feasibility. The SIB cannot provide assistance in the form of a grant. The amount of any loan or other assistance may be subordinated to other debt financing for a project with an investment grade rating of "BBB" or higher. Loans from the SIB may bear interest at or below market interest rates, as determined by FDOT.

Florida has one of the most active SIB programs in the country. As of June 30, 2010, the Federally funded account has been capitalized with $152.5 million, including interest and the State-funded account has been capitalized with $471.4 million, including interest. Since its establishment, Florida's SIB has provided SIB assistance totaling $1.1 billion leveraging $8.3 billion in total project costs.

Railroad Track Maintenance Credit

The Railroad Track Maintenance Credit authorized under Section 45G of the Internal Revenue Code provides tax credits to qualified taxpayers for expenditures on railroad track maintenance on railroad tracks owned or leased by a Class II or a Class III railroad. The amount of tax credit provided equals 50 percent of the qualified railroad track maintenance and rehabilitation expenditures. Qualified railroad track expenditures include all expenditures towards maintenance and rehabilitation of railroad track, including roadbed, bridges, and related track structures.

Eligible taxpayers qualifying for this credit include any Class II or Class III railroad, and any person transporting property on a Class II or Class III railroad facility, or furnishing railroad-related property or services to a Class II or a Class III railroad on miles of track assigned to such person by the railroad. The maximum credit allowed under this program is $3,500 per mile of railroad track owned, leased, or assigned to an eligible taxpayer. This credit program was made available in 2004 for a 3-year period from December 31, 2004 to December 31, 2007. For eligible taxpayers not having enough taxable income to make full utilization of the credit, the credits can be carried forward for a 20-year period.

Private Activity Bonds

Title XI Section 11143 of SAFETEA-LU amended Section 142(a) of the IRS Code to allow the use of Private Activity Bonds (PAB) for highway and freight transfer facilities. PABs, also known as tax-exempt facility bonds, are qualified bonds, meaning that interest on the bonds is not subject to reporting for Federal-income tax purposes in the gross income of recipients. Furthermore, interest paid on Private Activity Bonds issued in 2009 or 2010 are exempt from Alternative Minimum Tax. With this qualified status and the resulting tax benefit to investors, exempt facility bonds can be offered at lower interest rates, reducing the cost of financing projects for the bond issuer. PABs reflect a desire to increase private sector investment in transportation infrastructure. Providing private developers and operators with access to tax-exempt interest rates lowers the cost of capital significantly, enhancing investment prospects. State and local governments are allowed to issue tax-exempt bonds to finance highway and freight transfer facility projects sponsored by the private sector.

SAFETEA-LU also created a new type of exempt facility eligible to be financed with tax-exempt bonds, the qualified highway or surface freight transfer facility. The new type of exempt facility bonds finance certain projects for surface transportation, international bridges or tunnels, or facilities to transfer freight for truck to rail or rail to truck, provided the projector facility receives Federal assistance. SAFETEA-LU includes a cap of $15 billion on PABs and directs the Secretary of Transportation to allocate this amount among qualified facilities.

Upcoming Transportation Reauthorization Bill

Federal surface transportation spending is dictated by authorizing legislation, which sets the blueprint for Federal transportation programs for a four- to six-year period of time. It establishes the maximum amount of funding that will be spent in specific program areas and provides the foundation for annual appropriation bills, which provide funding for surface transportation programs. The Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) is the current legislation that authorizes the Federal transportation program. It was passed in 2005 and focuses on: improving safety; reducing traffic congestion; improving efficiency in freight movement; increasing intermodal connectivity; and protecting the environment. Funding under SAFETEA-LU was heavily earmarked and/or designated for regions with specific issues (e.g., rural, nonattainment). SAFETEA-LU was scheduled to expire on September 30, 2009. Congress has passed numerous extensions to SAFETEA-LU and legislation is now scheduled to expire on December 31, 2010. There is no clear schedule for reauthorization at this time. The U.S. House of Representatives has been/remains prepared to act on reauthorization, while the U.S. Senate and White House prefer to take up legislation in 2011. Extensions are common in the reauthorization process. Prior to the passage of SAFETEA-LU, the transportation authorization legislation was extended 12 times prior for a total of 20 months.

Key issues anticipated to drive the next authorization include: congestion; safety; infrastructure preservation; livability; sustainability; and funding mechanisms. Key themes are likely to include: increased funding; freight and economic development; performance measurement; consolidation of Federal programs; and high-speed rail. While the current authorization process is on hold, bipartisan leadership of the House Transportation and Infrastructure Committee has released a proposed framework for reauthorization. With no better information available, this proposal provides insight into the types of programs that may be included in the future legislation. It contains numerous freight and rail elements, including a Freight Improvement Program; a Projects of National Significance Program; a Rail Transportation program; and a Highway-Rail Crossings Improvement Program.

The Freight Improvement Program would provide formula-grant funding to:

- "Improve the operations of the existing freight transportation system;

- Add physical capacity to the freight transportation system in places where investment makes economic sense;

- Strengthen the ability of rural communities to access national and international trade markets; and

- Support regional economic development."[85]

As part of this Program, states would be required to convene a freight advisory committee(s); develop a state freight plan; and monitor freight performance metrics and report this information to the United States Department of Transportation (U.S. DOT). States also would be able to identify secondary freight routes, which also would qualify for funding under the Freight Improvement Program. Projects funded under the Freight Improvement Program would need to be located on the National Highway System; the National Network, or a designated secondary freight route and would need to be consistent with the state's freight plan. A percentage of a state's funds also could be used to support: establishment of a Freight Advisory Committee; freight-related transportation planning; identification of secondary freight routes; and environmental restoration and pollution abatement.

Under the Projects of National Significance Program, U.S. DOT would be given authority to provide grants and/or other financial assistance to projects of national significance. National significance would be determined by the project's ability to generate national economic and mobility benefits, improve economic productivity by facilitating international trade, relieve congestion, and improve transportation safety by facilitating passenger and freight movement. Projects would represent significant investments: $500,000,000; or 75 percent of state's apportioned funds.[86] To be eligible for assistance under this program, U.S. DOT would be required to determine, based on information provided by the applicant, that the project could not be readily and efficiently carried out without Federal support and participation. Other financial assistance could include: loans, loan guarantees, lines of credit, private activity bonds, and tax credit bonds. Strong non-Federal commitment/alternate funding sources would be required.

The rail-related elements of the House's reauthorization proposal include the following provisions:

High-Speed Rail Corridor Planning – U.S. DOT would be authorized to provide funding to states in support of their planning activities for a high-speed rail corridor. Eligible planning activities would include:

- "Environmental assessments;

[85] House Reauthorization Proposal, Section 1105(a).

[86] House Reauthorization Proposal, Section 1206(a).

- Feasibility studies, including studies on commercial technology improvements or applications;
- Economic analyses, including ridership, revenue, and operating expense forecasting;
- Assessing community economic impacts, including development opportunities at and surrounding rail stations;
- Operational planning;
- Route selection analyses;
- Preliminary engineering and design;
- Identification of specific improvements to a corridor, including electrification, line straightening and other right-of-way improvements, bridge rehabilitation and replacement, highway-rail grade crossing improvements or separations, use of advanced locomotives and rolling stock, ticketing, coordination with other modes of transportation, parking, and other means of passenger access, track, signal, station, and other capital work, and use of intermodal terminals;
- Preparation of financing plans and prospectuses; and
- Creation of public/private partnerships."[87]

High-Speed Rail Technology Research – U.S. DOT would be authorized to provide grants in research and development of high-speed rail technology;

High-Speed Rail Corridor Development – U.S. DOT would be authorized to provide grants to "finance capital projects that improve, or lead to development of, high-speed rail service in corridors."[88] Projects funded under this section would need to be consistent with a state's rail plan.

Capital Grants for Class II and Class III Railroads – U.S. DOT would be authorized to provide up to $50,000,000 in grants to Class II and Class III railroads per year.

Railroad Rehabilitation and Improvement Financing – U.S. DOT would be authorized to reduce the interest rate on financing to install a positive train control system.

Highway-Rail Crossings – U.S. DOT would be authorized to provide funding to support improved safety at rail crossings through the deployment of protective devices, as well as public education and outreach programs.

While the future authorization is unknown at this time, it is clear that congressional leadership will likely consider a significant expansion of freight-specific programs. Florida must ensure that its transportation program is prepared and positioned to maximize the opportunities this new authorization may provide. The Rail System Plan, along with the

[87] House Reauthorization Proposal, Section 6001.

[88] House Reauthorization Proposal, Section 6001.

other modal plans, the Strategic Intermodal System Plan, and Florida's Transportation Plan should provide Florida with the necessary planning and programmatic infrastructure to qualify for any new freight funding program. In addition, FDOT has an established pattern of effectively engaging stakeholders in advisory committees to guide development of these plans and programs. To address possible discretionary programs for project of national significance, FDOT will need to continue working with its private sector and regional partners to identify and build support for eligible projects. FDOT will need to monitor and participate as appropriate in new authorization activities over the next 12 to 18 months.

6.3 State Rail Programs

This section presents an overview of the current level of state funding dedicated to advancing freight and passenger rail projects in Florida. A description of legislation and investment policies and their implications for rail transportation are outlined in the sections below.

Like many states, Florida has historically provided public support to privately held railroads when deemed to be in the best interest of the State. Funding support has included the acquisition of rail corridors, intercity passenger and commuter rail services, fixed guideway system development, rehabilitating rail facilities, improving rail-highway grade crossings, and increasing access to intermodal facilities. From 1978 through 1995, Florida actively participated in the Local Rail Freight Assistance Program (LRFA) by financing nearly $12 million in rail rehabilitation projects and by maintaining the Florida Rail Plan, which was necessary for obtaining Federal funding matches. Additionally, the State supported the Fast Track Economic Growth Transportation Initiative of 1999 and its replacement program – the Transportation Outreach Program (TOP) – which dedicated a minimum of $60 million annually for transportation projects of high priority. During the first five years of Fast Track and TOP, freight rail received about eight percent of the total available funding.

Today, state funds for rail projects are channeled through the FDOT Work Program. Half of these funds, $16.43 billion, are received from traditional sources, including fuel tax receipts, vehicle registration, aviation, and rental car fees that are deposited into the State Transportation Trust Fund (STTF). Federal contributions – primarily from motor fuel taxes deposited in the Federal Highway Trust Fund – typically account for 15 to 20 percent of FDOT's Work Program funds. However, due to the additional $1.37 billion in one-time Federal stimulus funding made available through ARRA, Federal-aid constitutes 36 percent of the FY 2010 to FY 2014 Work Plan.

According to the FDOT Work Program, public transportation rail projects are anticipated to receive approximately $963 million between FY 2010 and FY 2014. Over the same time period $741 million are programmed for rail capacity projects on the SIS. The anticipated five-year total funding for all rail projects in the State is $1.82 billion, or approximately

6 percent of the total $36.21 billion Work Program. This represents a significant increase in state resources dedicated to rail projects, which may be attributed to:

- One-time Federal stimulus funds made available through ARRA for high-speed rail and transportation infrastructure projects that can be completed within the next three years;
- Anticipated funding for construction and operation of the Central Florida Commuter Rail project (anticipated to receive approximately $587 million between FY 2010 and FY 2014); and
- Additional funding provided through the SIS program.

The majority of state funds are expected to advance passenger (public transportation and transit) rail projects, which in many cases provide benefits for freight rail services as well. The remainder of state funds will be dedicated to freight projects and studies, including rail improvements at Florida's seaports and access improvements at intermodal facilities. Table 6.5 demonstrates the level of funding estimated by FDOT to be available for rail projects between FY 2011 and FY 2015.

Table 6.5 Florida Rail Work Program Funds (FY 2011-15)
Year of Expenditure

	Category	2011	2012	2013	2014	2015	TOTAL
Freight	Capacity	233,324,255	29,654,884	27,645,950	534,285	20,000,000	**$311,159,374**
	Grade Separation	5,149,207	26,160,000	-	-	-	**$31,309,207**
	Maintenance/Rehab	1,820,000	-	-	-	-	**$1,820,000**
	Signal Maintenance	551,872	708,000	708,000	708,000	708,000	**$3,383,872**
	Crossing Safety	8,792,869	3,570,065	7,545,870	7,693,706	7,844,498	**$35,447,008**
	SUBTOTAL	**$249,638,203**	**$60,092,949**	**$35,899,820**	**$8,935,991**	**$28,552,498**	**$383,119,461**
Passenger	Commuter	337,476,047	85,166,369	171,048,461	141,298,854	148,210,663	**$883,200,394**
	High Speed	131,604,626	-	-	-	60,000,000	**$191,604,626**
	Intercity	104	1,700,150	293,640	187,246	3,062,003	**$5,243,143**
	Service Development	5,800,000	104,827,709	6,050,001	106,050,000	24,004,525	**$246,732,235**
	SUBTOTAL	**$474,880,777**	**$191,694,228**	**$177,392,102**	**$247,536,100**	**$235,277,191**	**$1,326,780,398**
Other	Staffing	3,605,981	2,878,666	2,777,783	2,812,294	2,707,158	**$14,781,882**
	Planning	1,318,289	2,658,332	2,705,255	2,967,564	3,002,758	**$12,652,198**
	SUBTOTAL	**$4,924,270**	**$5,536,998**	**$5,483,038**	**$5,779,858**	**$5,709,916**	**$27,434,080**
	TOTALS	**$729,443,250**	**$257,324,175**	**$218,774,960**	**$262,251,949**	**$269,539,605**	**$1,737,333,939**

Source: FDOT Work Program. Totals may not add up due to rounding.

Florida state legislation has created several programs that influence the amount and type of funding available for rail transportation improvements in the State, including the 2005 Growth Management Bill, the SIS, and the Transportation Regional Incentive program. A description of these programs and their implications for rail corridors and facilities are described below.

Florida Growth Management Legislation

In July 2005, the Florida enacted an Act Relating to Infrastructure Planning and Funding. The bill provided additional funds from documentary stamp tax revenues for transportation, water, and school infrastructure when certain planning standards are adopted.

The following statewide programs receive recurring funding from Documentary Stamp Tax proceeds:

- SIS;
- Small County Outreach Program (SCOP);
- Transportation Regional Incentive Program (TRIP); and
- “New Starts Transit” Program.

With respect to funding from the growth management legislation provided to SIS projects, FDOT adopted the following policies to influence the selection of project priorities for programming. Projects should:

- Be identified as needed projects and priorities of the state and local governments, combined with priorities of modal partners;
- Be consistent with adopted local government comprehensive plans;
- Be identified as a backlogged facility;
- Support mobility within a designated infill area, redevelopment and revitalization area, or multimodal district; and
- Provide improved alternatives for moving goods.

Strategic Intermodal System

Florida’s SIS was established in 2003 by the Florida Legislature to enhance economic competitiveness by focusing state resources on the transportation facilities designated as critical to Florida’s economy and quality of life. The SIS is a statewide network of high-priority transportation corridors and facilities, including the State’s largest and most significant freight rail terminals, passenger rail and intercity bus terminals, and rail corridors. The SIS Strategic Plan, which provides policy direction for implementing the SIS, was adopted in January 2005 and currently is being updated.

The Leadership Committee responsible for updating the SIS Strategic Plan is recommending to continue to include a Finance Strategy element aimed at implementing an investment policy that allocates 75 percent of state new discretionary transportation capacity funding to the SIS by 2015 (up from 66 percent today). Capacity and operational improvements to SIS/Emerging SIS corridors and connectors are eligible for funding, with an emphasis on reducing bottlenecks and improving access to transportation hubs. At SIS and Emerging SIS hubs, the emphasis is on improving the functionality, not the size, of the hub. State funding will be available for projects that streamline movement of interregional, interstate, and international passengers and goods as well as provide substantial public benefit, such as ground transportation and terminal connections between hubs and the SIS connectors. The Finance Strategy suggests dedicating about $2 billion per year for SIS and Emerging SIS improvement projects, including $100 million per year targeted specifically for the SIS.

SIS funds are allocated as part of the development process of FDOT's Work Program. FDOT developed funding eligibility guidelines for SIS hub, corridor, and connector projects. Of the $1.56 billion dedicated to fund rail projects in the FY 2011 to FY 2015 Work Program, 70 percent, are expected to be funded through the SIS program. The vast majority of SIS rail funds (87 percent) are slated for public transortation rail projects, with the remainder set to support freight rail projects and studies.

Transportation Regional Incentive Program

The TRIP was created in 2005. Whereas the SIS was initiated in response to international and interstate travel demand, the TRIP was developed to meet increasing demand for intraregional travel. Through TRIP, state matching funds are made available to local governments to help pay for critical projects that benefit regional travel and commerce. Regional transportation areas are defined by law as:

- Two or more contiguous MPOs;
- One or more MPOs or counties;
- Multicounty regional transportation authority;
- Two or more contiguous counties not members of an MPO; and
- MPOs comprised of three or more counties.

The law authorizes FDOT to pay up to 50 percent of project costs. To be eligible for funding through the TRIP, local governments must demonstrate that selected projects are included in their capital improvement programs, are consistent with the SIS, support facilities that serve national, statewide, or regional functions, and have commitments of local, regional, or private matching funds.

6.4 Florida New Starts Program

Another strategic transportation policy initiative created in 2005 is the Florida New Starts Transit Program (NSTP). The primary purpose of the NSTP is to provide funding support to position Florida transit projects competitively relative to other projects nationally and to capture Federal transit funding for expensive projects. NSTP provides transit agencies with up to a 50 percent match of the non-Federal share of project costs for transit fixed-guideway (rail transit and bus rapid transit) projects and facilities that qualify under the FTA New Starts Program. This program also allows a 50 percent match of local funds towards projects funded with state and local funds only. NSTP considerations in transit project funding decision-making include:

- Compliance with Federal and state policies and guidelines;
- Coordination with regional projects and programs;
- Consistency with local, regional, and state plans and programs;
- Local financial and land use and growth management policy commitments;
- Potential to leverage Federal transit discretionary funding; and
- Location on dedicated right-of-way.

The NSTP is intended to enhance transit investment decision-making by incorporating relevant state and Federal policy, program guidelines, and project development requirements into a comprehensible and easy to implement program. The program encourages a greater consideration of policy coordination and project technical merits into the State transit project funding allocation decision-making process.

Status of State Funding Today

For many years revenue growth from traditional state transportation funding source was robust and secure due to Florida's robust and growing economy and a shift towards large vehicles for travel. Starting in 2006, at the beginning of the economic slowdown that hit the nation and the State, actual revenue receipts have not kept with statewide forecasts. The growth rate of future revenues has tempered in recent Revenue Estimating Conferences (REC) as the growth in motor fuel consumption has dropped compared to previous years. Fuel consumption and related motor fuel tax revenues are likely to continue to decline with the increasing popularity of smaller size and/or hybrid cars and the advancement of other more energy efficient automobile technologies. Since motor fuel tax is a major source for Federal, state, and local transportation funds in Florida. It is imperative the State discusses this issue further and identifies funding sources to augment and ultimately replace the motor fuel tax.

6.5 Other Funding Sources

Local Government Revenues

Revenues generated by local government also are used to supplement traditional state and Federal funding sources for transportation. In fact, a number of counties and municipalities throughout the country have successfully funded the creation, operation, and expansion of local passenger rail and transit services through dedicated local tax revenues. For example, Mecklenburg County in North Carolina implemented a half-cent sales surtax in 1998 to fund local public transportation projects. The tax was approved by referendum with a 58 percent favorable vote and reaffirmed by a 70 percent favorable vote in 2008. In the first 8 years after being passed, the tax generated over $396 million. By 2011, the tax is projected to generate over $85 million annually, making the goal of implementing 21 miles of light rail and 25 miles of commuter rail outlined in the city's 2030 transit plan a realistic possibility.

Locally generated tax revenues are not widely used for rail projects in Florida; however, no legislation exists that would prevent these sources from being used to finance freight and passenger rail investments. Currently, Florida jurisdictions have the option of levying a number of taxes to support transportation, which include:

- **Fuel Taxes –** As identified earlier in this Chapter, local jurisdictions have a number of tax opportunities, which can be exercised optionally by counties to fund transportation improvements.

- **Convention and Tourist Development Taxes –** Taxable sales reported by transient rental facilities (tourist food and beverage taxes) include the statewide $2 per day surcharge on car rentals. Seventy-five percent of these proceeds are deposited into the State Transportation Fund.

- **Impact Fees –** Florida's Impact Fee Ordinances require developers to pay counties, municipalities, special districts, and school districts for the cost of additional infrastructure that result from new development or new expansion of an existing development. Impact fees must: be a one-time charge, be earmarked for capital outlay only, and represent a proportional share of the cost of the new facility needed to serve the new development. Impact fees are commonly implemented across local governments in Florida.

- **Ad Valorem –** According to Florida Statues, local governments may levy Ad Valorem tax based on the assessed value of property. Proceeds are often vested in road improvement and resurfacing projects. These taxes are commonly implemented across local governments in Florida, and are sometimes dedicated to transportation. Ad Valorem taxes are subject to the following limitations:

  - Ten mills for county purposes;

- Ten mills for municipal purposes;
- Ten mills for school purposes;
- A millage fixed by law for a county furnishing municipal services; and
- A millage authorized by law and approved by voters for special districts (e.g., the municipal services taxing units discussed above).

Public-Private Partnerships

Another source of funding for freight rail projects is railroad companies. In 2006, U.S. Class I railroads invested more than $8.3 billion to lay new track, buy new equipment, and improve infrastructure. This represents a 21 percent increase from 2005 and constitutes a record level of investment. Much of this money went toward maintenance of existing facilities, but a significant portion also was dedicated to double-tracking and siding construction to expand capacity along high-density routes.

Public-private partnerships, such as the Alameda Corridor in southern California, and multistate coalitions, such as the I-95 Corridor Coalition's Southeast Rail Operations Study, study present models for how states, private freight railroads, and private shippers can work together to improve rail operations and infrastructure. Initiatives spearheaded by the private sector, such as CSX Transportation's National Gateway and Norfolk Southern's Crescent Corridor, present an opportunity for states to partner with the private sector in order to leverage rail funding, address choke points in the rail network and, and promote economic development in targeted areas. Similarly, recent funding increases for Amtrak and stimulus dollars made available through ARRA provide opportunities for states to partner with the private sector in order to improve intercity passenger rail service.

6.6 Findings

Over the past several years the amount of funding dedicated to passenger and freight rail in Florida has increased dramatically. This increase is due to additional one-time grant funding made available through the American Recovery and Reinvestment Act, significant funding earmarked for the development of the Central Florida Commuter Rail, the Obama Administration's High-Speed Intercity Passenger Rail Program and changes in state transportation policy (i.e., creation of the Strategic Intermodal System) that place additional emphasis on funding priority rail corridors. Going forward, many opportunities exist for Florida to pursue additional funds through the ARRA Discretionary Grant program and existing programs that may be expanded or changed as part of the next surface transportation bill or SAFETEA-LU reauthorization. The upcoming Surface Transportation reauthorization bill will likely place additional emphasis on multimodal transportation solutions and preserve or enhance Federal rail funding programs. As a result, Florida must continue to proactively identify and position rail projects for funding through these and other Federal programs.

At the state level, Florida has made significant progress towards increasing investment in passenger and freight rail. The Florida New Starts program develops and positions rail transit projects for future Federal funding, the TRIP supports rail projects that serve regional transportation needs, and the Strategic Intermodal System provides dedicated funds to develop and maintain rail infrastructure on critical interstate and international routes. Local government funding also presents an opportunity for the State to explore to fund rail projects in the future. For example, several local option fuel taxes exist in Florida that could be levied by local governments to support rail transit or commuter rail projects. This approach has been successfully utilized by jurisdictions in several states, most notably North Carolina.