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Florida MPOAC Transportation Revenue Study

July 2012

Prepared for
Florida Metropolitan Planning Organization Advisory Council



Center for Urban Transportation Research
University of South Florida
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Florida MPOAC Transportation Revenue Study

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Metric Conversion

SYMBOL	WHEN YOU KNOW	MULTIPLY BY	TO FIND	SYMBOL
LENGTH				
in	inches	25.4	millimeters	mm
ft	feet	0.305	meters	m
yd	yards	0.914	meters	m
mi	miles	1.61	kilometers	km
VOLUME				
fl oz	fluid ounces	29.57	milliliters	mL
gal	gallons	3.785	liters	L
ft ³	cubic feet	0.028	cubic meters	m ³
yd ³	cubic yards	0.765	cubic meters	m ³
NOTE: volumes greater than 1000 L shall be shown in m ³				
MASS				
oz	ounces	28.35	grams	g
lb	pounds	0.454	kilograms	kg
T	short tons (2000 lb)	0.907	megagrams (or "metric ton")	Mg (or "t")
TEMPERATURE (exact degrees)				
°F	Fahrenheit	$5 (F-32)/9$ or $(F-32)/1.8$	Celsius	°C

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Executive Summary

This report documents an effort led by Florida's Metropolitan Planning Organizations (MPOs) to assess transportation funding in Florida and to develop a series of legislative recommendations. The effort spanned almost two years, culminating in the drafting of legislation on six initiatives to address Florida's transportation funding situation.

The Florida Metropolitan Planning Organization Advisory Council (MPOAC) is a statewide transportation planning and policy organization created by the Florida legislature pursuant to Section 339.175(11), Florida Statutes, to augment the role of individual MPOs in the cooperative transportation planning process. The MPOAC assists MPOs in carrying out the urbanized area transportation planning process by serving as the principal forum for collective policy discussion.¹

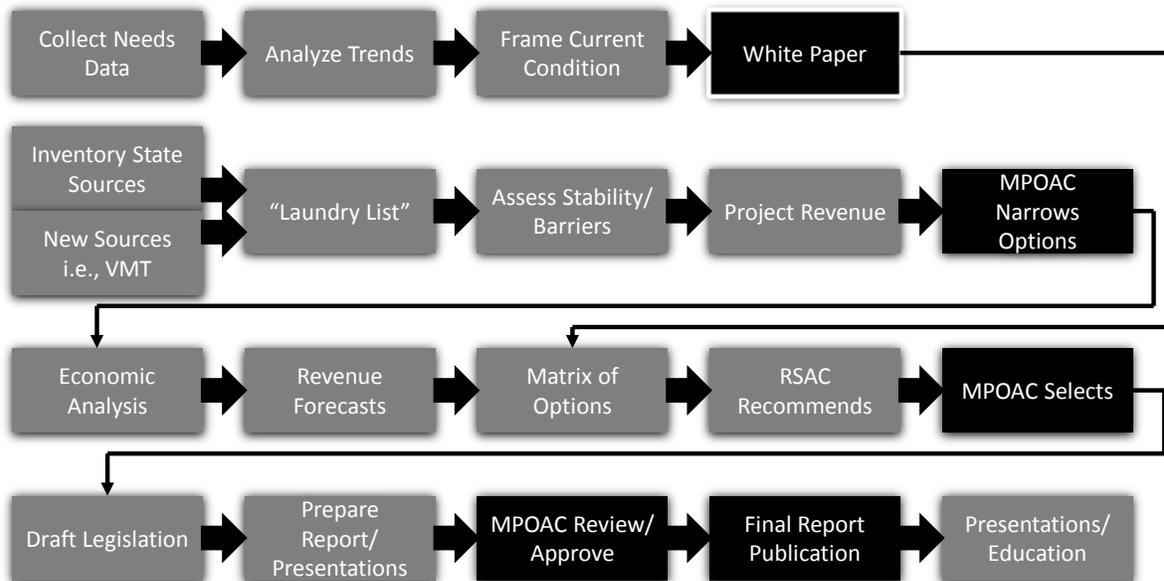
For several years, the MPOAC has been concerned with the level of funding for transportation investments in Florida and embarked on legislative initiatives in 2008 and 2009 to have the issue addressed by a "blue ribbon" commission. These bills, while sponsored by legislators, found little traction due, in part, to the political unwillingness to propose additional public funding. In 2010, the organization took action to pursue an in-depth examination of the state of transportation revenues with an eye towards recommendations in the form of legislative actions. The Center for Urban Transportation Research (CUTR) at the University of South Florida was engaged by the MPOAC after its governing board decided to pool funds from each of the organizations to finance the effort. Mr. Howard Glassman, Executive Director of the MPOAC, acted as the Project Manager.

A Revenue Study Advisory Committee was established that included the Florida Airports Council, Florida Transportation Builders' Association, Florida Chamber of Commerce, Florida League of Cities, Floridians for Better Transportation, Florida Association of Counties, The Nature Conservancy in Florida, Florida Trucking Association, Florida Ports Council, MPOAC Governing Board, Florida Transportation Commission, American Public Works Association (Florida Chapter), Florida Public Transportation Association, and Florida Regional Councils Association. Mr. Michael Howe, Executive Director of the Sarasota-Manatee MPO, served as the chair of the stakeholder group. The Committee deliberated at several key points in the process before issues or recommendations were passed along to the MPO staff directors and then to the MPOAC Governing Board. The Governing Board comprises an elected official from each of Florida's 26 MPOs.

¹ <http://www.mpoac.org/about/index.shtml>

A study process was developed along with a project schedule, as shown below. Briefings and updates to the Study Advisory Committee, MPOAC Directors, and the MPOAC Governing Board were provided separately on a quarterly basis during the conduct of the study. After a “situational analysis” was performed, a white paper on recent funding trends, pressures

MPOAC Revenue Study Process



on funding sources, and estimations of Florida’s surface transportation needs was developed. The paper can be accessed at [http://www.mpoac.org/revenuestudy/Situational Analysis.pdf](http://www.mpoac.org/revenuestudy/Situational%20Analysis.pdf). The results of this phase of the study documented the stresses being placed on the Federal Highway Trust Fund (HTF) and Florida’s State Transportation Trust Fund (STTF).

According to the Florida Department of Transportation (FDOT), as of May 2011, the major funding sources for the five-year work program were made up of:

- State sources – 49 percent
- Federal sources – 34 percent
- Turnpike and tolls – 8 percent
- Local and other funds – 5 percent
- Right-of-way and state infrastructure bank bonds – 4 percent

Federal Surface Transportation Funding – 34 Percent of State Total in Florida

Over 90 percent of the revenues available for federal surface transportation funding comes from the taxes on gasoline (18.4 cents per gallon) and diesel fuel (24.4 cents per gallon).

These rates have not been adjusted since 1997.² With heavy reliance of the HTF on these sources, federal transportation receipts are driven by vehicle miles traveled (VMT) and vehicle fleet efficiency, as both of these determine fuel use. The fact that the tax is assessed on a per-gallon basis and is not automatically adjusted for inflation results in an erosion of the buying power of the HTF as well.

Vehicle Miles Traveled

The current recession has resulted in absolute decline in VMT for the first time in decades. Increased fuel prices and high employment continue to keep the growth modest. Post-recession, many planners do not expect a return to the growth of the 1980s and 1990s, as the economic recovery is predicted to be slow and the country has reached a point of saturation for some factors that drove annual VMT growth rates. The number of vehicles registered already exceeds the number of eligible drivers, and a stable work week has emerged without appreciable additional free time to add to leisure travel demand. The Federal Highway Administration (FHWA) has been predicting modest rates of growth for passenger vehicles, although truck traffic growth rates are also estimated to increase.

Efficiency

The Corporate Average Fuel Efficiency (CAFE) standards for passenger cars has remained at 27.5 miles per gallon (mpg) since 1985 and for light trucks has risen modestly from 19.5 mpg to 23.1 mpg for the same period. In 2010, both the Environmental Protection Agency (EPA) and the U.S. Department of Transportation (DOT), through the National Highway Transportation Safety Administration (NHTSA), published final rules affecting the light-duty vehicle and medium-duty passenger vehicle (passenger vehicles from 8,500 to 10,000 pounds Gross Vehicle Weight Rating) fleet efficiency.

Expressed in grams per mile, the new standards for greenhouse gases (GHG) will differ by a vehicle's size or "footprint" and are in place for the model year 2012 vehicle production run. The new GHG standards average a CO₂ emission rate of 250 grams per mile by model year 2016, with an estimated mpg equivalent of 35.5 for the combination of light-duty trucks and passenger autos. Rules that would apply to 2017 and beyond are currently being formulated

The effects of the impacts of VMT stagnation, increased fleet fuel efficiency, inflationary pressures, and authorization levels have led to a precarious situation for the federal Highway Trust Fund.

² In 1993, the Omnibus Budget Reconciliation Act increased the gas tax by 4.3 cents to 18.4 cents to reduce the federal deficit. The tax decreased to 18.3 cents in 1996 due to the expiration of a 1/10 set-aside for leaking underground storage tanks. In 1997, the 1/10 set-aside was restored, with all of the 4.3 cents going to the Highway Trust Fund.

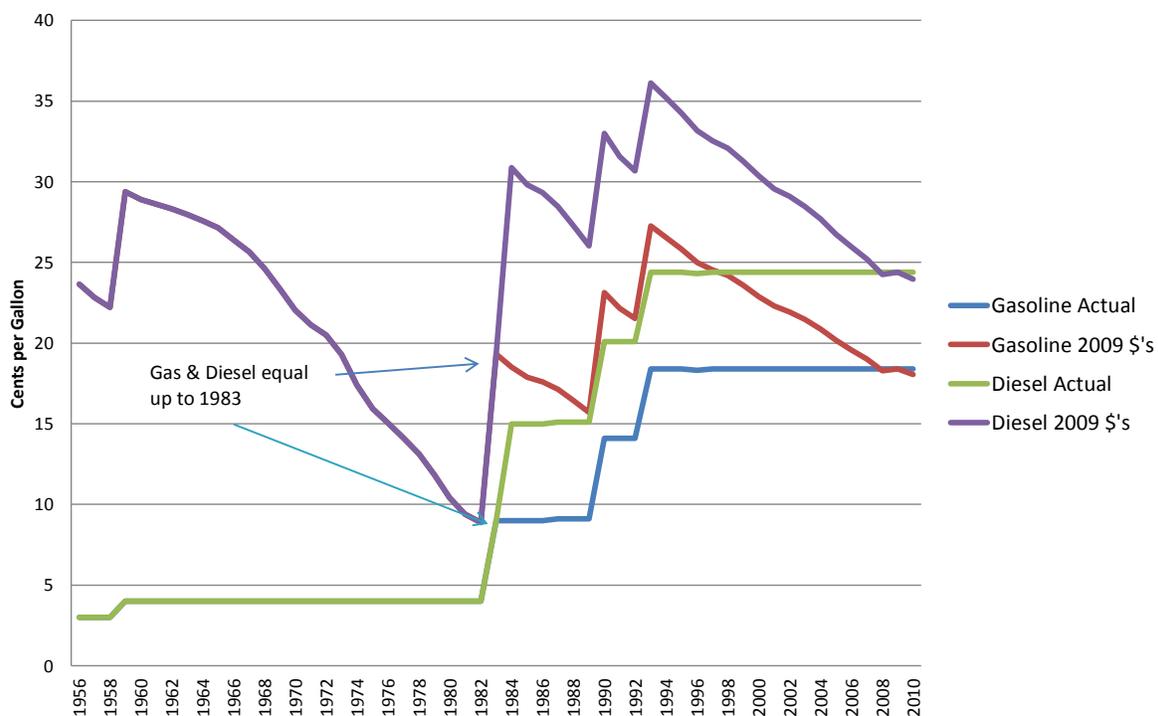
and will include a similar approach for heavy-duty vehicles. Less fuel on a per-mile basis will be consumed, resulting in fewer dollars per mile traveled going to the HTF.

Inflation and Other Impacts

Without adjustment since 1993, the current federal fuel taxes have the same buying power as they had years before the most recent adjustment. The accompanying graph illustrates the point that when adjusted for inflation, per-gallon contributions to reinvestment in transportation are at levels equal to those in the mid-1980s and mid-1970s.

Inflation Effects

**Federal Motor Fuel Tax History
Actual and Adjusted Rates**



Another stress to the federal HTF is the fact the payments from the fund have been exceeding the income because of spending levels in the last multi-year transportation act. The HTF balance has been in a precipitous decline that has required federal general fund infusions to ensure its solvency (\$8 billion in September 2008, \$7 billion in August 2009, \$14 billion in April 2010). In addition, due to various political factors, the current surface transportation authorization expired at the end of federal FY 2009. The Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU) authorized an annual average of \$38.6 billion for highway and transit programs nationally.

The effects of the impacts of VMT stagnation, increased fleet fuel efficiency, inflationary pressures, and authorization levels have led to a precarious situation for the HTF.

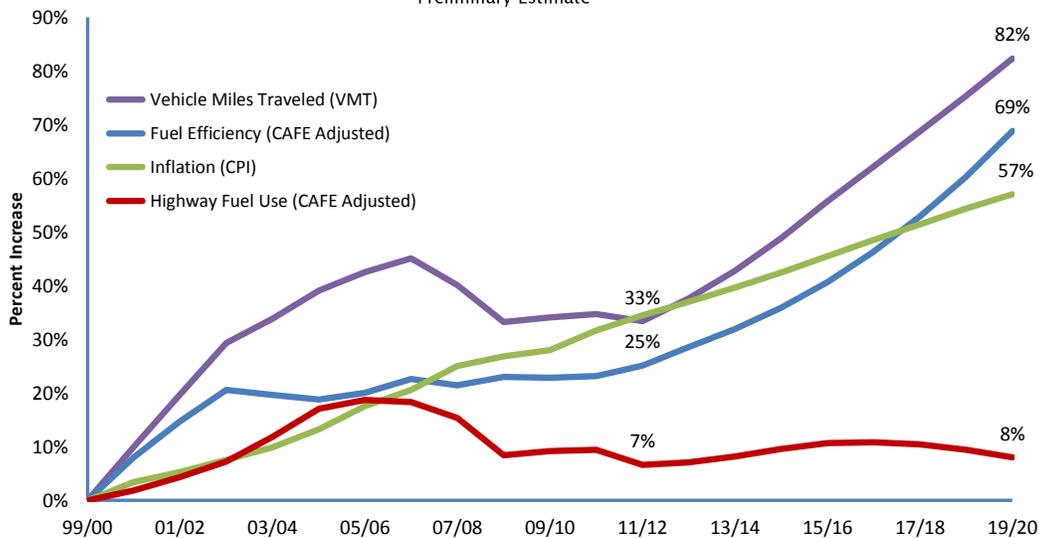
State Transportation Funding – 48 Percent of State Total in Florida

In Florida, STTF receipts from fuel taxes make up 68 percent of the revenue portfolio; they are indexed to offset the impacts of inflation each January. Based on movement in the Consumer Price Index (CPI), Florida’s Highway Fuel Sales Tax (currently at 12.6 cents per gallon) and the State Comprehensive Enhanced Transportation System (SCETS) Tax (currently at 6.9 cents per gallon) are adjusted annually. The other major sources are not adjusted annually, however, and their buying power diminishes over time.

State Transportation Trust Fund Pressures

Variables Affecting the Purchasing Power of Transportation Revenues

Sources: FDOT 2009 Source Book of Florida Highway Data, Oct 2011 REC & 2012-2025 CAFE Preliminary Estimate



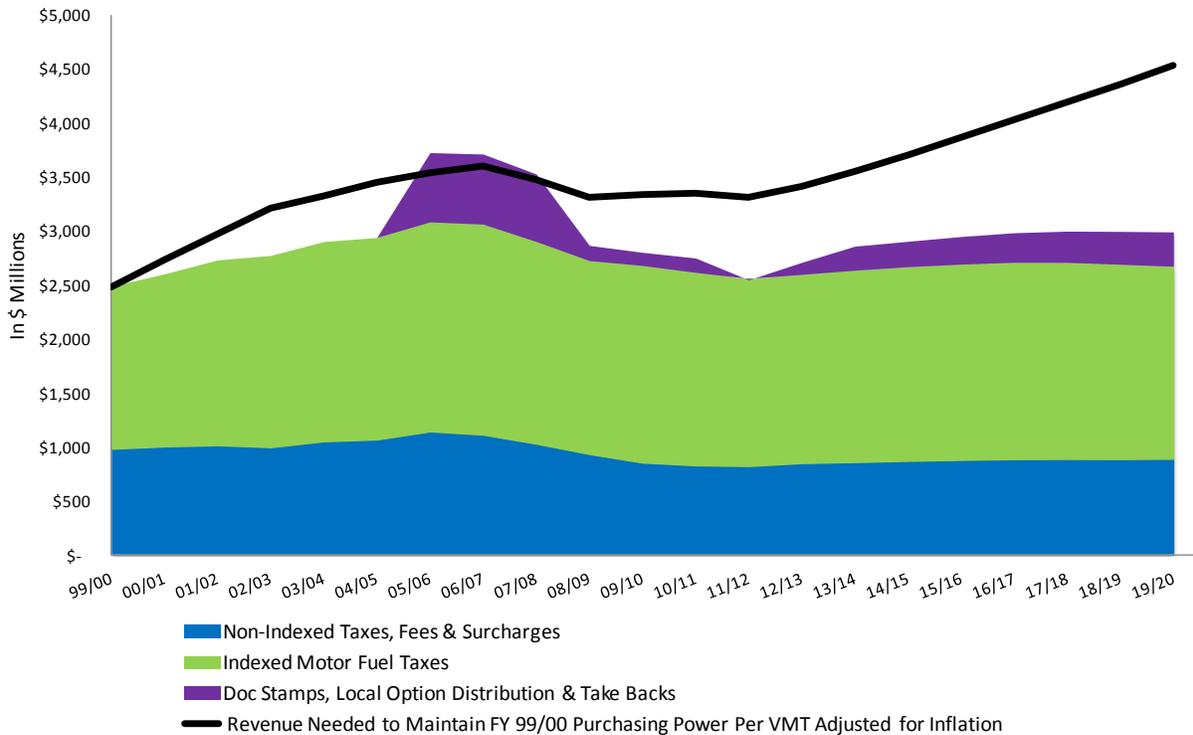
The heavy reliance on a “cents per gallon” fuel tax is resulting in pressures on the STTF and reductions in projected revenue because of an increasingly fuel-efficient vehicle fleet. While vehicle miles traveled (VMT) are currently down, official projections for the post-recession period are for a return to steady growth in Florida. This will result in VMT growing 82 percent for the period FY1999/00 to FY2019/20, while fuel tax revenues grow at an anemic 8 percent for the same period.

Although the study sponsors did not want to spend time on a new calculation of transportation needs, CUTR researchers looked back at unfunded needs that had been calculated in the Long Range Transportation Plans (LRTPs) for Florida’s metropolitan areas. When the totals for these unfunded needs are converted to inflation-adjusted 2010 dollars, the statewide metropolitan unfunded need is estimated at more than \$3 billion annually.

Another approach was used by CUTR to provide context to the MPOAC without recalculating a needs figure that would be not be realistic to fund and could be considered suspect. An examination of investment levels was performed that looked at state transportation

investment on a vehicle-miles-traveled basis. The study period for this work was from FY1999/00 to FY2019/20; the investment per VMT was compared to the expected revenue coming to the STTF. Over the 20-year period, \$12 billion would be needed just to invest at the same levels as in FY1999/00.

State Transportation Taxes & Fees
\$12.1 Billion In Lost Purchasing Power
 In Current \$ – Adjusted for Growth In Vehicle Miles Traveled



Local Funding

Although the focus of this study was to examine state revenue sources, several local funding issues emerged. Cities and counties in Florida also rely heavily on taxes on highway fuel. There are local option gasoline taxes that may be levied at the county level, and there are three different fuel taxes collected by the State for distribution to the counties and municipalities. None of the rates for these fuel assessments are adjusted for inflation. For example, the County Fuel Tax at 1 cent per gallon was established in 1941 and currently would be 15 cents if it had been indexed to the CPI.

Revenue Options

A list of potential transportation revenue funding actions that had been recommended by the Revenue Study Advisory Committee (RSAC) was approved for detailed analysis. While this list totaled 16, the combinations and permutations for which analysis was ultimately required totaled 58. During subsequent deliberations, the RSAC arrived at the list of recommended actions to be presented to the MPOAC. At an April 26, 2012, meeting, the

MPOAC Staff Directors and Governing Board approved, with one dissenting vote, the transmission of information to the Florida legislature and governor on the state's unfunded transportation needs and the 14 options to reduce the funding shortfall and endorsed the top 6 revenue options for legislative action to implement those items.

The options for which legislation has been drafted and language included in this report are described in the following paragraphs.

Allow up to a 1-Cent Municipal Optional Sales Tax

Under current Florida statute, Charter Counties and those included in a Regional Transportation Authority district may elect to impose up to a 1 percent sales tax on items up to \$5,000, with revenues available for transportation uses. This option would extend that flexibility to cities with a population of 150,000 or more, but could not be duplicative of any County transportation sales tax. For example, Miami-Dade County voters have approved a 1/2 percent sales tax. If the City of Miami wanted to put this in place, it would be limited to an additional 1/2 percent. In counties without a city with a population of 150,000, the option would be available to the largest municipality in that county based on the latest available census. If fully implemented, it could generate approximately \$830 million to cities in total. The legislative proposal would also make this option available to any non-charter counties that are a part of an MPO.

Increase the Local Diesel Tax by 5-Cents

Local option tax rates are fixed in State law to provide diesel fuel tax rate consistency among counties for purposes of administering the provisions of the International Fuel Tax Agreement. The local option diesel tax rate is currently 7 cents per gallon, while the statewide average for local option gasoline taxes has risen to 9.6 cents per gallon. There has long been recognition that a higher per-gallon rate on diesel fuel is appropriate, as the major users of the fuel are heavy trucks. For example, the federal tax is 18.4 cents per gallon on gasoline and 24.4 cents on diesel fuel because of the differential of the demands that are placed on the highway system by heavy trucks and light-duty vehicles. This option would establish an additional 5-cent diesel fuel tax in each county, and the revenues would be required to be expended on projects that serve or enhance commercial highway traffic. This dedicated local source of funding could be used to encourage economic development and improve existing commercial operations. It is estimated this would generate about \$72 million per year to Florida's counties.

Index All Fuel Taxes Not Currently Indexed

There are several different local option taxes levied on a per-gallon basis in addition to the Constitutional Fuel Tax (2 cents per gallon), County Fuel Tax (1 cent per gallon), and Municipal Fuel Tax (1 cent per gallon). The Constitutional, County, and Municipal taxes are collected by the State for distribution to local governments. None of these or the local option fuel tax is indexed to the CPI. This option would index them on the same basis as the State Fuel Sales Tax and the SCETS, providing local governments with the same inflation hedge enjoyed by the STTF and generating approximately \$115 million annually for investment in transportation infrastructure. Some of these user fees have not been adjusted since the 1940s.

***Implement 2-Cent Fuel Tax Increase per Year –
5 Years (10 Cents) Indexed for Inflation***

Implementation of this increase would raise the State Highway Fuels Sales Tax from the current rate of 12.6 cents per gallon by 2 cents per year for the next 5 years, for a total 10-cent increase. This tax is currently adjusted annually by the CPI, as is the SCETS tax, which is currently at 6.9 cents per gallon. Additional revenues of approximately \$183 million in 2013 growing to \$1.17 billion by 2020 are forecasted for the STTF.

***Return Motor Vehicle License and Registration and
Titling Fee Increases to the STTF***

This recommendation would redirect the increases in the fees that were enacted in 2009 from the State General Revenue Fund to the STTF. These fees historically have been dedicated to the transportation system as a method to further the concept of user fees supporting the transportation system. After a 20-year hiatus of fee adjustments (30 years for registration fees), they were raised in 2009, with the incremental revenue being used to help solve the general budget crisis due to the economic recession. With increasing pressures on transportation funding sources coupled with growing needs, action was taken in the 2012 session of the Florida legislature to restore a portion of these traditional STTF funds. While most title fees will be remitted to the STTF, yielding about \$200 million per year, increases in the Motor Vehicle License Fee and Surcharge and the Initial Registration Fee are recommended to be returned as well. The annual estimated revenue impact to the STTF is \$413 million

Conduct Vehicle Miles Traveled (VMT) Study

This recommendation is to have the legislature commission and fund an extensive effort to deal with the systemic issues of fuel taxes becoming less sustainable as a primary surrogate for a transportation user fee. While fuel taxes served as an adequate substitute for a true user fee for decades, significant increases in mandated vehicle fuel efficiency along with the introduction of all-electric and plug-in hybrid vehicles are eroding transportation revenues. It is recognized that there are significant concerns over the concept of charging users of the highway system based on each mile traveled. These include the privacy of citizens, the cost of implementing such a system, and institutional issues associated with revenue sharing. This effort is intended to address these issues at a minimum, deploy a demonstration of the concept, and develop a business plan and implementation roadmap to move Florida to a VMT-based system.³

³ Board Meeting action on July 16, 2012 precluded the use of GPS technology in the tracking of VMT

I. Introduction

Planners and providers of transportation infrastructure and services have generally seen an erosion of revenue and its “buying power” over at least the last decade. Stagnant or declining traditional funding sources, increases in construction and fuel costs, and the current recession are all among the factors placing increasing pressure on transportation providers. These dynamics, when coupled with the lack of political willingness to adjust traditional fuel taxes and fees, are causing dramatic reductions in capital investments and, in some metropolitan areas, rollbacks in public transportation services.

For some time, Florida’s Metropolitan Planning Organization Advisory Council (MPOAC) has been concerned with this issue and has, over the last several years, encouraged a legislatively-sponsored effort to analyze the issue with an aim towards recommendations for a path forward for adequate transportation funding in the state. Although the Florida legislature took action to adjust some selected fees that provide funding to the State Transportation Trust Fund (STTF), the MPOAC remains committed to trying to identify sustainable solutions to the transportation funding dilemma.

The MPOAC requested that the Center for Urban Transportation Research (CUTR) at the University of South Florida provide an analysis and staff assistance to help to develop a series of revenue options.

Current Situation

Most urban and interregional highway corridors are expected to be heavily-congested during peak periods by 2025, even after planned improvements are made. Many of the state’s airports are projected to be operating at more than 80 percent of capacity, the point at which expanded capacity should be under construction. Florida’s seaports must improve waterside, terminal, and landside infrastructure to handle expected rapid growth in freight and cruise passenger activity. Additionally, significantly more capacity is needed in rail and urban transit systems to provide viable options for moving people and freight within and between urban areas.

In recent years, the economic recession has taken a toll on revenues accruing to the STTF. These revenue reductions, coupled with legislative actions to divert transportation revenues to non-transportation purposes, have resulted in significant reductions to project commitments in the Florida Department of Transportation (FDOT) five-year work program (approximately \$10 billion since 2006). Additionally, a significant share (approximately 33%) of Florida’s transportation revenues is automatically adjusted for inflation. However, most transportation revenue sources (such as federal fuel taxes, local option fuel taxes, motor vehicle license taxes/fees, and the documentary tax) are set at rates established in law, and, therefore, lose buying power annually. While inflation results in increases in certain FDOT revenues, it also causes costs to rise. If the costs of FDOT’s programs rise proportionately to the rate of inflation, then FDOT will be losing ground, since not all revenues are responsive to inflation. The combination of these issues disrupts the stability

of the five-year work program and hinders the ability to address significant transportation backlog and meet future transportation needs.

Current revenue sources are not sufficient to fund long-term transportation needs. Potential uncertainties in the long term could dramatically alter transportation revenues and, thus, require structural changes in Florida's overall revenue approach. These uncertainties include the impact of:

- a growing market for more fuel-efficient cars (hybrids, compressed natural gas, electric, etc.)
- significant price increases for fuel
- the current lack of certainty of the federal role in transportation funding
- public reluctance to accept additional user fees
- national emphasis on alternative fuels and technologies
- shifts in demographics that will impact revenues and the demand for transportation services
- changing public attitudes towards environmental sustainability

The policy issue that needs to be addressed in the long term is the need to evaluate Florida's future transportation revenue collection system and whether the basis for this system should be supplemented or fundamentally changed.

II. Federal Funding 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 distribute funds from the Highway Account and the Mass Transit Account, respectively, to each state through a system of formula grants and discretionary allocations. Revenues from the tax on highway fuels represent 90 percent of the receipts that accrue to the HTF. Table 1 provides further detail on tax rates and the account distribution of these tax revenues.

Table 1. Overview of Federal Highway User Fees

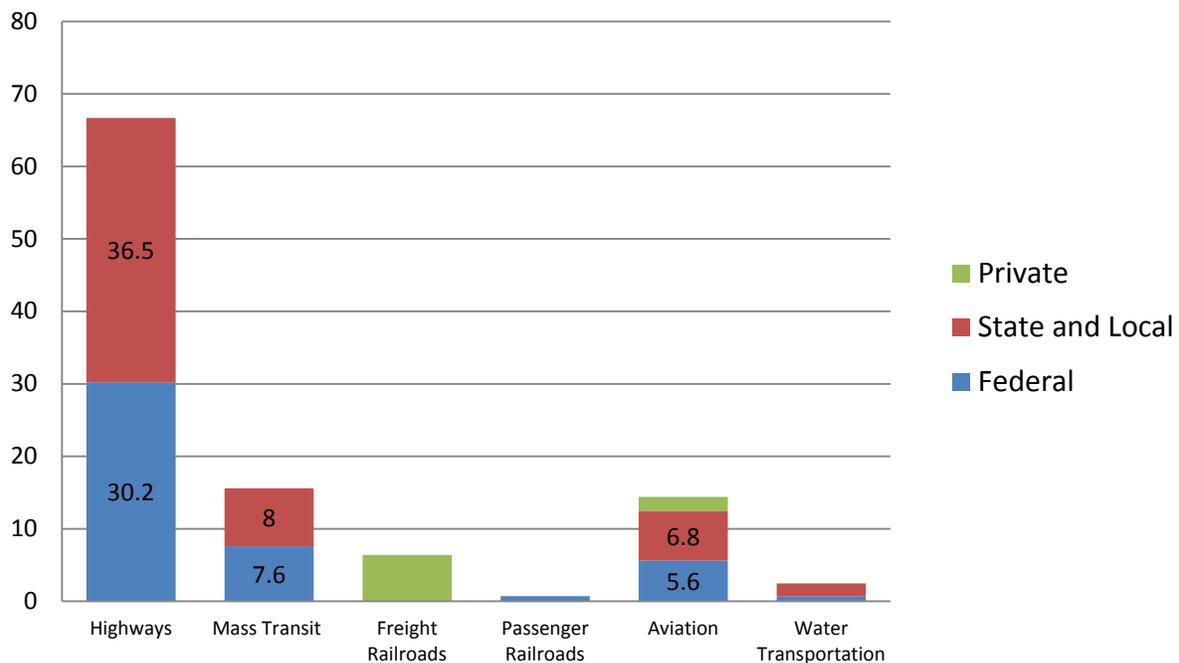
User Fee	Tax Rate (Cents per Gallon)	Distribution of Tax (Cents per Gallon)			
		Highway Account Fund	Mass Transit Fund	Underground Storage Tanks TF	General Fund
Gasoline	18.4	15.44	2.86	0.1	–
Diesel & Kerosene Fuel	24.4	21.44	2.86	0.1	–
Liquefied Petroleum Gas	18.3	16.17	2.13	–	–
Liquefied Natural Gas	24.3	22.44	1.86	–	–
Other Special Fuels	18.4	15.44	2.86	0.1	–
Compressed Natural Gas	18.3	15.43	2.86	–	–
Tires: (Proceeds to Highway Account)					
<i>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.</i>					
Truck and Trailer Sales: (Proceeds to Highway Account)					
<i>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.</i>					
Heavy Vehicle Use: (Proceeds to Highway Account)					
<i>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.</i>					

Source: FHWA Office of Highway Policy Information, Highway Statistics 2007, Table FE -21B, June 2009

The federal role in the nation's transportation infrastructure is very significant. According to the Congressional Budget Office, federal investment in transportation infrastructure (measured in constant dollars) peaked in 2003 and has declined or remained level year to year since then. Federal funding for the nation's highways represents 45 percent of all investment and is 49 percent for mass transit (Figure 1). The significance of these federal funding ratios becomes more apparent as the health of the HTF is examined. The federal surface transportation programs are funded through multi-year authorizations that are subject to annual limitations through obligational limitations (in the case of highway programs) and appropriations, even though the multi-year legislation establishes annual

funding levels. The current situation at the federal level is critical from two perspectives. At the time of this writing, the HTF balance has been in a precipitous decline that has required federal general fund infusions to ensure its solvency. In addition, due to various political factors, the current surface transportation authorization expired at the end of federal FY 2009. The act, Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) authorized an annual average of \$38.6 billion for highway and transit programs nationally.

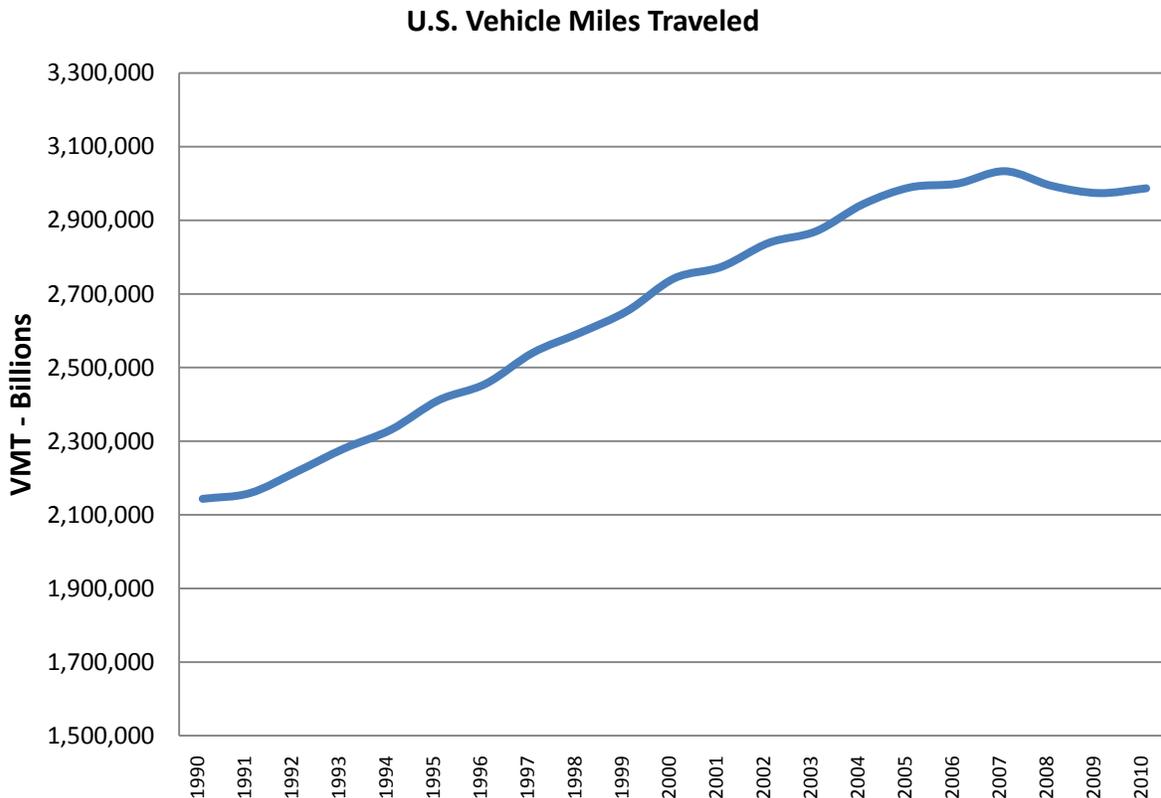
**U.S. Transportation Investments by Source
(billions - 2004 dollars)**



Source: Congressional Budget Office, "Issues and Options in Infrastructure Investment," May 2008

Figure 1. U.S. Transportation Investment by Sector

The declining balances in the HTF and the ensuing need to transfer general funds is a result of a decline in vehicle miles traveled (VMT) and an increasingly more efficient light-duty vehicle fleet. As stated earlier, since the vast majority of federal transportation revenues are highway motor fuel taxes, the economic recession and fuel efficiency have had a compounding impact on the HTF. Figure 2 shows the trend of vehicle miles of travel in the U.S. for the last two decades. The decline that began in 2007 is coincidental with both the weakening economy and the spike in fuel prices that occurred around that period. While fuel prices dropped back to pre-2008 levels, the impact of the recession is still being seen, as 2010 levels of travel are still below those experienced in 2005.



Source: U.S. Department of Transportation, Federal Highway Administration, Traffic Trends

Figure 2. U.S. Highway Vehicle Miles Traveled, 1990–2010

Fuel Efficiency

Concerns over emissions related to the burning of fossil fuels and their impact on the generation of greenhouse gases (GHG), along with concerns over U.S. energy security, have led to recent efforts to increase the efficiency of the transportation fleet. Again, given the reliance on fuel taxes as the major federal transportation revenue source, the issue has financing implications.

In 2008, the transportation sector in the U.S. consumed 28 percent of all of the energy used nationally. Of that use, 84 percent of the energy to move passengers and goods was in the form of gasoline and diesel, with the remainder comprising aviation jet fuel, natural gas, and other alternative fuels. The portion of U.S. petroleum consumption used by transportation had been growing over time as electric utilities and the industrial sector have shifted from petroleum to other sources. These sources continue to overwhelmingly come from fossil fuels, but the transportation sector is, by far, the leader in the consumption of petroleum.

Fuel efficiency standards were established more than 30 years ago in the wake of the petroleum crises of the 1970s. Corporate Average Fuel Efficiency (CAFE) standards were

introduced in 1975 and have remained relatively unchanged for the last 25 years. The standard for passenger cars has remained at 27.5 miles per gallon (mpg) since 1985, and for light trucks it has risen modestly, from 19.5 mpg to 23.1 mpg for the same period.

In 2010, both the Environmental Protection Agency (EPA) and the U.S. Department of Transportation (DOT) through the National Highway Transportation Safety Administration (NHTSA) published final rules affecting the light-duty vehicle and medium-duty passenger vehicle (passenger vehicles from 8,500 to 10,000 pounds Gross Vehicle Weight Rating [GVWR]) fleet efficiency. The EPA, under its authority, has published GHG standards for autos and light trucks, and NHTSA has issued complementary new CAFE standards.

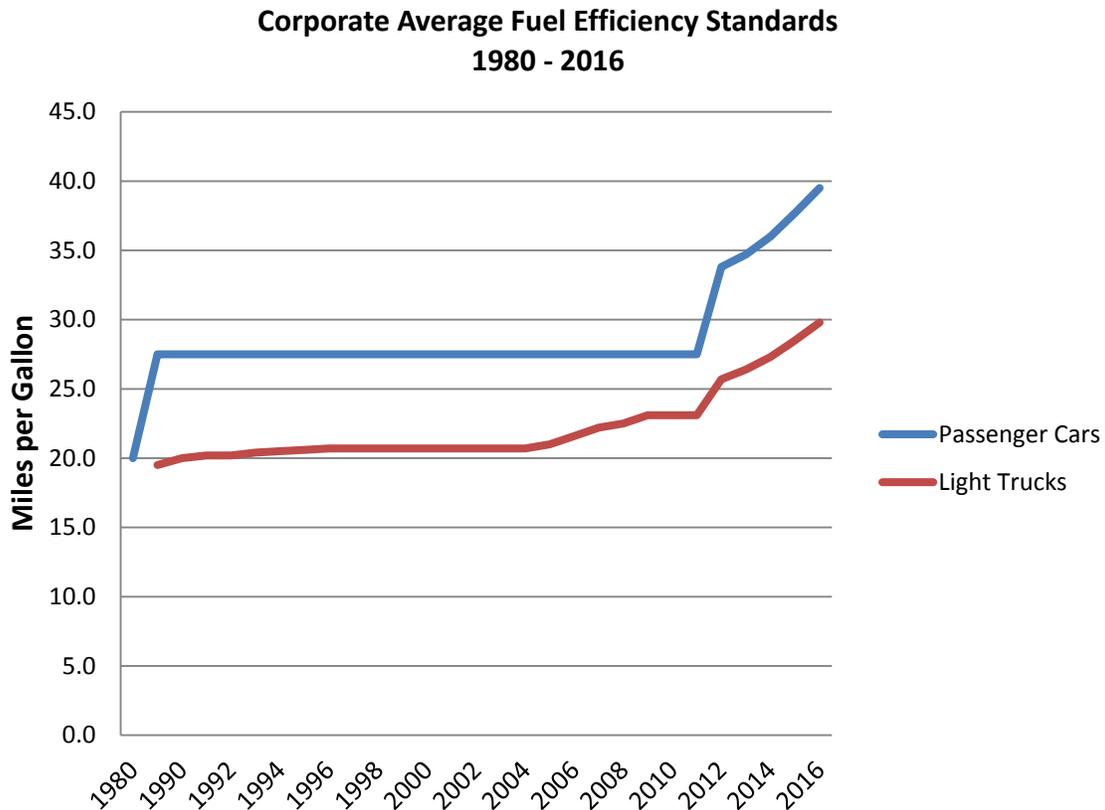
Expressed in grams per mile, the new standards for GHGs will differ by a vehicle's size or "footprint" and are to be in place for the model year 2012 vehicle production run. The new GHG standards average a CO₂ emission rate of 250 grams per mile by model year 2016, with an estimated mpg equivalent of 35.5 for the combination of light-duty trucks and passenger autos. Rules that would apply to 2017 and beyond are currently being formulated and will include a similar approach for heavy-duty vehicles, likely impacting urban transit fleets.

Although in the early stages, comments are now being sought as input to the rules proposal. Figure 3 shows the dramatic change that will occur as these new standards are put in place, further effecting fuel tax collection rates.

The actual fuel efficiency of the fleet has historically been from 3 to 5 mpg lower than the CAFE standards due to actual field conditions, vehicle maintenance issues, and the time it takes for vehicle replacement to occur in the fleet. The current recession has had an obvious impact on new light-duty vehicle sales, and the average age of the U.S. light-duty fleet has increased from 8.4 years in 1995 to 10.2 years in 2009, according to the U.S. Department of Energy's *Transportation Energy Book* (July 2010). Some of this increase can be attributed to increased useful life because of technological advances and because of more multi-vehicle households. Review of sales trends indicates that as the economy recovers, the vehicle replacement rate will increase with the new, more efficient automobiles and light trucks. This could accelerate the vehicle efficiency impacts on motor fuel tax revenues.

Emerging technologies such as plug-in hybrid electric vehicles, all-electric vehicles, and alternatively-fueled vehicles are expected to contribute positively to the environmental and energy security concerns of the nation but will also continue to erode the motor fuel tax as it is currently administered as a viable long-term major funding mechanism. The situation presented here must also be coupled with the fact that the current fuel tax at the federal level is not adjusted for inflation and has not been adjusted since October 1993.

Like the STTF, the HTF has had its share of "raids." Portions of both the federal gasoline and diesel taxes were diverted to reduce the general fund deficit in 1990, 1993, 1995, and 1996.



Source: U.S. Department of Energy, Energy Data Book

Figure 3. Corporate Average Fuel Efficiency Standards – Light-Duty Vehicles, 1980–2016

National Funding Studies

During the course of this work for the MPOAC, several high-profile efforts were conducted at the national level. Among them, the following were reviewed in depth and their recommendations shared with the RSAC and MPOAC:

- **“Report of the National Surface Transportation Policy and Revenue Study Commission: Transportation for Tomorrow,” January 2008**
 Congress established the National Surface Transportation Policy and Revenue Study Commission to thoroughly review the nation’s assets, policies, programs, and revenue mechanisms and prepare a “conceptual plan” that would integrate all of the elements and outline a vision for long-term transportation that would benefit the nations and its citizens.
- **“National Surface Transportation Infrastructure Financing Commission (NSTIFC) Report”**
 The United States Congress recognized the dangers of inattention and delay and requested assistance in reviewing the way the federal government funds and

finances national surface transportation infrastructure. Congress established the NSTIFC to embark on an investigative and analytical effort to assess the funding crisis and make recommendations to address the growing transportation infrastructure investment deficit. The Commission focused its work on highway and transit infrastructure.

- **“Bipartisan Policy Center Report—Performance Driven: A New Vision for U.S. Transportation Policy”**

Under the National Transportation Policy Project (NTTP), the Bipartisan Policy Center published a report in July 2009 summarizing findings of a conference on performance-based federal surface transportation policy.

- **“Infrastructure 2010: Investment Imperative,” Urban Land Institute (ULI)**

Since 2007, ULI has issued an annual report focused on the state of America’s infrastructure systems—transportation, water, dams, and power. ULI’s 2010 publication focused on the necessity to treat infrastructure as investment.

The full reports can be accessed on-line, and a synthesis of these reports can be found in the “Situational Analysis” conducted as a part of this study effort, which can be accessed at the MPOAC website at http://www.mpoac.org/revenuestudy/Situational_Analysis.pdf.

Key findings and recommendations from these four national efforts include the following.

Findings

- All levels of government (federal, state and local) are under-investing in transportation.
- 1 cent of federal gasoline tax yields \$1.4 billion per year.
- 1 cent of federal diesel tax yields \$400 million per year.
- The current tax system creates a faulty pricing mechanism giving weak price signals.
- Federal spending per mile decreased 50% since 1950s.

Recommendations

- Investments in transportation should be subject to performance measures.
- An annual investment of \$225 billion is needed for the next 50 years. (The current investment level is at approximately 40% of this recommended level).
- An independent federal commission should be established to set fuel tax, subject to congressional veto.
- HTF should be funded at \$100 billion per year (currently \$32 billion).
- VMT pricing should be instituted.
- Tolling should be increased. Tolling technology should be nationally standardized.
- A 10-cent increase in gasoline tax and a 15-cent increase in diesel fuel tax should be set.
- The heavy vehicle use tax should be doubled.

-
- VMT charges should be priced at 2.3 cents per mile for cars and 13.2 cents per mile for heavy trucks.
 - Fuel tax should be eliminated with the implementation of VMT.
 - The Transportation Infrastructure Finance and Innovation Act (TIFIA) program should be expanded to provide additional credit enhancements.
 - State Infrastructure Banks should be recapitalized at \$500 million per year.
 - The Federal Private Activity Bond program should be expanded from \$15 billion to \$30 billion.
 - A National Infrastructure Bank should be created.
 - The use of private-public partnerships should be expanded.



III. State Transportation Funding – Florida

In Florida, the STTF receipts from fuel taxes make up 68 percent of the revenue portfolio; they are indexed to offset the impacts of inflation each January. Based on movement in the Consumer Price Index (CPI), Florida's Highway Fuel Sales Tax (currently 12.6 cents per gallon) and the State Comprehensive Enhanced Transportation System (SCETS) Tax (currently 6.9 cents per gallon) are adjusted annually. The other major sources are not adjusted annually, however, and their buying power diminishes over time.

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 non-highway diesel fuels (levied on intrastate railroads, commercial vessels, construction equipment, etc.). The highway fuel sales tax is currently 12.2 cents per gallon and is adjusted annually with fluctuations in the CPI.

SCETS Tax

The SCETS Tax rate in each county is equal to 2/3 of the total local option fuel taxes up to 4 cents per gallon. For example, in counties where 6 cents of Local Option Gas Tax is levied, the SCETS Tax will equal 4 cents (i.e., $2/3 \times 6 = 4$). 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 State Fuel Sales Tax, the SCETS Tax is adjusted with fluctuations in the CPI. Currently, the SCETS Tax rate is 6.6 cents for diesel fuel and 5.6 to 6.8 cents for gasoline.

Aviation Fuel Tax

Florida imposes a tax of 6.9 cents per gallon 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 STTF.

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 comprises 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. These taxes vary according to weight and type of each vehicle. Pursuant to Article XII, Sec. 9 (d)(3) of the Florida Constitution, the first proceeds of the tax are deposited to the Public Education Capital Outlay (PECO) Trust Fund and, as directed by s. 320.08, F.S., the remaining revenues are deposited into the STTF and the General Revenue (GR) 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, 44.5 percent are deposited to the STTF and the remaining 55.5 percent are deposited to the GR 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. The proceeds of this fee are deposited into the STTF or the state's GR Fund as provided by statute.

Rental Car Surcharge

A \$2.00 per day surcharge is assessed on the first 30 days of car leases or rentals. Eighty percent of these proceeds is deposited into the STTF, 15.75 percent is deposited to the Tourism Promotional Trust Fund, and 4.25 percent is deposited to the International Trade and Promotion Trust Fund.

State Documentary Stamp Tax

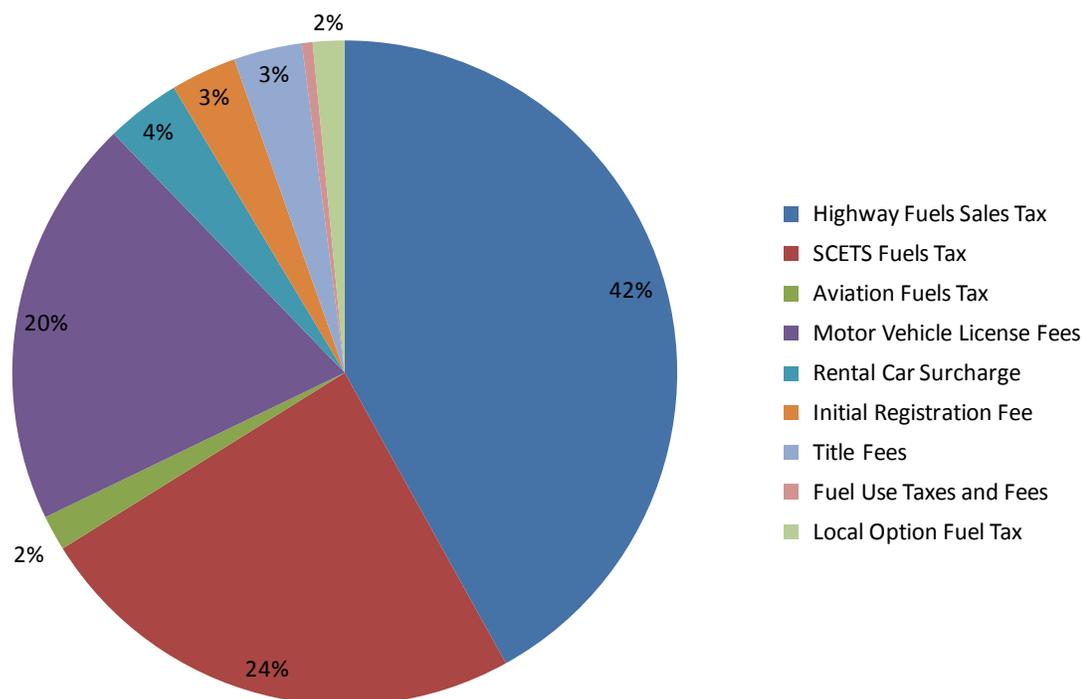
The 2005 legislature enacted growth management legislation to address needed infrastructure in Florida. This legislation broadened the distribution of revenues from the documentary stamp tax on documents such as deeds, stocks and bonds, mortgages, etc. The STTF receives a percentage of the collections from this tax, not to exceed \$541.75 million annually. According to FDOT, the November 2009 Revenue Estimating Conference estimated \$56.80 million in distributions from the Documentary Stamp Tax to the STTF and \$77.85 million for FY 2010/11.

For FY 2010/11, the shares of these revenues as a portion of the STTF total are illustrated in Figure 4.

While the hedge against inflation is better at the state level than for the federal transportation revenue sources, it is important to note that the STTF makes up 48 percent of the State's transportation investment (the remaining 52% being made up of federal funds, toll receipts, bond proceeds, and other sources), with 68 percent of that 48 percent being indexed to the CPI. Stated differently, about 1/3 of the revenue sources for use by FDOT are inflation-sensitive.

The heavy reliance on a cents-per-gallon fuel tax is resulting in pressures on the STTF and reductions in projected revenue because of an increasingly fuel-efficient vehicle fleet. While VMT have reduced in recent years, official projections for the post-recession period are for a return to steady growth in Florida. If these projections are realized, it will result in VMT growing 82 percent for the period FY 1999/00 to 2019/20, while fuel tax revenues grow at an anemic 8 percent for the same period.

State Transportation Trust Revenue Sources - FY 2010 -11



Source: Revenue Estimating Conference, August 2010

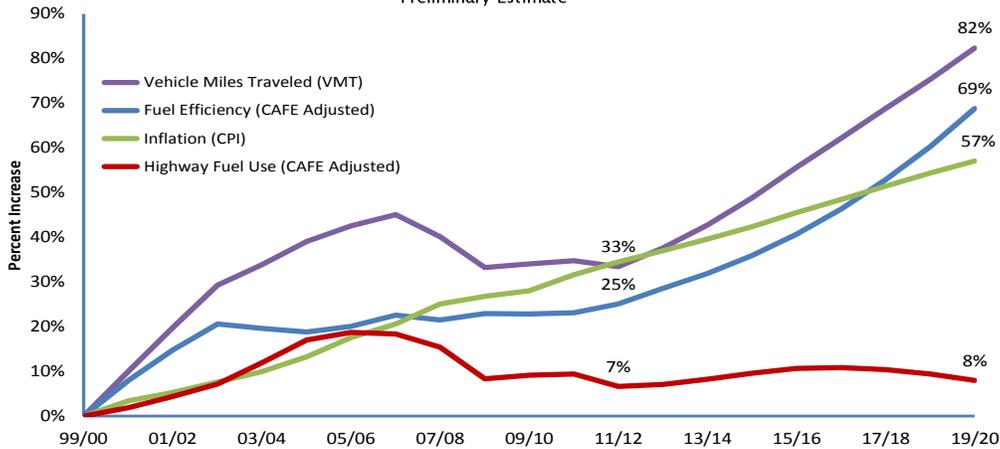
Figure 4. Florida STTF Shares, FY 2010/11

As discussed in the previous section on federal funding sources, the increasing CAFE standards will have a significant negative revenue impact for transportation funds relying on fuel taxes. At the time of this analysis, Florida's Revenue Estimating Conference (REC) in October 2011 had not yet factored the new regulations (which will increase the average new, light-duty vehicle fleet efficiency) into the STTF revenue estimates. CUTR researchers applied the new CAFE standards to the REC revenue estimates and calculated an estimated additional \$736 million loss from FY 2012/13 to FY 2019/20.

Figure 5 illustrates that Florida's transportation needs are expected to grow in absolute terms as indicated by the projected VMT. Fuel efficiency of the fleet is projected to increase by 69 percent from 1999/00 to 2019/20, tempering revenue growth. In fact, fuel use is projected to have grown only by 8 percent, on average, over the 1999/00 to 2019/20 period, and inflation will continue erode the purchasing power of revenue sources other than fuel taxes.

Variables Affecting the Purchasing Power of Transportation Revenues

Sources: FDOT 2009 Source Book of Florida Highway Data, Oct 2011 REC & 2012-2025 CAFE Preliminary Estimate



Source: Revenue Estimating Conference, October 2011, CUTR

Figure 5. Variables Affecting Florida’s STTF Purchasing Power FY 1999/00 to FY 2019/20

Constitutional/Statutory Diversions

In addition to the pressures on the STTF mentioned above, it is relevant to note that there are several “take-downs” that are applied to the traditional transportation revenue sources for non-transportation purposes. Noting these “diversions” is not a commentary on the appropriateness of the public policy of doing so, but is presented for informational purposes.

Some of these take-downs are Constitutional while others have been implemented by Florida Statutes over the years. Table 2, produced by the REC, indicates that for the foreseeable future, more than \$220 million in transportation user-related charges will be used annually for non-transportation-related purposes.

In addition to the diversions presented above, recent economic conditions have strained the State’s GR Fund, and two significant transfers from the STTF have occurred in order to balance the State budget. In 2004, more than \$240 million was transferred, and in 2010, more than \$120 million was used to help balance Florida’s budget. Figure 6 shows the impact on the STTF of the statutory ongoing take-downs of transportation revenues for general purpose government activities and the “raids” that have taken place to balance GR Fund deficits in FY 2004/05 and FY 2009/10. For the next five years, it is estimated that these diversions will cause more than 8 percent of the STTF revenue base to go to other initiatives.

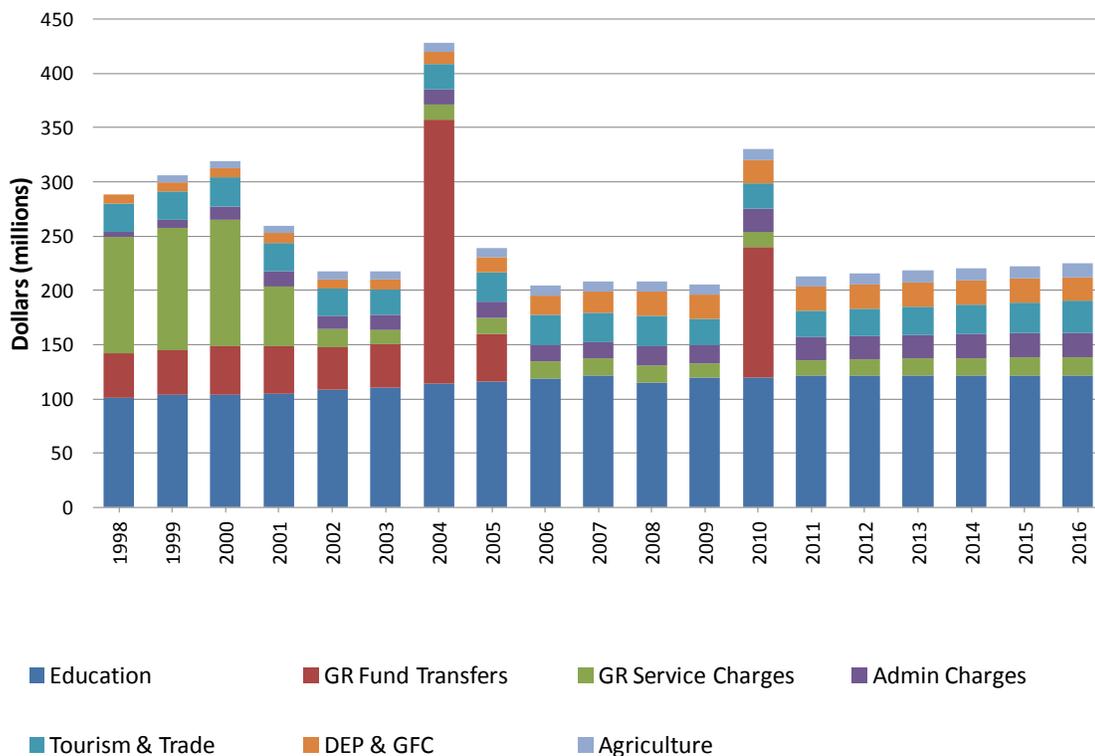
Table 2. Transportation Funds Used for Non-Transportation Purposes (\$ millions)

Purpose	Fiscal Year														
	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
<i>Education</i> (22% of MVL Fees - Article XII, Section 9(d)(3), Florida Constitution and Sections 320.08 & 320.20, F.S.)	\$118.9	\$121.9	\$114.8	\$119.6	\$119.6	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2
<i>General Revenue Service Charges & Administrative Charges</i> (7.0/7.3%, Section 215.20, F.S. and various other sections)	\$31.1	\$30.3	\$33.3	\$29.7	\$35.5	\$35.9	\$36.8	\$37.7	\$38.5	\$39.2	\$39.9	\$40.5	\$41.3	\$41.8	\$42.3
<i>Tourism & Trade</i> (Rental Car Surcharge (\$0.37) - Section 212.0606, F.S.)	\$27.9	\$27.2	\$28.0	\$24.5	\$23.0	\$24.0	\$25.1	\$26.2	\$27.2	\$28.1	\$29.0	\$29.7	\$30.5	\$31.2	\$32.0
<i>DEP/GFC/FWCC</i> (Section 206.606, F.S.)	\$17.3	\$19.7	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2	\$22.2
<i>Agricultural Emergencies</i> (Sales Tax and SCETS Tax : 0.65% of net revenues from motor fuel, Sections 206.606 and 206.608, F.S.)	\$9.2	\$9.5	\$9.6	\$9.6	\$9.9	\$9.9	\$10.4	\$10.8	\$11.3	\$11.8	\$12.3	\$12.7	\$13.2	\$13.8	\$14.3
<i>Transfer to General Revenue</i> ¹ (Nonrecurring transfer to General Revenue from STTF)					\$120.2										
Total	\$204.4	\$208.5	\$207.9	\$205.6	\$330.3	\$213.2	\$215.7	\$218.1	\$220.3	\$222.5	\$224.6	\$226.3	\$228.4	\$230.2	\$232.1

¹ One time transfer to General Revenue Fund from the State Transportation Trust Fund

Source: Statewide Revenue Estimating Conference, August 2010

Transportation Funds Used for Other Purposes



Source: Revenue Estimating Conference, August 2010

Figure 6. Transportation Funds Used for Other Purposes

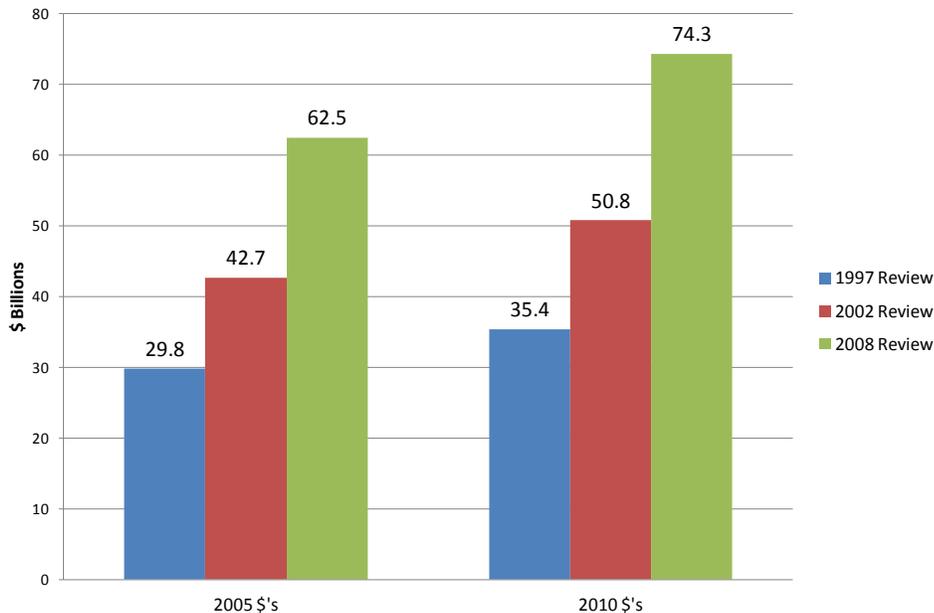
Highway and Transit Needs in Florida

Although the study sponsors did not want to spend time on a new calculation of transportation needs, CUTR researchers looked back at unfunded needs that had been calculated in the Long Range Transportation Plans (LRTPs) for Florida’s metropolitan areas.

Reviews of the financial shortfalls of Florida MPO LRTPs were conducted in June 1997, August 2002, and October 2008 by CUTR. These reports were re-examined and summarized in the aforementioned “Situational Analysis.” Totaling the unfunded transportation needs showed that the gap had grown significantly from 1997 to 2008 and in current dollars stands at \$74.3 billion statewide.

When the totals for these unfunded needs are converted to inflation-adjusted 2010 dollars, the statewide metropolitan unfunded need is estimated at more than \$3 billion annually. The metropolitan area funding shortfalls for the three review years are displayed in Figure 7.

Florida Metro Area Transportation Funding Shortfall Estimates



Source: CUTR, 2010

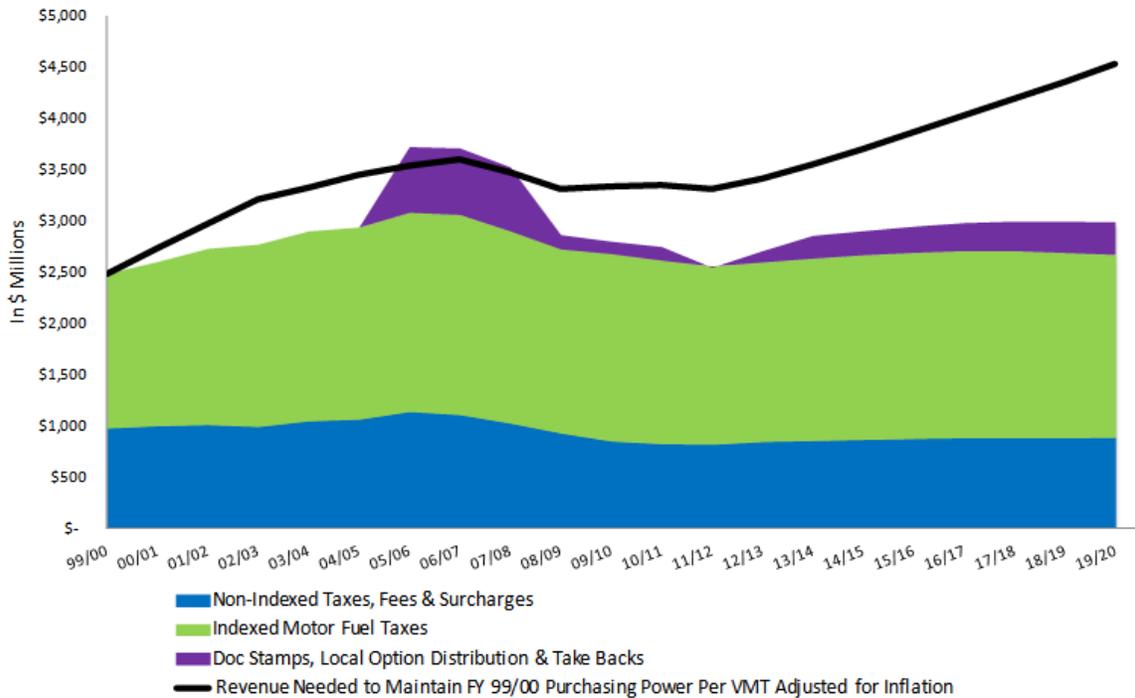
Figure 7. Florida Metropolitan Area Transportation Shortfall Estimates

Another approach was used by CUTR to provide context to the MPOAC without recalculating a needs figure that would not be realistic to fund and could be considered suspect. An examination of investment levels was performed that looked at state transportation investment on a vehicle-miles-traveled basis. The study period for this work was from FY 1999/00 to 2019/20; the investment per VMT was compared to the expected revenue coming to the STTF. Over the 20-year period, \$12 billion would be needed just to invest at the same levels as in FY 1999/00.

The concept of "revenue restitution" has been used to describe filling the \$12.1 billion, 20-year, funding gap, i.e., not requesting additional revenue for investment, but merely trying to maintain the investment levels on a vehicle-mile basis that were being made in 1999. The RSAC, MPOAC Staff Directors' Advisory Committee, and MPOAC Governing Board all focused intently on this concept of achieving the investment levels of a decade ago.

The funding gap is illustrated in Figure 8.

State Transportation Taxes & Fees
\$12.1 Billion In Lost Purchasing Power
 In Current \$ - Adjusted for Growth In Vehicle Miles Traveled



Source: Revenue Estimating Conference and CUTR, 2011

Figure 8. STTF Lost Purchasing Power FY 1999/00 to FY 2019/20

Local Sources of Transportation Revenue

State Tax Sources for Local Use

The following motor fuel taxes are distributed to local governments.

- **Constitutional Fuel Tax** – Set at 2 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 funds.
- **County Fuel Tax** – Set at 1 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 1 cent per gallon, revenues from this tax are transferred into the Revenue Sharing Trust Fund for Municipalities where they are joined with other

non-transportation 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.

- **9th-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 1) of its Board of County Commissioners. The tax proceeds can be shared with cities within the county by agreement. A total of 51 counties in Florida currently levy this tax.
- **Charter County and Regional Transportation System Surtax** – This tax can be levied in all 20 Charter Counties and any county that is consolidated with one or more municipalities. The tax can be levied at a rate of up to 1 percent of taxable transactions up to \$5,000 (excludes fuel sales taxes) by countywide referendum. Permitted uses of the revenues include financing the development, construction, and operation of fixed guideway, rapid transit systems, bus systems, on-demand transportation services, roads and bridges, and pledges to bonds issued for these purposes. The surtax is currently levied in only Duval and Miami-Dade 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.

Other Funds

- **Local Expressway Authorities** – Except for Florida’s Turnpike Enterprise, most of Florida’s toll agencies are established within Florida Statutes, Chapter 348, Expressway and Bridge Authorities, Parts I through X. Part I, entitled the “Florida Expressway Act and Related Provisions,” details the power for any county or counties to establish an expressway authority. It establishes the method for a county or number of contiguous counties to create an expressway authority. Part I also specifies the board composition, terms of board members, powers, and financing capabilities. It precludes the creation of an expressway authority under Part I in a county where an authority has been created under Parts II through IX (Brevard, Broward, Hillsborough, Orange, Pasco, St. Lucie, Seminole, and Santa Rosa counties) or in a county with an authority created under Chapter 349 (Duval County).

One significant difference between Part I authorities and the others is the explicit permission to construct operate and maintain not only expressways, but also a “public transportation facility.” The toll authorities operating in the Miami, Orlando, and Tampa metropolitan areas were operating and maintaining transportation assets worth \$4.4 billion in 2009, financed primarily through user fees.

Although the focus of this study was to examine state revenue sources, several local funding issues emerged. As described above, cities and counties in Florida rely heavily on taxes on highway fuel. There are local option gasoline taxes that may be levied at the county level, and there are three different fuel taxes collected by the State for distribution to the counties and municipalities. None of the rates for these fuel assessments are adjusted for inflation. For example, the County Fuel Tax at 1 cent per gallon was established in 1941 and would be 15 cents if it had been indexed to the CPI.

Table 3. Transportation Taxes and Fees – Inflation Effects

**Transportation Taxes and Fees
Purchasing Power Value Lost Due to Inflation
Rate Increases Required to Restore Lost Purchasing Power**
Table Excludes the Surcharges to General Revenue Enacted in 2009

Tax/Fee	Rate (to STTF)	Unit of Measure	Last STTF Rate Increase	Years Since Last Increase	CPI-U Index Level	Inflation Adjusted Value of \$1.00	To Restore Original Purchasing Power		
							% Rate Increase Needed	Inflation Adjusted Rate	Rate Increase Needed
State Fuel Use	12.3	per gal	2011	0	224.9	\$1.00	0%	12.3	0.0
SCETS	6.8	per gal	2011	0	224.9	\$1.00	0%	6.8	0.0
Off Highway	12.0	per gal	2011	0	224.9	\$1.00	0%	12.0	0.0
Federal Highway Fuel	18.4	per gal	1997	14	160.5	\$0.71	40%	25.8	7.4
Federal Highway Diesel	24.4	per gal	1997	14	160.5	\$0.71	40%	34.2	9.8
Local Option Fuel	12.0	per gal	1993	18	144.5	\$0.64	56%	18.7	6.7
Title Fee	various	one time	1991	20	136.2	\$0.61	65%	various	various
Aviation Fuel	6.9	per gal	1990	21	130.7	\$0.58	72%	11.9	5.0
Initial Registration Fee	\$100.00	one time	1990	21	130.7	\$0.58	72%	\$172.07	\$72.07
Rental Car Surcharge	\$2.00	per day	1990	21	130.7	\$0.58	72%	\$3.44	\$1.44
MVL Fees	various	annual	1983	28	99.6	\$0.44	126%	various	various
Municipal Fuel	1.0	per gal	1971	40	40.5	\$0.18	455%	5.6	4.6
Constitutional Fuel	2.0	per gal	1943	68	17.3	\$0.08	1200%	26.0	24.0
County Fuel	1.0	per gal	1941	70	14.7	\$0.07	1430%	15.3	14.3

Purchasing Power Calculations for Non-Indexed Taxes & Fees Are Calculated Using April 2011 CPI Index of 224.9.

The 2010 General Revenue Surcharges imposed on MVL Fees, Initial Registration Fees, Title Fees and Rental Car Surcharges are excluded from this analysis since they did not impact the purchasing power of the respective share of revenues directed to the State Transportation Trust Fund.

The three fuel taxes collected by the State for distribution are show in the last three rows of Table 3. The Municipal Fuel, Constitutional Fuel, and County Fuel Taxes were last adjusted in 1971, 1943, and 1941, respectively.

After six sessions of the Revenue Study Advisory Committee, examination of 58 potential revenue options, and 7 presentations to both the MPOAC Staff Directors’ Advisory Committee and MPOAC Governing Board, the MPOAC, at its April 26, 2012, meeting, voted to transmit information to the Florida legislature and governor on 14 options and endorsed 6 of them for initiation of legislative action (Table 4). The remainder of this report describes the options in detail and includes draft legislative language to implement these first six options.

Table 4. MPOAC Revenue Study Selected Options

Revenue Option	8-Year Total (\$millions)	Annual Average (\$millions)
Allow up to 1-cent local option sales surtax (local).	\$6,637	\$830
Increase local diesel fuel tax by 5 cents (local).	\$576	\$72
Index all fuel taxes not currently indexed (local).	\$918	\$115
Implement 2-cent state motor fuel tax annually for 5 years (state).	\$6,424	\$803
Return MVL license fee and initial registration fee increases to STTF (from GR - state).	\$3,301	\$413
Conduct a VMT study.	-	-
Impose 6% state sales tax in lieu of both state fuel taxes (state).	\$1,087	\$136
Study, evaluate, and establish toll rates for State-owned facilities.	-	-
Create and fund Regional Transportation Financing Authorities.	\$3,200	\$400
Institute sales tax on motor vehicle parts/services (from GR to STTF).	\$5,331	\$666
Shift sales tax on battery-electric vehicles (from GR to STTF).	\$73	\$9
Implement \$10 county vehicle registration fee (local).	\$1,242	\$155
Expand current alternative fuel decal program (state).	\$204	\$26
Invest \$100 million of incremental revenue in new toll projects.	\$2,450	\$306



IV. Revenue Options Recommended for Legislative Action

This section describes in detail the 14 options selected by the MPOAC for presentation to the Florida legislature and the Florida governor.

Allow up to 1-cent local option sales surtax

Recommendation: Allow cities and consortiums of cities over 150,000 or the largest municipality in a county to impose up to a 1-cent local option sales surtax (not to exceed 1-cent city and charter county tax combined).

Rationale

Under current Florida Statute, charter counties and those included in a Regional Transportation Authority district may elect to impose a 1 percent sales tax on items up to \$5,000, with revenues being available for transportation uses. This option would extend that flexibility to cities with a population of 150,000 or more but could not be duplicative of any County transportation sales tax. For example, Miami-Dade County voters approved a 1/2 percent sales tax. If the City of Miami wanted to put this 1-cent tax in place, it would be limited to an additional 1/2 percent. In counties without a city of a population of 150,000, the option would be available to the largest municipality in that county based on the latest available census. If fully implemented, it could generate approximately \$830 million to cities in total.

Discussion

An optional municipal sales tax for transportation would give the residents of municipalities the ability to approve tax increases for urban transportation solutions that lack the support of suburban and rural residents who reside in unincorporated areas.

Municipal transportation needs sometimes differ from those of unincorporated county areas. Large municipalities often identify transit options as the most viable solution to growing urban transportation needs, whereas unincorporated suburban and rural areas more frequently identify road and highway improvements as the transportation priority. As a result of these differing perceptions of transportation needs, countywide referendums that propose urban transit solutions face a greater risk of voter opposition than if the referendum were limited to the urban municipalities. For example, in 2011, a 1/2 percent sales tax referendum in Hillsborough County, which designated 75 percent of the proceeds to be used for light rail and other urban transit projects and 25 percent for road and highway improvements, was defeated, while it was supported by a majority of residents within the city of Tampa.

Estimates of revenue generated should be considered as an approximation due to limited available data on the level of sale taxes within each county that is attributable to sales within the municipal boundaries. Sales tax revenues can vary significantly in counties, depending upon where a majority of sales taxes are collected. For example, sales tax revenues in unincorporated Orange County are much higher than in Orlando due to sales tax collections at amusement parks, while Tallahassee appears to have a higher per-capita sales tax collection

rate than the surrounding county. Residents from unincorporated areas would be subject to the tax when making purchases within municipal boundaries. While the assessment of a different sales tax rate within a city and the surrounding county may result in some changes in purchasing behaviors, the impact should not be material due to the small incremental difference.

It is proposed that the sum of this municipal surtax and a charter county surtax would not exceed 1 percent in total. For example, currently, Miami-Dade and Jacksonville-Duval counties assess a 1/2 percent charter county surtax. Thus, any tax imposed by a city within these counties would be limited to an additional 1/2 percent. This recommendation also assumes the current limitation of surtaxes of up to \$5,000 on purchases would be retained.

Based on the 2010 Census, 69 municipalities would qualify for the local option municipal sales tax surcharge—in 11 municipalities with populations in excess of 150,000 and in the largest municipality in 58 counties that do not have a city with a population of 150,000 or more. There are two municipalities with populations greater than 150,000 in both Miami-Dade County (Miami, Hialeah) and Broward County (Ft. Lauderdale, Pembroke Pines). In addition, it is proposed that municipalities within a county could form consortia to propose jointly a municipal sales tax surcharge, either with an existing eligible municipality or if their combined population exceeds the 150,000 threshold.

Revenue Option: 1-Cent Local Option Municipal Sales Tax

8-Year Total: \$6,637 million (max)
Annual Average: \$830 million (max)

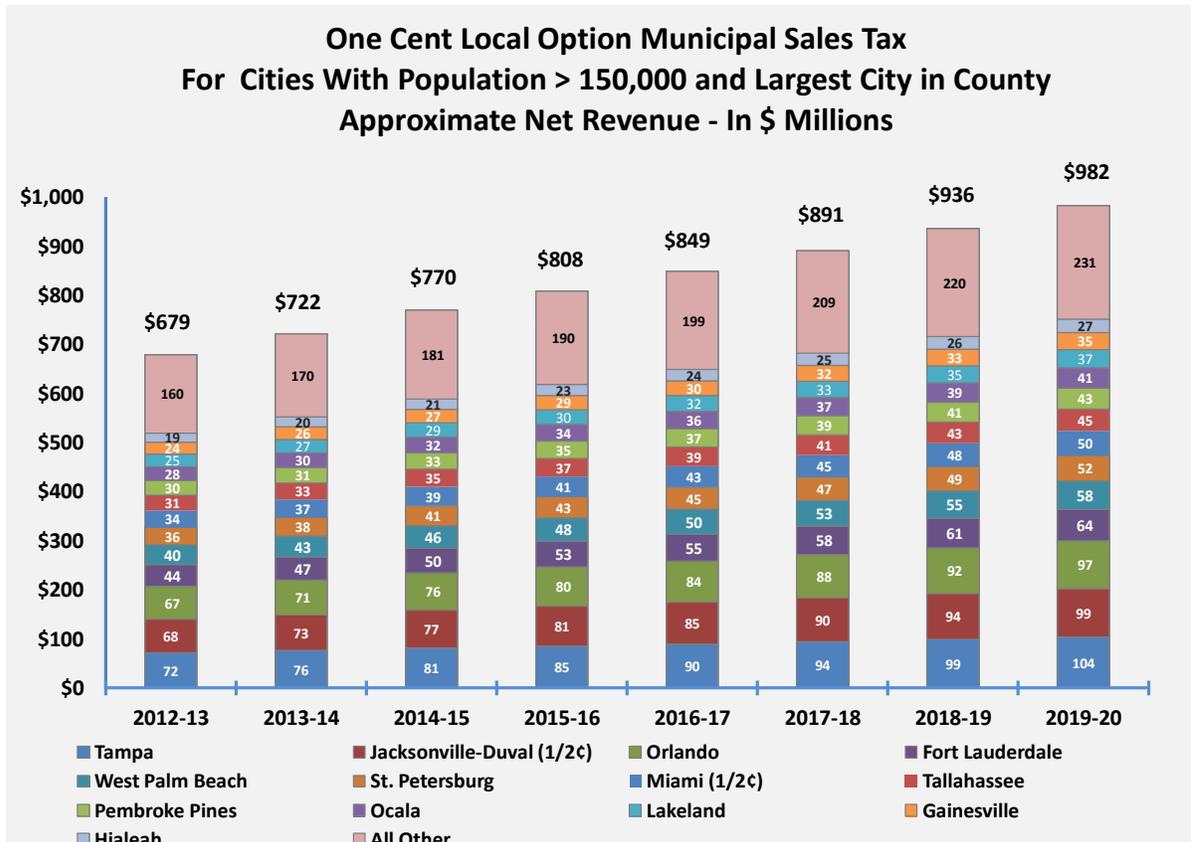


Figure 9. Estimated Local Revenue Yields* – Municipal Option Sales Tax

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Increase local diesel fuel tax by 5 cents.

Recommendation: Increase the local diesel fuel tax by 5 cents per gallon, to be applied equally in all counties consistent with the International Fuel Tax Agreement and to encourage economic development and enhance commercial traffic for the purpose of investments in projects.

Rationale

Local option tax rates are fixed in State law to ensure diesel-fuel tax rate consistency among counties for purposes of administering the provisions of the International Fuel Tax Agreement. The local option diesel tax rates are currently 7 cents per gallon, while the statewide average for local option gasoline taxes has risen to 9.6 cents per gallon. There has long been

recognition that a higher rate per gallon on diesel fuel is appropriate, as the major users of the fuel are heavy trucks. For example, the federal tax is 18.4 cents per gallon for gasoline and 24.4 cents for diesel because of the distinction in the demands placed on the highway system by heavy trucks versus light-duty vehicles. This option would establish an additional 5-cent diesel fuel tax in each county, and the revenues would be required to be expended on projects that serve or enhance commercial highway traffic. This dedicated local source of funding could be used to encourage economic development and improve existing commercial operations. It is estimated to generate about \$72 million per year to Florida's counties.

Discussion

International Fuel Tax

Every state in the nation now imposes a fuel use tax via the International Fuel Tax Agreement on heavy vehicles that engage in interstate operations. This agreement is designed to ensure that each state receives taxes based on fuel consumed rather than fuel purchased in the state. Previously, operators of such vehicles were able to buy fuel (often at lower prices) in a neighboring state and use the fuel on Florida's roads. Thus, Florida's roads experienced uncompensated damage, and the state's retail fuel outlets, particularly those in the northern tier, were deprived of sales that otherwise might have occurred. For the provisions of this agreement to be administered efficiently both for the state and for commercial interests, the state's diesel fuel tax rate needs to be consistent in all counties. Accordingly, the 1990 legislature equalized all optional taxes on diesel fuel so that interstate truckers, who pay fuel taxes based on miles driven in the state, would be subject to standardized tax rates.

Local Option Tax Rates

Two local option fuels taxes are authorized under s. 206.41, F.S., the 9th-Cent Fuel Tax and the 1-Cent to 11-Cents Local Option Fuel Tax. The 1-cent 9th-Cent Fuel Tax may be imposed by each county on motor fuel and is so named because it was in addition to the 8 cents in state fuel taxes in place when adopted in 1972. Counties may impose this tax by extraordinary vote of the Board of County Commissioners, and the proceeds may be shared with cities in whatever proportion agreed upon. Presently, 51 counties have implemented the 9th-Cent Fuel Tax on gasoline and gasohol. The diesel tax rate is set in statute at 1 cent per gallon for all 67 counties.

The 1-Cent to 11-Cents Local Option Fuel Tax, originally set at a maximum of 6 cents per gallon, was later increased to 11 cents. Beginning in 1985, up to 6 cents could be levied at the option of a county's governing body for a maximum period of 30 years, with proceeds required to be shared with municipalities. This tax may be imposed by a majority vote of the Board of County Commissioners or a countywide referendum initiated by either the County Commission or municipalities representing more than 50 percent of the county's population. In 1993, the Florida legislature authorized an additional 5-Cent Local Option Fuel Tax, for which an extraordinary vote of the County Commission or a countywide referendum initiated by the commission is required.

As with the 9th-Cent Fuel Tax, the legislature chose to equalize the Local Option Fuel Tax on diesel fuel in 1990, reaching 6 cents per gallon on January 1, 1993. However, 5-cent increase to the local option tax in 1993 was not applied to diesel fuel.

As of 2011, 20 counties impose the maximum of 12 cents per gallon in local option taxes, 29 counties impose between 7 and 11 cents, 15 counties impose 6 cents, and 1 county imposes 5 cents. The 2011 statewide average local option tax on gasoline and gasohol is 9.6 cents per gallon. However, since the 5-cent increase was not limited to motor fuels only, the tax rate for diesel remains standard in all counties at 7 cents per gallon.

Maintenance and Repair Costs Caused by Heavy Trucks

The federally-mandated maximum weight for the Interstate Highway System is 80,000 pounds gross vehicle weight. In addition, as of July 1, 2010, trucks weighing up to 88,000 pounds can travel on specific non-interstate routes in Florida. There is a variety of public policy issues and trade-offs that must be considered when establishing maximum truck weights for the state's roads and highways, such as commercial benefits, air quality and fuel use impacts, transportation safety, and roadway costs of maintenance and repair. Certain of these issues point towards the benefits of higher weight standards, while others would argue for lower maximum weights. It is generally accepted that one of the adverse consequences of higher vehicle weight maximums and heavy trucks, in general, is with the cost of roadway maintenance and repair, in particular, pavement fatigue and structural fatigue on bridges.

Several revenue measures are used to align the taxes and fees paid by trucks with the associated costs to maintain and repair highways and bridges. These include substantially higher vehicle registration fees, federal truck tire excise taxes, and a 6-cents-higher federal tax rate for diesel fuel. Accordingly, it could be argued that an increase in the local option diesel fuel tax rate is justified to defray the associated maintenance and repair costs incurred by heavy trucks, particularly in light of the 2010 increase in weight limits for certain non-interstate roads.

Projects to Enhance Commercial Traffic

By undertaking transportation improvements that enhance commercial traffic, the recommended 5-cents-per-gallon increase will provide local governments with a dedicated source of transportation funding that can potentially be used as an additional tool to promote economic development and to improve the business climate for existing commercial interests.

Revenue Option: 5-Cent Local Diesel Tax, Dedicated to Projects that Encourage Economic Development and Enhance Commercial Traffic

8-Year Total: \$576 million
Annual Average: \$72 million

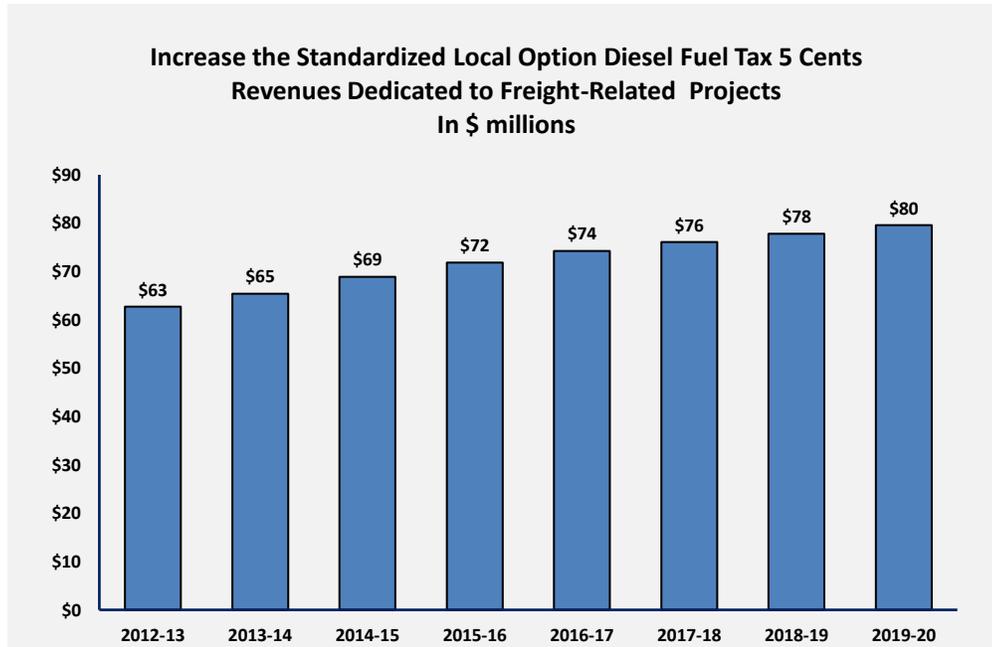


Figure 10. Estimated Local Revenue Yield* – 5-Cent Local Diesel Tax Increase

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Index all state and local fuel taxes not currently indexed.

Recommendation: Index state fuel excise taxes for local use and local option gas taxes.

Rationale

In addition to the State taxes mentioned previously, there are myriad local option taxes levied on a per-gallon basis as well as the Constitutional Fuel Tax (2 cents per gallon), County Fuel Tax (1 cent per gallon), and Municipal Fuel Tax (1 cent per gallon). The Constitutional, County, and Municipal taxes are all collected by the State for distribution to local governments. None of these or the local option fuel taxes are indexed to the CPI. This option would index them on the same basis as the State Fuel Sales Tax and the SCETS, providing local governments with the same inflation hedge enjoyed by the STTF, and would generate approximate \$115 million annually for investment in transportation infrastructure. Some of these user fees have not been adjusted since the 1940s.

Discussion

State motor fuel taxes for State use are currently indexed annually to compensate for increases in the general CPI (CPI-All). However, State motor fuel taxes collected for local use and local option fuel taxes are not indexed. Thus, the purchasing power of local fuel tax revenues is reduced over time due to the effects of inflation. Nearly 1/3 of all Florida counties currently assess the maximum local option tax rates and, therefore, can no longer increase their tax to compensate for inflation-driven higher transportation costs. Indexing the fuel tax revenues that are used by local governments will partially offset expected declines in their real dollar value in future years (although future vehicle fuel efficiency increases would continue to reduce local government fuel tax revenue collections, when measured in relation to the amount of VMT, due to less fuel consumption and fuel taxes collected per vehicle miles traveled).

State Fuel Taxes for Local Use

Fuel excise taxes totaling 4 cents per gallon are distributed to local governments. Two cents of this tax, called the Constitutional Fuel Tax, is levied under s. 9(c)(4) of Article XII of the revised State Constitution of 1968, which also contains its distribution formula. The first call on the proceeds is to meet debt service requirements, if any, on local bond issues backed by the tax proceeds. The balance, called the 20 percent surplus and the 80 percent surplus, is credited to the counties' transportation trust funds. The third cent is the County Fuel Tax. It is levied under s. 206.41, F.S., and distributed by the same formula as the Constitutional Fuel Tax. The fourth cent, the Municipal Fuel Tax, is also levied under s. 206.41, F.S. Revenues from this tax are transferred into the Revenue Sharing Trust Fund for Municipalities, joined with other non-transportation revenues, and distributed in accordance with criteria contained in Chapter 218, F.S.

Local Option Tax Rates

Two local option fuel taxes are authorized under s. 206.41, F.S. These are the 9th-Cent Fuel Tax and the 1 Cent to 11 Cents Local Option Fuel Tax.

The 1-penny 9th-Cent Fuel Tax, which is so named because it was in addition to the 8 cents in state fuel taxes in place when adopted in 1972, may be imposed by each county on motor fuel. Counties may impose this tax by extraordinary vote of the Board of County Commissioners, and the proceeds may be shared with cities in whatever proportion agreed upon. Presently, 51 counties in Florida have implemented the 9th-Cent Fuel Tax on gasoline and gasohol. The diesel tax rate is set in State statute at 1 cent per gallon for all 67 counties.

The 1-Cent to 11-Cents Local Option Fuel Tax, which was originally set at a maximum of 6 cents per gallon, was later increased to 11 cents. Beginning in 1985, up to 6 cents could be levied at the option of a county's governing body for a maximum period of 30 years, with proceeds required to be shared with municipalities. This tax may be imposed by a majority vote of the Board of County Commissioners or a countywide referendum initiated by either the County Commission or municipalities representing more than 50 percent of the county's population. In 1993, the legislature authorized an additional 5 cents Local Option Fuel Tax, for which an extraordinary vote of the County Commission or a countywide referendum initiated by the Commission is required.

As with the 9th-Cent Fuel Tax, in 1990 the legislature chose to equalize the Local Option Fuel Tax on diesel fuel, reaching 6 cents per gallon on January 1, 1993. However, the 1993 5-cent increase to the local option tax was applied to gasoline only and not to diesel fuel.

As of 2011, 20 counties impose the maximum of 12 cents per gallon in local option taxes, 29 counties impose between 7 and 11 cents, 15 counties impose 6 cents, and 1 county imposes 5 cents. The 2011 statewide average local option tax on gasoline and gasohol is 9.6 cents per gallon. However, since the 5-cent increase was limited only to motor fuels, the tax rate for diesel remains standard in all counties at 7 cents per gallon.

None of the local fuel tax sources are indexed to inflation (CPI-Urban). Thus, unlike State motor fuel taxes, the annual inflationary cost increases in operating, maintaining, and constructing transportation infrastructure and facilities are not generally offset through annual inflation adjusted tax rates.

Even with the application of an indexing provision, local fuel tax revenue sources will experience significant purchasing power erosion since rates were last adjusted in State law. Local use fuel tax rates were last increased 19 years ago, in 1993, when the legislature authorized the additional 1 cent to 5 cents local option tax on gasoline fuels only. Since 1993, general inflation has increased costs by 58 percent through February 2012. The purchasing power value of each dollar of local use fuel tax collected has declined to \$0.63 in present-day dollars.

Table 5. Local Use Fuel Taxes and Inflation

Local Use Fuel Tax Rates Lost Purchasing Power Since 1993 Due to Inflation & Rate Increases Needed to Restore Original Purchasing Power						
Tax/Fee	Tax Rate In Cents Per Gallon	Years Since Last Rate Increase	Inflation Adjusted Purchasing Power of \$1.00 Today	To Restore 1993 Purchasing Power		
				Percent Rate Increase Needed	Inflation Adjusted Rate In Cents/Gal	Rate Increase Needed In Cents/Gal
Local Option Fuel Taxes	12.0			58%	7.9	2.9
State Fuel Excise Taxes for Local Use	4.0			58%	12.7	6.7
Combined	16.0	19	\$0.63	58%	20.6	9.6

Fuel tax rates for local use were last adjusted in 1993 when an additional 5 cents local option motor fuel tax was authorized. This table displays the inflation adjusted purchasing power of fuel tax collections in present day dollars and the tax rate increases that would be required to restore these taxes to their 1993 purchasing power levels. Inflation and purchasing power are calculated using the February 2012 CPI Index Level of 227.7 & the 1993 CPI Average Annual Level of 144.5.

An increase of approximately 9.6 cents per gallon in local use fuel tax rates would be needed to restore the purchasing power value to 1993 levels.

In addition to lost purchasing power due to the effects of inflation, significant motor vehicle fuel efficiency increases have resulted in significant declines in the amount of fuel consumed per VMT and, consequently, in the amount of local government fuel tax revenues received per VMT. The average fuel efficiency of vehicles has increased nearly 40 percent since 1991, from 16.4 mpg in 1991 to 22.7 mpg today. Based on current assumptions of the REC, fuel efficiencies will increase an additional 10 percent to 24.4 mpg during the current decade.

While not the sole measure of transportation funding needs, VMT can be used as a reliable general benchmark. As more vehicle miles are traveled on state highways, the funding needs for maintenance and rehabilitation increase, as do the needs to build additional lane miles of highway capacity and new roadway alignments to accommodate this growing traffic demand.

It is anticipated that Florida and the rest of the nation ultimately will migrate to a transportation revenue collection system that is based in part or entirely on VMT charges in lieu of assessing fuel taxes. However, this migration will likely require many years and additional technology improvements to ensure reliability, reduce administrative and collection costs, and overcome privacy concerns.

The indexing of local use fuel taxes should be considered as a minimal interim tax measure to partially offset real dollar revenue losses used to pay for transportation costs until such time as a more precise VMT user-fee process is implemented.

**Revenue Option: Index Local Option Fuel Taxes
(9th Cent and 1¢–11¢ Local Option Taxes)**

**8-Year Total: \$619 million
Annual Average: \$77 million**

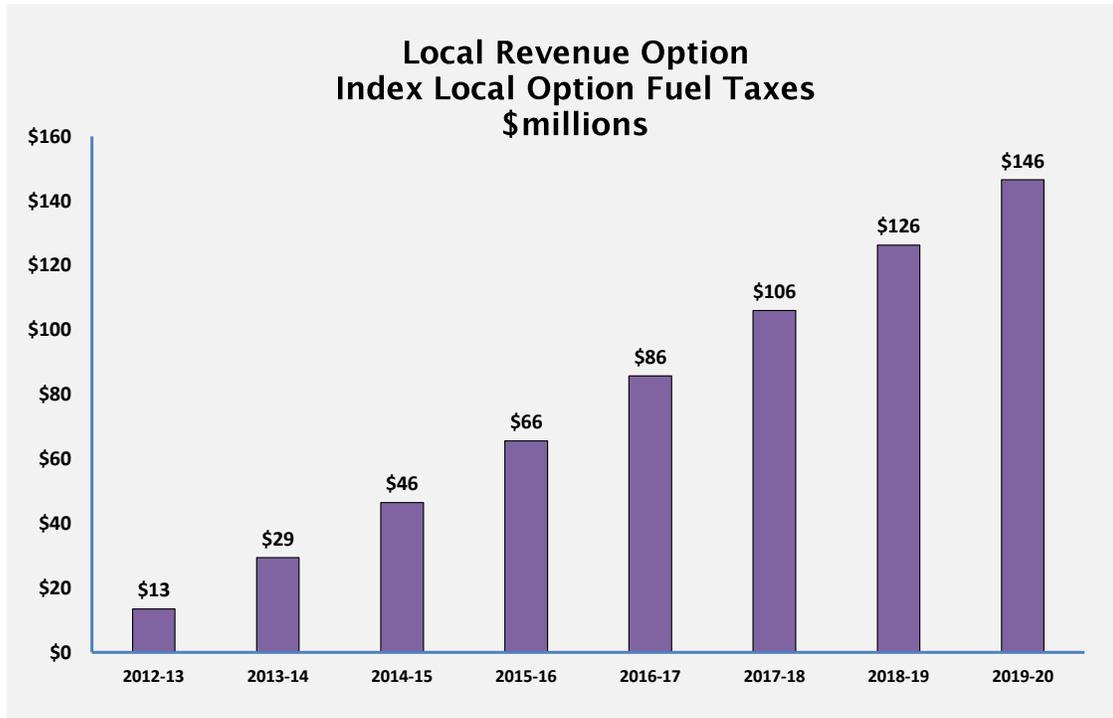


Figure 11. Estimated Revenue Yields* from Indexing Local Option Fuel Taxes

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

**Revenue Option: Index State Fuel Excise Taxes for Local Use
(2¢ Constitutional, 1¢ County, 1¢ Municipal)**

**8-Year Total: \$299 million
Annual Average: \$37 million**

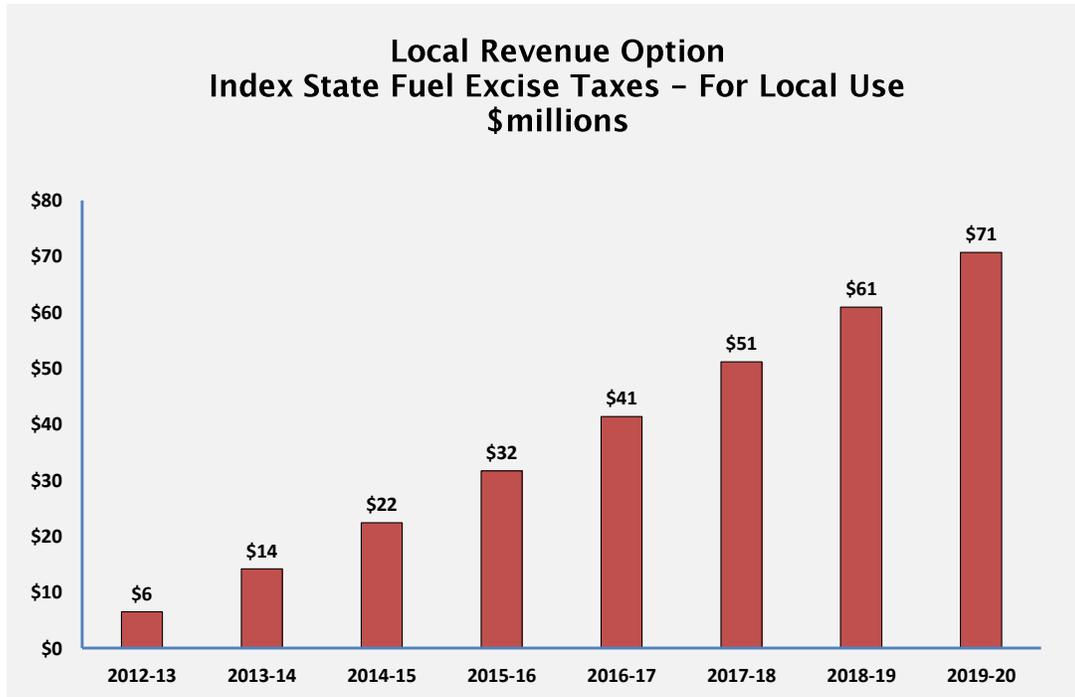


Figure 12. Estimated Revenue Yields* from Indexing State Fuel Taxes for Local Use

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Increase 2-cent state motor fuel tax annually for 5 years (10 cents), indexed for inflation

Recommendation: Increase the state motor fuel sales tax by 10 cents—2 cents per year for 5 years, indexed to the CPI.

Rationale

Implementation would raise the State Highway Fuels Sales Tax from the current rate of 12.6 cents per gallon by 2 cents per year for each of the next 5 years, for a total 10-cent increase. This tax is currently adjusted annually by the CPI, as is the SCETS Tax, which is currently at 6.9 cents per gallon. Additional forecast revenues of approximately \$183 million in 2013, growing to \$1.177 billion in 2020, would be generated for the STTF.

Discussion

A significant increase in fuel taxes is necessary to restore transportation funding to a level needed to meet basic transportation funding requirements. This fuel tax increase is needed to offset the continuing decline in fuel tax revenue collections, when measured in relation to the amount of VMT. This decline is the result of significantly-improved motor vehicle fuel efficiencies that have occurred since the existing fuel tax base rates were established in 1991 and expected additional future fuel efficiency improvements due to fleet turnover (scrapping less efficient older vehicles and substituting more efficient new vehicles), additional auto industry technology improvements, and pending federal fuel efficiency standards that have been agreed to by the auto industry. With the exception of inflation indexing, the base fuel tax rate was last adjusted in 1991. When measured per VMT, the recommended 10-cent fuel tax increase can be justified solely to restore revenues lost due to improved fuel efficiencies from 1991 through 2020.

While motor fuel sales taxes are indeed a tax, they are also in the general sense a “user fee.” Motorists pay these taxes on the fuel they use while driving on the state’s roads and highways.

Ultimately, Florida and the rest of the nation will likely migrate away from motor fuel taxes as a means for raising transportation revenues to a more precise user fee that is based on VMT. Of the various existing transportation revenue sources, motor fuel sales taxes most closely replicate the VMT user-fee concept, with the difference being that motor fuel taxes are affected by vehicle fuel efficiency and vehicle miles traveled, while VMT user fees are based solely on the number of vehicle miles traveled. Accordingly, adjusting the fuel sales tax appears to be an equitable interim method to restore revenues to meet transportation funding needs.

In recognition of the challenging economic times and to give motorists an opportunity to adjust to the higher tax rate, it was determined that the 10-cent fuel tax increase should be phased in, with increments of 2 cents per gallon per year over 5 years.

The State of Florida currently assesses two highway motor fuel taxes, the Highway Fuels Sales Tax (12.6 cents per gallon, effective January 1, 2012) and the SCETS Tax (6.9 cents per gallon, effective January 1, 2012). The revenues derived from these respective taxes are allocated to FDOT Districts using differing statutory formulas. Both the enactment of the SCETS Tax and the current indexing provisions for both taxes were established in 1991. Both taxes, which are indexed to inflation (CPI–Urban), are adjusted each January 1 in accordance with statutory formula. Thus, annual increases in the tax rates generally offset inflationary cost increases in operating, maintaining, and constructing transportation infrastructure and facilities. However, significant motor vehicle fuel efficiency increases have resulted in corresponding declines in the amount of fuel consumed per VMT and, consequently, in the amount of fuel tax revenues collected per VMT.

While not the sole measure of transportation funding needs, VMT is used as a reliable benchmark. As more vehicle miles are traveled on state highways, funding needs for maintenance and rehabilitation increase, as does the need to build additional lane miles of highway capacity and new roadway alignments to accommodate growing traffic demand. The average fuel efficiency of vehicles has increased nearly 40 percent since 1991, from 16.4 mpg

in 1991 to 22.7 mpg today. Stated another way, to drive 10,000 miles, the average motorist today uses 170 fewer gallons of motor fuel (440 gallons) when compared to the average motorist in 1991 (610 gallons); thus, the State collects less in fuel taxes.

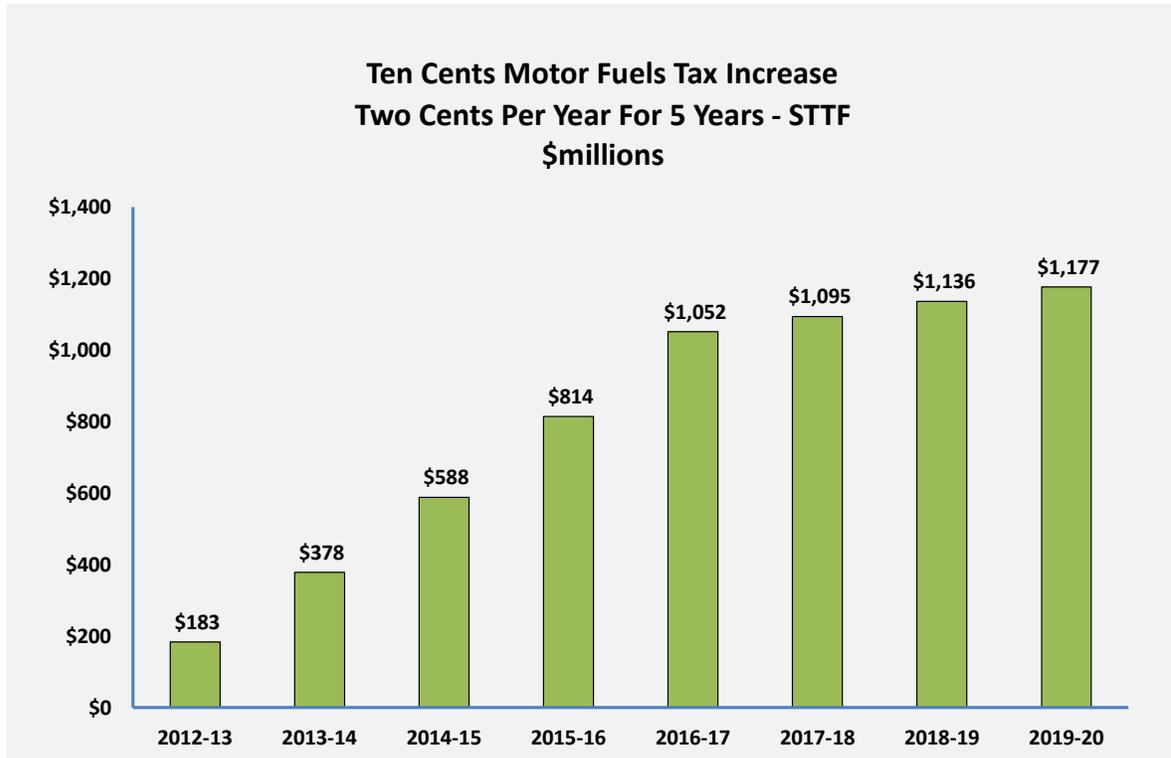
The current REC assumes that fuel efficiencies will increase an additional 10 percent to 24.4 mpg during the current decade. Further, the pending federal fuel efficiency standards, if adopted, could increase fuel efficiencies to nearly 28 mpg by the year 2020, reducing fuel consumption further. By 2020, motor vehicle fuel efficiencies could increase by as much as 70 percent over the levels that existed in 1991 when the base (non-inflation adjusted) tax rates were established for the Motor Fuels Sales and SCETS taxes. Should these additional fuel efficiency improvements materialize, fuel taxes would need to be increased by 11.5 cents per gallon to restore the 1991 VMT funding levels from this transportation revenue source.

The trend towards more fuel-efficient vehicles is accelerating. According to *WardsAuto Fuel-Economy Index*, U.S. new light vehicles achieved record fuel-efficiency in March 2012. Cars and light trucks sold in that month had a combined 24.1 mpg rating, a 1 percent improvement over the record set in February and a 6 percent increase over March 2011. Small car sales now account for 20.9 percent of new light vehicle sales. This recent acceleration in the purchase of more fuel-efficient vehicles will likely reduce fuel tax collections from the levels currently projected by the REC, resulting in less transportation funding at state and local levels.

It is anticipated that Florida and the rest of the nation will ultimately migrate to a transportation revenue collection system that is based in part or entirely on a VMT charge in lieu of assessing fuel taxes. However, this migration will likely require many years and additional technology improvements to ensure reliability, reduce administrative and collection costs, and overcome privacy concerns. Thus, the increase in fuel taxes would be considered as an interim, general user-fee tax measure to pay for transportation costs until such time that a more precise VMT user-fee process is implemented.

**Revenue Option: Increase State Motor Fuel Sales Tax by 10 Cents—
2 Cents per Year for 5 Years, Indexed for Inflation**

**8-Year Total: \$6,424 million
Annual Average: \$803 million**



**Figure 13. Estimated STTF Revenue Yields* for Fuel Tax Increase –
2 Cents per Year for 5 Years**

*The MPOAC Revenue Study calculations were prepared using REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Return Motor Vehicle License Fee, Initial Vehicle Registration Fee, and Titling Fee increases to the STTF.

Recommendation: Redirect the 2009 General Revenue Motor Vehicle License Fee, Title Fee, and Initial Registration Fee surcharges from the GR Fund to the STTF.

Rationale

This recommendation would redirect the increases in the fees that were enacted in 2009 from the State GR Fund to the STTF. These fees historically have been dedicated to the transportation system as a method to further the concept of user fees supporting the transportation system. After a 20-year hiatus of fee adjustments (30 years for registration

fees), they were raised in 2009, with the incremental revenue being used to help solve the general budget crisis due to the economic recession. With increasing pressures on transportation funding sources, coupled with growing needs, the Florida legislature took action in the 2012 session to restore a portion of these traditional STTF funds. While most Title Fees will be remitted to the STTF, yielding about \$200 million per year to the STTF beginning in FY 2014, the Motor Vehicle License (MVL) Fee and Surcharge increases along with the Initial Registration Fee increase are recommended to be returned as well. The annual estimated revenue impact to the STTF is \$413 million.

Discussion

In the past, MVL Fees, Title Fees, and Initial Registration Fees were considered to be transportation funding sources. However, the base MVL Fees had remained unchanged for nearly 30 years (since 1983). Likewise, Title Fees and Initial Registration Fees remained static for over 20 years (since 1990 and 1991). These fees and associated surcharges were increased substantially by the 2009 legislature; however, the revenues from these fee increases were distributed primarily to the GR Fund rather than the STTF. This action was taken to partially offset significant revenue declines from traditional GR tax sources as a result of the serious economic downturn. However, as general economic conditions return to more normal levels, these fee increases and surcharges should be distributed to the STTF to restore a portion of the inflation adjusted purchasing power that has been lost over the last 20 to 30 years. The 2012 legislature began this process by redirecting most of the Title Fee increases capped at \$200 million per year to be used for specific transportation purposes beginning in FY 2013/14.

Title Fees

The State issues titles or certificates of ownership for each vehicle registered in the state. The Title Fee prior to 2009 was set at \$24, except for "for hire" vehicles, where the Title Fee was set at \$3. An amount equal to \$21 of each applicable Title Fee was distributed to the STTF with the balance deposited into the GR Fund. In 2009, all vehicle Title Fees were increased \$46 each to \$70 per vehicle and \$49 for "for hire" vehicles. In 2012, the Florida legislature amended s. 319.32, F.S., to distribute an additional \$47 of each Title Fee, except for "for hire" vehicles, to the STTF. In the first year (FY 2012/13), these proceeds must be returned to the GR Fund. Thereafter, all proceeds in excess of \$200 million per year must be returned to the GR Fund. The \$200 million is allocated as follows: \$10 million per year for 30 years to a Seaport Investment Program, \$35 million per year for 30 years to Florida's Turnpike Enterprise to fund projects that will create or facilitate access to the existing turnpike system, \$10 million to the Transportation Disadvantaged Trust Fund, \$10 million to the Small County Outreach Program, and, the remainder to be used "... annually for transportation projects within this state for existing or planned strategic transportation projects which connect major markets within this state or between this state and other states, which focus on job creation, and which increase this state's viability in the national and global markets."

MVL Fees

Currently, the State assesses MVL fees (license taxes) at varying rates for automobiles, trucks, motorcycles, trailers, and special-purpose vehicles. These rates vary from \$3.50 for a small private-use trailer under 500 lbs to \$1,322 for a heavy truck weighing 72,000 lbs or more.

The rate differentials are generally based on vehicle weight. This methodology is consistent with various studies that have shown that heavy vehicles result in considerably greater outlays for roadway maintenance and rehabilitation than light-weight vehicles. In 2009, s. 320.08, F.S., was amended to increase the annual MVL license taxes by 35 percent, with the additional revenue deposited into the GR Fund. The increase varied depending on the current flat rate based on the weight of the vehicle.

Table 6. Florida Vehicle Fee Charges

State of Florida				
2009 Vehicle Fee Surcharges				
All Fee Increases Dedicated to Highway Safety & General Revenue Funds				
Fee	Prior Rate	Revised Rate	Rate Increase	Percent
Motor Vehicle License Fees - Automobiles				
Net weight less than 2500 lbs	\$14.50	\$19.50	\$5.00	34%
Net weight of 2500 lbs less than 3500 lbs	\$22.50	\$30.50	\$8.00	36%
3500 pounds or more	\$32.50	\$44.00	\$11.50	35%
Motor Vehicle License Fees - Trucks				
Net weight less than 2000 lbs	\$14.50	\$19.50	\$5.00	34%
Net weight of 2000 lbs less than 3000 lbs	\$22.50	\$30.50	\$8.00	36%
3000 pounds or more less than 5000 lbs	\$32.50	\$44.00	\$11.50	35%
Motor Vehicle License Fees - Heavy Trucks				
5001 to 5999 lbs	\$45.00	\$60.75	\$15.75	35%
6000 to 7999 lbs	\$65.00	\$87.75	\$22.75	35%
8000 to 9999	\$76.00	\$103.00	\$27.00	36%
10,000 to 14,999 lbs	\$87.00	\$118.00	\$31.00	36%
15,000 to 19,999 lbs	\$131.00	\$177.00	\$46.00	35%
20,000 to 26,000 lbs	\$186.00	\$251.00	\$65.00	35%
44,000 to 54,999 lbs	\$572.00	\$773.00	\$201.00	35%
72,000 lbs or more	\$979.00	\$1,322.00	\$343.00	35%
Initial Vehicle Registration Fee	\$125.00	\$225.00	\$100.00	80%
Title Fee	\$24.00	\$70.00	\$46.00	192%

MVL Surcharges

In addition, the State imposes a number of surcharges on top of MVL base fee rates. These consist of a \$4 surcharge on all MVL fees (320.0804, F.S.), a \$5.50 surcharge on all MVL fees (320.08046, F.S.), and, a \$10 additional surcharge on commercial vehicles having a gross vehicle weight of 10,000 pounds or more (320.0801, F.S.). Currently, the combined annual surcharges are \$19.50 on commercial vehicles having a gross vehicle weight of 10,000 pounds and \$9.50 for all other vehicles. Prior to the 2009 legislative changes, these MVL surcharges totaled \$8 for commercial vehicles over 10,000 lbs and \$3 for all other vehicles, with all funds distributed to the STTF except for \$0.58 to the GR Fund and \$0.42 to the Department of

Juvenile Justice. In 2009, MVL surcharges were increased by a combined \$11.50 for commercial vehicles over 10,000 lbs and \$6.50 for all other vehicles. With the exception of a \$0.58 increase (to \$1) distributed to the Department of Juvenile Justice, the revenues generated from these surcharge increases were deposited into the GR Fund.

Initial Application for Motor Vehicle Registration Fee

The State assesses, with certain exemptions, an additional Initial Vehicle Registration Fee for the registration of each additional vehicle in Florida (s. 320.072, F.S.). This fee is \$225, with \$125 distributed to the GR Fund and \$100 to the STTF. Prior to 2009, the fee totaled \$100, all of which was distributed to the STTF.

2009 Vehicle Fee Rate and Surcharge Increases

With Florida’s economy struggling and State general revenue collections in decline, the 2009 Florida legislature imposed surcharges and rate increases on various motor vehicle fees. The additional proceeds were primarily distributed to the GR Fund or the Highway Safety and Operating Trust Fund. These fee and surcharge increases included Title Fees, MVL Fees, Initial Vehicle Registration Fees, driver’s license fees, and various other administrative and transaction charges.

Table 7. Distribution of Revenues from 2009 Motor Vehicle Fee Increases

Approximate Impact of 2009 Legislation Motor Vehicle License and Fee Revenue Distributions				
	2008-09	2010-11	Diff	% Change
GR	\$ 124.2	\$ 965.5	\$ 841.3	677.4%
HSOTF	\$ 226.4	\$ 351.8	\$ 125.4	55.4%
STTF	\$ 701.6	\$ 665.9	\$ (35.7)	-5.1%
TDTF	\$ 19.7	\$ 20.1	\$ 0.4	2.0%
DOETF	\$ 119.2	\$ 121.2	\$ 2.0	1.7%
Other	\$ 191.5	\$ 82.4	\$ (109.1)	-57.0%
Total	\$ 1,382.6	\$ 2,206.9	\$ 824.3	59.6%
Compares full fiscal years before and after implementation Source: Highway Safety Revenue Estimating Conference <u>Funds:</u> 1. GR – General Revenue 2. HSOTF – Highway Safety Operating Trust Fund 3. STTF – State Transportation Trust Fund 4. TDTF – Transportation Disadvantaged Trust Fund 5. DOETF – Department of Education Trust Fund 6. Other Funds – Roll up of all other revenues collected by DHSMV and distributed to funds other than those specifically listed				

Total revenue to the GR Fund from all 2009 fee increases, including driver’s license fees, increased \$841.3 million (677%) between FY 2008/09 (prior to rate increases) and FY 2010/11

(the first full year after rate increases). Distributions to the STTF during this same period of time experienced a \$35.7 million (5.1%) decline.

Historically, with the exception of a portion of MVL Fees that is dedicated to education funding pursuant to the State Constitution and the \$1 surcharge shared between the GR Fund and the Department of Juvenile Justice, the fees and surcharges assessed on vehicle purchases and registrations have been considered transportation user fees and have been distributed to the STTF for the purpose of maintaining and improving the transportation systems used by these vehicles. However, due to the economic recession and substantial downturn in the Florida's general revenue collections, coupled with the fact that these fees had not been adjusted for inflation for many years, the fees and surcharges were increased, and the additional revenue was dedicated to general government purposes.

Anticipated Impact of Fuel Efficient Vehicle Purchases on MVL Fees

MVL Fees are assessed based on vehicle weight. Changes in the mix of motor vehicles towards lighter-weight vehicles with lower annual MVL Fees will have an added impact on transportation revenue collections. Federal fuel-efficiency standards and higher fuels prices are encouraging the development and sale of lighter-weight vehicles. In 2009, the private vehicle fleet consisted of 7 percent light autos (\$19.50), 44 percent medium autos (\$30.50), 34 percent heavy autos (\$44.00), and 15 percent light trucks (trucks and autos have the same weight classifications and fees). MVL revenue collections will likely decline as the mix of vehicles trends towards the lower weight classifications.

Lost Purchasing Power

Prior to the 2009 rate changes, MVL Fee base rates were last increased in 1983 and in 1992 when a \$2.00 surcharge was added. Since 1983, general inflation costs as measured by the CPI-U have increased by 127 percent, while the 1992 surcharge increased the revenue collected on each vehicle registration by roughly 10 percent. Thus, today's purchasing power for each MVL Fee is less than one-half the level in 1983.

The current Title Fee rate is \$70. In 2009, the Florida legislature increased the Title Fee by \$46, a 192 percent rate increase. The current Initial Vehicle Registration fee rate is \$225. This fee was increased in 2009 by \$125, a 125 percent increase. As with MVL Fees, the proceeds from these rate increases are deposited in the GR Fund. While the STTF share of Title Fees (\$21) has not changed since 1991, inflation has increased by 67 percent. Its share of the Initial Registration Fee is \$100 and represents a 54 percent increase since 1990. In contrast, the CPI-U inflation index from 1990 through February 2012 has increased 74 percent.

From the perspective of the fee payer, the inflation-adjusted cost of MVL Fees continues to be substantially less than in 1983, when the fee was last increased prior to 2009. However, both the Initial Vehicle Registration and Title Fee increases in 2009 were greater than the inflationary increases since their rates were last adjusted.

In all instances, the STTF's share of fee rate adjustments has not keep up with the rate of inflation or transportation costs. Thus, the purchasing power value of these fees in terms of maintaining and improving the state transportation system has declined.

As with motor fuel taxes, vehicle fees are, in a general sense, a user fee. Vehicles are generally purchased to be used on the state's roadways, and vehicle fees are assessed to pay for a portion of the costs of maintaining and expanding the state's transportation systems.

Transportation revenues have increased over time in conjunction with the increase in the number of motor vehicles registered and titled in the state. However, the STTF share of these fees has not increased. Thus, while revenues have increased with the growth in the total number of vehicles registered in the state, the purchasing power of transportation revenue derived from each fee has declined due to the effects of inflation. These circumstances have been a significant factor contributing to the state's growing transportation funding shortfall and resultant increases in traffic congestion. The combined result is that the STTF today receives only 53 cents in purchasing power for each dollar in transportation fees when adjusted for inflation since the base rate for each fee was last increased.

Given the inflation-adjusted lost purchasing power of the transportation share of MVL fees over the last three decades and the growing backlog of transportation needs occurring, in part, due to this circumstance, it would be appropriate public policy to transfer the GR surcharges to the STTF once the current economic crisis has passed.

Revenue Option: Redirect Remaining 2009 General Revenue Motor Vehicle License Tax, Title Fee, Initial Registration Fee, and Surcharges to the STTF

8-Year Total: \$3,301 million
Annual Average: \$413 million

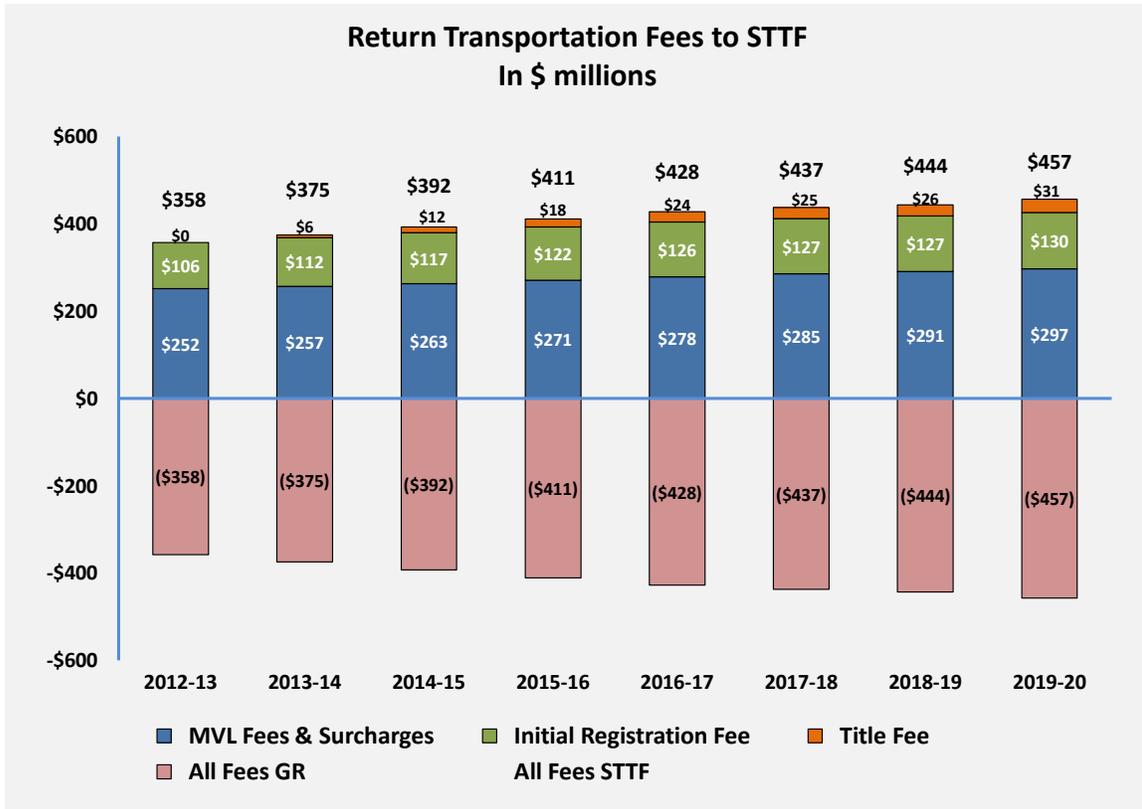


Figure 14. Estimated STTF Revenue Yield* – Return of Fees from General Revenue Fund

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Conduct a VMT study⁴

Recommendation: Conduct a VMT study and develop a "user-fee business plan" to guide the implementation of a mileage-based transportation funding mechanism.

⁴ Board Meeting action on July 16, 2012 precluded the use of GPS technology in the tracking of VMT

Rationale

This recommendation is to have the Florida legislature commission and fund an extensive effort to deal with the systemic issues of fuel taxes becoming less sustainable as a primary surrogate for a transportation user fee. While fuel taxes served as an adequate substitute for a true user fee for decades, significant increases in mandated vehicle fuel efficiency and the introduction of all-electric and plug-in hybrid vehicles is eroding transportation revenues.

It is recognized that there are significant concerns over the concept of charging highway system users based on each mile traveled. These include the privacy of citizens, the cost of implementing such a system, and institutional issues associated with revenue sharing. This effort is intended to address these issues at a minimum, deploy a demonstration of the concept, and develop a business plan and implementation roadmap to move Florida to a VMT-based system.

Discussion

VMT charges are considered by many economists to be the fairest and most equitable method of paying for transportation services, since the payment (charge per vehicle mile traveled) is directly matched to the benefit (miles traveled on the transportation system). Further, the current system of revenue collection for transportation purposes is no longer viable as a stable source of generating revenues commensurate with the cost of providing transportation services and improvements.

As one of the Sunbelt states, Florida has experienced fairly recent and rapid growth in its population and even faster VMT growth, much of which occurred after the original Interstate Highway System network was established. This has placed continuous pressure on Florida's elected officials to find revenue sources and develop financing strategies to accommodate ever-increasing transportation demand levels.

VMT reflects the demand for transportation capacity and, as such, is a reasonable high-level indicator of statewide changes in demand for transportation funding. As VMT increases, the State must either invest more in transportation resources to increase capacity to accommodate this increased demand, implement traffic management techniques, or accept the economic and social consequences of degraded transportation services.

Transportation revenues have experienced a significant deterioration in purchasing power and in their ability to meet ongoing needs due to motor vehicle efficiency improvements and higher motor fuel prices, which encourage the migration to more efficient, lighter-weight vehicles. These trends are expected to accelerate in the future with the continued erosion of purchasing power from non-inflation adjusted revenue sources, the adoption of additional motor vehicle efficiency technologies and lighter-weight materials, and the greater acceptance of alternative fuel vehicles such as compressed natural gas (CNG), primarily in fleet-ownership; liquid natural gas (LNG) for long-haul trucking in lieu of diesel fuel; and both plug-in hybrids and eventually all-electric or battery-electric vehicles that use centrally-generated electricity in lieu of motor fuels for all or a portion of their vehicle miles traveled fuel needs.

As stated in a recent report prepared by the Reason Foundation:

Legislators should become familiar with the emerging “managed lanes network” in Southeast Florida, being developed incrementally by FDOT, MDX and FTE. Details of how this network should be governed and managed are under study, thanks to a Federal Highway Administration grant, under its Value Pricing Program, to FDOT District 6. Such networks offer great potential for congestion relief and region-wide express-bus/bus rapid transit in urban areas, and may be worth considering for Florida’s other large urban areas in coming years. Managed lanes and urban toll expressways should be considered building blocks toward future highway finance based largely on miles traveled, rather than fuel consumed, as the fuel tax declines as a sustainable funding source.

Transportation Funding Needs Due To Inflation & VMT Growth

Sources: FDOT Source Book of Florida Highway Data & Oct11REC

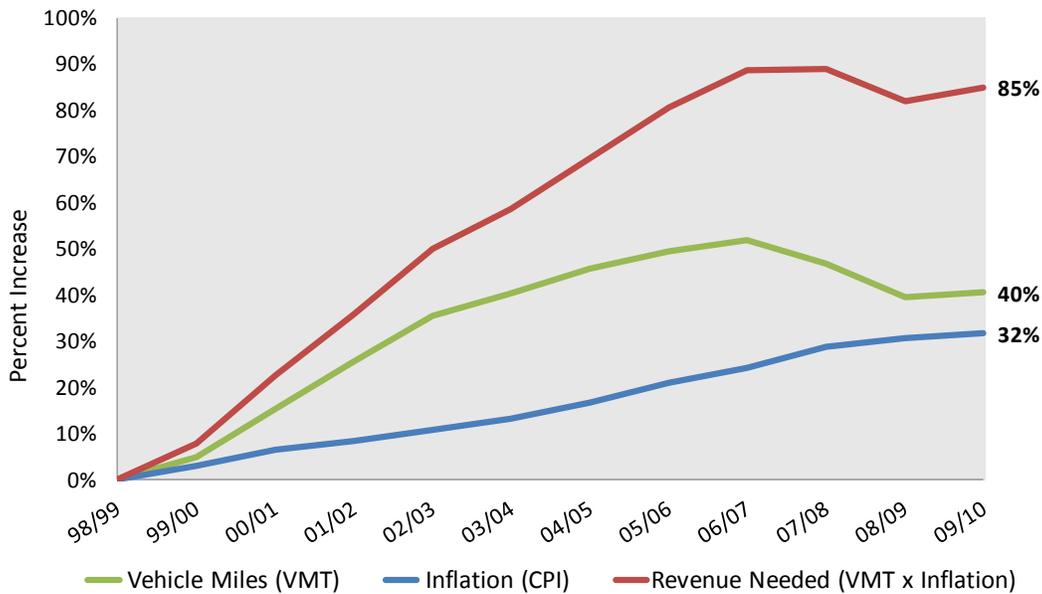


Figure 15. Florida Vehicle Miles and Inflation Projections

Deficiencies with Current Transportation Tax Revenue Collection System

As is discussed throughout this report, transportation revenues from Florida’s existing tax and fee collection systems are failing to keep pace with increased costs and increased infrastructure needs. Furthermore, current trends point to the acceleration of these trends.

More than 60 percent of State transportation revenues are derived from taxes on motor fuels. However, as vehicles become more efficient, less fuel is consumed and less fuel taxes are collected. The fuel efficiency of Florida’s motor vehicle fleet has increased 28 percent over the

past two decades as the result of such things as ongoing advances in vehicle aerodynamics, internal combustion engine technologies, rolling resistance of tires, use of lighter-weight materials, and the development of hybrid vehicles.

The various motor vehicle-related fees and taxes are not indexed to offset the effects of inflation; thus, the purchasing power of these revenue sources declines over time. Further, since motor vehicle license fees are primarily weight-based fees, the trend towards lighter-weight vehicles will result in declining revenues from this source unless current schedules are altered.

These trends are expected to accelerate in the future with continued efficiency advances in new vehicles, as today's older, less efficient vehicles are replaced by these more efficient new vehicles and with the expected transition to vehicles that operate on alternative fuels, such as partially electric (plug-in hybrids), all-electric, and CNG.

The proposed changes to the federal fuel efficiency standards that would require fleet vehicle efficiencies to average 53.5 mpg on vehicles sold by 2025 could potentially double existing vehicle fuel efficiencies over time, cutting in half the fuel tax revenues collected per vehicle mile traveled.

Equity and Fairness

Florida's existing transportation tax and fee structure generally follows a "user-benefit" concept, in that most transportation revenues are paid by motorists through taxes on motor fuels or various fees related to the purchase and registration of motor vehicles. While this structure is equitable in the general sense that the costs of transportation are paid for by transportation-related taxes and fees, it is less equitable from the standpoint of the individual user. For example, an individual who drives a highly-efficient vehicle will consume less fuel per mile traveled and, accordingly, contribute less in fuel taxes to pay for transportation costs.

While such an outcome may be considered appropriate public policy from the standpoint of encouraging reduced fuel consumption through marginally increasing the cost of fuel for inefficient vehicles, it is not as equitable as a VMT system from a user-benefit standpoint, where both motorists would pay the same amount for using the state's roads and highways. These inequities may also have social considerations: while new vehicles generally provide greater fuel efficiencies, many low-income individuals, by necessity, own older vehicles that are less fuel efficient and, thus, more costly to operate.

Existing Florida VMT-Like Revenue Collection Systems (Tolls & Managed Lanes)

Florida currently operates two modes of transportation revenue collection that are, in essence, VMT pricing systems:

- Toll collection, where the motorist pays for the cost of the roadway based primarily on distance traveled and frequency of usage.

-
- Interstate Highway System managed lanes, such as I-95 in South Florida, where variable per-mile fees are charged based on the level of traffic congestion on “non-tolled” lanes.

Due to Florida’s extensive system of toll facilities and its leadership role in managed lanes, Florida motorists have acquired a level of acceptance with mileage-based transportation fees.

Transportation Revenues from Tolls and Managed Lanes – VMT tolling has proven to be a viable means of generating transportation revenues. The state’s toll agencies currently collect in excess of \$1.2 billion annually, an amount that is equivalent to the revenue that would be collected from nearly 13 cents in motor fuel sales taxes. In fact, toll revenues and toll-backed revenue bonds have contributed significantly in addressing the state’s transportation infrastructure needs, helping to partially offset the existing deficiencies in the current transportation revenue collection system. Revenues collected from VMT-like tolled and managed lane facilities have grown more rapidly than other state transportation revenue sources.

Toll collections are tied to vehicle miles traveled, and toll rates are frequently adjusted in line with increases in inflation. VMT-like tolls have generally out-performed fuel tax collections and vehicle licenses and fees in keeping up with the state’s transportation revenue needs. In fact, toll revenue collections have exceeded the combined effects of VMT growth and inflation and have played an important role in partially offsetting the inability of fuel taxes and license fees to keep up with growing transportation needs and higher costs.

Based on the State’s experience to date with VMT-like toll revenue collection, it would appear that the migration towards a broader VMT revenue collection system would be warranted, particularly one that is indexed to accommodate inflationary price increases. According to the REC, motor fuel tax collections are projected to significantly underperform the expected growth in future vehicle miles traveled as Florida’s economy recovers and as motorists adjust to higher fuel prices by purchasing more efficient vehicles.

All Electronic Toll (AET) Collection – Florida’s toll agencies have taken a leadership role in converting their facilities from using traditional toll collection methods to AET. As a result of this process, many of the disadvantages of collecting revenue based on a per-vehicle-mile-traveled basis are eliminated. Under AET, toll booths are not used to collect tolls; rather, the motorist’s system usage and corresponding toll charge data are collected either electronically via transponders or through video photos of vehicle license plates. Revenue is collected from customers via monthly billings, credit card charges, or replenished accounts. AET provides motorists with a travel experience on a tolled facility identical to that on a non-tolled highway.

Many of the public policy, administrative, and enforcement issues related to electronic and video collection methods are similar to those issues that the State must address in implementing a more comprehensive VMT revenue collection system statewide. Since these issues have, in good part, been evaluated, debated, and codified into State statute, this transition from traditional toll collection to AET should, in many ways, serve as a stepping stone towards toward the adoption of a VMT revenue collection system in some broader form.

In many respects, Florida may have a head start in developing a statewide VMT revenue collection system and in working through the many public policy considerations that such a system entails.

Tolls Are Growing Faster than State Transportation Revenues Percent Growth from 1999 to 2010

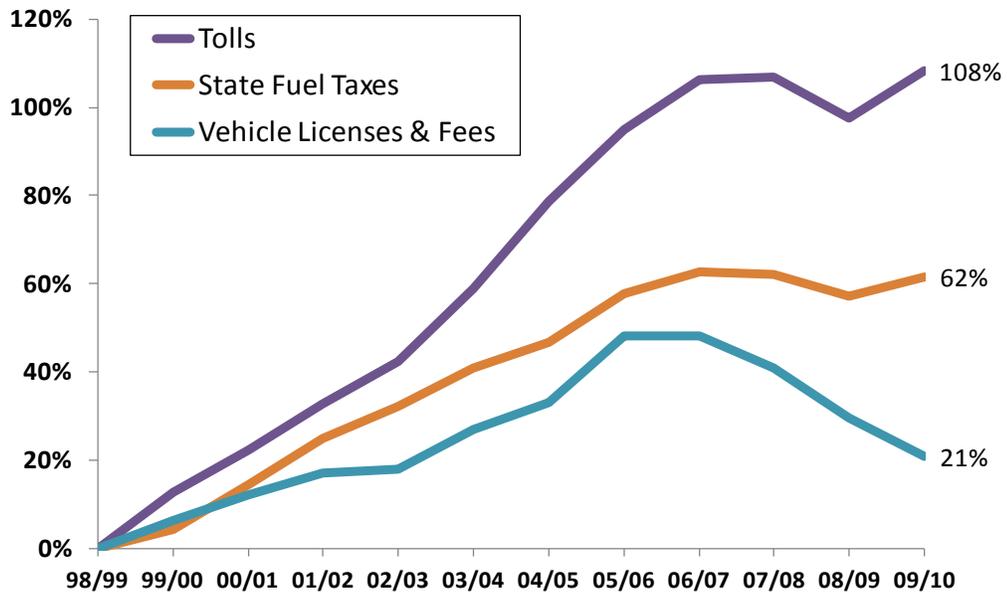


Figure 16. Growth Rates of Tolls, Fuel Taxes, and Fees

Implementation Planning

An ultimate VMT revenue collection methodology will likely be national in scope and may take many years to implement. However, the transition to VMT charges also will likely be incremental in nature as each State addresses various public policy issues related to privacy concerns, costs of administration, and public acceptance. Further, each state will need to develop state-specific policies in a number of areas, such as the distribution of funds between state and local governments and transportation agencies; congestion management pricing alternatives; establishing rate structures for various vehicle types and weights and for various transportation systems and facilities; establishing appropriate inflationary cost rate adjustment mechanisms; ensuring efficient administration and overhead processes; developing revenue collection enforcement measures; and other considerations.

Approximate VMT Rates

The REC projects that motorists will travel approximately 200 billion miles on Florida's highways, roads, and streets in FY 2012/13. Therefore, a 1-cent-per-mile VMT charge, if assessed on all vehicle miles traveled in the state, would generate \$2 billion. State transportation revenue collections from all sources for FY 2012/13 are projected to total \$2.78

billion, with revenues for state motor fuel taxes equal to \$1.79 billion. Thus, if applied to all vehicle travel, a VMT charge of 1.39 cents per mile would be needed to substitute for all current revenue sources, and a charge of 0.89 cents per mile would be required to offset motor fuel tax collections. A VMT charge of roughly 2 cents per mile would be equal to the sum of all state transportation revenues and all local highway fuel taxes. As with current fuel tax rates, the annual VMT rate would need to be indexed to preserve future purchasing power.

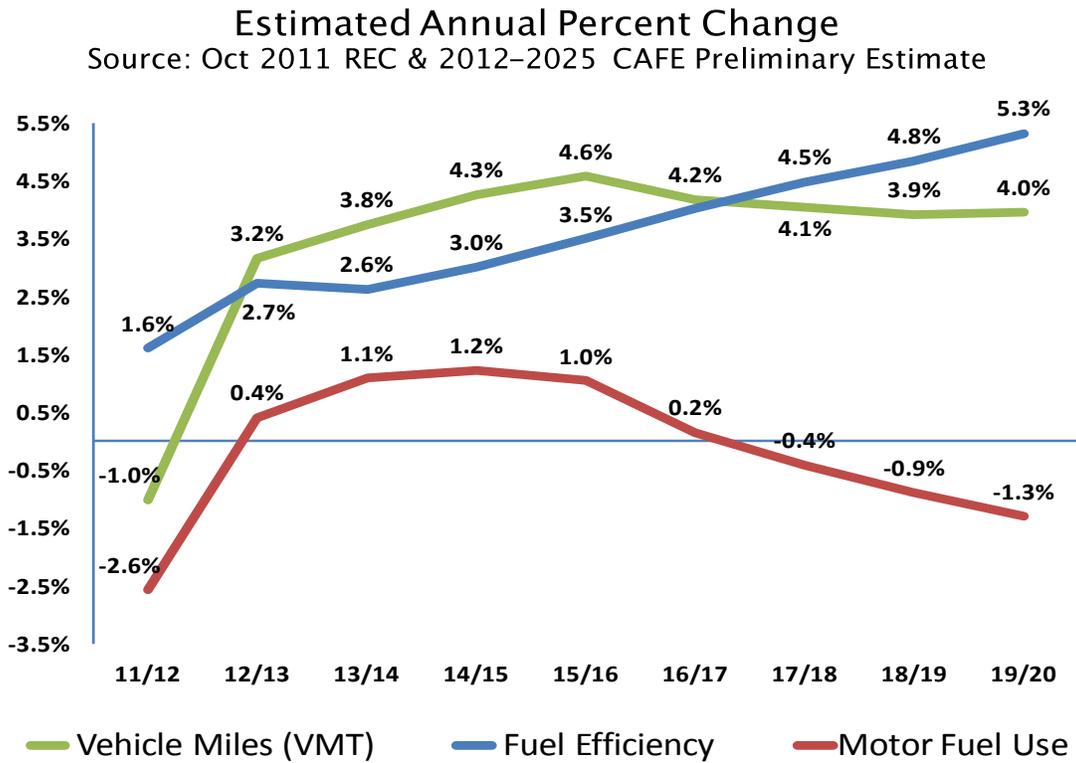


Figure 17. REC Projections – Percent Change VMT, Fuel Efficiency, and Motor Fuel Use

Table 8. Estimated VMT Rate in Lieu of Existing Revenue Sources

Equivalent Per-Mile VMT Rates Rates Needed In Lieu of Existing Revenue Sources	
	<u>2012-13</u>
Total Florida VMT (In millions of miles traveled)	200,728
Total Gross Revenue From \$0.01 Per Mile VMT Rate (\$ Millions)	\$ 2,007.3
A. Total State Transportation Tax Revenue to STTF - All Sources	\$ 2,780.1
Equivalent Per-Mile VMT Rate	\$ 0.014
B. Motor Fuel Taxes <u>Only</u> to STTF	\$ 1,789.1
Equivalent Per-Mile VMT Rate	\$ 0.009
C. Total Local Motor Fuel Taxes - estimated*	\$ 1,132.7
Equivalent Per-Mile VMT Rate	\$ 0.006
* "Total Local Motor Fuel Taxes" includes the four cents Constitutional, County and Municipal fuel taxes assessed by the State and distributed to local governments.	

It is recommended that the legislature authorize and appropriate funds to study, evaluate, and develop a business plan for the implementation of a VMT-based transportation revenue collection system for the State of Florida, overseen by the appropriate State entity and using appropriate professional expertise.

The State's current VMT-like activities, as well as prospective approaches for statewide implementation, should be evaluated with the objective of developing a business plan to guide in the implementation of mileage based transportation funding mechanism(s) within the state.



V. Other Revenue Options for Consideration

While the MPOAC recommended the options described in the previous chapter be considered as soon as possible, they also directed that information on the eight revenue options included in this section also be forwarded to policy makers.

Impose a 6% state sales tax in lieu of both state fuel taxes, with a "floor"

Recommendation: Impose a 6% state sales tax on motor fuels in lieu of both the Motor Fuel Sales Tax and SCETS Tax and retain the existing state motor fuels and SCETS tax mechanisms to serve as a floor.

Rationale

The State Highway Fuels Sales Tax and the SCETS cents-per-gallon taxes would be replaced with a simple 6% sales tax on the retail price of motor fuels. FDOT research has shown that Floridians believe that the fuel taxes they pay increase as the cost of motor fuel increases. This option examined the implications of establishing a percentage-based state motor fuel tax. The issue with this approach is that retail fuel prices inherently fluctuate, and revenue forecasting would become problematic as would revenue collection. Huge windfalls could occur in times of rapidly-rising pump prices, and the STTF could be cash-starved when prices fall. To protect the STTF from dramatic declines, this option requires a "floor" to be established that is based on the current tax along with indexing provisions. Based on the economic forecasts used at the time of the MPOAC study, this recommendation could generate an estimated additional \$136 million per year, but according to the October 2011 State projections, it wanes as the existing fuel sales tax and SCETS tax adjust upwards because of future inflation and the associated CPI adjustments that would take place. Actual additional revenue collections would be dependent on the future price of motor fuels and, therefore, highly variable.

Present Situation

The State assesses two fuel sales taxes on motor fuels, the Motor Fuel Sales Tax and the SCETS Tax, both of which are adjusted annually based on changes in the CPI (CPI-U).

Motor Fuel Sales Tax

The State's fuel taxes were substantially restructured in 1983, when a 4-cents-per-gallon excise tax was replaced by the State's general sales tax of 5 percent. The 1983 legislated average price of all motor and special fuel was initially set using \$1.148 per gallon as the price of fuel, which, at the 5 percent general sales tax rate, resulted in a fuel tax of 5.7 cents per gallon.

In 1985, the Florida legislature installed a "floor" beneath this tax, thereby preventing it from falling below its initially calculated level of 5.7 cents per gallon, regardless of downward gas price movements. The 1990 legislature made several changes to the sales tax and, effective January 1, 1991, raised the rate of the tax to 6 percent from 5 percent in keeping with the increase to the state general sales tax rate and adjusted the "floor" from 5.7 cents per gallon to 6.9 cents per gallon, thereby regaining parity with the state's general sales tax rate.

The legislature also changed the indexing series from the gasoline component of the CPI to the more comprehensive CPI (all items). Since this index is less volatile, it normally can be forecast more accurately, and it was believed to better reflect the inflationary impacts on FDOT's overall costs.

While the changes made in the 1990 legislative session were successful in matching the motor fuel sales tax rate to inflationary cost increases, they did not account for potential increases in motor vehicle efficiencies; particularly in the event that fuel prices rose at a fast rate than general inflation and consumers would respond by purchasing more fuel-efficient vehicles. Unfortunately, this is what has occurred beginning in the middle of the last decade. Since 1990, general inflation has increased 78 percent; however, gasoline and fuel oil prices have risen 216 percent and 194 percent, respectively.

**Comparison of Fuel and General Cost Inflation
Cumulative Percentage Increases Since 1990**

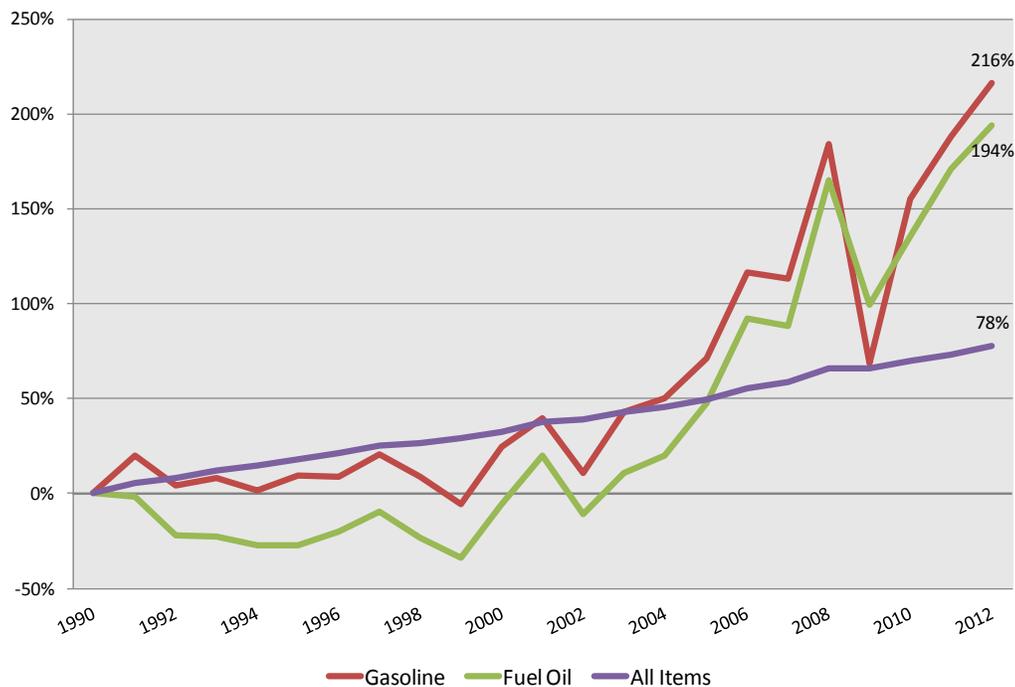


Figure 18. Fuel Cost and Inflation Comparison

The higher cost of motor fuels coupled with technology improvements in vehicle efficiency and federal motor vehicle efficiency standards have increased Florida's vehicle fleet average fuel efficiency from 16.2 mpg in 1990 to 20.7 mpg by 2012, a 28 percent increase in fuel efficiency since the index was changed from motor fuel prices to the general CPI. This has resulted in a corresponding reduction in fuel consumption and motor fuel sales taxes per vehicle mile traveled on the state's roads and highways. Thus, while the 1990 legislative action to index motor fuel taxes was successful in adjusting the tax rate commensurate with transportation cost increases, the volume of fuel consumed has fallen relative to the number of vehicle miles

traveled and, accordingly, motor fuel tax revenues have not kept up with transportation funding demands.

The current Motor Fuel Sales Tax rate for calendar year 2012 is 12.6 cents per gallon. This is an increase of 5.7 cents per gallon over the 1990 base rate of 6.9 cents per gallon, and it reflects the cumulative impact of CPI indexing adjustments since 1991. Since motor fuel prices have increased at a much faster rate than general inflation, the Motor Fuel Sales Tax rate no longer corresponds to the State's 6 percent general sales tax rate. The current Motor Fuel Sales Tax rate for calendar year 2012 is equal to a sales tax rate of 3.5 percent, using the October 2011 REC assumption for the average Florida pump price per gallon of \$3.63. An additional tax increase of approximately 9.0 cents per gallon would be needed to restore the Motor Fuel Sales Tax to its original 6 percent rate on the price of motor fuels.

SCETS Tax

The 1990 Florida legislature, in addition to raising the fuel sales tax rate, also levied an additional excise tax, the SCETS Tax, on all highway fuels, effective January 1, 1991. The SCETS tax differs from the Motor Fuel Sales Tax in that its proceeds must be spent in the FDOT transportation district in which it was collected and, to the extent feasible, in the county from which it was collected. The rate of the tax on gasoline varied by county and was initially set at 2/3 of the total local option fuel tax rate that existed in each county, not to exceed 4 cents per gallon. Thus, the SCETS tax is set at the maximum rate in any county that assesses a local option fuel tax of 6 cents per gallon or more.

Currently, every county is at the maximum SCETS tax rate with the exception of one, which assesses 5 cents per gallon in local option fuel taxes. For consistency purposes in administering the diesel fuel use tax provisions of the International Fuel Tax Agreement, the SCETS tax on diesel fuel is imposed at the maximum rate in all Florida counties. Like the Motor Fuel Sales Tax, the SCETS Tax is indexed to the general rate of inflation (CPI-All). The SCETS Tax rate on gasoline is currently 6.9 cents per gallon, with the exception of one county, which is at 5.8 cents per gallon. The diesel rate is 6.9 cents per gallon in all counties.

Similar to the Motor Fuel Sales Tax, revenues derived from the SCETS Tax relative to vehicle miles traveled (transportation demand) have declined over time due to greater fuel efficiencies in the state's vehicle fleet, resulting in fewer gallons of motor fuel purchased per vehicle mile of travel.

It is anticipated that Motor Fuel Sales and SCETS tax revenues relative to vehicle miles traveled will continue to decline as a result of expected continuing high fuel costs, as motorists replace existing vehicles with more fuel efficient models and as further technology improvements and new federal CAFÉ standards drive additional fuel efficiencies. As a result, the capacity for Motor Fuel Sales and SCETS tax revenues to adequately fund the demand for future transportation maintenance and improvement needs will continue to erode unless the tax rates are increased or structural changes made to the current transportation taxation system.

Originally, the Motor Fuel Sales Tax was enacted to mirror the 6 percent state general sales tax, and the SCETS Tax was assessed over and above this amount to enhance the state's

transportation system. The above recommendation combines the Motor Fuel Sales and SCETS taxes for purposes of assessing the 6 percent general state sales tax rate against the price of motor fuels. This recommendation would help to offset the reductions in tax revenue collections that have resulted from vehicle fuel efficiency improvements. Shifting from the current CPI adjusted fuel sales tax to a 6 percent sales tax would increase the current fuel tax rates when fuel prices exceed approximately \$3.20 per gallon. It is recommended that the existing CPI-adjusted tax mechanisms should be retained in law as a “floor” to protect against declining revenues in the event fuel prices fall below this amount. Surveys have indicated that most consumers already believe motor fuels are already subject to a 6 percent state sales tax on the price of motor fuels.

Revenue Option: Apply 6 Percent State Sales Tax in Lieu of Existing State Fuel Sales and SCETS Taxes; Use Existing Tax Rates as a “Floor”

8-Year Total: \$1,087 million
Annual Average: \$136 million

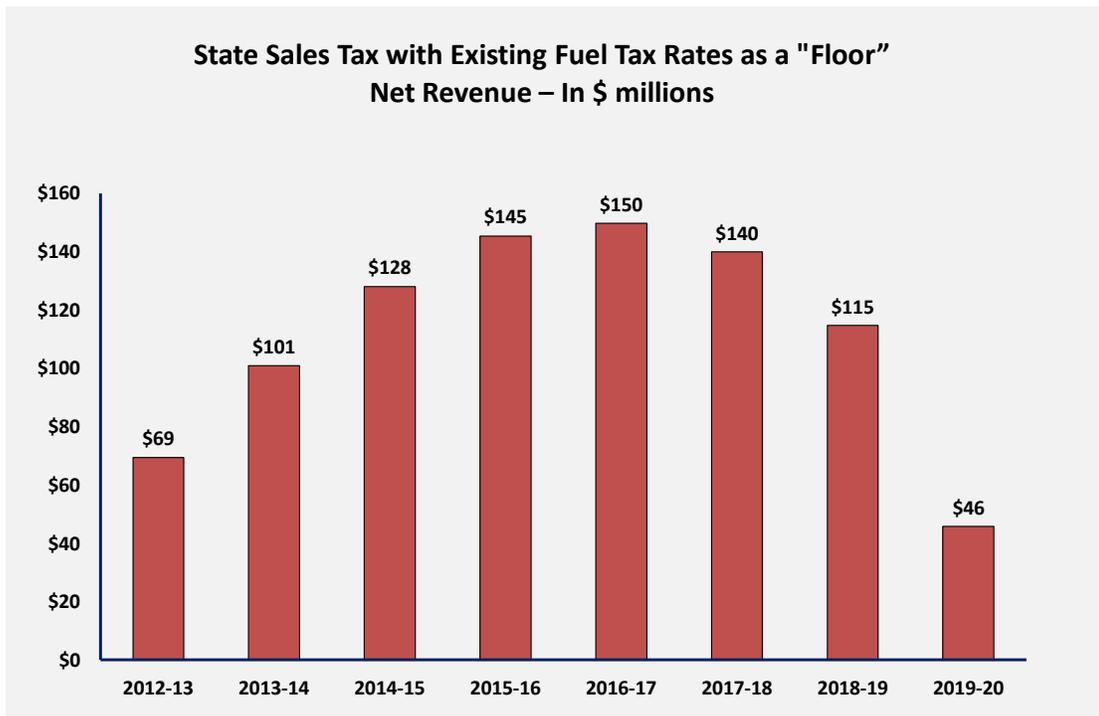


Figure 19. Estimated STTF Revenue Yield* – Replace Existing Fuel Tax Rates with 6% Sales Tax

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Create an independent State Toll Rate-Setting Commission to study, evaluate, and establish toll rates for State-owned toll facilities

Recommendation: Create an independent State Toll Rate-Setting Commission to study, evaluate, and establish toll rates for State-owned toll facilities based upon criteria established by the governor and the Florida legislature. The Florida Transportation Commission (FTC) could serve at the State Toll Rate-Setting Commission in Florida.

Rationale

This recommendation is not a revenue generation action *per se*, but could result in more market-based toll rates being established for State toll facilities. The research conducted for the revenue study indicates that toll facilities operated by the State are underpriced when compared to those under the management of local expressway authorities, particularly in Florida’s urban areas. This recommendation would legislatively charge the FTC as the independent state toll rate-setting body to study, evaluate, and establish toll rates for State-owned facilities based on criteria established by the governor and the Florida legislature. This is a policy recommendation with no estimated revenue forecasts.

Discussion

The State of Florida presently owns and operates the Florida Turnpike system and four additional tolled facilities: Pinellas Parkway, Beachline East, Alligator Alley, and Sunshine Skyway Bridge. The tolls on many of these State-owned facilities are significantly lower than the rates established for similar facilities in Florida. As a result, the financial capacity of many of these facilities may be underused.

Table 9. Florida Toll Rates per Mile

Florida Toll Roads Comparative Passenger Car Toll Rates & Average Number of Years Since Last Toll Rate Increase As of December 31, 2010							
Tolling Agency	Number of Facilities	Total Length (CL Miles)	Total Facility Tolls		Average Rate Per Mile		Ave. Years Since Last Toll Increase
			Cash	Electronic	Cash ¢/mile	Electronic ¢/mile	
Regional Toll Authorities	11	152.9	\$23.55	\$21.25	15.4	13.9 ¢	2.4
Turnpike Regional Facilities	7	140.0	\$13.50	\$11.75	9.6	8.4 ¢	14.6
Turnpike Mainline	3	320.0	\$22.95	\$17.90	7.2	5.6 ¢	18.7
FDOT Owned Toll Facilities	4	125.6	\$5.10	\$4.35	4.1	3.5 ¢	18.5
TOTALS	25	738.5	\$65.10	\$55.25	8.8	7.5 ¢	10.3

Due to restricted toll rate-setting policies and the resulting limitation on toll revenues, toll agencies have not developed new projects and capacity expansions as rapidly as needed or as could be accomplished using market-based toll rates. Florida’s toll agency long range transportation plans and studies have identified nearly \$30 billion in potential projects that are in various stages of feasibility assessment and development. While not all of these projects

will be undertaken once all necessary feasibility studies and applicable federal, state, and local planning and public approval processes have been completed, they are, nevertheless, indicative of the level of participation that toll agencies can play in meeting the state's transportation infrastructure shortfall.

Toll agencies function as business enterprises. While customers have access to non-tolled alternative routes, they choose to pay an added toll to save time, reduce travel distance, or experience a high level of service. Each time a customer uses a toll road, he/she must decide if the time, fuel, wear and tear, and other savings or benefits will be greater than the cost of the toll charged. Similarly, each toll agency determines the appropriate toll rate to charge on its facility for operations and maintenance, to repay sums borrowed to build the facility, and to plan for and develop additional capacity and expansion improvements to meet anticipated future needs as its customer base grows. Thus, market-based decisions are being made by customers when choosing to use a tolled road, and market-based decisions are made by toll agencies in setting toll rates in response to the demand.

Significant variances in toll rates for urban expressways can result within the same urban areas, even though these expressways often serve the same customers. Wide discrepancies between toll rates charged by various toll agencies can be largely attributed to their respective governing structures and decision-making processes for setting toll rates.

Regional toll authority governing boards achieve some degree of independence from immediate political pressures when setting toll rates on facilities under their jurisdiction. The role of an authority has been defined as follows:

[The primary mandate of an authority is] ... to develop revenue-producing facilities in an atmosphere insulated from political pressures.... It should be structured so as to encourage independence in decision-making from elected officials ... and to think in long-range terms not limited by the next election.... Authorities operate ... free from political compromise, public pressure, and bureaucratic red tape.⁵

Over time, the Florida legislature has developed and codified in State statute the current organizational structure for the regional toll authorities. This structure has been designed to strike a balance between the concept of a truly independent authority as described above and one that answers solely to State- or locally-elected officials. This has been achieved by establishing governing boards for these organizations that include representation from both arenas. Accordingly, as mentioned previously, all regional toll authority governing boards include local elected officials and a representative of FDOT as ex-officio voting members.

The governing boards of regional toll authorities comprise a mixture of local elected officials, representatives of the community who are appointed by the governor and the area FDOT

⁵ Mitchell, Jerry, *Public Authorities and Public Policy: The Business of Government*, 1992.

District Secretary. Community representatives are usually appointed to four-year terms on a revolving basis. This structure ensures that regional toll authorities remain sensitive to local-area acceptance of toll rates and communicate to the community the long-term benefits that will be derived in terms of new capacity or expressway improvements when toll rate increases are contemplated. These tasks are accomplished while also providing a balance between community representation and the interests of State and local elected officials.

On the other hand, FDOT and Florida's Turnpike Enterprise do not operate under a semi-independent environment. Rather, they answer directly to the governor and the Florida legislature. This can result in an influence from immediate political pressures when setting toll rates. It is natural for there to be some degree of public opposition to any toll rate increase, regardless of its justification and merits. When toll rate increases are proposed by a state agency, they in essence become "the governor's toll rate increase" or "the legislature's toll rate increase." As a result, toll rates can remain unchanged or toll increases can be set substantially below market rates for reasons of political expediency, in spite of identified long-term transportation needs or local business market conditions that would dictate otherwise.

Currently, toll rates on many FDOT toll facilities are lower than statewide and national averages, which has resulted in less financing capacity to improve or expand these tolled systems. Consequently, greater capital contributions in the form of departmental grants or State appropriations must be sought when undertaking toll road improvements, and FDOT's toll facilities contribute less than regional toll authorities towards financing the state's transportation needs in relative terms.

In 2007, Florida Statutes were amended and directed FDOT to index toll rates on existing toll roads and bridges to the annual CPI or similar inflation indicators no more frequently than once per year, but no less frequently than once every five years. According to the statutes, the indexing of toll rates must occur on or before June 30, 2012. As a result, FDOT is proposing to adopt a toll rate adjustment policy for all FDOT and Turnpike toll roads and bridges that provides toll increases on July 1, 2012, commensurate with an 11.7 percent increase in inflation over the past five years, annual inflation adjustments for electronic toll collection, and periodic five-year inflation adjustments for cash toll collections. However, even with these toll rate adjustments, many State-owned toll facilities will not be priced at market rates, particularly in Florida's urban areas. Further, some degree of independence in establishing and setting toll rates may also be an important consideration in the State's efforts to expand its managed lanes and major bridge reconstruction programs.

Accordingly, it is recommended that the governor and Florida legislature consider creating an independent State Toll Rate-Setting Commission to study, evaluate, and establish toll rates for State-owned toll facilities based upon criteria established by the governor and the Florida legislature. The FTC is an option to consider for this purpose, as its members possess some independence from the political process, similar to that of the regional toll authority board members.

Create and fund Regional Transportation Financing Authorities

Recommendation: Create and fund Regional Transportation Financing Authorities (RTFA) with incremental new revenue sources.

Rationale

This legislative option would allow the creation of RTFAs with the support of \$100 million annually in new incremental revenues, if some of the revenue raising options are adopted. RTFAs would serve as regional transportation financing entities and would be established with provisions to incur debt outside of the State's debt service cap and limitations. RTFAs could assist in "buying down" the capital cost of revenue generating projects and the future revenue streams pledged towards paying off bonds and providing other types of loans and credit enhancements to encourage a higher level of transportation funding. These entities would not compete with existing agencies to operate transportation facilities; rather, they would act as financiers for regional transportation investments in projects that are user-fee based or that have a dedicated revenue source for repayment.

Discussion

The purpose of establishing regional transportation financing entities is to provide increased capacity and greater flexibility to State and local agencies to finance necessary transportation infrastructure projects, while also preserving the integrity of the existing State bond policies and practices. Debt financing is frequently the most appropriate mechanism to pay for new highway and transit alignments and significant capacity improvements to highways, bridges, and transit facilities. Debt financing is consistent with "user pay-user benefit" principles for projects that provide additional capacity for the benefit of future users or that extend the useful life of existing facilities.

However, the State's debt policies and management practices, while are entirely appropriate for managing recurring statewide fixed assets needs at the lowest possible cost of capital (interest cost), serve to limit the ability to undertake many necessary transportation infrastructure improvements. Further, with the State's debt service benchmark target/cap, tax-supported transportation debt issues must compete with other priorities for the State's limited bonding capacity.

The 2012 Florida legislature placed a cap on the total level of debt and debt-like issuance that FDOT may undertake, limiting the future use of debt financing as a method of paying for transportation improvements. This cap is comprehensive and covers bonds issued directly for FDOT projects, FDOT participation in public-private partnerships (P3) initiatives through availability payments or other debt-like arrangements, and FDOT's risk-sharing participation agreements with regional transportation authorities.

Establishing RTFAs, funded with non-State tax and revenue sources and outside of the State's debt policies, will provide greater financial capacity and flexibility to complete large transportation improvements and new facilities and alignments on a more-timely basis, while allowing the State to preserve its existing debt financing practices and policies.

This is a conceptual recommendation, acknowledging the variety of public policy issues that must be considered in its implementation. It is anticipated each RTFA will identify revenue sources during the development process.

Regional Transportation Finance Authority Purpose

The purpose of establishing regional transportation financing entities is to provide increased capacity and greater flexibility to State and local agencies to finance important transportation infrastructure projects, while also preserving the integrity of the existing State bond policies and practices. An RTFA would operate without the State debt service target and cap limitations, credit rating requirements, and long-term debt management practices. It is contemplated the RTFAs would be funded from dedicated funding sources that do not fall under the definition of state revenues.

Debt Financing and the Principle of "User Benefit–User Pay"

Many economists believe a public policy of "user benefit–user pay" is the most equitable method for financing public capital outlays and collecting fees for their use. Accordingly, fixed assets that have a long useful life are often financed using debt with maturity terms that are up to or equal in length to the life of the asset. Under this approach, the cost of the asset is spread out over its useful life through monthly debt service payments.

This approach is much like the process of using a mortgage to pay for the cost of building a new house or adding rooms to an existing house. The monthly mortgage payments serve as the "user fee" and are paid overtime as the occupant (user) benefits from residing in the house. Most would consider it to be an unreasonable burden to require homeowners to pay the full cost of their home in advance of its use. By this same reasoning, in many instances, it can be considered an unreasonable burden to require an existing taxpayer to pay for investments in new transportation facilities and major improvements to existing facilities when these investments are primarily for the benefit of future transportation users.

Truth in Bonding Statement

Debt financing as a means to pay for infrastructure costs is often viewed unfavorably due to the added interest cost. For example, when proposing to debt-finance capital projects, State agencies are normally required to prepare a Truth in Bonding Statement (s.216.0442, F.S.). This statement requires the State agency to provide information on the amount to be financed, the term of the issue, the expected rate of interest, and the sum of interest payments over the life of the debt. This final requirement—to report the sum of interest payments—can be misleading, since the amount reported does not discount the cost of the future interest payments by an appropriate discount rate to adjust to present-day value and when the corresponding savings and benefits that are expected to be derived from the capital asset that the debt is being used to invest in are not taken into account.

Benefits of Debt Financing for Transportation Infrastructure

Debt financing permits a substantially higher level of investment to happen in the near term rather than gradually over time as with traditional "pay-as-you-go" strategies. This is particularly true during periods of low interest rates. Each \$1 of recurring revenue will generate \$15 to \$18 of bond proceeds for infrastructure investment. The economic benefits of

having these infrastructure improvements sooner rather than later, coupled with the inflation cost savings of building now rather than waiting, are offsets to the financing costs associated with debt financing.

Debt financing more precisely matches the cost of the project with the users of the project over time. A new facility or additional capacity on an existing facility will have an economic life of many decades. From a strictly equitable basis, it is not appropriate for today's taxpayers to pay the full cost for improvements that will benefit future users of the facility. Transportation infrastructure is a capital investment, not unlike the purchase of a house, which is a personal capital investment. A homeowner borrows the money to pay for the house (mortgage) and pays for the use of the house each month through mortgage payments for principal and interest. Debt financing of transportation capital projects is based on the same principal.

The interest earned on public-sector debt is exempt from federal income taxes, and the interest cost to a public agency when using debt financing is relatively low in comparison to private-sector debt. This provision is somewhat analogous to the home mortgage example, where the interest cost on the home mortgage is tax-deductible.

There are a number of cost savings and economic benefits that are realized when transportation projects are built sooner, using debt financing, rather than at a later time under "pay-as-you-go" financing. In general, the benefits of building transportation sooner are:

- Employment and general economic activity (including tax revenues) derived from higher levels of construction activity.
- Construction inflation cost avoidance.
- Right-of-way land appreciation cost avoidance.
- User savings (general public and commercial) in time, fuel, vehicle wear, and insurance costs.
- Economic preservation, efficiency, and growth in transportation-reliant businesses, such as manufacturing, tourism, distribution, agriculture, and on-site service providers.
- Economic development potential arising from reduced commuting times and commercial traffic capacity improvements.

While it can be difficult to quantify the economic values of each specific transportation improvement, many studies have been undertaken using various forms of analysis. These studies reflect the nationwide impacts that would be less at the state and local levels, since a portion of the economic activity occurs elsewhere.

A 2007 analysis performed by FHWA indicates that a \$1 billion investment in highway expenditures creates approximately 30,000 jobs (person years of employment) and generates in excess of \$1 billion in total employment income, taking into account supporting industries and induced employment.

Table 10. Economic Impact Estimates per \$1 billion of Highway Investment

Jobs Created and Employment Income		
	With 7% Right of Way Cost	With No Right of Way Cost
Jobs Created:		
Construction Oriented	9,536	10,300
Supporting Industries	4,324	4,675
Induced Employment	<u>13,962</u>	<u>15,094</u>
Total Jobs	<u>27,822</u>	<u>30,069</u>
Employment Income: (\$ Millions)		
Construction Oriented	\$394.8	\$426.8
Supporting Industries	\$175.1	\$189.3
Induced Employment	<u>\$492.1</u>	<u>\$532.0</u>
Total Income	<u>\$1,062.0</u>	<u>\$1,148.1</u>
<p>Source: Federal Highway Administration (FHWA) for 2007 FHWA measures jobs created in terms of person years of employment. The 1997 FHWA report also refers to a total of 37,500 jobs supported by the investment of \$1 billion in federal highway funds. This number includes a 20% state match of funds and thus measures the impact of \$1.25 billion in total highway spending.</p>		

According to the FHWA Strategic Plan, dated March 2010, since the inception of the Interstate Highway System, U.S. industries have realized production cost savings averaging 18 cents annually for every dollar invested in the road network. The Strategic Plan further states:

Although the impact of highway investment on productivity has declined coincident with the decline in national productivity growth since the early 1970s, results suggest that highway infrastructure investments more than pay for themselves in terms of industry cost savings.

One U.S. DOT study determined that every dollar invested in the nation's highway system yielded \$5.70 in economic benefits from reduced delays, improved safety, reduced vehicle operating costs, and other benefits. Another U.S. DOT report found that, for every \$1 billion invested in infrastructure improvements, economic activity was stimulated by \$2.6 billion. These increases in economic activity and job creation result in higher public-sector tax and fee revenues, which partially mitigate the total cost of the transportation investments.

Highway construction is commodity price-sensitive and relies heavily on petroleum-based products such as asphalt and energy-intensive diesel fuel used in earthmoving equipment,

cranes, generators, air compressors, etc. As a result, future construction costs may increase at rates higher than the general inflation rate should oil prices continue to increase.

Historically, property costs for right-of-way acquisition have risen at annual rates far in excess of the general rate of inflation or interest costs on debt financing. In the late 1980s, FDOT conducted a survey of land appreciation rates in each FDOT District and found that property cost increases of 12–15 percent were not uncommon. This occurred particularly in urban settings and areas experiencing rapid growth, where land appreciation and the potential for business damages were the greatest.

Current Transportation Debt Financing Programs in Florida

Florida currently has in place a number of debt financing programs to pay for transportation needs that are described below. However, the ability to issue additional debt or to participate with private-sector entities, local governments, and transportation authorities in traditional risk-sharing arrangements will be curtailed due to the limitations of both the State's debt policies and practices and the recently-enacted statutory cap for FDOT debt and debt-like issuances.

Right-of-Way Acquisition and Bridge Construction Bonds

Historically, land acquisition costs have been found to increase at a higher rate than general inflation, particularly in urban areas. For example, a 1989 study conducted by Ernst and Young for the FTC determined that right-of-way costs were increasing at a 13 percent annual compound rate at that time. These findings served as a catalyst for the creation of the Right-of-Way Acquisition and Bridge Construction bonding program by the Florida legislature in 1990 as well as various advanced right-of-way acquisition initiatives by FDOT. The Florida legislature recognized the cost saving advantages of debt financing for right-of-way purchases.

The legislature further recognized the "user benefit–user pay" principle of debt financing for transportation projects in approving the issuance of bonds for bridge construction beginning in 1994. Right-of-way is most often purchased to expand the capacity of an existing roadway or facility or to construct a new facility. Debt financing allows these capacity-related costs to be borne over time by the future users who benefit from the improvements. Similarly, new bridges and replacements or expansions of existing bridges that extend their functional or structural life are appropriately debt-financed so that these costs spread out over time for future users to pay rather than being paid in full by today's users through higher transportation taxes or through the deferral of other transportation needs.

Bonds issued for these purposes are general obligation (full faith and credit) bonds authorized under an amendment to the State Constitution approved by Florida voters in 1988. Through June 30, 2011, \$2.2 billion in bonds have been issued, with tentative plans to issue an additional \$700 million over the next six years.

GARVEE Bonds

Grant Anticipation Revenue Vehicles (GARVEE) Bonds is a federal transportation debt-financing program consistent with the user benefit–user pay concept. GARVEE bonds permit the State

to issue debt to advance federal-aid transportation projects with debt service payments being made from the State's apportionments of future-year federal-aid highway funds.

Section 215.616, F.S., authorizes the issuance of GARVEE bonds. Annual debt service is capped at 10 percent of annual federal highway apportionments, and bond terms are limited to 12 years. As stated in the FDOT 2011 Bond Update Report:

GARVEE bond advantages include: allows multi-year funding of commitments with sources other than federal grants while preserving access to the federal-aid which would be applicable to the project over a period of years; maximizes scarce revenues to meet the cash flow needs of transportation infrastructure; allows for the acceleration of needed projects; and enhances positive economic growth with improved highway and intermodal transportation facilities.

FDOT has tentative plans to issue up to \$350 million in GARVEE bonds during the next six years. Unfortunately, similar plans in prior years have not materialized and, to date, no bonds have been issued under the GARVEE Statute. Furthermore, since GARVEE bonds fall under the State's bonding cap for taxable debt, they must compete with other statewide needs during more normal economic times and cannot be issued during periods of economic downturns, when the State's bond cap has been exceeded.

Public-Private Partnership (P3) Initiatives

Florida, like many states, has recently looked at undertaking P3 projects, whereby private-sector financing is used to supplement public debt. While the private-sector financing costs (taxable debt) typically are greater than tax-exempt public debt, these added costs are often determined to be outweighed by the benefits and cost savings that are realized when private-sector financing is used to meet critical infrastructure needs. Florida has entered into P3 agreements to construct reversible lanes on I-595 in Broward County and the Port of Miami tunnel project.

Typically, the private-sector party agrees to build, operate, maintain, and finance a high-cost toll project while the State agrees to make "availability payments" to provide a guaranteed revenue stream to the private-sector entity for purposes of securing financing. However, under the State's debt policy, availability payments are deemed to be tax-supported debt obligations of the State and, accordingly, are included when calculating the State's debt ceiling. These payments are also included in the calculations for FDOT's recent enacted debt cap. The State currently reports \$1.694 billion in P3 obligations.

Since P3 availability payments are considered as tax-supported debt, this financing alternative loses many of its inherent benefits as a State financing alternative. They use the State's limited tax-supported debt bonding capacity rather than supplementing it, when at least a portion of the costs of P3 project could have been financed using revenue bonds that are not included in the State's tax-supported debt ceiling calculations. These limitations argue for the development of an alternative mechanism whereby P3 projects can be pursued without triggering the State bond ceiling provisions.

"Pay-As-You-Go" Funding

Many transportation capacity improvements are funded using the "pay-as-you-go" method. One reason this approach is taken is a belief by many that it reflects appropriate conservative fiscal policy, when it would be more appropriate to fund many capacity projects with debt issuance. "Pay-as-you-go" may not be the most appropriate financing option in instances where the State is undertaking substantial infrastructure improvements to accommodate future demand growth. This is particularly true during periods when the cost of debt is low relative to anticipated future inflation.

When using "pay-as-you-go," projects frequently must be constructed incrementally. Since funds are not available to widen an entire congested corridor, individual sections are widened over time as new funding becomes available. This approach delays the time needed to ultimately reduce congestion within the corridor, and it results in additional construction-related traffic delays and business damages as sections of the corridors are continuously under construction. Delaying needed transportation infrastructure until sufficient pay-as-you-go funds become available or using a piecemeal approach in widening congested corridors can result in significant negative consequences for all motorists, greater business damages for the State's existing commercial enterprises, and restrict future economic growth and development.

State Debt Policies and Practices

The State's debt policies, while appropriate for purposes of maintaining an ongoing fixed-asset debt financing program for general government purposes, serve to limit otherwise appropriate uses of debt financing to pay for transportation needs. The State maintains a designated benchmark debt ratio for proposed and outstanding tax-supported bonds of a 6 percent target and a 7 percent cap of pledged annual State revenues. Under this policy, the issuance of new general obligation debt is limited when future debt service payments are projected to exceed 6 percent and generally curtailed if they exceed 7 percent.

Many of the State's primary revenue sources, such as sales taxes and corporate income taxes, are closely correlated to the health of the economy. Thus, the State has supplemented these bond policies by setting aside funding reserves in a "rainy day fund" to help pay for recurring costs in the event an economic downturn results in a significant State revenue loss.

As stated in the State of Florida 2010 Debt Affordability Study, prepared by the Division of Bond Finance: "Maintaining adequate reserves, developing a structurally balanced budget, and not relying on one-time revenue sources are critical factors the rating agencies will be evaluating when determining the State's future ratings."

The State has benefited from the twin policies of fiscal discipline and conservative debt issuance practice, both by lowering its borrowing costs through the ability to annually issue bonds with strong credit ratings and by possessing a greater degree of flexibility to weather severe economic downturns when compared to many other state governments.

**Table 11. State Bond Debt Outstanding and Competing Uses
As of June 30, 2011 (\$ millions)**

Total Debt	Amount	Percent
Net Tax-Supported Debt - Subject to State Cap	\$ 22,945	83%
Self-Supporting Debt - Not Subject to State Cap	\$ 4,732	17%
Total	\$ 27,677	100%
Tax-Supported Debt		
Education	\$ 15,122	55%
Environmental	\$ 2,363	9%
Transportation	\$ 3,741	14%
Appropriated Debt / Other	\$ 1,719	6%
Total	\$ 22,946	83%
<i>Transportation Breakout</i>		
<i>Right-of-Way Acquisition & Bridge Construction</i>	\$ 1,760	6%
<i>GARVEE Bonds</i>	\$ -	0%
<i>State Infrastructure Bank</i>	\$ 19	0%
<i>P3 Obligations</i>	\$ 1,694	6%
<i>Florida Ports</i>	\$ 268	1%
Subtotal	\$ 3,741	14%
Self-Supporting Debt		
Education	\$ 752	3%
Environmental	\$ 527	2%
Transportation	\$ 3,453	12%
Total	\$ 4,732	17%
<i>Transportation Breakout</i>		
<i>Toll Facilities</i>	\$ 3,296	12%
<i>State Infrastructure Bank Revenue Bonds</i>	\$ 73	0%
<i>Road and Bridge</i>	\$ 84	0%
Subtotal	\$ 3,453	12%
Differences due to rounding		
Source: 2011 Debt Affordability Report, Division of Bond Finance		

The importance of these policies was clearly tested during the severe economic downturn that began in 2008 and continues today. State revenues declined substantially relative to annual debt service payments of outstanding bonds. In FY 2009, annual debt service equaled 7.9 percent of State revenues, or nearly 1 percent above the State's 7 percent debt ceiling. Nevertheless, the State's bond credit ratings, while temporarily affected, have remained strong and are among the highest in the nation. Those states that used more liberal debt issuance

policies, lower reserves, or a reliance on debt to pay for recurring operating needs endured greater financial hardship during this economic downturn than did Florida. Thus, one advantage of the debt management and fiscal policies adopted by the State is that they allow Florida to maintain a strong credit rating (AAA/Aa1), thereby lowering the State's debt service costs. This is a valuable asset when managing an ongoing fixed asset program, which is dependent upon annual bond issuances.

More importantly, the State's debt policies have ensured that appropriate fiscal discipline is maintained with respect to the State's budgeting process. They serve to minimize unsound practices, such as issuing bonds to pay for recurring operating costs or issuing bonds in a fashion that limits the State's future bonding capacity to pay for future fixed-asset needs. Accordingly, bonds are generally issued for fixed periods of 30 years or less and with level debt service payments that allow additional bonding capacity to be created as State tax revenues grow and as older bond issues mature.

Limitations of State Debt Policies

The State's debt policies and practices have been demonstrated to serve Florida well, both for purposes of long-range financial management and, in particular, during periods of severe economic downturn. However, they limit the amount of debt financing that may be used for transportation capacity improvements in instances where it may be the most appropriate financing method, when other factors are taken into account, such as cost savings, commercial and economic benefits, accelerated construction schedules, and the appropriate matching of transportation costs and use.

While the bond cap is an integral component of the State debt policy for maintaining strong credit ratings, it results in competition among various State programs for limited tax-supported debt financing capacity. Transportation must compete for scarce bonding capacity with other critical State needs. While many studies indicate that debt-financed transportation improvements will "pay for themselves" in terms of economic benefits, it is difficult for these projects to secure a portion of the limited tax-supported debt capacity when competing against other State fixed asset needs, such as education financing. Further, the State's ability to issue tax-supported bonds for any purpose is limited during periods of time when the general revenues of the State decline and the benchmarks have been breached.

Application of State Bond Practices to Self-Supporting Debt

Self-supporting debt is distinguished from tax-supported debt in that it does not carry a pledge of the full faith and credit of the State of Florida, and its debt service obligations are generally paid from internally-generated revenues or fees. Examples include toll roads and college dormitories.

Self-supporting debt is not included in the calculations of the State's bond target and cap. However, with few exceptions, most of the State's other conservative debt practices are applied to self-supporting debt. With respect to self-supporting debt, the State appears to follow the practice of preserving debt capacity for future applications when a more appropriate public policy may be to use higher levels of debt financing today to secure the economic benefits associated with the capital improvement and attendant revenues.

Table 12. Florida Debt Service as a Percentage of State Revenues

State of Florida Tax Supported Debt			
6% Target / 7% Cap			
\$ Amounts in Billions			
Fiscal Year	Benchmark	Debt	Change from
Ending	Debt Ratio	Outstanding	Prior Year
2006	5.10%	\$17,865.5	\$410.2
2007	5.49%	\$18,339.6	\$474.1
2008	6.38%	\$20,328.7	\$1,989.1
2009	7.91%	\$22,372.9	\$2,044.2
2010	7.39%	\$23,557.3	\$1,184.4
2011	7.46%	\$22,945.0	-\$612.3

Source: 2005-2011 Debt Affordability Reports, Division of Bond Finance

Local toll authorities (LTAs) in Florida contend that FDOT’s conservative financing policies—while suitable for standard inter-city turnpikes where traffic growth is moderate and for stand-alone toll bridge projects—are less well-matched to the needs of fast-growing urban expressway systems. For projects where traffic growth is much faster than in the inter-city segment, LTAs argue that debt service that increases over time can be a better fit. By taking advantage of both higher traffic growth and inflation-adjusted toll rates, the LTAs could finance larger projects sooner via a more aggressive approach to project finance. Such policies are potentially higher risk than the “plain vanilla” state policies, but when such debt is legally the responsibility of the LTA, not the State, then it is not clear that State policy should constrain LTAs from making their own tradeoffs about the degree of risk they take on. If the bond market judges that such structured finance is higher risk, it will price that risk into the interest rate on the revenue bonds. LTAs argue that it is appropriate for their locally accountable boards to be able to make such tradeoffs.

Business Enterprise Characteristics of Revenue Generating Transportation Agencies

LTAs, such as transportation, toll and transit authorities, are classified under General Accepted Accounting Principles (GAAP) as business enterprises. In recognition of their business-like characteristics, GAAP requires state and local governments to account for these operations as “business-type activities”—activities similar to those found in the private sector that include services primarily funded through user charges.

The designation of user-fee based government-owned operations as business enterprises is an important distinction for policy makers to consider in that business operations are in many respects dissimilar from governmental operations. For example, businesses borrow money to expand operations for the purpose of increasing revenues and profits. Public enterprises, such as toll agencies, operate in a similar fashion, the primary difference being that the public enterprise is not driven by profits but rather by providing revenue-generating services as determined by increases in traffic demand.

According to GAAP Section 80.20.35.b:

Proprietary Funds are used to account for a government's ongoing organizations and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis.

Enterprise Funds – used to account for any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds, in the context of the activity's principal revenue sources, if any one of the following criteria is met:

- The activity is financed with debt that is secured solely by pledge of the net revenues from fees and charges of the activity,
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

It is appropriate to maintain a long-range debt financing program that is measured and takes into consideration the preservation of debt issuing capacity for future needs for general government purposes. However, for enterprise purposes, circumstances will arise in which it is a more appropriate public policy to maximize available bonding capacity in the near term, understanding that the facilities that are being constructed will generate and grow revenues over time.

Transportation improvements frequently do not lend themselves to the incremental improvements that can be made under a measured long-range debt management approach. Sometimes it is counterproductive to expand highway capacity within a congestion corridor in a piecemeal fashion, as this serves only to increase the duration of construction, adding to construction-related traffic delays as well as additional business damages. Initial large debt outlays may be required to complete a facility, such as a tolled highway that is forecast to generate a growing stream of future revenue that can be adjusted to correspond with inflation increases. Under these circumstances, greater flexibility to match costs and future revenues is warranted by using more flexible debt structures and terms.

While many of the State's debt policies and practices are necessary and desirable for general State financing purposes, they have the effect of restricting otherwise appropriate methods for financing transportation capacity improvements. Accordingly, it is recommended that the legislature explore the creation of RTFAs.

Regional Transportation Finance Authorities

The recently-enacted legislation limiting FDOT's participation in debt financing and debt-like programs should serve as a catalyst for establishing a transportation financing mechanism that does not impact the State's debt management policies and practices. It is contemplated that RTFAs would operate independent of the State and would not rely on State tax revenues in any capacity that would limit the State's tax-supported bonding capacity.

The general purpose of the RTFAs will be to provide financial assistance in various forms to the governmental agencies and public-private ventures within the state to assist their efforts to debt-finance appropriate transportation projects, thereby accelerating project schedules, avoiding inflationary and land appreciation cost increases, and providing cost savings to motorists and commercial interests as well as related economic benefits.

Potential RTFA Applications – It is contemplated that RTFAs could provide a variety of financial services to state and local transportation agencies, many of which mirror or could take the place of existing State debt financing programs. This would have the advantage of freeing up State tax-supported bonding capacity for other uses. These activities may include:

- Issue GARVEE-like bonds to advance state and local transportation project construction schedules, repaid from future federal, state or local transportation appropriations.
- Provide subordinated or below market rate loans to assist in financing revenue-generating projects with characteristics similar to existing State Infrastructure Bank (SIB) loans.
- Enter into P3 agreements where warranted.
- Provide short-term construction loans to toll agencies to defer long term financing until after project completion.
- Provide a source of funding to advance purchase rights-of-way where property appreciation is anticipated to be greater than financing costs.
- Issue debt supported with revenue streams from outstanding loan agreements to leverage financing capacity, similar to existing SIB bonds.
- Enter into risk-sharing agreements, where appropriate, to maximize the bonding capabilities of governmental entities.
- Enter into multi-agency financing agreements to develop and pay for significant regional transportation facilities.
- Provide "seed money" for the development of new toll facilities – similar to the existing Toll Facilities Revolving Trust Fund Program.
- Advance-purchase right-of-way for new alignments and capacity expansions in existing corridors, similar to the existing Right-of-Way Acquisition and Bridge Construction Trust Fund Program.

Figure 20 illustrates the cumulative transportation project financing potential over 10 years for two debt financing alternatives, compared to the "pay-as-you-go" option. Each approach is capitalized at \$100 million per year in recurring non-state revenues. The "Pay-Go" approach uses FDOT's cash flow management practices, the "Bonded Projects" approach assumes a combination of debt financing and cash is used directly for project costs, and the "Loan Program" approach assumes a revolving loan program, similar to the SIB, where debt proceeds

are loaned to and repaid by transportation agencies. In Year One, both debt financing approaches would allow approximately \$750 million in new construction starts, compared to approximately \$240 million in cash-flowed “pay-as-you-go” projects. By Year 10, a revolving loan program would finance approximately \$3.2 billion in projects, compared to \$1.4 billion in bond/cash financed projects and \$1.1 billion using “pay-as-you-go.”

It is contemplated that RTFAs would use a variety of approaches based upon the financing requirements of individual projects and the financial needs of the respective transportation agencies and in accordance with established debt management policies and practices.

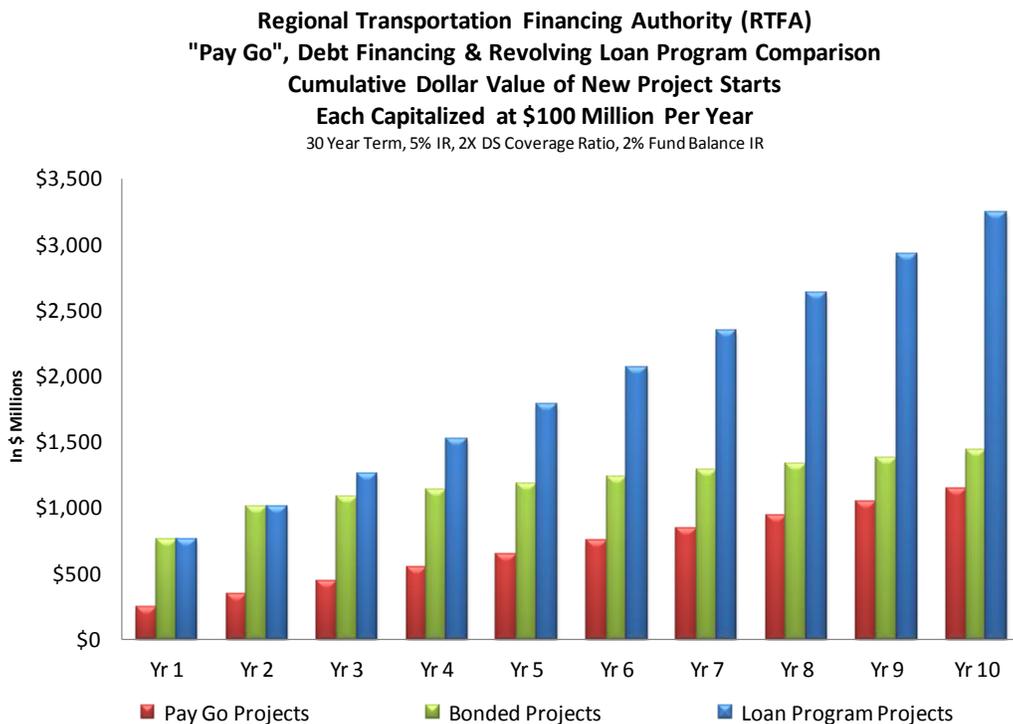


Figure 20. Pay-Go, Debt Financing, and Revolving Loan Program Comparison

Institute a sales tax on motor vehicle parts and services

Recommendation: Shift the sales tax on vehicle accessories, parts, repairs, and service from the GR Fund to the STTF.

Rationale

A number of states dedicate a portion of their motor vehicle-related sales tax collections to transportation funding. This recommendation is to dedicate the revenues collected from the State’s existing 6 percent general sales tax on vehicle accessories, parts, repairs, and service to the STTF. The GR Fund currently receives these proceeds and would suffer a loss of revenue. This would, however, provide an additional \$666 million of transportation-related revenues to the STTF.

A number of states dedicate a portion of their motor vehicle sales tax collections or impose additional vehicle excise taxes for funding transportation. This recommendation is to dedicate a portion of the revenues collected from the State's existing 6 percent general sales tax on motor vehicles to be used for transportation rather than for general government purposes. It is understood that this action would be difficult to accomplish under current economic circumstances and State revenue limitations. It should be considered in the event future economic conditions permit this action.

Discussion

The precedent exists in many states that use a portion of motor vehicle sales taxes to fund their transportation programs. A number of states consider sales and other excise taxes on motor vehicles to be a form of user-fee for funding transportation needs. Since general sales taxes are paid on the purchase price of a motor vehicle, there exists a rational nexus between the levy of this tax and its use for transportation purposes.

Currently, 10 states dedicate a portion of the state sales tax collections on motor vehicle sales to their transportation funds, including Arizona, California, Indiana, Kansas, Massachusetts, Mississippi, New York, Pennsylvania, Utah, and Virginia. In addition, 12 states levy additional excise taxes on motor vehicle sales for transportation purposes, including Connecticut, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, North Carolina, Nebraska, Oklahoma, South Dakota, and Virginia. Furthermore, most states supplement their transportation programs with general revenue funds.

Dedicating a portion of Florida's motor vehicle sales taxes, sales tax collections on vehicle accessories, parts, repairs, and service could be used as an additional source of transportation funding.

Shifting a portion of the sales taxes collected on activities related to the sale and maintenance of motor vehicles would result in a corresponding reduction in general revenue. Accordingly, this recommendation would be difficult to implement during periods of time when the State is experiencing shortfalls in general revenue collections. Nonetheless, this approach would be reasonable and justifiable from the user-benefit concept when more favorable economic conditions return to the State.

Revenue Option: Shift Sales Tax Collections on Vehicle Parts, Repairs, Services, and Accessories to the STTF

8-Year Total: \$5,331 million
Annual Average: \$666 million

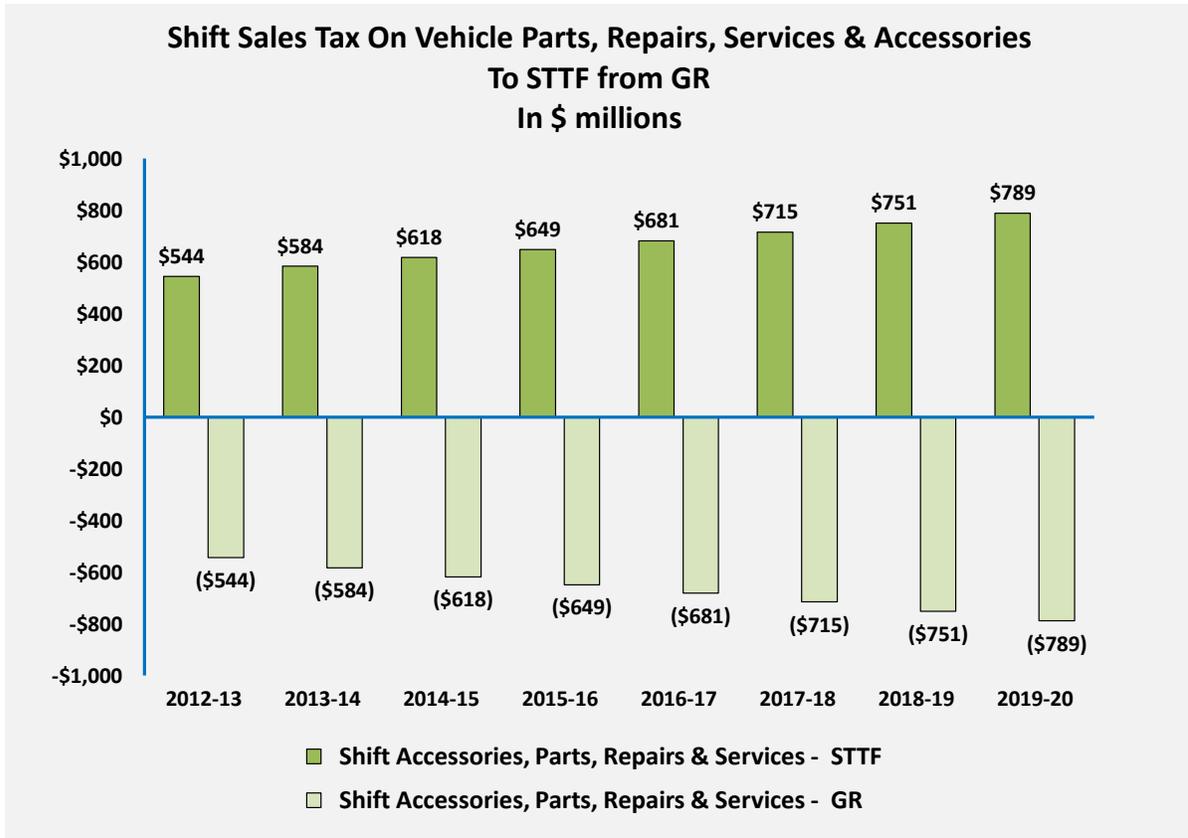


Figure 21. Estimated Revenue Impact* – Shift Sales Tax on Selected Motor Vehicle Parts and Services to STTF

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Shift sales tax on battery-electric vehicles to the STTF

Recommendation: Shift the State general use sales tax revenues on electric vehicles from the GR Fund to the STTF.

Rationale

Battery-electric vehicles (BEV) do not use traditional motor fuels and, therefore, users do not contribute to the STTF to compensate for the use of the highway system. This option would establish the precedent that BEV sales taxes would be remitted to the STTF rather than to the

GR Fund before their sales grow to a point that general revenues would be harmed substantially and to ensure that users pay their “fair share.” Sales forecasts vary widely for these newly-introduced vehicles, and projections indicate that, on average, about \$9 million per year in revenue could be realized by the STFF under this option.

Discussion

This recommendation would ensure that BEVs pay their “fair share” of the cost of maintaining and improving the state’s transportation systems without imposing an additional tax burden on the purchasers of such vehicles. All-electric vehicles do not use motor fuels and, accordingly, do not pay motor fuel taxes. BEVs are defined as those vehicles that operate using 100 percent electric power. Examples of current BEVs include the Nissan Leaf, Tesla, and Fisker; not included are hybrid vehicles such as the Chevrolet Volt or Toyota Prius, which are also powered with an internal combustion engine.

Since BEV sales are currently relatively small, the impact to the GR Fund would also be relatively minor. Sales growth is expected to increase incrementally from the current small base, allowing for gradual adjustments in GR collections.

While forecasts on consumer purchase patterns vary widely, it is currently estimated for the purposes of this study that Florida BEV sales may reach 2,400 in FY 2012/13, growing to 4,500 by FY 2019/20. Accordingly, the State general sales tax revenues from BEV sales are calculated at \$5.2 million for FY 2012/13, growing to \$11.2 million in FY 2019/20. Actual BEV sales volumes and the associated general sales tax collections could vary considerably from these estimates based on fuel prices, customer acceptance, vehicle costs, and the rate of battery technology enhancements.

The deposit of sales tax proceeds from the sale of BEVs would be considered a one-time payment for operation on state roads and highways for the life of the vehicle. Shifting the sales tax on BEV sales from the GR Fund to the STFF will initially result in a minimal revenue impact. BEV sales should increase gradually over time as battery technologies improve and costs decline: however, the exact rate of change cannot be determined.

Implement a \$10 county vehicle registration fee

Recommendation: Establish an optional county vehicle registration fee for public transportation at \$10 per vehicle, which each county can elect to implement, that is targeted for public transit (operating or capital) and creates a bondable revenue stream.

Rationale

Under this option, counties could elect to institute a \$10 annual fee for each vehicle registered in that county with the revenues targeted for public transportation purposes and be a “bondable” revenue stream. The County Vehicle Registration Fee, if adopted by all counties, would generate approximately \$155 million per year. Annual fee collections range from \$19 million in Miami-Dade County to under \$100,000 in a number of the state’s smaller counties.

Discussion

MVL Fees are the third largest state transportation funding source, comprising 19 percent of Florida's state transportation taxes and fees. While local governments currently may impose local option motor fuel taxes, no similar provision is available for MVL Fees. MVL Fee rates for private automobiles and light trucks currently range from \$19.50 to \$44.00 annually. As these fees are assessed according to the vehicle's weight, rates are considerably higher for heavy trucks.

The 2009 Florida legislature increased MVL fees by approximately 35 percent. Prior to this rate increase, MVL fees were last adjusted in 1983. Thus, from an inflation-adjusted perspective, the 2009 fee increases reflected only about 1/4 of the general rate of inflation increase of 130 percent. In all vehicle weight categories, the combined 2009 increase and the assessment of a \$10 county optional motor vehicle decal fee would continue to result in fee rates that are below the growth in the general rate of inflation since 1983.

The County Vehicle Registration Fee, if adopted by all counties, would generate approximately \$143 million per year. This amount would change over time based on the number of vehicles registered. Annual fee collections range from an estimated \$18.5 million in Miami-Dade County to under \$100,000 in a number of the state's smaller counties.

It is recommended that this fee be targeted for public transportation purposes within each county, either to assist in covering operating costs or for capital outlays. Further, it is recommended that the fee be drafted in legislation to permit it to remain in place for an extended time period, such as a minimum of 30 years, thereby allowing it to be used as a debt-service pledge on local bond issues. It is contemplated that adoption of the fee will require an extraordinary vote of the County Commission or a countywide referendum initiated by the Commission, as is currently required to implement the 1 to 5 cent local option motor fuel tax.

Revenue Option: Local Option \$10 County Vehicle Registration Decal Fee

8-Year Total: \$1,242 million (max)

Annual Average: \$155 million (max)

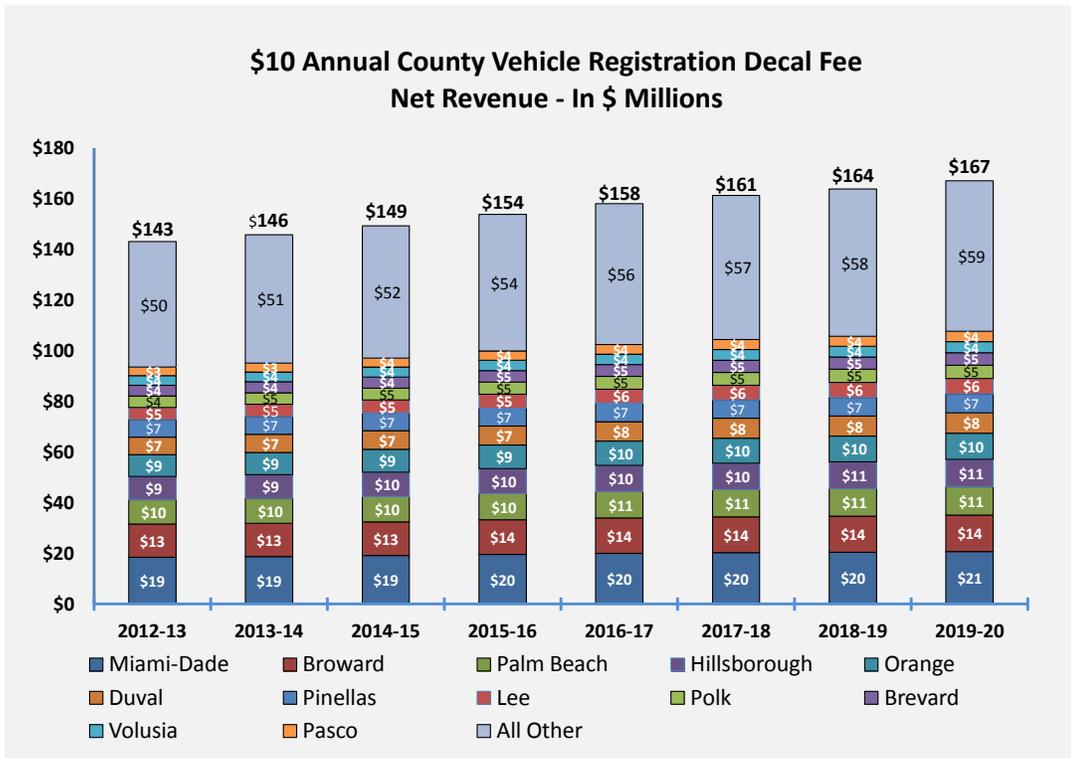


Figure 22. Estimated Local Revenue Yield* – \$10 Registration Fee Imposition

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Expand the current alternative fuel decal program

Recommendation: Expand the current alternative fuel decal program to include all vehicles using alternative fuels and/or not propelled via an internal combustion engine (e.g., electric). Pro-rate the fuel decal fee for hybrid electric vehicles.

Rationale

This recommendation would expand the existing decal program required for CNG vehicles to all vehicles that use non-traditional motor fuels or are not propelled by internal combustion engines (e.g., battery-electric cars). It would also create the requirement for decal payment on pro-rata basis for hybrid electric and plug-in hybrid vehicles. The rate currently charged for CNG-powered vehicles is \$196.90 per year to account for the fact that no highway use fee is being paid through motor fuel taxes. The wide variance of hybrid vehicle types (mild hybrids,

full hybrids, plug-in hybrids) and the rapidly-developing technology could create implementation and consumer communication challenges. If implemented, current estimates indicate an expanded decal program could generate up to \$40 million annually by 2020.

Discussion

Vehicles, such as plug-in hybrid and all battery-electric vehicles use less or no motor fuel and, consequently, contribute less in motor fuel taxes towards the maintenance and improvement of transportation facilities. With future cost reductions and efficiency improvements, the percentage of alternative fuel vehicle purchases could potentially increase significantly, resulting in lower motor fuel tax collections. This recommendation will help to mitigate the potential revenue loss; however, it may be difficult and costly to administer fairly.

Currently, the alternative fuel decal program applies only to motor vehicles using CNG. The rates currently charged for CNG vehicles, \$196.90 for 2012, are reasonable when compared to state motor fuels taxes paid based on the average miles traveled per vehicle. These rates are adjusted annually in accordance with statutory formula.

However, the alternative fuel decal is not assessed on all electric vehicles. Further, many hybrid vehicles used substantially less motor fuel than do internal combustion engine vehicles. Thus, hybrids and battery-electric vehicles do not pay the same share of the costs for maintaining and improving the state's transportation system as do internal combustion engine vehicles.

Total hybrid sales reached the 2 million mark nationwide by 2009. It is forecast that 1.6 million hybrids will be sold annually in 2016. The growth in BEVs is expected to be significantly slower, with sales of 2,700 in 2010, growing to 65,000 by 2016. Using proportional estimates, there are currently 160,000 hybrid vehicles and, perhaps, 1,000 all-electric vehicles operating in Florida today.

Hybrid vehicles have different motor fuel efficiencies, depending upon vehicle type, hybrid characteristics, and usage. Generally, the increase in fuel efficiency of hybrids (over comparable internal combustion vehicles) is approximately 20 percent for mild hybrids, 30 percent for full hybrids, and 45 percent for plug-in hybrids. These efficiencies may change over time, particularly with improvements in battery technologies.

Plug-in hybrids and BEVs use generated electricity as a partial or full fuel source. It can be argued that these vehicles pay various state and local excise taxes on electricity consumption and, thus, should not be required to pay an additional fuel decal fee. However, taxes imposed on electricity consumption are used for other governmental purposes, while fuel taxes are traditionally considered a user-fee to pay for the cost of the transportation system. Therefore, the application of the full decal fee to BEVs and pro-rated fees for hybrids, based on type, would ensure the operators of these vehicles contribute an appropriate share of the transportation costs.

An expanded alternative fuel decal program would initially generate approximately \$11 million, growing to \$40 million in FY 2019/2020. These estimates are subject to significant adjustment

based upon potential cost and efficiency improvements and customer acceptance of alternative fuel vehicles.

Revenue Option: Expand Alternative Fuel Decal Program to Electric, Hybrid, and Other Vehicles that Use Non-Traditional Fuels

8-Year Total: \$204 million
Annual Average: \$26 million

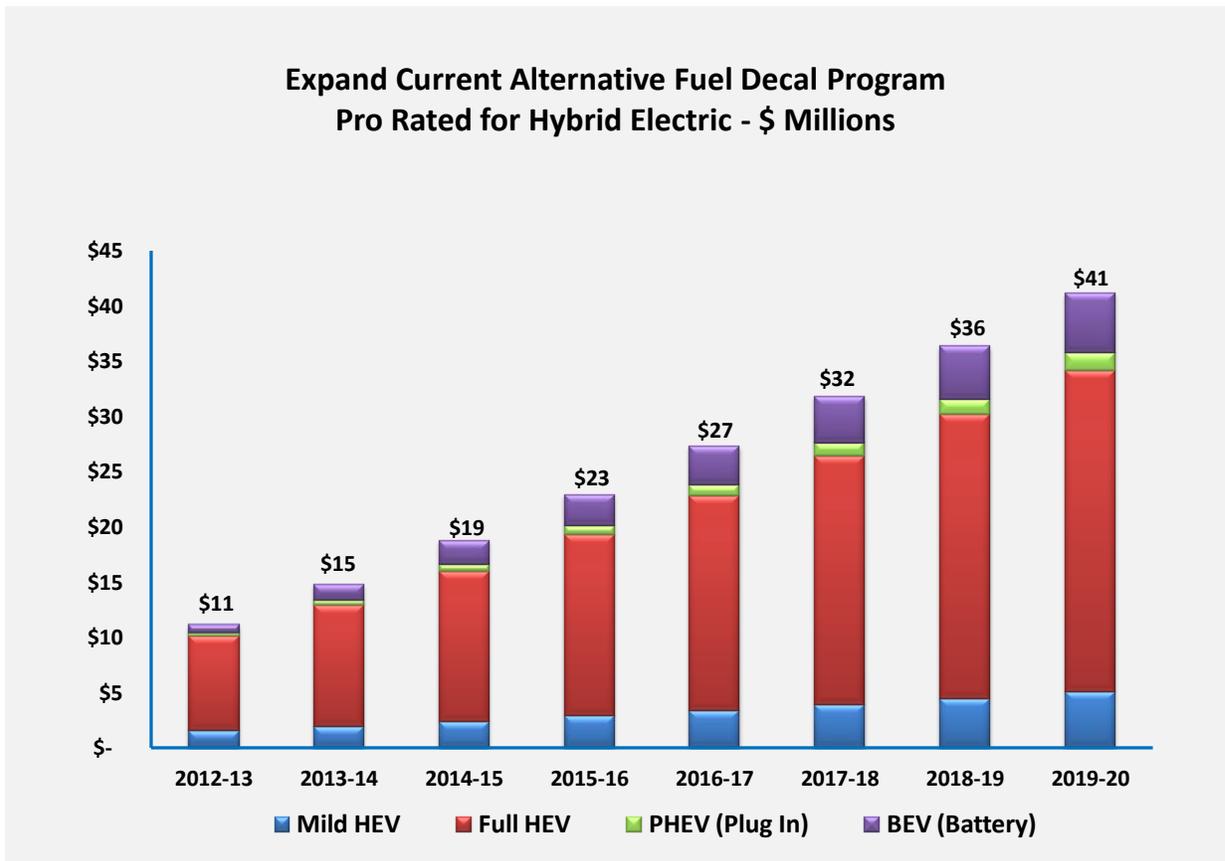


Figure 23. Estimated STTF Revenue Impacts* – Expand Alternative Fuel Decal Program

*The MPOAC Revenue Study calculations were prepared using Florida REC data and assumptions as of October 2011. Subsequent REC estimations may result in changes to the funding levels generated by this option. Accordingly, the revenue estimates displayed above should be considered approximate funding levels for the purpose of evaluating additional revenue alternatives.

Invest \$100 million of incremental revenue in new toll projects

Recommendation: Increase the levels of State funding invested in Florida’s Turnpike Enterprise and Regional Expressway Authorities to leverage new toll project revenues and increase total transportation infrastructure financing capacity. Use incremental new revenue.

Rationale

Like the RTFA option, this recommendation is a suggested use of incremental revenue raised by implementation of the other options and prescribes an annual investment of \$100 million each year in Florida’s Turnpike Enterprise and expressway authorities across the state. This investment would leverage new toll project revenues and increase total transportation financing capacity. Each \$1 of recurrent toll revenue will generate \$15–\$18 in bond proceeds for infrastructure investment. The economic benefits of having projects implemented sooner rather than later, coupled with the inflation cost savings of building now rather later, are offsets to the financing costs associated with issuing debt. The 2012 Florida legislature has taken an initial step in this direction by allocating \$35 million per year for 30 years to Florida’s Turnpike Enterprise to pay for turnpike system feeder roads and access projects.

Discussion

Florida’s tolled highways have expanded rapidly in past decades primarily due to the State’s policy of assisting toll road development and construction through direct appropriations and grants (capital contributions), subordinated loans, financial covenants, and guarantees. This has resulted not only in significant contributions to the State Highway System in terms of building new highways and adding lanes to existing highways, but also in accelerating toll highway projects, which, in turn, has accelerated toll revenue collections and the ability to reinvest these higher toll revenues on yet additional transportation infrastructure projects.

**Florida Toll Revenue Collections
Converted into Equivalent Pennies Per Gallon of Motor Fuel Tax**

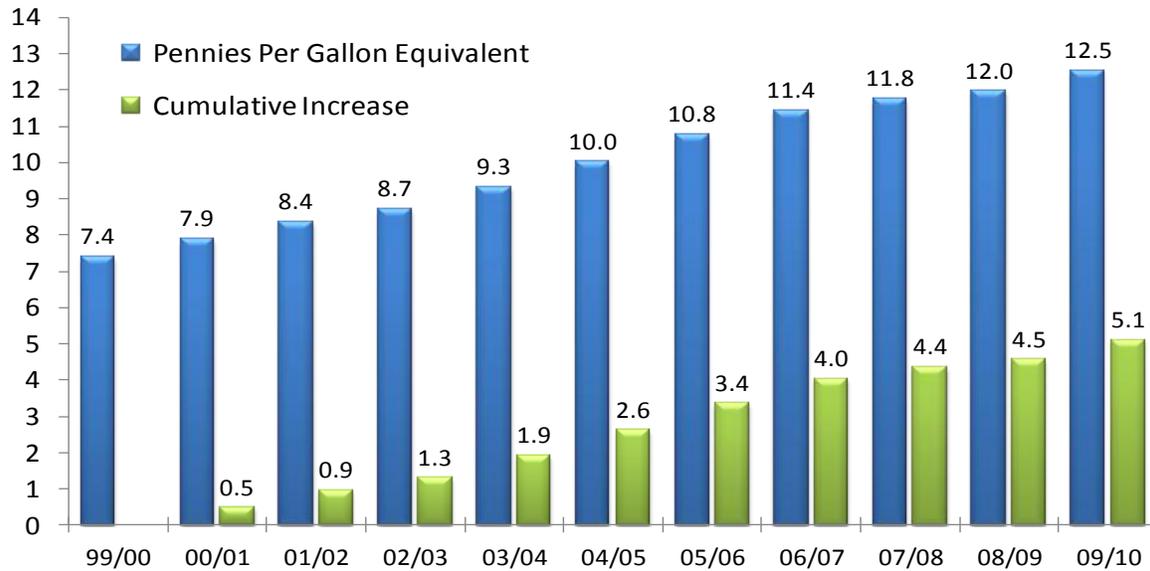


Figure 24. Florida Toll Collections Expressed in Motor Fuel Cents per Gallon Equivalents

Toll agencies have contributed substantially towards addressing the state's transportation funding needs. This is apparent when converting annual toll revenue collections into the equivalent number of cents per gallon that motor fuel taxes would need to be increased to generate the same amount of transportation funding. In 10 years, toll revenues increased the equivalent of over 5 cents per gallon of fuel tax proceeds, from 7.5 cents in 2000 to 12.5 cents by 2010. In FY 2009/10, toll revenue collections (\$1.15 billion) exceeded the State's Highway Fuels Sales Tax collections (\$1.10 billion).

Over the years, Florida has developed and implemented a variety of financial guarantees and covenants to maximize the potential bonding capacity of toll agencies for new facilities and capacity expansion. The State has also provided more than \$3 billion in grants and loans to enhance the financial feasibility of toll projects. This has consisted of approximately \$1.3 billion in loans, mainly through a number of loan programs created to encourage the development of toll facilities and \$1.7 billion in direct grants (capital contributions).

As a result of these various initiatives, Florida toll agencies have completed more than 100 significant toll facility projects, with an original cost of nearly \$14 billion and a present-day value of nearly \$30 billion. From 2000 through 2010, toll agencies completed or began construction on 17 major new expressways and extensions at a cost of nearly \$4.5 billion, adding 96 additional centerline miles to the State Highway System and representing 87 percent of all centerline miles added during this period of time. During this decade, toll agencies invested an additional \$2.7 million in 12 major lane-widening and capacity improvement projects. Toll agencies added 545 lane miles to their facilities, an amount equal to the total number of lanes miles added to the Interstate Highway System. Thus, toll agency contributions have doubled the increases in capacity on state's limited access highways over what could be accomplished otherwise.

Much of Florida's Turnpike System and most expressway authority facilities are located in densely-populated urban areas where capacity expansion is more costly, primarily due to higher right-of-way costs and corridor limitations that require more costly engineering and design solutions.

Regional expressway authorities invested heavily during the period from 2000 through 2009 in transportation improvements. These investments resulted in a 185 percent increase in the asset value of their systems and facilities.

Investing in toll facilities creates a "virtuous cycle" of future toll revenues and future transportation investments. The combination of direct grants, subordinated loans, and various financial covenants and guarantees have permitted toll agencies to build projects much earlier than would have been possible without this support. This, in turn, permitted these toll facilities to generate additional toll revenues sooner and to accelerate their traffic and toll revenue growth profiles. Accordingly, the higher traffic volumes on toll highways increased toll revenue collections that, in turn, are reinvested to fund additional capacity improvements and system expansions.

The value of investing transportation funds on toll facilities to build projects more quickly and generate toll revenues sooner can be seen by comparing of the growth rates of state transportation and toll revenues demonstrates this effect. In FY 2009/10, toll revenue collections (\$1.15 billion) exceeded the State's Highway Fuels Sales Tax collections (\$1.10 billion).

Future Toll Agency Contributions

A 2010 Internet survey of the various plans and feasibility studies of Florida's Turnpike Enterprise and regional expressway authorities indicated that 90 potential projects with a combined estimated cost of \$30 billion were in various stages of feasibility assessment and development. While not all of the projects under development will ultimately be completed, they provide an indication of the potential role of toll agencies in meeting the state's unfunded transportation needs. Toll agencies can make a substantial contribution towards addressing the current backlog of unfunded transportation needs as well as future needs should the State elect to increase the level of toll road investment.

Toll agency investments result in additional miles of new highways and greater capacity on existing facilities. This, in turn, increases traffic using toll facilities, thereby reducing traffic and the need to add lanes on other state highways, particularly in urban areas where highway construction is very expensive. However, in recent years, there has been a drop-off in the level of State investment in toll roads. This is due, in part, to current economic circumstances. It is also the result of an apparent shift in State policy with respect to toll agency investing. As a result, while Florida's toll agencies will continue to make above-average level of contributions to the State Highway System and will generate toll revenues at higher rates than those of transportation taxes and fees, their future contributions will be less than their full potential.

The Florida legislature addressed this issue to some extent in its 2012 session by authorizing the transfer of \$35 million per year for 30 years to Florida's Turnpike Enterprise to pay for the costs of feeder roads and access to the Florida turnpike system. However, recent trends have been to withdraw State financial support and eliminate funding in programs designed to assist regional expressway authorities. The recent policies to reduce financial participation, thereby maximizing the financial capabilities of expressway authorities, may, in the long run, result in a greater demand on the state's limited transportation resources to undertake costly urban highway capacity projects.

Both Florida's Turnpike Enterprise and the regional expressway authorities serve important roles in the development of the state's highway transportation systems. These toll facilities often serve to reduce congestion on the Interstate Highway System and reduce the level of State investment needed to accommodate urban traffic congestion. Accordingly, in the event that future transportation revenues are increased, it is recommended that the levels of State funding invested in Florida's Turnpike Enterprise and regional expressway authorities should be increased as well to leverage new project toll revenues and increase total transportation infrastructure financing capacity.

VI. Legislative Proposals – Draft Bill Language

One of the important elements of the MPOAC effort that was stressed by its leadership from the outset was that this project should result not only in documentation of the issues, but in a set of legislative proposals. This section includes draft bills to implement the six revenue recommendations that have been made by the MPOAC.

LOCAL OPTION MUNICIPAL SALES TAX SURCHARGE

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A bill to be entitled

An act relating to transportation funding; amending s. 212.055, F.S.; authorizing municipalities to impose a discretionary sales surtax; renaming the surtax; establishing criteria to determine municipalities eligible to impose a surtax; providing a limitation on the rate for all surtaxes imposed within a county; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 212.055, Florida Statutes, is amended to read.

212.055 Discretionary sales surtaxes; legislative intent; authorization and use of proceeds.—

It is the legislative intent that any authorization for imposition of a discretionary sales surtax shall be published in the Florida Statutes as a subsection of this section, irrespective of the duration of the levy. Each enactment shall specify the types of counties, municipalities or consortium of municipalities authorized to levy; the rate or rates which may be imposed; the maximum length of time the surtax may be imposed, if any; the procedure which must be followed to secure voter approval, if required; the purpose for which the proceeds may be expended; and such other requirements as the Legislature may

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

28 provide. Taxable transactions and administrative procedures shall
29 be as provided in s. 212.054.

30 (1) CHARTER COUNTY, COUNTY WITHIN A METROPOLITAN PLANNING
31 ORGANIZATION, MUNICIPAL AND REGIONAL TRANSPORTATION SYSTEM
32 SURTAX.—

33 (a) Each charter county that has adopted a charter, each
34 county the government of which is consolidated with that of one
35 or more municipalities, ~~and~~ each county that is a member of a
36 metropolitan planning organization designated pursuant to s.
37 339.175(2), each county that is within or under an interlocal
38 agreement with a regional transportation or transit authority
39 created under chapter 343 or chapter 349, each municipality that
40 has the largest population of any municipality within each
41 county, each municipality that has a population of 150,000 or
42 greater and each consortium of municipalities that have a
43 combined population of 150,000 or greater, may levy a
44 discretionary sales surtax, subject to approval by a majority
45 vote of the electorate of the county, municipality or consortium
46 of municipalities, or by a charter amendment approved by a
47 majority vote of the electorate of the county.

48 (b) The rate for all surtaxes approved under this section
49 within each county shall not exceed ~~be up to~~ 1 percent. In the
50 event the discretionary sales surtax is levied by a consortium of
51 municipalities located in more than one county the amount of the
52 overall tax adopted shall be equally divided and that portion
53 thereafter attributed to each county regardless of the
54 comparative area each municipality makes up of the overall
55 geographic area of the consortium.

56 (c) The proposal to adopt a discretionary sales surtax as
57 provided in this subsection and to create a trust fund ~~within~~ for
58 the county, consortium or municipal accounts shall be placed on
59 the ballot in accordance with law at a time to be set at the
60 discretion of the governing body or in the case of a consortium
61 by agreement of the respective city councils.

62 (d) Proceeds from the surtax shall only be applied to ~~as~~
63 ~~many or as few of~~ the uses enumerated below in whatever
64 combination the commission of a charter county, the city
65 commission, the county commission and metropolitan planning
66 organization having jurisdiction in a non-charter county or the
67 respective governing bodies of a consortium deems appropriate:

68 1. Deposited ~~by the county in the~~ into the related trust
69 fund and ~~shall be~~ used for the purposes of development,
70 construction, equipment, maintenance, operation, supportive
71 services, including a ~~countywide~~ bus system, on-demand
72 transportation services, and related costs of a fixed guideway
73 rapid transit system;

74 2. Remitted by the governing body of the county, consortium
75 or municipality to an expressway, transit, or transportation
76 authority created by law or a metropolitan planning organization
77 designated pursuant to s. 339.175(2), to be used, at the
78 discretion of such authority or organization, for the
79 development, construction, operation, or maintenance of roads or
80 bridges within ~~in~~ the geographic area of the county, consortium
81 or municipality, for the operation and maintenance of a bus
82 system, for the operation and maintenance of on-demand
83 transportation services, for the payment of principal and

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

84 interest on existing bonds issued for the construction of such
85 roads or bridges, and, upon approval by the county, consortium or
86 city commission, such proceeds may be pledged for bonds issued to
87 refinance existing bonds or new bonds issued for the construction
88 of such roads or bridges;

89 3. Used by the county, consortium, a metropolitan planning
90 organization designated pursuant to s. 339.175(2) or municipality
91 for the planning, development, construction, operation, and
92 maintenance of roads and bridges within ~~in~~ the geographic area of
93 the county, consortium or municipality; for the expansion,
94 operation, and maintenance of bus and fixed guideway systems; for
95 the expansion, operation, and maintenance of on-demand
96 transportation services; and for the payment of principal and
97 interest on bonds issued for the construction of fixed guideway
98 rapid transit systems, bus systems, roads, or bridges; and such
99 proceeds may be pledged by the governing body of the county,
100 consortium or city for bonds issued to refinance existing bonds
101 or new bonds issued for the construction of such fixed guideway
102 rapid transit systems, bus systems, roads, or bridges and no
103 more than 25 percent used for nontransit uses; and

104 4. Used by the county, consortium or municipality for the
105 planning, development, construction, operation, and maintenance
106 of roads and bridges within ~~in~~ the geographic area of the
107 county, consortium or municipality; for the planning,
108 development, expansion, operation, and maintenance of bus and
109 fixed guideway systems; for the planning, development,
110 construction, operation, and maintenance of on-demand
111 transportation services; and for the payment of principal and

112 interest on bonds issued for the construction of fixed guideway
113 rapid transit systems, bus systems, roads, or bridges; and such
114 proceeds may be pledged by the governing body of the county,
115 consortium or municipality for bonds issued to refinance existing
116 bonds or new bonds issued for the construction of such fixed
117 guideway rapid transit systems, bus systems, roads, or bridges.
118 Pursuant to an interlocal agreement entered into pursuant to
119 chapter 163, the governing body of the county may distribute
120 proceeds from the tax to a consortium levying a discretionary
121 sales surtax pursuant to this section, a municipality, or an
122 expressway or transportation authority created by law to be
123 expended for the purpose authorized by this paragraph. Any county
124 that has entered into interlocal agreements for distribution of
125 proceeds to one or more municipalities in the county shall revise
126 such interlocal agreements no less than every 5 years in order to
127 include any municipalities that have been created since the prior
128 interlocal agreements were executed.

129 (e) As used in this subsection, the term "on-demand
130 transportation services" means transportation provided between
131 flexible points of origin and destination selected by individual
132 users with such service being provided at a time that is agreed
133 upon by the user and the provider of the service and that is not
134 fixed-schedule or fixed-route in nature.

135

136 Section 2. This act shall take effect July 1, 2013.

137

INCREASE LOCAL OPTION DIESEL TAX FIVE CENTS PER GALLON

206.87(1)(c) – Increases the local option diesel fuel tax from 6 cents to 11 cents. Provides that 45% (5 cents) shall be used either to enhance commercial traffic or encourage economic development.

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A bill to be entitled

An act relating to economic development and infrastructure development for transportation; amending s. 206.87, F.S.; increasing the local option fuel tax on diesel; specifying uses for the tax increase; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraph (c) of subsection (1) of section 206.87, Florida Statutes, is amended to read:

206.87 Levy of tax. -

(1)

(a) An excise tax of 4 cents per gallon is hereby imposed upon each net gallon of diesel fuel subject to the tax under subsection (2), except alternative fuels which are subject to the fee imposed by s. 206.877.

(b) An additional tax of 1 cent per net gallon shall be imposed by each county on each net gallon of diesel fuel, which shall be designated as the "ninth-cent fuel tax." This tax shall be used as provided in s. 336.021.

(c) An additional tax of 11 ~~6~~ cents per net gallon shall be imposed on diesel fuel by each county, which shall be designated as the "local option fuel tax." This tax shall be levied and used as provided in s. 336.025. ~~To the maximum extent feasible,~~ From these funds county and municipal governments shall use 45 percent ~~of the moneys received under this paragraph for transportation~~

29 expenditures that enhance and improve commercial transportation
30 ~~traffie~~ or to study and promote commercial transportation
31 infrastructure projects that will address or encourage economic
32 development.

33 (d) An additional tax designated as the State Comprehensive
34 Enhanced Transportation System Tax is imposed on each net gallon
35 of diesel fuel in each county, at a rate equal to the maximum
36 rate provided in s. 206.41(1)(f). This tax shall be used as
37 provided in s. 206.608.

38 (e)1. An additional tax is imposed on each net gallon of
39 diesel fuel, which tax is on the privilege of selling diesel fuel
40 and which is designated the "fuel sales tax," at a rate
41 determined pursuant to this paragraph. Before January 1 of 1997
42 and of each year thereafter, the department shall determine the
43 tax rate applicable to the sale of diesel fuel applicable for the
44 forthcoming 12-month period beginning January 1, rounded to the
45 nearest tenth of a cent, by adjusting the initially established
46 tax rate of 6.9 cents per gallon by the percentage change in the
47 average of the Consumer Price Index issued by the United States
48 Department of Labor for the most recent 12-month period ending
49 September 30, compared to the base year average, which is the
50 average for the 12-month period ending September 30, 1989.
51 However, the tax rate shall not be lower than 6.9 cents per
52 gallon.

53
54 Section 2. This act shall take effect July 1, 2013.

55

**INDEX CONSTITUTIONAL, COUNTY, MUNICIPAL, 9TH CENT, AND LOCAL
OPTION MOTOR FUEL AND DIESEL TAXES**

SECTION ONE – MOTOR FUEL TAXES

206.41(1) (d) & (e) – This language was taken from 2007 proposed HB 527 and updated to reflect action by the 2013 legislature.

206.41(1) (h) – Creates a new tax entitled the “constitutional, county and municipal fuel index tax” in order to assess a single CPI adjustment on the existing 4 cents of excise taxes without imposing separate CPI adjustments and to be consistent with the comparable index on diesel fuels in section 2 below. The proceeds from this new tax are then distributed proportionately to the current excise taxes.

SECTION TWO – DIESEL TAXES

206.87(1)(a) – Indexes the 4 cents excise tax (diesel equivalent to constitutional, county and municipal taxes).

206.87(1)(b) – Indexes the 9th-cent fuel tax.

206.87(1)(c) – Indexes the local option diesel fuel tax (at the current 6 cents per gallon rate).

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A bill to be entitled

An act relating to indexing fuel prices; amending s. 206.41, F.S.; authorizing counties to adopt an ordinance adjusting the rate of the ninth-cent motor fuel tax and the local option motor fuel tax,; authorizing the department to index the sum of the constitutional, county and municipal fuel taxes; providing requirements for imposing the rate changes; providing requirements for distribution of tax proceeds; amending s. 206.87, F.S.; directing the department to annually adjust the rate of the diesel fuel excise tax, ninth-cent diesel fuel tax and local option diesel fuel tax based on the percentage change in the Consumer Price Index; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraphs (d) and (e) of subsection (1) of section 206.41, Florida Statutes, are amended, to read:

206.41 State taxes imposed on motor fuel.—

(1) The following taxes are imposed on motor fuel under the circumstances described in subsection (6):

(d) Ninth-cent Fuel Tax

1. An additional tax of 1 cent per net gallon may be imposed by each county on motor fuel, which shall be designated

29 as the "ninth-cent fuel tax." This tax shall be levied and used
30 as provided in s. 336.021.

31 2. Beginning July 1, 2013, and of each year thereafter,
32 a county may, by ordinance, provide that the tax rate set forth
33 in subparagraph 1. be adjusted by the percentage change in the
34 average of the Consumer Price Index issued by the United States
35 Department of Labor for the most recent 12-month period ending
36 September 30, compared to the average for the base year, which is
37 the 12-month period ending September 30, 2012, and rounded to the
38 nearest tenth of a cent. In no event shall the rate set be less
39 than the rate for the prior year.

40 3. In 2013 any rate change adopted by a county pursuant to
41 this paragraph must be adopted no later than September 30, and in
42 any subsequent year the rate change made pursuant to this
43 paragraph must be adopted by the county no later than July 1, if
44 the county intends to begin collecting the new tax rate on
45 January 1 of the following year.

46 4. Within 10 days after adopting an ordinance authorizing
47 the indexing of the tax, the county shall furnish a certified
48 copy of the ordinance to the Department of Revenue.

49 5. As soon as practical thereafter, the department shall
50 notify each terminal supplier, position holder, wholesaler, and
51 importer that the newly adopted tax rate shall be applicable for
52 the 12-month period beginning January 1 of the following year.

53 (e)

54 1. An additional tax of between 1 cent and 11 cents per net
55 gallon may be imposed on motor fuel by each county, which shall

56 be designated as the "local option fuel tax." This tax shall be
57 levied and used as provided in s. 336.025.

58 2. Beginning July 1, 2013, and each year thereafter, a
59 county may, by ordinance, provide that the tax rate set forth in
60 subparagraph 1. be adjusted by the percentage change in the
61 average of the Consumer Price Index issued by the United States
62 Department of Labor for the most recent 12-month period ending
63 September 30, compared to the average for the base year, which is
64 the 12-month period ending September 30, 2012, and rounded to the
65 nearest tenth of a cent. In no event shall the rate set be less
66 than the rate for the prior year.

67 3. In 2013 any rate change adopted by a county pursuant to
68 this paragraph must be adopted no later than September 30, and in
69 any subsequent year the rate change made pursuant to this
70 paragraph must be adopted by the county no later than July 1, if
71 the county intends to begin collecting the new tax rate on
72 January 1 of the following year.

73 4. Within 10 days after adopting an ordinance authorizing
74 the indexing of the tax, the county shall furnish a certified
75 copy of the ordinance to the Department of Revenue.

76 5. As soon as practical thereafter, the department shall
77 notify each terminal supplier, position holder, wholesaler, and
78 importer that the newly adopted tax rate shall be applicable for
79 the 12-month period beginning January 1 of the following year.

80 (h) 1. An additional tax is imposed on each net gallon of
81 motor fuel, which is designated the "CCM indexed fuel tax," at a
82 rate determined pursuant to this paragraph.

83 2. Before November 15, 2013, and November 15, of each year
84 thereafter, the department shall calculate a tax rate, by
85 multiplying the sum of the tax rates established in paragraphs
86 (a), (b) and (c) by the percentage change in the average of the
87 Consumer Price Index issued by the United States Department of
88 Labor for the most recent 12-month period ending September 30,
89 compared to the base year average. The base year average shall be
90 the average for the 12-month period ending September 30, 2012.
91 The resulting product, rounded to the nearest one tenth of a
92 cent, shall be the rate applicable to the sale of fuel for the
93 12-month period beginning January 1 the following year. However,
94 the tax rate shall not be less than zero cents per gallon.

95 3. As soon as practical thereafter, the department shall
96 notify each terminal supplier, position holder, wholesaler, and
97 importer that the newly adopted tax rate shall be applicable for
98 the 12-month period beginning January 1 of the following year.

99 4. The proceeds from this tax shall be distributed as
100 follows: 50 percent in the same manner as proceeds distributed in
101 paragraph (a), 25 percent in the same manner as proceeds
102 distributed in paragraph (b) and 25 percent in the same manner
103 as proceeds distributed in paragraph (c).

104

105 Section 2. Paragraphs (a), (b) and (c) of subsection (1) of
106 section 206.87, Florida Statutes, are amended to read:

107

108 206.87 Levy of tax.—

109 (1)

110 (a) Excise Tax

111 1. An excise tax of 4 cents per gallon is hereby imposed
112 upon each net gallon of diesel fuel subject to the tax under
113 subsection (2), except alternative fuels which are subject to the
114 fee imposed by s. 206.877.

115 2. Before January 1 of 2014 and of each year thereafter,
116 the department shall determine the tax rate applicable to the
117 sale of diesel fuel pursuant to this paragraph for the
118 forthcoming 12-month period beginning January 1, rounded to the
119 nearest tenth of a cent, by adjusting the initially established
120 tax rate of 4.0 cents per gallon by the percentage change in the
121 average of the Consumer Price Index issued by the United States
122 Department of Labor for the most recent 12-month period ending
123 September 30, compared to the average for the base year. The base
124 year shall be the 12-month period ending September 30, 2012.
125 However, the tax rate shall not be lower than 4.0 cents per
126 gallon.

127 (b) Ninth-Cent Fuel Tax

128 1. An additional tax of 1 cent per net gallon—shall be
129 imposed by each county on each net gallon of diesel fuel, which
130 shall be designated as the “ninth-cent fuel tax.”

131 2. Before January 1 of 2014 and of each year thereafter,
132 the department shall determine the tax rate applicable to the
133 sale of diesel fuel for the forthcoming 12-month period beginning
134 January 1, rounded to the nearest tenth of a cent, by adjusting
135 the initially established tax rate of 1.0 cent per gallon by the
136 percentage change in the average of the Consumer Price Index
137 issued by the United States Department of Labor for the most
138 recent 12-month period ending September 30, compared to the base

139 year average. The base year average shall be the average for the
140 12-month period ending September 30, 2012. However, the tax rate
141 shall not be lower than 1.0 cent per gallon. This tax shall be
142 used as provided in s. 336.021.

143 (c) Local Option Fuel Tax

144 1. An additional tax of 6 cents per net gallon shall be
145 imposed on diesel fuel by each county, which shall be designated
146 as the "local option fuel tax."

147 2. Before January 1 of 2014 and of each year thereafter,
148 the department shall determine the tax rate applicable to the
149 sale of diesel fuel for the forthcoming 12-month period beginning
150 January 1, rounded to the nearest tenth of a cent, by adjusting
151 the initially established tax rate of 6.0 cents per gallon by the
152 percentage change in the average of the Consumer Price Index
153 issued by the United States Department of Labor for the most
154 recent 12-month period ending September 30, compared to the base
155 year average. The base year average shall be the average for the
156 12-month period ending September 30, 2012. However, the tax rate
157 shall not be lower than 6.0 cents per gallon. This tax shall be
158 levied and used as provided in s. 336.025.

159

160 Section 3. This act shall take effect July 1, 2013.

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INCREASE FUEL SALES TAX RATE 2 CENTS PER YEAR FOR 5 YEARS

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A bill to be entitled

An act relating to transportation; amending s. 206.41, F.S.; revising the method used by the Department of Revenue to calculate the motor fuel sales tax; revising the minimum rate for motor fuel sales taxes; amending 206.87, F.S.; revising the method used by the Department of Revenue to calculate the diesel fuel sales tax; revising the minimum rate for diesel fuel sales taxes; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Subparagraph 1. of paragraph (g) of subsection (1) of section 206.41, Florida Statutes, is amended to read:

206.41 State taxes imposed on motor fuel.

(1)

(g)

1. An additional tax is imposed on each net gallon of motor fuel, which tax is on the privilege of selling motor fuel and which is designated the "fuel sales tax," at a rate determined pursuant to sub-subparagraphs a.- e. of this paragraph.

a. Between October 1, 2013 and December 31, 2013 ~~Before January 1 of 1997, and of each year thereafter,~~ the department shall calculate ~~determine~~ a the tax rate-applicable to the sale of fuel ~~for the forthcoming 12-month period beginning January 1,~~ rounded to the nearest tenth of a cent, by adjusting the initially established tax rate of 6.9 cents per gallon by the percentage, which amount is equal to the average of the rate of

30 change in the average of the Consumer Price Index issued each
31 month by the United States Department of Labor for the most
32 recent 12-month period ending September 30, compared to the base
33 year average, which is the average for the 12-month period ending
34 September 30, 1989, and then adding 2 cents. ~~However, the tax~~
35 ~~rate shall not be lower than 6.9 cents per gallon.~~

36 b. After October 1, 2014 and before December 31, 2014,
37 and between the same days through 2017, the department shall
38 calculate a tax rate applicable to the sale of fuel, rounded to
39 the nearest tenth of a cent, by adjusting the tax rate per gallon
40 in effect at the time of the calculation by a percentage, which
41 amount is equal to the average of the percent rate of change in
42 the Consumer Price Index issued each month by the United States
43 Department of Labor for the most recent 12-month period ending
44 September 30th compared to the average of the percent rate of
45 change in the Consumer Price Index issued each month by the
46 United States Department of Labor for the 12-month period ending
47 September 30th of the next most recent year and then adding 2
48 cents.

49 c. The tax rate applicable to the sale of fuel for the
50 12-month period beginning January 1, 2014, shall be equal to the
51 amount calculated pursuant to sub-subparagraph a. of this
52 paragraph. The tax rate applicable to the sale of fuel for the
53 12-month period beginning January 1, 2015 and for each succeeding
54 calendar year through and including the 2018 calendar year, shall
55 be an amount equal to the amount calculated by the department
56 under subparagraph b. of this paragraph.

57 d. Between October 1, 2018 and December 31, 2018, and
58 between the same day in all subsequent years, the department

59 shall calculate a tax rate applicable to the sale of fuel,
60 rounded to the nearest tenth of a cent, by adjusting the tax rate
61 per gallon in effect at the time of the calculation by a
62 percentage, which amount is equal to the average of the percent
63 rate of change in the Consumer Price Index issued each month by
64 the United States Department of Labor for the most recent 12-
65 month period ending September 30th compared to the average of the
66 percent rate of change in the Consumer Price Index issued each
67 month by the United States Department of Labor for the 12-month
68 period ending September 30th of the next most recent year.

69 e. The applicable tax rate for any 12-month period
70 beginning January 1 shall not be lower than the tax rate for the
71 preceding 12-month period.

72
73 Section 2. Subparagraph 1. of paragraph (e) of subsection (1) of
74 section 206.87, Florida Statutes, is amended to read:

75
76 206.87 Levy of tax.—

77 (1)

78 (e)

79 1. An additional tax is imposed on each net gallon of
80 diesel fuel, which tax is on the privilege of selling diesel fuel
81 and which is designated the "fuel sales tax," at a rate
82 determined pursuant to sub-subparagraphs a.- e. of this
83 paragraph.

84 a. Between October 1, 2013 and December 31, 2013 ~~Before~~
85 ~~January 1 of 1997, and of each year thereafter,~~ the department
86 shall ~~calculate determine the a diesel fuel~~tax rate-applicable to
87 the sale of fuel ~~for the forthcoming 12 month period beginning~~

88 ~~January 1,~~ rounded to the nearest tenth of a cent, by adjusting
89 the initially established tax rate of 6.9 cents per gallon by the
90 percentage, which amount is equal to the average of the rate of
91 change in the average of the Consumer Price Index issued each
92 month by the United States Department of Labor for the most
93 recent 12-month period ending September 30, compared to the base
94 year average, which is the average for the 12-month period ending
95 September 30, 1989, and then adding 2 cents. ~~However, the tax~~
96 ~~rate shall not be lower than 6.9 cents per gallon.~~

97 b. After October 1, 2014 and before December 31, 2014,
98 and between the same days through 2017, the department shall
99 calculate a tax rate applicable to the sale of fuel, rounded to
100 the nearest tenth of a cent, by adjusting the tax rate per gallon
101 in effect at the time of the calculation by a percentage, which
102 amount is equal to the average of the percent rate of change in
103 the Consumer Price Index issued each month by the United States
104 Department of Labor for the most recent 12-month period ending
105 September 30th compared to the average of the percent rate of
106 change in the Consumer Price Index issued each month by the
107 United States Department of Labor for the 12-month period ending
108 September 30th of the next most recent year and then adding 2
109 cents.

110 c. The tax rate applicable to the sale of diesel fuel for
111 the 12-month period beginning January 1, 2014, shall be equal to
112 the amount calculated pursuant to sub-subparagraph a. of this
113 paragraph. The tax rate applicable to the sale of fuel for the
114 12-month period beginning January 1, 2015 and for each succeeding
115 calendar year through and including the 2018 calendar year, shall

116 be an amount equal to the amount calculated by the department
117 under subparagraph b. of this paragraph.

118 d. Between October 1, 2018 and December 31, 2018, and
119 between the same days in all subsequent years, the department
120 shall calculate a tax rate applicable to the sale of diesel fuel,
121 rounded to the nearest tenth of a cent, by adjusting the tax rate
122 per gallon in effect at the time of the calculation by a
123 percentage, which amount is equal to the average of the percent
124 rate of change in the Consumer Price Index issued each month by
125 the United States Department of Labor for the most recent 12-
126 month period ending September 30th compared to the average of the
127 percent rate of change in the Consumer Price Index issued each
128 month by the United States Department of Labor for the 12-month
129 period ending September 30th of the next most recent year.

130 e. The applicable tax rate for any 12-month period
131 beginning January 1 shall not be lower than the tax rate for the
132 preceding 12-month period.

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136 Section 3. This act shall take effect July 1, 2013.

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TRANSFER FEES AND SURCHARGES TO STTF FROM GR FUND

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A bill to be entitled

An act relating to transportation **funding**; amending s. 319.32, F.S.; removing exception on fees charged on a certificate of title for a motor vehicle for hire from deposits into the State Transportation Trust Fund; removing provision requiring excess deposits into the State Transportation Trust Fund be paid to the General Revenue Fund; amending s. 320.072, F.S.; removing provision to distribute a portion of the initial application for registration fee to the General Revenue Fund; instructing the Department of Revenue or its agent to remit all monies collected pursuant to this section, less refunds, to the State Transportation Trust Fund; amending 320.08, F.S., deleting provisions to deposit a portion of annual license taxes into the General Revenue Fund; amending s. 320.081, F.S., removing provision to deposit a percentage of the additional surcharge on each commercial motor vehicle into the General Revenue Fund ; amending s. 320.084, F.S., increasing the amount and revising the distribution of the license fee surcharge under s. 320.08; amending s. 320.084046, F.S., decreasing the amount and revising the distribution of the license fee surcharge under s. 320.08; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraph (a) of subsection (5) of section 319.32, Florida Statutes, is amended to read:

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319.32 Fees; service charges; disposition.—

(5)(a) Forty-seven dollars of each fee collected, ~~except for fees charged on a certificate of title for a motor vehicle for hire registered under s. 320.08(6)~~, for each applicable original certificate of title and each applicable duplicate copy of a certificate of title, after deducting the service charges imposed by s. 215.20, shall be deposited into the State Transportation Trust Fund. ~~Deposits to the State Transportation Trust Fund pursuant to this paragraph may not exceed \$200 million in any fiscal year and any collections in excess of that amount during the fiscal year shall be paid into the General Revenue Fund.~~

Section 2. Subsection (4) of section 320.072, Florida Statutes, is amended to read:

320.072 Additional fee imposed on certain motor vehicle registration transactions.—

(4) A tax collector or other authorized agent of the department shall promptly remit ~~44.5 percent of all moneys~~ collected pursuant to this section, less any refunds granted pursuant to subsection (3), to the department to be deposited into the State Transportation Trust Fund. ~~The remaining 55.5 percent shall be deposited into the General Revenue Fund.~~

Section 3. ~~Subsections (1)-(9) and (12)-(15) of Section~~ 320.08, Florida Statutes, are amended to read:

320.08 License taxes.— Except as otherwise provided herein, there are hereby levied and imposed annual license taxes for the operation of motor vehicles, mopeds, motorized bicycles as

58 defined in s. 316.003(2), tri-vehicles as defined in s. 316.003,
59 and mobile homes, as defined in s. 320.01, which shall be paid to
60 and collected by the department or its agent upon the
61 registration or renewal of registration of the following:

62 (1) MOTORCYCLES AND MOPEDS.—

63 (a) Any motorcycle: \$13.50 flat, ~~of which \$3.50 shall be~~
64 ~~deposited into the General Revenue Fund.~~

65 (b) Any moped: \$6.75 flat, ~~of which \$1.75 shall be~~
66 ~~deposited into the General Revenue Fund.~~

67 (c) Upon registration of any motorcycle, motor-driven
68 cycle, or moped there shall be paid in addition to the license
69 taxes specified in this subsection a nonrefundable motorcycle
70 safety education fee in the amount of \$2.50. The proceeds of such
71 additional fee shall be deposited in the Highway Safety Operating
72 Trust Fund to fund a motorcycle driver improvement program
73 implemented pursuant to s. 322.025, the Florida Motorcycle Safety
74 Education Program established in s. 322.0255, or the general
75 operations of the department.

76 (d) An ancient or antique motorcycle: \$8.50 flat, ~~of which~~
77 ~~\$3.50 shall be deposited into the General Revenue Fund.~~

78 (2) AUTOMOBILES OR TRI-VEHICLES FOR PRIVATE USE.—

79 (a) An ancient or antique automobile, as defined in s.
80 320.086, or a street rod, as defined in s. 320.0863: \$10.25 flat,
81 ~~of which \$2.75 shall be deposited into the General Revenue Fund.~~

82 (b) Net weight of less than 2,500 pounds: \$19.50 flat, ~~of~~
83 ~~which \$5 shall be deposited into the General Revenue Fund.~~

84 (c) Net weight of 2,500 pounds or more, but less than 3,500
85 pounds: \$30.50 flat, ~~of which \$8 shall be deposited into the~~
86 ~~General Revenue Fund.~~

87 (d) Net weight of 3,500 pounds or more: \$44 flat, ~~of which~~
88 ~~\$11.50 shall be deposited into the General Revenue Fund.~~

89 (3) TRUCKS.—

90 (a) Net weight of less than 2,000 pounds: \$19.50 flat, ~~of~~
91 ~~which \$5 shall be deposited into the General Revenue Fund.~~

92 (b) Net weight of 2,000 pounds or more, but not more than
93 3,000 pounds: \$30.50 flat, ~~of which \$8 shall be deposited into~~
94 ~~the General Revenue Fund.~~

95 (c) Net weight more than 3,000 pounds, but not more than
96 5,000 pounds: \$44 flat, ~~of which \$11.50 shall be deposited into~~
97 ~~the General Revenue Fund.~~

98 (d) A truck defined as a "goat," or any other vehicle if
99 used in the field by a farmer or in the woods for the purpose of
100 harvesting a crop, including naval stores, during such harvesting
101 operations, and which is not principally operated upon the roads
102 of the state: \$10.25 flat, ~~of which \$2.75 shall be deposited into~~
103 ~~the General Revenue Fund.~~ A "goat" is a motor vehicle designed,
104 constructed, and used principally for the transportation of
105 citrus fruit within citrus groves or for the transportation of
106 crops on farms, and which can also be used for the hauling of
107 associated equipment or supplies, including required sanitary
108 equipment, and the towing of farm trailers.

109 (e) An ancient or antique truck, as defined in s. 320.086:
110 \$10.25 flat, ~~of which \$2.75 shall be deposited into the General~~
111 ~~Revenue Fund.~~

112 (4) HEAVY TRUCKS, TRUCK TRACTORS, FEES ACCORDING TO GROSS
113 VEHICLE WEIGHT.—

114 (a) Gross vehicle weight of 5,001 pounds or more, but less
115 than 6,000 pounds: \$60.75 flat, ~~of which \$15.75 shall be~~
116 ~~deposited into the General Revenue Fund.~~

117 (b) Gross vehicle weight of 6,000 pounds or more, but less
118 than 8,000 pounds: \$87.75 flat, ~~of which \$22.75 shall be~~
119 ~~deposited into the General Revenue Fund.~~

120 (c) Gross vehicle weight of 8,000 pounds or more, but less
121 than 10,000 pounds: \$103 flat, ~~of which \$27 shall be deposited~~
122 ~~into the General Revenue Fund.~~

123 (d) Gross vehicle weight of 10,000 pounds or more, but less
124 than 15,000 pounds: \$118 flat, ~~of which \$31 shall be deposited~~
125 ~~into the General Revenue Fund.~~

126 (e) Gross vehicle weight of 15,000 pounds or more, but less
127 than 20,000 pounds: \$177 flat, ~~of which \$46 shall be deposited~~
128 ~~into the General Revenue Fund.~~

129 (f) Gross vehicle weight of 20,000 pounds or more, but less
130 than 26,001 pounds: \$251 flat, ~~of which \$65 shall be deposited~~
131 ~~into the General Revenue Fund.~~

132 (g) Gross vehicle weight of 26,001 pounds or more, but less
133 than 35,000: \$324 flat, ~~of which \$84 shall be deposited into the~~
134 ~~General Revenue Fund.~~

135 (h) Gross vehicle weight of 35,000 pounds or more, but less
136 than 44,000 pounds: \$405 flat, ~~of which \$105 shall be deposited~~
137 ~~into the General Revenue Fund.~~

138 (i) Gross vehicle weight of 44,000 pounds or more, but less
139 than 55,000 pounds: \$773 flat, ~~of which \$201 shall be deposited~~
140 ~~into the General Revenue Fund.~~

141 (j) Gross vehicle weight of 55,000 pounds or more, but less
142 than 62,000 pounds: \$916 flat, ~~of which \$238 shall be deposited~~
143 ~~into the General Revenue Fund.~~

144 (k) Gross vehicle weight of 62,000 pounds or more, but less
145 than 72,000 pounds: \$1,080 flat, ~~of which \$280 shall be deposited~~
146 ~~into the General Revenue Fund.~~

147 (l) Gross vehicle weight of 72,000 pounds or more: \$1,322
148 flat, ~~of which \$343 shall be deposited into the General Revenue~~
149 ~~Fund.~~

150 (m) Notwithstanding the declared gross vehicle weight, a
151 truck tractor used within a 150-mile radius of its home address
152 is eligible for a license plate for a fee of \$324 flat if:

153 1. The truck tractor is used exclusively for hauling
154 forestry products; or

155 2. The truck tractor is used primarily for the hauling of
156 forestry products, and is also used for the hauling of associated
157 forestry harvesting equipment used by the owner of the truck
158 tractor.

159 ~~Of the fee imposed by this paragraph, \$84 shall be deposited into~~
160 ~~the General Revenue Fund.~~

161 (n) A truck tractor or heavy truck, not operated as a for-
162 hire vehicle, which is engaged exclusively in transporting raw,
163 unprocessed, and nonmanufactured agricultural or horticultural
164 products within a 150-mile radius of its home address, is
165 eligible for a restricted license plate for a fee of:

166 1. If such vehicle's declared gross vehicle weight is less
167 than 44,000 pounds, \$87.75 flat, ~~of which \$22.75 shall be~~
168 ~~deposited into the General Revenue Fund.~~

169 2. If such vehicle's declared gross vehicle weight is
170 44,000 pounds or more and such vehicle only transports from the
171 point of production to the point of primary manufacture; to the
172 point of assembling the same; or to a shipping point of a rail,
173 water, or motor transportation company, \$324 flat, ~~of which \$84~~
174 ~~shall be deposited into the General Revenue Fund.~~

175 Such not-for-hire truck tractors and heavy trucks used
176 exclusively in transporting raw, unprocessed, and nonmanufactured
177 agricultural or horticultural products may be incidentally used
178 to haul farm implements and fertilizers delivered direct to the
179 growers. The department may require any documentation deemed
180 necessary to determine eligibility prior to issuance of this
181 license plate. For the purpose of this paragraph, "not-for-hire"
182 means the owner of the motor vehicle must also be the owner of
183 the raw, unprocessed, and nonmanufactured agricultural or
184 horticultural product, or the user of the farm implements and
185 fertilizer being delivered.

186 (5) SEMITRAILERS, FEES ACCORDING TO GROSS VEHICLE WEIGHT;
187 SCHOOL BUSES; SPECIAL PURPOSE VEHICLES.—

188 (a)

189 1. A semitrailer drawn by a GVW truck tractor by means of a
190 fifth-wheel arrangement: \$13.50 flat per registration year or any
191 part thereof, ~~of which \$3.50 shall be deposited into the General~~
192 ~~Revenue Fund.~~

193 2. A semitrailer drawn by a GVW truck tractor by means of a
194 fifth-wheel arrangement: \$68 flat per permanent registration, ~~of~~
195 ~~which \$18 shall be deposited into the General Revenue Fund.~~

196 (b) A motor vehicle equipped with machinery and designed
197 for the exclusive purpose of well drilling, excavation,
198 construction, spraying, or similar activity, and which is not
199 designed or used to transport loads other than the machinery
200 described above over public roads: \$44 flat, ~~of which \$11.50~~
201 ~~shall be deposited into the General Revenue Fund.~~

202 (c) A school bus used exclusively to transport pupils to
203 and from school or school or church activities or functions
204 within their own county: \$41 flat, ~~of which \$11 shall be~~
205 ~~deposited into the General Revenue Fund.~~

206 (d) A wrecker, as defined in s. 320.01(40), which is used
207 to tow a vessel as defined in s. 327.02(39), a disabled,
208 abandoned, stolen-recovered, or impounded motor vehicle as
209 defined in s. 320.01(38), or a replacement motor vehicle as
210 defined in s. 320.01(39): \$41 flat, ~~of which \$11 shall be~~
211 ~~deposited into the General Revenue Fund.~~

212 (e) A wrecker that is used to tow any nondisabled motor
213 vehicle, a vessel, or any other cargo unless used as defined in
214 paragraph (d), as follows:

215 1. Gross vehicle weight of 10,000 pounds or more, but less
216 than 15,000 pounds: \$118 flat, ~~of which \$31 shall be deposited~~
217 ~~into the General Revenue Fund.~~

218 2. Gross vehicle weight of 15,000 pounds or more, but less
219 than 20,000 pounds: \$177 flat, ~~of which \$46 shall be deposited~~
220 ~~into the General Revenue Fund.~~

221 3. Gross vehicle weight of 20,000 pounds or more, but less
222 than 26,000 pounds: \$251 flat, ~~of which \$65 shall be deposited~~
223 ~~into the General Revenue Fund.~~

224 4. Gross vehicle weight of 26,000 pounds or more, but less
225 than 35,000 pounds: \$324 flat, ~~of which \$84 shall be deposited~~
226 ~~into the General Revenue Fund.~~

227 5. Gross vehicle weight of 35,000 pounds or more, but less
228 than 44,000 pounds: \$405 flat, ~~of which \$105 shall be deposited~~
229 ~~into the General Revenue Fund.~~

230 6. Gross vehicle weight of 44,000 pounds or more, but less
231 than 55,000 pounds: \$772 flat, ~~of which \$200 shall be deposited~~
232 ~~into the General Revenue Fund.~~

233 7. Gross vehicle weight of 55,000 pounds or more, but less
234 than 62,000 pounds: \$915 flat, ~~of which \$237 shall be deposited~~
235 ~~into the General Revenue Fund.~~

236 8. Gross vehicle weight of 62,000 pounds or more, but less
237 than 72,000 pounds: \$1,080 flat, ~~of which \$280 shall be deposited~~
238 ~~into the General Revenue Fund.~~

239 9. Gross vehicle weight of 72,000 pounds or more: \$1,322
240 flat, ~~of which \$343 shall be deposited into the General Revenue~~
241 ~~Fund.~~

242 (f) A hearse or ambulance: \$40.50 flat, ~~of which \$10.50~~
243 ~~shall be deposited into the General Revenue Fund.~~

244 (6) MOTOR VEHICLES FOR HIRE.—

245 (a) Under nine passengers: \$17 flat, ~~of which \$4.50 shall~~
246 ~~be deposited into the General Revenue Fund;~~ plus \$1.50 per cwt,
247 ~~of which 50 cents shall be deposited into the General Revenue~~
248 ~~Fund.~~

249 (b) Nine passengers and over: \$17 flat, ~~of which \$4.50~~
250 ~~shall be deposited into the General Revenue Fund;~~ plus \$2 per
251 cwt, ~~of which 50 cents shall be deposited into the General~~
252 ~~Revenue Fund.~~

253 (7) TRAILERS FOR PRIVATE USE.—

254 (a) Any trailer weighing 500 pounds or less: \$6.75 flat per
255 year or any part thereof, ~~of which \$1.75 shall be deposited into~~
256 ~~the General Revenue Fund.~~

257 (b) Net weight over 500 pounds: \$3.50 flat, ~~of which \$1~~
258 ~~shall be deposited into the General Revenue Fund;~~ plus \$1 per
259 cwt, ~~of which 25 cents shall be deposited into the General~~
260 ~~Revenue Fund.~~

261 (8) TRAILERS FOR HIRE.—

262 (a) Net weight under 2,000 pounds: \$3.50 flat, ~~of which \$1~~
263 ~~shall be deposited into the General Revenue Fund;~~ plus \$1.50 per
264 cwt, ~~of which 50 cents shall be deposited into the General~~
265 ~~Revenue Fund.~~

266 (b) Net weight 2,000 pounds or more: \$13.50 flat, ~~of which~~
267 ~~\$3.50 shall be deposited into the General Revenue Fund;~~ plus
268 \$1.50 per cwt, ~~of which 50 cents shall be deposited into the~~
269 ~~General Revenue Fund.~~

270 (9) RECREATIONAL VEHICLE-TYPE UNITS.—

271 (a) A travel trailer or fifth-wheel trailer, as defined by
272 s. 320.01(1)(b), that does not exceed 35 feet in length: \$27
273 flat, ~~of which \$7 shall be deposited into the General Revenue~~
274 ~~Fund.~~

275 (b) A camping trailer, as defined by s. 320.01(1)(b)2.:
276 \$13.50 flat, ~~of which \$3.50 shall be deposited into the General~~
277 ~~Revenue Fund.~~

278 (c) A motor home, as defined by s. 320.01(1)(b)4.:

279 1. Net weight of less than 4,500 pounds: \$27 flat,~~of which~~

280 ~~\$7 shall be deposited into the General Revenue Fund.~~

281 2. Net weight of 4,500 pounds or more: \$47.25 flat,~~of~~

282 ~~which \$12.25 shall be deposited into the General Revenue Fund.~~

283 (d) A truck camper as defined by s. 320.01(1)(b)3.:

284 1. Net weight of less than 4,500 pounds: \$27 flat,~~of which~~

285 ~~\$7 shall be deposited into the General Revenue Fund.~~

286 2. Net weight of 4,500 pounds or more: \$47.25 flat,~~of~~

287 ~~which \$12.25 shall be deposited into the General Revenue Fund.~~

288 (e) A private motor coach as defined by s. 320.01(1)(b)5.:

289 1. Net weight of less than 4,500 pounds: \$27 flat,~~of which~~

290 ~~\$7 shall be deposited into the General Revenue Fund.~~

291 2. Net weight of 4,500 pounds or more: \$47.25 flat,~~of~~

292 ~~which \$12.25 shall be deposited into the General Revenue Fund.~~

293 (10) PARK TRAILERS; TRAVEL TRAILERS; FIFTH-WHEEL TRAILERS;

294 35 FEET TO 40 FEET.—

295 (a) Park trailers.—Any park trailer, as defined in s.

296 320.01(1)(b)7.: \$25 flat.

297 (b) A travel trailer or fifth-wheel trailer, as defined in

298 s. 320.01(1)(b), that exceeds 35 feet: \$25 flat.

299 (11) MOBILE HOMES.—

300 (a) A mobile home not exceeding 35 feet in length: \$20

301 flat.

302 (b) A mobile home over 35 feet in length, but not exceeding

303 40 feet: \$25 flat.

304 (c) A mobile home over 40 feet in length, but not exceeding

305 45 feet: \$30 flat.

306 (d) A mobile home over 45 feet in length, but not exceeding
307 50 feet: \$35 flat.

308 (e) A mobile home over 50 feet in length, but not exceeding
309 55 feet: \$40 flat.

310 (f) A mobile home over 55 feet in length, but not exceeding
311 60 feet: \$45 flat.

312 (g) A mobile home over 60 feet in length, but not exceeding
313 65 feet: \$50 flat.

314 (h) A mobile home over 65 feet in length: \$80 flat.

315 (12) DEALER AND MANUFACTURER LICENSE PLATES.—A franchised
316 motor vehicle dealer, independent motor vehicle dealer, marine
317 boat trailer dealer, or mobile home dealer and manufacturer
318 license plate: \$17 flat, ~~of which \$4.50 shall be deposited into~~
319 ~~the General Revenue Fund.~~

320 (13) EXEMPT OR OFFICIAL LICENSE PLATES.—Any exempt or
321 official license plate: \$4 flat, ~~of which \$1 shall be deposited~~
322 ~~into the General Revenue Fund.~~

323 (14) LOCALLY OPERATED MOTOR VEHICLES FOR HIRE.—A motor
324 vehicle for hire operated wholly within a city or within 25 miles
325 thereof: \$17 flat, ~~of which \$4.50 shall be deposited into the~~
326 ~~General Revenue Fund; plus \$2 per cwt, of which 50 cents shall be~~
327 ~~deposited into the General Revenue Fund.~~

328 (15) TRANSPORTER.—Any transporter license plate issued to a
329 transporter pursuant to s. 320.133: \$101.25 flat, ~~of which \$26.25~~
330 ~~shall be deposited into the General Revenue Fund.~~

331

332 Section 4. Subsection (2) of section 320.0801, Florida
333 Statutes, is amended to read:

334 320.0801 Additional license tax on certain vehicles.—

335 (2) In addition to the license taxes imposed by s. 320.08
336 and by subsection (1), there is imposed an additional surcharge
337 of \$10 on each commercial motor vehicle having a gross vehicle
338 weight of 10,000 pounds or more, which surcharge must be paid to
339 the department or its agent upon the registration or renewal of
340 registration of the commercial motor vehicle. Notwithstanding the
341 provisions of s. 320.20, ~~50 percent of the revenues collected~~
342 from the surcharge imposed in this subsection shall be deposited
343 into the State Transportation Trust Fund, ~~and 50 percent shall be~~
344 ~~deposited in the General Revenue Fund.~~

345

346 Section 5. Section 320.0804, Florida Statutes, is amended
347 to read:

348

349 320.0804 Surcharge on license tax; transportation trust
350 fund.—There is hereby levied and imposed on each license tax
351 imposed under s. 320.08, except those set forth in s. 320.08(11),
352 a surcharge in the amount of \$8.50 ~~—\$4~~, which shall be collected
353 in the same manner as the license tax. ~~Of this amount, \$2 shall~~
354 ~~be~~ and deposited into the State Transportation Trust Fund, ~~and \$2~~
355 ~~shall be deposited into the General Revenue Fund.~~

356

357 Section 6. Section 320.08046, Florida Statutes, is amended
358 to read:

359

360 320.08046 Surcharge on license tax.—There is levied on each
361 license tax imposed under s. 320.08, except those set forth in s.
362 320.08(11), a surcharge in the amount of \$5.50, which shall be
363 collected in the same manner as the license tax. Of the proceeds

364 of each license tax surcharge, \$4.50 shall be deposited into the
365 State Transportation Trust Fund ~~General Revenue Fund~~ and \$1 shall
366 be deposited into the Grants and Donations Trust Fund in the
367 Department of Juvenile Justice to fund the juvenile crime
368 prevention programs and the community juvenile justice
369 partnership grants program.

370

371 Section 7. This act shall take effect July 1, 2013.

372

373

CONDUCT A VEHICLE MILES TRAVELED STUDY

1 A bill to be entitled

2 An Act relating to transportation funding; directing the Department of
3 Transportation to commission a study of the Vehicle Miles Traveled
4 concept for the purpose of charging and collecting a user fee to be
5 used for transportation purposes; providing an effective date.
6

7 Be It Enacted by the Legislature of the State of Florida:

8
9 The legislature recognizes that the existing fuel tax system
10 used to derive revenues for the funding of transportation
11 projects in this state is no longer adequate to meet the
12 state's needs . To this end the legislature directs the
13 department to conduct an extensive study on the use of charging
14 drivers based on the vehicle miles traveled as a source for
15 transportation funding. The Legislature recognizes that over
16 time there the current fuel tax system has become increasingly
17 less sustainable as the primary transportation funding source.
18 While current fuel tax programs have served as a true user fee
19 for decades, significant increases in mandated vehicle fuel
20 efficiency, the introduction of all electric and hybrid
21 vehicles has significantly eroded the transportation revenues
22 derived from these fees. The Legislature also recognizes that
23 there are real concerns over the concept of charging users of
24 the highway system based on each mile traveled. The concerns
25 primarily involve citizens' privacy. Other issues include the
26 cost of implementing such a system and institutional issues
27 associated with revenue sharing. It is, therefore, the intent
28 of this Legislature that this study will, at a minimum, address
29 these issues. To accomplish this task the department shall
30 establish a pilot project to assist in analyzing the concept

31 and in developing a business plan for transitioning Florida to
32 a vehicle miles traveled based system.

33

34 Section 1. A new section is created to read:

35 Vehicle Miles Traveled Pilot Project and Study-

36

37 (1)The Department of Transportation, its staff, or others
38 conducting the study to be done pursuant to this section shall
39 furnish the Governor, President of the Senate, Speaker of the
40 House of Representatives, Florida Department of Transportation,
41 and Metropolitan Planning Organization Advisory Council a written
42 study containing recommendations, including facts supporting the
43 recommendations

44

45 (2)The study shall examine the types of vehicles being operated
46 on Florida's state and local highways and recommend an
47 appropriate charge for various modes, including, among others,
48 all private use vehicles, motorcycles, light trucks, all
49 commercial vehicles, and private vehicles towing boats or
50 trailers, taking into consideration vehicle weight, number of
51 axels, type of roadway being used and other factors determined to
52 be relevant. The study shall also examine the purpose of the
53 trips being taken by the drivers of the vehicle, such as going to
54 work, doing errands, vacation driving, transportation of
55 commodities, commercial and business purposes and like
56 categories. Public and private vehicles shall be included.

57

58 (3)The pilot project shall be conducted within the department's
59 district which has the greatest diversity of traffic and

60 combination of rural and urban roadways. Further, the pilot
61 project will use a minimum of three vendors who have the
62 capabilities to operate and administer a vehicle mile traveled
63 program. There must be an inter-operability component offered by
64 each of the vendors chosen for the pilot program. In addition,
65 the vendors must have sophisticated privacy protections. Each
66 vendor shall also be required to submit a business model for
67 implementation of a statewide system for implementing, charging
68 and collecting a vehicle miles traveled transportation funding
69 program. The pilot project shall be conducted over the course of
70 a six month period, once it is in place. In addition to the
71 tracking of the miles traveled by the vehicles, an extensive
72 survey shall be conducted of the private and public operators to
73 examine privacy concerns, glitches with billing software and
74 statements, backroom operations and any other appropriate areas.

75
76 (4)The pilot project shall in all ways be operated as if the
77 program were in place. However, all statements shall be limited
78 to a history of miles traveled by each vehicle and no actual
79 charges shall be due from the participants in the pilot program.

80
81 (5) The study shall be completed and the recommendations
82 submitted no later than December 31, 2013.

83
84 Section 2. This act shall take effect upon becoming law.
85

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