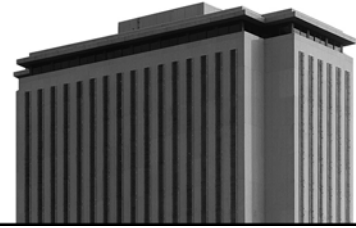




# LEGISLATIVE ISSUE BRIEFS



## Transportation Funding

The Florida League of Cities will support legislation that provides an equitable, dedicated and recurring revenue source for municipal transportation projects and opposes any transfer or diversion of State Transportation Trust Fund revenues to balance the state budget. Furthermore, the Florida League of Cities will support legislation prohibiting the Florida Department of Transportation (FDOT) from allocating more than 65% of any “new discretionary highway capacity funds” to the Florida Strategic Intermodal System. Such funds shall be allocated to FDOT districts in a manner that provides maximum flexibility for project eligibility. Additionally, the Florida League of Cities will support legislation creating a State Transportation Revenue Study Commission comprised of diverse municipal representatives and other interested parties

### Background:

According to the Florida Department of Transportation (FDOT), the current backlog in transportation funding is estimated to be approximately \$2.7 billion (\$160.0 per capita) annually **to simply maintain current transportation conditions**. To actually improve conditions and increase capacity will cost about \$4.9 billion annually (\$295 per capita). This estimate is certain to grow as FDOT reports cost increases in earthwork and road building materials of 65 percent and 32 percent, respectively. Escalating construction costs and recent policy changes at the Florida Department of Transportation (FDOT) will also continue to exacerbate the transportation infrastructure backlog.

To address the growing transportation infrastructure deficit, in 2003 the Legislature created the Strategic Intermodal System (SIS) Plan to provide for smooth and efficient transfer of passengers and freight between seaports, airports, railroads, highways, and other elements of the strategic intermodal system.

The creation of the SIS program has had a dramatic effect on transportation funding priorities at both the state and local level. The FDOT has shifted money away from local roads and transportation facilities in favor of SIS projects and regional transportation projects. In 2004 the Legislature specified that at least 50% of new flexible highway capacity funds be allocated to the SIS. By 2010, as much as 72% of new flexible highway capacity funds will be designated to SIS projects. A majority of the state highway system (over 90 percent) is not included on the SIS. These include both major and minor arterials that serve both intercity and intra-county traffic across the state. Selection of SIS projects and projects of “regional significance” are currently creating a wide gap between the areas of the state that need

additional transportation project funding and those areas of the state that are already receiving their fair share of transportation project funds.

As a result of the reallocation of FDOT funds to SIS projects, FDOT has asked each Metropolitan Planning Organization (MPO) to reduce the revenue projections for their arterial programs by 40 percent, forcing some MPOs to remove high priority projects from their lists. This policy change in effect allows FDOT to abandon its responsibility to improve critical roadway links that it is statutorily directed to maintain. The final result is that local governments will be required to fill the funding gap with local revenues, as they struggle to maintain and build capacity on their own roads.

As part of the comprehensive growth management legislation adopted in 2005, the Legislature created the Transportation Regional Incentive program (TRIP) to address local government transportation funding concerns. However, these TRIP funds require a fifty percent (50%) matching contribution from the local government and the TRIP dollars can only be spent on “regionally significant” transportation projects.

One of the primary problems for municipalities is that they do not have a dedicated revenue source for transportation projects. Counties are statutorily authorized to impose local option fuel taxes for transportation projects. While all 67 counties have levied all or a portion of the first 1-6 cent gas tax, only 16 have levied all 12 cents.

One inherent flaw in the local option fuel tax is that it is per-unit tax, which means that the amount of revenue generated from the gas tax is based purely upon the amount consumed. Unlike a sales tax or the state tax on motor fuels, there is no adjustment – or indexing -- to the tax that compensates for changes in price levels. Interestingly, the state recognized this shortcoming several years ago when it implemented legislation indexing both the State Motor Fuel Sales Tax and the State Comprehensive Enhanced Transportation System Tax (SCETS). The state’s indexing efforts has provided an additional \$132 million in transportation revenues over the last 10 years. If similar indexing of local option fuel taxes were enacted today, it is estimated that an additional \$16 million in local transportation revenues could be generated annually.

The revenues generated from the local option gas tax revenues are distributed between cities and counties by interlocal agreement or more typically, by a statutory formula that favors counties. Currently, under existing revenue sharing agreements or default formulas, municipalities receive an average of only 25% of local option gas tax revenues. Existing transportation grant, loan or local government assistance programs such as the Transportation Outreach Program and the County Incentive Grant Program, and TRIP should be fully funded through General Revenue dollars and the required match for accessing these dollars should be reduced so that cities can seek access to these important transportation revenues.

The Florida League of Cities has proposed a variety of measures to address the growing transportation-funding deficit. These proposals include amending the existing distribution formula for local option fuel taxes and authorizing municipalities to levy a local option fuel tax without requiring the approval or action of the governing board of the county.

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