Ideas for the consideration of Florida's Taxation & Budget Reform Commission:

Transportation & Florida's Future

A Vision, a Plan, & the Financing to Make It Happen

At the outset, let's be crystal clear: Transportation in Florida is ultimately NOT about asphalt, concrete & steel. Instead, it's about providing the means for every Floridian to have the chance to secure the **Safety**, **Freedom** & **Prosperity** they desire and deserve.

But to use a familiar, pessimistic transportation phrase, some don't think that we can "get there from here." They think the enormous transportation challenges facing the Sunshine State are simply overwhelming.

- Nearly 1,100 net new Florida residents arriving every single day,
- Florida Highway Lane Miles – how large its road network is – increasing at 1.3% annually,
- Population increasing at 2.3% annually,
- Highway Vehicle Miles Traveled (VMT) – how heavily our road network is used – increasing at 5.4% annually, and
- A 25-year Transportation Funding Shortfall of at least $58 Billion – just to *maintain* today's conditions!

Inaction is NOT an option

We believe that inaction is *NOT* an option and that we *CAN* solve this problem in ways that are entirely consistent with traditional conservative values and principles. Floridians are a hopeful people. We should tell them the truth about today's transportation challenges and then offer hope through the plans we create to meet these challenges.

<u>VISION</u> – To position Florida for future prosperity, transportation services should not impede, but actually enhance the prospects for wealth creation. Floridians value time and **growing traffic congestion is *<u>clearly</u>* the enemy**.

"Congestion is people with the means to act on their economic and social interests getting in the way of others with the means to act on theirs."
– Alan E. Pisarksi, author of Commuting in America

Traffic congestion incurs incredible costs in terms of time lost, wasted fuel consumption, detrimental impacts to the environment, and escalated freight costs, all of which ultimately drive up consumer costs and deteriorates quality of life.

Floridians will demand and be willing to pay for more efficient high quality transportation services that yield more available personal time and more expeditious delivery of consumable goods.

<u>PLAN</u> – Though certainly not perfect, Florida's efforts to build upon the success of the Interstate Highway System with the development of the Florida Intrastate Highway System – and more recently the Strategic Intermodal System (SIS) – are significant steps in the right direction. However, they alone are not enough. Additional financial resources and a **clear commitment to *<u>reducing</u>* congestion** – after meeting essential safety requirements – are needed, and would likely shift investment decisions.

- The reduction of congestion should be a primary goal.
- Aggressively addressing congestion will require adding new highway lanes.
- A joint commitment from the Governor, the Legislature, and the Florida Department of Transportation (FDOT) to reducing congestions is essential
- That commitment must be supported with goals and milestones that can be tracked.
- Transportation investments – highways and transit alike – should be measured, in part, based on how many hours of delay can be reduced for each million dollars invested.

<u>FINANCING</u> - Transportation is significantly under funded throughout the nation, but in a high growth state such as Florida, the long-term impacts can be staggering. The major source of revenue – the fuel tax – is stagnant and may actually be declining. Traffic is increasing at a rate exceeding population growth. The gap between actual and needed funding is widening each day.

- The goal of this paper is to provide a menu of funding ideas for consideration by the Constitutional Taxation & Budget Reform Commission.
- Specifically, we are seeking a minimum of $2 billion in new, critically-needed recurring money for the State Transportation Trust Fund (STTF).

REVENUE MENU

It is important to recognize that these "adjustments" to existing transportation-related user fees are largely driven by a failure to keep pace with inflation. While the State of Florida's fuel tax was indexed the last time it was increased in 1990, tag and title fees aren't indexed and haven't been increased since 1982. Over that period of time, the CPI has more than doubled and a loss in real transportation purchasing power resulted. Likewise, the federal gas tax is not indexed, and other than a 1993 increase for "deficit reduction," the federal gas tax hasn't been increased for transportation purposes since Ronald Reagan did it in the early 1980s!

Current User Fee Options:

1.) Adjust and Index Motor Vehicle Registration Fees (better known as tag fees): Florida tag fees are low compared to other states. Depending on the rate of increase, this could raise **$700 million per year** by the fifth year.

2.) Adjust and Index Title Fees: This could raise up to **$130 million per year** by the fifth year.

3.) Indexing Remainder of, Local and Federal tax. Allows Florida to keep up with inflation to a certain extent. The State Fuel Sales Tax and the State Comprehensive Enhanced Transportation System (SCETS) tax are currently indexed to the Consumer Price Index (CPI). The purchasing power of the gas tax is about half of what it was 10 years ago. Indexing the federal tax would raise **$207 million per year** by the fifth year. Indexing the local taxes (1 cent county and 1 cent municipal) would net approximately **$55 million**.

4.) Equalizing and Indexing Local Option Gas Tax: Currently all counties may levy up to 12 cents in local option gas taxes. We propose removing the option and establishing the tax at 12 cents in all counties and indexing this tax. This would raise an additional **$400 million per year** by the fifth year.

Additional Option with Current Taxes:

1.) Motor Vehicle Sales Tax: The sales tax generated by each motor vehicle sale would be deposited into the STTF. This would not create a new tax but creates a gap in the state General Revenue fund where this money is currently deposited. Currently auto dealers report all sales, including repairs. The number averages around $280-$300 million per month. Assuming 90% of collections are for sales a figure of $250 million per month or **$3 Billion per year** would come from this option.

NEW CONCEPTS

Transportation Service Commission (TSC):

It would be prudent for the State of Florida to look at both existing transportation revenue levels and funding sources, *and* any potential new transportation fees in a manner that is consistent with the way it currently addresses fees for other utilities under the authority of the Public Service Commission (PSC), or the way postal rates are set nationally through the Postal Rate Commission.

Recognizing the importance of transportation to Florida's future and given the need to add additional funding sources to the current list of options, the state should explore a direct user fee transportation funding mechanism whereby transportation consumers would be charged based upon a "per mile driven" formula. At a minimum we suggest the following:

- A timely, yet in-depth analysis of a VMT (Vehicle Miles Traveled) fee system should be undertaken, and
- A subsequent pilot project initiated (… perhaps similar to the one done in the State of Oregon).

Consequently, the creation of a Transportation Service Commission (TSC) will be necessary to protect the people of Florida and provide adequate transportation funding levels to keep Florida moving forward. The TSC's only responsibility will be the setting and adjusting of transportation fees (both new & existing) at an appropriate level.

1.) Charge additional fees based on miles driven (Vehicle Miles Traveled - VMT): The big question is how do you report accurate data? Charging 1 cent per mile should raise $2 billion annually.

2.) Tolling existing interstates: This would require toll readers at all entrance and exit ramps to record vehicles and charge tolls. However, it is difficult to charge for what many consider to be "free roads."

3.) Maximize use of Public Private Partnerships (PPP aka P3): The P3 concept must have a funding source to pay for the project, as does the traditional project delivery method. However, P3s will generally be funding the project up front with the Department's revenue stream repaying the P3 team over an extended time period. These revenue streams may include existing funding in the Department's Work Program as well as other revenue alternatives which can include, but not be limited to: tolling, private contributions in the form of land donations or cash contributions, locally generated funding sources such as special infrastructure taxes, ad valorem revenues generated from special taxing districts, and tax increment financing techniques.

TRANSPORTATION FUNDING: PROPOSED IMPLEMENTATION PLAN

Adjust and Index Motor Vehicle Registration Fees (Tag Fees):

- Gradually double tag fees for all vehicles up to 5,000 lbs. including cars for hire, dealer tags and all motor coaches over the course of three years.

- Trucks over 5,000 pounds would go up $10.00 per year each year for three years.

  For Example:

Trucks 5,001 – 5,999 pounds	Current rate	$45
	Year one rate	$55
	Year three rate	$75
Trucks 72,000 pounds or more	Current rate	$979
	Year one rate	$989
	Year three rate	$1009

- At the end of the 3rd year, rates would be indexed to the CPI for future years.

Title Fees:

Adjust and Index Title Fees from the current rate of $24. Increase by $9 the first year, $9 the second year and $8 the third year for a total of $50 and index the fee based on the CPI thereafter.

Indexing Remainder of Gas Tax:

The State Fuel Sales Tax and the SCETS tax are indexed to the CPI. The local option tax, municipal fuel tax and federal fuel tax are not currently indexed. Indexing these taxes would begin January 1, 2009

Equalizing Local Option Taxes:

Equalizing the local option fuel tax among all counties would provide additional revenue to the counties not currently maxed out. This would also simplify the collection of the tax.

Motor Vehicle Sales Tax:

This does not involve raising any new tax. This would raise approximately $3 Billion per year.

Charge for Vehicle Miles Traveled (VMT):

A VMT based user fee offers a logical and fair approach to assessing the cost to build and maintain transportation facilities back to the user. The logic behind this method of raising transportation revenue is that it directly assesses the user of the facility for the wear and tear impacts his vehicle imposes on that facility. The huge upside of charging by VMT is the potential revenue it would raise.

Charging by the mile does not give any fuel tax break to people using fuel-efficient vehicles. The best long-term approach for implementation of a VMT based fuel tax would allow for the phasing out of the current per gallon tax, but at the same time increasing the tax per gallon to encourage people to switch to the technology that allows for a VMT based fee. The implementation of the VMT based fee would not be in addition to the per gallon fuel tax, (i.e. one would not be paying both a VMT based fee and a fuel tax.)

One option for implementing a VMT based fee would be for each owner of a vehicle to report an odometer reading yearly when renewing a tag. However, self-reporting could lead to cheating. Verification could be difficult, intrusive and expensive.

Another option for reporting VMT could be to enter mileage each time fuel is purchased and be charged a mileage rate with each purchase. For example, 400 miles driven at a charge of 1 cent per mile would result in a $4.00 addition to the cost of the fuel. The advantage to this method is you pay a small amount each time you fill up versus a large amount once each year. The technology needed for reporting VMT at each fill up may already exist through the SunPass transponder. Transponders may be able to be programmed to keep track of miles traveled. Fuel pumps would have to be equipped to with some kind of reader that could download this information at each fill up. This would require everyone to have a SunPass transponder in their vehicle. However, people without a transponder (basically tourists) could pay a higher gas tax in lieu of the miles traveled fee.

Tolling Existing Limited Access Roads:

The revenue raised by tolling existing limited access facilities would go directly to making improvements to that facility. The option of "non-tolled" lanes would likely remain. However, it is difficult to charge for a one-time "free road" without providing an improvement in service (extra lanes) on the facility. The same issues stated above arise with charging tourists. Also, millions of dollars would have to be invested on infrastructure to charge the tolls. New lanes, possibly "truck-only" lanes make a great deal of sense for tolling.

Maximize Use of Public Private Partnerships (PPP's):

PPP's are an important part of the transportation funding equation moving forward. They are not the whole solution, however. At best, they might provide 10% of our construction dollars. PPP's must provide their own revenue stream, recognizing that some projects may require participation by the Department in order to be financially feasible. Consideration should be given to using the PPP concept to fund a "truck-only" tollway running from Miami to I-10.