



## TAXATION AND BUDGET REFORM COMMISSION

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### Staff Analysis and Economic Impact Statement

Measure:	CS/SR 36	REFERENCE:	ACTION:
Sponsor:	Governmental Services Committee	1. GSC 2. F&T 3. TBRC	Fav/CS Favorable Pre-meeting
Subject:	Relating to Taxation Structure to Fund Transportation Programs		
Date:	March 19, 2008		

#### I. Summary:

Committee Substitute for Statutory Recommendation 36 proposes several changes to Florida Statutes to adjust current user fees and taxes relating to transportation funding. The measure incrementally increases State of Florida Motor Vehicle Registration Fees (better known as tag fees) over a three year period and indexes the rates to the Consumer Price Index (CPI) for future years. The measure incrementally increases title fees for motor vehicles over a three year period and indexes rates to the CPI for future years. The measure increases the service charges on title fees to county tax collectors and indexes these fees to the CPI. It also increases the service charges to county tax collectors for applications handled in connection with original issuance, duplicate issuance, or transfer of any license plate, mobile home sticker, or validation sticker or with transfer or duplicate issuance of any registration and indexes these fees to the CPI. The measure creates the "National System Tax," a new state tax on motor fuels which generates state revenues equivalent to indexing the Federal Motor Fuel Tax to the CPI. All revenues generated will be deposited into the State Transportation Trust Fund.

#### II. Present Situation:

The Florida Department of Transportation (FDOT) is responsible for the planning, design, construction, maintenance, and operation of all roads and bridges on the State Highway System, as well as assisting the owners and operators of a substantial network of seaports, airports, railroads, and public transit. Local governments are accountable for local systems (such as bridges and public transit).

Florida's transportation system consists of 130 public aviation facilities (in addition to 19 which have scheduled commercial passenger service), 2,100 railway miles, nearly 120,000 centerline miles of public roads, 14 deepwater seaports, and 29 fixed-route

transit systems. The State Highway System (SHS) consists of 12,067 centerline miles of road, 42,022 lane miles, and 6,440 bridges. The Strategic Intermodal System (SIS) is composed of transportation corridors and facilities of statewide and inter-regional significance and consists of 4,295 centerline miles of major roads, seaports, airports, rail lines, and passenger and freight terminals.<sup>1</sup>

The condition of the transportation infrastructure is closely linked with how well a particular region, or the state as a whole, prospers economically. The continued growth of the state has outpaced infrastructure improvements and has placed pressure on the existing transportation system. As a result, congestion in metropolitan areas has increased, resulting in a growing challenge of getting people to and from work and keeping the daily economy moving.

FDOT has recently examined the macro-economic impacts of transportation investments in its 5-year work program. Over the next 25 years, FDOT work program investments are expected to produce over \$147 billion in user and economic benefits for Florida and its residents compared to the actual cost of \$26 billion. All macro-economic impacts were expressed in 2006 dollars. Every dollar invested in the 5-year work program generates approximately \$5.60 in benefits.<sup>2</sup>

The Strategic Intermodal System (SIS) was established in 2003 to enhance Florida's economic competitiveness by focusing limited state resources on those transportation facilities that are critical to Florida's economy and quality of life. The department developed the SIS Multi-Modal Unfunded Needs Plan in 2006 to identify the major unfunded transportation capacity improvement needs for the SIS through 2030. By 2030, the SIS multi-modal unfunded needs plan will amount to \$53.2 billion in 2006 dollars. This amount includes over \$45 billion dollars for highways, \$3.1 billion in aviation, and \$5 billion for other modes in the SIS. In addition, about \$4.5 billion in public transit in support of the SIS is needed by 2030.<sup>3</sup>

The general revenue source for transportation is the Federal Motor Fuel Tax. The Federal Motor Fuel Tax includes approximately 18 cents per gallon in federal gas tax, 17 cents per gallon in gas tax for the state, 4 cents per gallon for local governments, and various optional local gas taxes that can be as much as 12 cents per gallon. Altogether, approximately 50 cents per gallon goes into gas taxes, making it the engine behind transportation funding. Funding for the State Transportation Trust Fund includes proceeds from motor vehicle license taxes, initial registration fees, rental car surcharges, and other state taxes and fees; as well as tolls and document stamp tax funding.

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<sup>1</sup> Transportation Policy Report from the Governmental Services Committee of the TBRC 2007.

<sup>2</sup> <http://www.dot.state.fl.us/planning/policy/trends/pg07.pdf>

<sup>3</sup> Presentation on September 10, 2007 by the Assistant Secretary of the Department of Transportation, Kevin Thibault.

### III. Effect of Proposed Changes:

Committee Substitute for Statutory Recommendation 36 removes the option for counties and municipalities to control the rate of the county fuel tax and municipal fuel tax, respectively. These fuel taxes will be indexed to the CPI. The proposal for CS/SR 36 makes the 9<sup>th</sup> cent fuel tax and 11 cent fuel tax mandatory. It removes most eligibility requirements for the Small County Road Assistance Program (SCRAP), including the enactment of local option fuel taxes. SCRAP assists small county governments with resurfacing and reconstructing county roads.

The measure creates a “National Systems Tax,” a new tax on motor fuels which generates state revenues equivalent to indexing the Federal Motor Fuel Tax to the CPI. Section 206.414, F.S., provides for the collection of the “National Systems Tax” on motor fuel and also for the monthly payment of the “National Systems Tax,” less an allowance for services and expenses that comply with the law. The “National Systems Tax” revenue is deposited in the State Transportation Trust Fund. The proposal indexes the 9<sup>th</sup> cent fuel tax and the 6 cents of local fuel tax on diesel fuel to the CPI. It also creates the “National Systems Tax,” a new state tax on diesel fuel, similar to the “National Systems Tax” on motor fuels.

The measure increases the automobile title fee to \$33 in 2009 (\$30 to STTF), \$42 in 2010 (\$39 to STTF), and \$50 in 2011 (\$47 to STTF). The proposal indexes title fees to CPI beginning in 2012 (Index fee minus \$3 to STTF). It also removes the current general revenue service charge. The proposal removes the general revenue service charge by amending section 319.31 of the Florida Statutes. This measure increases vehicle license taxes by specified amounts by 2009, 2010, and 2011, and indexes them to the CPI in 2012. Specifically the measure:

- Indexes the 9<sup>th</sup> cent Fuel Tax and 6 cents of Local Fuel Tax on diesel fuel to the CPI.
- Creates the “National System Tax” a new state tax on diesel fuel, similar to the “National System Tax” on motor fuels.
- Removes the General Revenue Service Charge for Title Fee and increases the Title Fee over a three year period. The fee is (1) increased to \$33 for 2009 with \$30 directed to the STTF; (2) increased to \$42 for 2010 with \$39 directed to STTF; and (3) increased to \$50 for 2011 with \$46 directed to the STTF.
- Increases Vehicle License Taxes by specified amounts for 2009, 2010, and 2011, and indexes them to CPI beginning in 2012. Applies to all categories of vehicles except motorcycles, certain trailers, and mobile homes.

- Increases the service charge to county tax collectors associated with the issuance, duplication, or transfer of any certificate of title from \$4.25 to \$7.25; indexes these fees to the Consumer Price Index every three years after July 1, 2008. The Department of Highway Safety and Motor Vehicles will adjust the statutory tax collector fee by rule based upon the change in the CPI.
- Increases the service charge to county tax collectors from \$2.50 to \$3.50 for applications handled in connection with original issuance, duplicate issuance, or transfer of any license plate, mobile home sticker, or validation sticker or with transfer or duplicate issuance of any registration; indexes these fees to the CPI every three years after July 1, 2008. The Department of Highway Safety and Motor Vehicles will adjust the statutory tax collector fee by rule based upon the change in the CPI.
- Makes the 9<sup>th</sup> cent Motor Fuel tax mandatory.
- Makes the 11 cent Local Option Fuel tax mandatory.
- Removes most eligibility requirements for the SCRAP program, including enactment of local option fuel taxes.

**Constitutional Issues:****A. Constitutional or Legislative Issues:**

Committee Substitute for Statutory Recommendation 36 is appropriately classified as a statutory issue.

**B. Other Constitutional Issues:**

None.

**V. Economic Impact and Fiscal Note:**

The Department of Transportation indicates that CS/SR 36 will have the following fiscal impact to the State Transportation Trust Fund for 2008-09 through 2016-17:

(in millions)

	2008-09	2009-10	2010-11	2011-12	2012-13
Motor Vehicle Fees	\$254.4	\$394.0	\$542.5	\$650.2	\$693.9
Title Fees	\$22.8	\$73.0	\$125.5	\$138.8	\$131.1
County & City Fuel Tax	\$34.3	\$39.5	\$48.4	\$49.8	\$55.0
Local Fuel Taxes	\$275.8	\$305.6	\$333.7	\$366.2	\$401.9
National System Tax	\$31.3	\$68.2	\$116.2	\$155.0	\$206.9
Total - Indexes & Increases	\$618.6	\$880.3	\$1,166.3	\$1,360.0	\$1,488.8

	2013-14	2014-15	2015-16	2016-17
Motor Vehicle Fees	\$738.0	\$778.7	\$824.0	\$871.6
Title Fees	\$136.4	\$148.1	\$157.3	\$166.7
County & City Fuel Tax	\$64.3	\$69.9	\$79.8	\$85.7
Local Fuel Taxes	\$432.8	\$468.1	\$510.5	\$551.1
National System Tax	\$251.1	\$307.0	\$377.1	\$436.9
Total - Indexes & Increases	\$1,622.6	\$1,771.8	\$1,948.7	\$2,112.0

The Economic and Demographic Research Office has not held an estimating conference to determine the fiscal impact of this measure.

#### **A. Tax/Fee Issues:**

This measure includes several fee increases to current taxes for fuel, motor vehicle titles, title fees, registration fees and vehicle licenses taxes. The 11 cent local option fuel tax and the 9<sup>th</sup> cent motor fuel tax become mandatory. Indexing the fees to the CPI provides additional increases.

#### **B. Private Sector Impact:**

The measure will increase the fees for fuel, title fees, and motor vehicle license taxes. It also creates a new state tax on motor and diesel fuel. These increases in fees and indexing of fuel taxes to the CPI will result in increased costs to citizens.

#### **C. Government Sector Impact:**

In addition to increases in fees and indexing, the measure removes the general revenue service charges from title fees. This action will have a negative impact on the General Revenue Fund.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.