



Taxation and Budget Reform Commission (TBRC) Statutory Recommendation: Transportation Funding¹

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A series of 16 fact sheets has been written on statutory and constitutional proposals adopted by the Taxation and Budget Reform Commission (TBRC). The publications in this series can be accessed at <http://edis.ifas.ufl.edu>. Fact sheets FE733 through FE741 address statutory changes and fact sheets FE742 through FE748 address constitutional amendments. These fact sheets should not be considered as an all-inclusive assessment of the statutory or constitutional changes recommended by the Taxation and Budget Reform Commission. Some details of proposed changes may not have been discussed due to space limitations. These fact sheets are not intended as a replacement for personal knowledge about actual or proposed changes but are a guide to inform the public on the issues.

Introduction

The Taxation and Budget Reform Commission (TBRC) has made statutory recommendations to the Florida Legislature concerning transportation funding. The recommendations are broad in scope and cover everything from motor fuel taxes to increases in fees and charges for titles and vehicle licenses. Many of the suggested changes are linked to

projected inflationary increases. Many specific time frames for these increases were recommended in the proposed legislation forwarded to the legislature.

TBRC Recommendations

Florida has a large and diverse transportation system. It includes aviation facilities, ports, transit systems, railways, and roads. Staff analysis indicates the important linkage between the state's transportation systems and the economic prosperity of towns, cities, counties, regions, and the state. It also notes that population growth has increased faster than investments in the transportation system. This has resulted in traffic congestion that impedes everything from people going to work to the local economy.

According to staff analysis, statutory recommendations by the TBRC on transportation funding can be summarized as follows:

- Indexes the ninth-cent Fuel Tax and 6 cents of the Local Fuel Tax on diesel fuel to the Consumer Price Index (CPI).

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- 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 increased as follows: to \$33 for 2009, with \$30 directed to the State Transportation Trust Fund (STTF); to \$42 for 2010, with \$39 directed to STTF; and 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 the 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, and 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.
- Increases the service charge to county tax collectors from \$2.50 to \$3.50 for applications handled in connection with original and duplicate issuance, or transfer of any license plate, mobile home sticker, or validation sticker, or duplicate issuance or transfer of any registration, and 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 ninth-cent Motor Fuel Tax mandatory.
- Removes the 11-cent Local Option Fuel Tax and makes it a mandatory statewide tax of 11 cents per gallon.
- Removes most eligibility requirements for the Small Country Road Assistance Program (SCRAP), including enactment of local option fuel taxes.

Impact of Proposed Statutory Change

A large number of changes were proposed by the TBRC. In the past, there have been two local option fuel taxes that counties could levy, each ranging between one and eleven cents per gallon. The TBRC recommendation removes the local option, sets the rate at eleven cents per gallon, and indexes the rate to the Consumer Price Index (CPI). Currently, only 17 counties (2008 Florida Tax Handbook) levy the eleven cents per gallon tax. In addition, counties also had an option of levying a tax of one cent per gallon (referred to as the “ninth-cent fuel tax”) on fuel sold. The TBRC removes the option on this tax from counties, makes it a mandatory tax levy, and indexes the tax to the CPI. Currently, taxes on fuel range in the 40 to 50 cents range (Federal, 18.4 cents; State, 16.9 cents; Local, 4 cents; and Local Option, up to 12 cents). The TBRC has also recommended creation of a new motor fuels tax called the “National Systems Tax.” According to the staff analysis, this National Systems Tax “generates state revenues equivalent to indexing the federal motor fuel tax to the CPI” and results in “a new state tax on diesel fuel similar...to the National Systems Tax on motor fuels.”

The TBRC recommendation will raise the amount of motor fuel taxes in the majority of Florida counties. This may be a “tough sell” to state legislators because of concerns by the public about already high and rapidly escalating gas prices. Some people might be concerned that the motor fuel taxes will automatically rise in the future because the taxes will be linked to the CPI. Others might be concerned because the CPI might not be the best index to link motor fuel taxes to because the index probably underestimates the inflationary impacts related to transportation systems (roads, bridges, public transportation, etc.). At the same time, it can be argued that any index that accounts for inflationary trends is better than no index. Few would probably argue that the state's transportation efforts would benefit from additional revenue.

Another major component of the TBRC recommendations is increases for title fees, vehicle license taxes, and service charges to county tax collectors for issuance, duplication, or transfer of

certificates of title and license plates. The recommendation is for the title fee to increase over a three-year period by \$9 each year for the first two years, and by \$8 in the third year. All but \$3 of the title fee would be deposited into the STTF in the first two years, and all but \$4 in the third year. Beginning in the fourth year, these fees would be indexed to the CPI. These funds are required by state statute to be used for transportation purposes, including public transportation, right-of-way acquisition, and bridge construction. Likewise, vehicle license fees would increase over a three-year period and then be indexed to the CPI in the fourth year. The amount of the increase varies by type (auto, truck, etc.) and weight of the vehicle. For example, autos for private use with a weight in excess of 3,500 pounds would see increases from the current \$32.50 to \$43.50, \$54.50, and \$65.00 over a three-year period. Service charges for issuance, duplication, or transfer of any certificate of title would increase from \$4.25 to \$7.25 and then be indexed to the CPI every three years after the recommended legislation becomes law. The same is true for applications handled in connection with original and duplicate issuances or transfer of any license plate, mobile home sticker, or validation sticker, or with duplicate issuance or transfer of any registration. Those fees would increase from \$2.50 to \$3.50 and then be indexed to the CPI every three years after the recommended legislation becomes law. The increases in fees and charges are large in percentage terms but relatively small in dollar terms to any individual. Collectively, the increases amount to a significant amount of money over time and are linked to inflationary increases.

Finally, the recommendations eliminate the use of criteria such as adoption of the maximum, local option, fuel tax and an ad valorem, millage rate of at least eight mills for participation in the Small County Road Assistance Program (SCRAP). Criteria suggested now include the following:

- Primary—the physical condition of the road.
- Secondary—use of the road as an evacuation route; high levels of agricultural travel, whether the road is a major arterial or feeder route; and the impact of a project on the public road system, or on the state, or local economy.

The Florida Department of Transportation (FDOT) estimates that, if all these recommendations were made law, an additional \$12.5 billion in funding would be available for transportation purposes over a nine-year period. The trade-off may well be more dollars for the transportation system, more traffic congestion, poor road conditions, and lack of public transportation alternatives.

Summary

Although the statutory recommendations have been made by the TBRC, and in some instances with specific dates to become effective, the Florida Legislature and the Governor are not bound to the effective dates or the recommendations. Before these recommendations become law, they require approval of both the Florida Senate and House, and approval by the Governor. Citizens interested in the specific recommendations will need to follow the progress of the issue through the legislative process. Additionally, there is no time limit for action by the legislature on the TBRC recommendations and they can be introduced in any future legislative session after initial submission by the TBRC.

References

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