

Adopted legislation for 2019 affecting local transportation agencies

Indexing local gas taxes

At the request of FACERS and Marion County, the Florida Association of Counties has adopted a policy to support indexing of the local share of motor fuel taxes to annual adjustments of the Consumer Price Index.

Adopted Policy:

SUPPORT indexing local option fuel taxes to annual adjustments of the Consumer Price Index.

Issue Summary:

Motor fuel tax revenues and buying power are constantly eroding as the costs of road construction and maintenance has increased and vehicles have become more fuel efficient. The statutes allow the State's motor fuel tax rate to rise with increases in the cost of goods and services, as measured by the Consumer Price Index (CPI). Local rates have not been similarly indexed and, thus, local revenues are not keeping pace with the transportation costs and needs.

Background:

The motor fuel taxes are the principle source of funding for the construction, maintenance, and operation for most of Florida's local agencies. The costs of transportation system construction and operation are linked to the costs of goods and services, which continues to rise. As the costs of goods and services – measured by the Consumer Price Index- continue to rise, the buying power from there revenue generated from motor fuel taxes will continue to decrease.

Sec. 206.41(f) and (g) allows for the State Comprehensive Enhanced Transportation System Tax and "fuel sales tax" to be indexed to the Consumer Price Index. These taxes are state-levied. The fuel taxes authorized to be levied by counties, (contained in Sec. 206.41(1)(a)-(f) and Sec. 206.60) are not indexed.

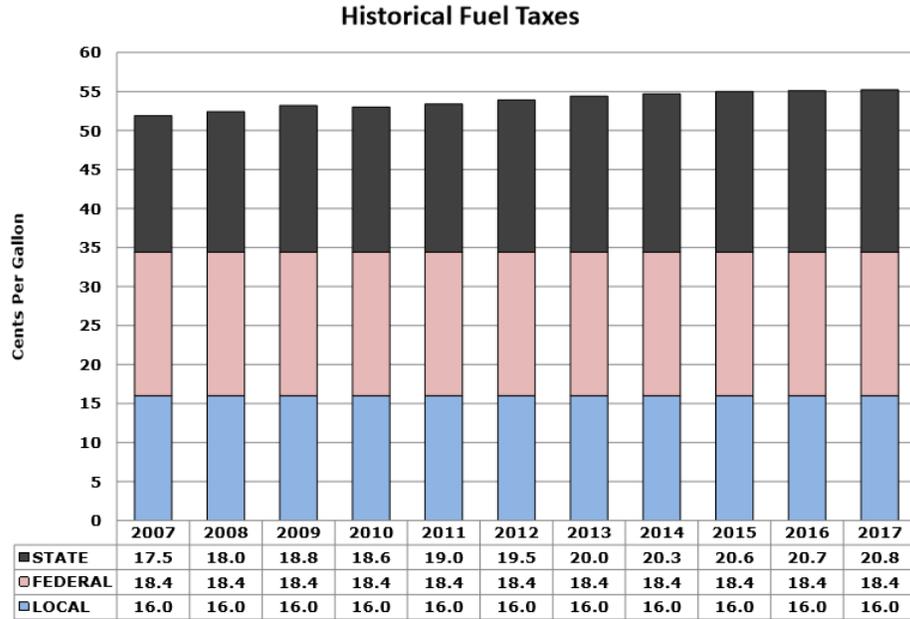
Analysis: Since 1997, when State's Highway Fuel Sales Tax has been indexed, the CPI has risen 54%. The State's fuel tax, which was 6.9 cents/gallon has since risen to 20.8 cents/gallon in 2017. The local tax rate has been fixed since at least 2007. Though some costs were reduced during the great recession due to decreased demand for building materials, the long-term trend will continue to be increased costs and, thus, decreased value. Florida's local governments play an integral role in funding Florida's local, regional, and state transportation system and that system will see increasing deterioration if this vital funding source is not reinforced.

In aligning the state and counties with the same indexing system, it would allow counties to strategically fund projects from revenue generated within their county thus allowing for a more targeted control of maintenance, development and investment. According to the FDOT website, "The department (FDOT) received about \$690 million additional revenue in fiscal year 2015-16 when compared to what collections would have been without fuel tax indexing." If aligned, counties would likewise see a funding increase.

Fiscal Impact:

Figure 2. from FDOT’s 2017 version of Florida’s Transportation Tax Sources: A Primer shows the relative increase in historical fuel taxes by levying entity and shows the rate at which the rate would have increased:

Figure 2 - Historical Fuel Taxes



Florida’s Transportation Tax Sources: A Primer, provides a detailed description of the various taxes that support transportation.

It is available at: <http://www.fdot.gov/comptroller/pdf/GAO/RevManagement/Tax%20Primer.pdf>.