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HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
ANALYSIS

BILL #: HB 1965 (PCB TR 00-03)

RELATING TO: Innovative Transportation Financing

SPONSOR(S): Committee on Transportation and Rep. K. Smith and others

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) TRANSPORTATION YEAS 11 NAYS 0
(2) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
(3)
(4)
(5)

I. SUMMARY:

This bill addresses transportation infrastructure funding issues by creating innovative financing techniques; by recapturing revenues from transportation related taxes that are currently diverted to General Revenue; and, by creating the ‘Enhanced Transportation Program’ (ETP). The ETP is a more responsive transportation planning process to accelerate construction of state transportation projects which promote economic development. Projects of statewide or regional significance from all modes of transportation are eligible for the program. The existing 5-year work program process is protected and the Mobility 2000 Initiative proposed by the Governor is included and funded.

The bill establishes ETP project evaluation criteria, and creates a “Transportation & Economic Development Advisory Council” (TEDAC) to review and recommend projects proposed by both public and private entities. The Governor, Speaker and Senate President each have two appointments to the TEDAC. Final approval of ETP project funding would be by the Legislature in the General Appropriations Act. DOT will provide administrative support for the program.

The bill creates discretionary transportation funding for the ETP, including: 1) $250 million in recurring revenue per year primarily from transportation revenues currently diverted to General Revenue (GR), funds formerly designated for High Speed Rail, and transportation funds used by the Office of Tourism, Trade & Economic Development for economic development road projects; 2) $300 million transferred from non-recurring GR over the next 2 years, and; 3) $400 million from federal aid highway construction bonds issued over a 2 year period. In addition, DOT will use federal-aid bonds to advance projects and the state infrastructure bank to leverage projects to help meet transportation infrastructure needs.

The bill also addresses local transportation needs by phasing-out the GR service charge on local option fuel taxes over a 5 year period. This will provide over $430 million of transportation funding directly to local governments over the next 10 years.

The bill increases transportation revenues by over $4 billion over 10 years. The bill has positive fiscal impacts on the State Transportation Trust Fund and on local revenues, with corresponding negative impacts to the General Revenue Fund. These provisions will provide significant benefits to the public by advancing the completion of approximately $7 billion worth of state and local transportation projects. For more details about these impacts, see the Fiscal Analysis and Economic Impact Statement under Part III.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No [X]	N/A []
2.	Lower Taxes	Yes []	No []	N/A [X]
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a "no" above, please explain:

Less Government: The bill does create a new council, the Transportation & Economic Development Advisory Council" (TEDAC) to review and recommend projects proposed by both public and private entities for funding under the ETP..

B. PRESENT SITUATION:

Transportation Needs: Florida is one of the fastest growing states in the country. The state's population has more than doubled since 1970 to more than 15 million people, and is expected to grow to about 20 million by 2020. The number of annual visitors grew to 49 million in 1998, and may reach 83 million by 2020. Florida's economic growth has been higher than the nation's as a whole in the 1990s and there are few signs of a slow down in the state's economy.

The Florida Chamber Foundation's Transportation Cornerstone study concluded in 1999 that Florida is poised for continued growth in three areas: 1) As a pivotal "crossroads" economy (for trade among the United States, Latin America and the Caribbean); 2) As part of the next generation of global high-tech centers; and, 3) As one of the world's leading tourist and convention destinations.

Florida now faces the challenge of meeting the transportation needs generated by a rapidly growing population and economy. According to DOT, between 1980 and 1997, total vehicle-miles traveled increased 99 percent, but state highway lane-miles rose only 20 percent. More than 25 percent of urban freeway miles are moderately or severely congested. A 1999 analysis of needed improvements on the Florida Intrastate Highway System (FIHS) has identified a shortfall of more than $20 billion by 2010.

Transportation Project Development & 5-Year Work Program Process: The current process for allocating funds to pay for transportation projects is very complex. There are numerous federal and state goals, policies, and restrictions that relate to how funds must be allocated and used. For example, some funds can only be used for project planning while other funds can only be used on public transportation projects. In addition to requirements for how funds must be spent, state law also contains detailed financial controls that are intended to keep DOT on a sound financial footing.

Although the Legislature has the final say on how funds are spent through the appropriations process, actual decisions on project selection is a "bottom-up" process. By law, local governments select their transportation projects on a priority basis from their comprehensive plans and communicate these to DOT. This list of project phases is used by DOT to build the 5-year work program. The work program development process is completed over approximately an eight month period with extensive citizen involvement and input from local government officials through county commissions and metropolitan planning organizations.

The primary goal of the work program development process is to comply with federal and state laws and to achieve balance between statewide and local priorities. Local priorities usually include projects needed to meet concurrency requirements and local transportation needs, such as home to work trips. Statewide priorities generally include projects of statewide or interregional importance, preservation of the state highway system, motorist safety, and public transportation.

When taken as a whole, all of these requirements result in a long-range project funding and development process that is financially sound and upon which local governments and citizens can rely. The down-side of the current process is that there is limited discretion in how funds are allocated and used by DOT to adjust to sometimes rapidly changing conditions, therefore the process lacks the flexibility and responsiveness to quickly fund and construct projects which promote economic development.

C. EFFECT OF PROPOSED CHANGES:

<u>Transportation Improvement Program for the 21st century -- TIP-21</u>: The bill addresses transportation infrastructure funding issues by creating innovative financing techniques; by recapturing revenues from transportation related taxes that are currently diverted to General Revenue; and, by creating programs to advance the construction of state and local transportation projects.

<u>Enhanced Transportation Program</u> The Enhanced Transportation Program (ETP) is a more responsive transportation planning process to accelerate construction of selected, unfunded, high profile state transportation projects which promote economic development. The ETP is based on the following fundamental principles:

1. Projects of statewide or regional significance from all modes of transportation -- highway, airport, rail, seaport, and transit projects are eligible for the program.

2. The Mobility 2000 Initiative proposed by the Governor is included and funded.

3. The existing 5-year Work Program Process is protected.

4. The proposal increases transportation revenues by over $4 billion over 10 years.

The bill creates discretionary transportation funding for the ETP, including: 1) $250 million in recurring revenue per year primarily from transportation revenues currently diverted to General Revenue, funds formerly designated for the High Speed Rail Project, and State Transportation Trust Fund funds used by the Office of Tourism, Trade & Economic Development for economic development road projects; 2) $300 million transferred from non-recurring General Revenue over the next 2 years, and; 3) $400 million from federal aid highway construction bonds issued over a 2 year period.

The bill identifies the following ETP project categories:

Major Highway Improvement Projects: 1) Florida Intrastate Highway System; 2)Feeder roads linking major highways; 3) Bridges of regional significance; 4) Trade and economic development corridors; 5) Access projects for freight and passengers, and; 6) Hurricane evacuation routes.

Major Public Transportation Projects: 1) Seaport projects improving cargo and passenger movement; 2) Aviation projects for airports with the largest number of passenger enplanements and the most cargo activity; 3) Transit projects improving regional travel; 4) Rail projects that facilitate the movement of passengers and cargo.

The bill establishes ETP project evaluation criteria, including whether the project or project phase: 1) Can be made production-ready within 5-year period; 2) Can be advanced in current 5-year work program to an earlier year; 3) Is included in a current FIHS, Airport, Intermodal/Rail, Seaport, or Transit System Plan, and; 4) Is not inconsistent with local comprehensive plans; or if inconsistent, the reasons why the project should be undertaken must be explained.

The bill creates a “Transportation & Economic Development Advisory Council” (TEDAC) to review and recommend projects proposed by both public and private entities. The Governor, Speaker and Senate President each have two appointments to the TEDAC. Final approval for ETP project funding would be by the Legislature in the General Appropriations Act. DOT provides technical expertise and prepares a program and resource plan listing projects and required support costs; and a financial/cash forecast plan to finance the ETP.

Mobility 2000 Initiative: Through Mobility 2000, the Governor has proposed advancing many needed projects on the Florida Intrastate Highway System (includes the Interstates, Florida’s Turnpike, other expressways and major arterial highways) by providing new funding for road building. The proposal calls for accelerated construction of road projects through additional funding from transportation-related revenues that had previously been diverted to other uses, increased federal funding, and the issuance of short-term bonds.

Under Mobility 2000, citizens, visitors, and businesses will benefit from the advanced completion of improvements to the Florida Intrastate Highway System over the next 10 years in three major areas:

Expand major roadway trade and tourism corridors. Florida’s continued long-term economic viability depends on reliable freight and passenger mobility through its major gateways.

Urban congestion relief. Major urbanized areas need improved mobility and relief from current congested conditions. Construction of cost-effective solutions and better use of technology to move traffic will provide maximum operational efficiency.

Hurricane and other emergency evacuation. Adding lanes to routes accessing coastal communities are planned based on analysis of need for quicker emergency evacuation.

Mobility 2000 is fully funded under the bill and will allow many road projects originally planned over the next 20 years to be built anywhere from 1 year to 10 years sooner.

Transportation Revenue Diversions: For many years, a portion (7.3 percent) of gas tax collections and motor vehicle fees has been diverted away from transportation projects to other general needs of the state. For example, the GR service charge for various state gas tax collections totaled more than $100 million in 1998-99 and was used for a number of non-transportation purposes. The bill recaptures a portion of these diversions from various taxes and fees that have a direct nexus with transportation and uses those dollars to fund state and local transportation needs. Over $1.7 billion of current diversions will be restored to the State Transportation Trust Fund over the next 10 years to finance TIP-21. In addition, over $430 million in transportation funding for local governments will be recaptured over 10 years by phasing-out the GR service charge on local option fuel taxes.

State Infrastructure Bank (SIB): An infrastructure bank is designed to be a self-sustaining revolving loan fund operating like a bank. An infrastructure bank can be capitalized with state or federal seed money and can offer loans and credit enhancement assistance to public and private entities. DOT currently has a Federally funded infrastructure bank, but the uses of these funds are limited to projects that meet federal standards. Federal law authorized four pilot states for an infrastructure bank program including Florida, California, Rhode Island and Missouri. The current infrastructure bank has awarded loans totaling $140 million that supports over $500 million in total project costs.

The bill creates s. 339.55, F.S., which provides for a state-funded SIB within DOT. The SIB would offer loans, credit enhancements, and other forms of financial assistance to public and private entities for transportation projects on the state highway system or that relieve congestion on the state highway system. Loans from the SIB may bear interest, and repayment of SIB loans must commence 5 years after project completion and be repaid within 30 years. To be eligible for consideration, projects must be consistent with local plans and must have a dedicated repayment source to ensure loan repayment.

Criteria that DOT may consider for evaluation of SIB candidate projects include: credit worthiness; project economic benefits; the likelihood of project advancement; innovative public-private partnerships; use of new technologies; environmental impacts; intermodal transportation benefits; and, encouragement of local and private participation. SIB loans would be included in the 5-year work program submitted to the Legislature each year. When repaid, additional loans can be granted for future projects. The SIB will leverage other public and private funds for transportation projects and will allow needed projects to be built sooner.

The SIB will be capitalized by DOT as approved in the General Appropriations Act. DOT has recommended funding for the SIB at $30 million per year for 5 years. A state-funded SIB can provide DOT with more flexibility in project selection and financial management than the federally funded infrastructure bank, and can provide a mechanism to significantly increase the state's ability to meet unfunded transportation needs.

Grant Anticipation Revenue Vehicles (GARVEE bonds): Federal law allows states to borrow against future year apportionments of federal funds for the payment of debt service on bonds issued to fund the costs of federal-aid transportation projects. In 1999 the Legislature created s. 215.616, F.S., to authorize a bond program for Federal Aid Highway Construction and to authorize a pledge of up to 10 percent of the state's future federal-aid allocations as payment for debt service. DOT is allowed to issue bonds with a maximum term of 12 years backed by a pledge of future federal-aid funds. The department would incur recurring annual costs for the debt service transfers for as long as bonds are outstanding.

The Division of Bond Finance recently completed a debt affordability study with recommended guidelines for future state debt issuance. Within those guidelines, DOT can issue bonds to finance transportation projects that would otherwise wait years for funding. Although not specifically required by the bill, a total of $400 million of GARVEE bonds are expected to be issued between 2005-2007 to fund TIP-21. (The amount and fiscal year of issuance of these bonds needs to remain flexible based on future finance plans and cash-flow needs of DOT.) These bonds will be repaid with future federal transportation funds. Such a bond issue will commit less than four percent of future federal funds for bond repayment. This is significantly less than the six percent recommended by the Division of Bond Finance.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Creates s. 339.55, F.S., to create the state-funded infrastructure bank to be administered by DOT.

Section 2. Creates s. 339.137, F.S. to create the Enhanced Transportation Program supporting economic development, and the Transportation and Economic Development Advisory Council. Provides minimum annual funding of $150 million for the program

Section 3. Provides for annual transfers of $150 million of nonrecurring General Revenue to the State Transportation Trust Fund for the next two fiscal years to fund the ETP.

Section 4. Provides for funding and developing the Mobility 2000 initiative.

Section 5. Eliminates 7 percent of the 7.3 percent GR service charge on state fuel taxes, and on motor vehicle title fees and initial registration fees.

Section 6. Phases-out 7 percent of the 7.3 percent GR service charge on local option fuel taxes over a 5 year period.

Section 7. Provides that the 30 percent of the initial registration fee revenues currently going to GR be deposited in the State Transportation Trust Fund.

Section 8. Repeals s. 288.063, F.S., which is the economic development road program administered by the Office of Tourism, Trade & Economic Development. This program would be replaced by the Enhanced Transportation Program.

Section 9. Conforms s. 14.2015, F.S., to the changes made in section 8 of the bill.

Section 10. Conforms s. 288.0656, F.S., to the changes made in section 8 of the bill.

Section 11. Conforms s. 339.08, F.S., to the changes made in section 8 of the bill.

Section 12. Provides authority and direction for DOT to develop and implement the TIP-21 work program.

Section 13. Provides that the act takes effect upon becoming law.

III. <u>FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT</u>:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. <u>Revenues</u>:

See Fiscal Comments, below.

2. <u>Expenditures</u>:

See Fiscal Comments, below.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. <u>Revenues</u>:

See Fiscal Comments, below.

2. <u>Expenditures</u>:

See Fiscal Comments, below.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

To the extent that the provisions of this bill help to advance transportation projects, the engineering firms, contractors, material suppliers, laborers, and other businesses involved in construction of these projects will benefit. Further, construction of these projects sooner will benefit those businesses and citizens that rely on the state's transportation system to move goods, to provide access for customers, and to get to and from work.

D. FISCAL COMMENTS:

<u>"TIP-21" Transportation Work Program</u>: The bill creates the Enhanced Transportation Program. This program is intended to accelerate transportation projects which substantially impact Florida's economic competitiveness by funding statewide or major regional transportation needs. Program funds will be allocated for discretionary economic growth transportation projects that enhance domestic and/or international trade and tourism. In addition to existing DOT funding and innovative financing techniques, funding for the program in fiscal year 2000-01 will consist of $300 million from General Revenue ($150 million recurring and $150 million non-recurring).

<u>State Infrastructure Bank (SIB)</u>: DOT currently has a federally funded infrastructure bank which is a self-sustaining revolving loan fund operating like a bank, but the uses of these funds are limited to projects that meet federal standards. The federally funded infrastructure bank has awarded loans totaling $140 million that supports $500 million in total project costs. The bill creates a state-funded SIB within DOT. The SIB will be capitalized by DOT as approved in the general appropriations act. DOT has recommended funding for the SIB at $30 million per year from the State Transportation Trust Fund for 5 years. A state funded SIB can provide DOT with more flexibility in project selection and financial management than the federally funded infrastructure bank, and can provide a mechanism to significantly increase the state's ability to meet unfunded transportation

needs. Given this flexibility and $150 million in capitalization, the use of SIB loans has the potential to leverage at least $500 million and perhaps as much as $1 billion in additional transportation projects.

<u>Grant Anticipation Revenue Vehicles (GARVEE bonds)</u>: Section 215.616, F.S., authorizes a bond program for Federal Aid Highway Construction and allows DOT to pledge up to 10 percent of the state's future federal-aid allocations as payment for debt service. Within the recommended guidelines of the Division of Bond Finance Debt Affordability Study, DOT can issue bonds to finance transportation projects that would otherwise wait years for funding. Although not specifically required by the bill, a total of $400 million of GARVEE bonds are expected to be issued between 2005-2007, to fund TIP-21. (The amount and fiscal year of issuance of these bonds needs to remain flexible based on future finance plans and cash-flow needs of DOT.) These bonds will be repaid with future federal-aid transportation funds. Such a bond issue will commit less than four percent of future federal funds for bond repayment. This is significantly less than the six percent recommended by the Division of Bond Finance.

<u>Economic Development Road Program</u>: Authority for the economic development road program administered by the Office of Tourism, Trade & Economic Development (OTTED) is repealed by the bill. This program would be replaced by the Enhanced Transportation Program created by the bill. Consistent with the General Appropriations Acts of past years, the Governor's recommended budget includes $20 million for economic development transportation projects to be funded from a transfer from the State Transportation Trust Fund to OTTED. This funding would be used by DOT to fund TIP-21.

<u>Local Transportation Funding</u>: The bill phases-out 7 percent of the 7.3 percent GR service charge on local option fuel taxes over a 5 year period. In fiscal year 2000-01 this provides $10 million in additional local transportation funding, and in fiscal year 2001-02 this provides $20 million in additional local transportation funding. General Revenue will be reduced in those fiscal years by a corresponding amount. These funds will be distributed directly to local governments based on the same methodology as currently used to distribute local option fuel tax revenues.

<u>Non-Transportation State Programs</u>: This bill reduces annual deposits to the General Revenue Fund by $150 million and allocates the money to transportation projects. Additionally, the bill allocates $300 million ($150 million annually for two years) in non-recurring general revenue to transportation projects. Therefore, $300 million in fiscal year 2000-01 and $300 million in fiscal year 2001-02 will be unavailable for non-transportation state programs.

IV. <u>CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION</u>:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON TRANSPORTATION:

Prepared by:	Staff Director:
Phillip B. Miller	John R. Johnston

AS REVISED BY THE COMMITTEE ON TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS:

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