STORAGE NAME: h0199.tr
DATE: March 16, 2000

HOUSE OF REPRESENTATIVES
COMMITTEE ON
TRANSPORTATION
ANALYSIS

BILL #: House Bill 199

RELATING TO: Local Transportation Incentives

SPONSOR(S): Reps. Goodlette and C. Green and others

TIED BILL(S): N/A

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) TRANSPORTATION
(2) FINANCE & TAXATION
(3) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
(4)
(5)

I. SUMMARY:

This bill would create a local transportation incentive program that would provide state matching funds to local governments for local transportation projects that would benefit or enhance the State Highway System. Counties which have passed certain local option transportation revenue measures may qualify for matching funds to be distributed by the Department of Transportation (DOT) for certain county-owned roadway system improvements. A statutory formula would award points to a county based on the county's imposition of certain local option fuel taxes as well as the county's expenditures of revenues from other local taxes for transportation projects.

The local incentive program would be funded by reducing the General Revenue (GR) service charge levied on state transportation taxes from 7.3 percent to 4.3 percent beginning July 1, 2001. Because this GR service charge reduction begins July 1, 2001, the bill will not have a fiscal impact on GR or on transportation spending during the 2000-01 fiscal year. According to DOT projections, the bill has a negative fiscal impact to GR of approximately $52.5 million in FY 2001-02 and $59.5 million by FY 2004-05. These funds will be used for local transportation infrastructure.

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 will create a local transportation incentive program in DOT which will require the creation of application forms, an application review and selection process, a matching funds distribution process, and a project oversight and audit process.

B. PRESENT SITUATION:

Current law contains three local option fuel taxes which authorizes counties to impose a tax of one to six cents, one cent, or one to five cents (this latter five cents tax is also known as the ELMS Nickel) on each gallon of gasoline purchased in the county. The local option fuel tax on diesel fuel has been equalized statewide at seven cents per gallon. The one to six cents, and the one cent taxes may be imposed by a simple majority of the county commissioners or by referendum. The ELMS Nickel of up to five cents per gallon may be imposed by a majority plus one vote of the county commission or by referendum. Revenues from these taxes, with limited exceptions, must be spent on transportation expenditures.

As of January 1, 2000, all counties have adopted at least 3 cents per gallon of local fuel taxes. The following table indicates the number of counties that have adopted the indicated rate of local option fuel taxes:

Cents Per Gallon:	Number of Counties:
12	7
11	2
10	2
9	1
8	1
7	26
6	24
5	3
4	0
3	1

In addition, some counties have levied impact fees or used other ‘non-transportation related’ tax sources, such as ad valorem tax revenue, to fund transportation improvements.

Currently there is not a state program which provides incentives for a county to use its revenue raising authority to provide resources for local transportation projects.

C. EFFECT OF PROPOSED CHANGES:

The bill creates a local transportation incentive program that would provide state matching funds to local governments for local transportation projects that would benefit or enhance the State Highway System. A funding formula would award points to a county based on the county's imposition of certain local option fuel taxes as well as the county's expenditures for transportation projects from the revenues of other local taxes. Multi-county projects would be evaluated based on the combined points of counties involved in the project. Points would be awarded as follows:

-ELMS Nickel & Ninth Cent Fuel Taxes: One point, if both taxes are adopted.

-Ad Valorem Tax: One point, if an average of 0.5 mills is spent on transportation within the preceding 2 years; additional one-quarter point for each mill over 0.5 mills.

-Local Sales Tax: One point for first 0.25 percent of local sales tax revenue dedicated to transportation and one-half point for each additional 0.25 percent.

-Transportation Impact Fee: One-half point, if impact fee is adopted and enforced.

-DOT may consider whether other funds have been used by a county for transportation, and may award up to 2 points for these local efforts.

Cumulative points would then be used to determine the percentage of state matching funds that the county or the multi-county project would receive, provided that the funds are available. Matching funds would be awarded as follows:

Points Awarded:	State Match Rate:
2.0 - 3.49	20 percent
3.5	30 percent
3.5 or more	40 percent

DOT would be required to create an application form, an application review and selection process, a matching funds distribution process, and a project oversight and audit process. DOT would review applications and notify the applicant(s) within 120 days of the application's filing whether the county qualifies for matching funds and if such funds are available and appropriated. The DOT district secretary for the district in which the applicant resides would provide a written analysis of the benefit of the project to the State Highway System. If a project is rejected, the rejection would be in writing and detailed sufficiently to inform the county as to the basis for rejection. The rejection must also include language informing the county as to what could make the project acceptable or why the project would not qualify for matching funds under the provisions of this program.

D. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   See D. Fiscal Comments, below.

2. Expenditures:

   See D. Fiscal Comments, below.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   See D. Fiscal Comments, below.

2. Expenditures:

   See D. 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 state and local transportation systems to move goods, to provide access for customers, and to get to and from work. However, during construction of transportation projects motorists will experience delays and businesses adjacent to the construction project may be impacted.

D. FISCAL COMMENTS:

Funding for the program would be derived through a reduction from 7 percent to 4 percent in the GR service charge which is imposed by s. 215.20(1), F.S., and levied on state transportation taxes. The bill does not effect the .3 percent GR service charge levied pursuant to s. 215.20(3), F.S. It should be noted that the bill's effective date is July 1, 2000, while the GR service charge reduction begins July 1, 2001. The negative fiscal impact to GR is estimated by DOT to be approximately $52.5 million in FY 2001-02 and would increase to $59.5 million by FY 2004-05. These funds would be deposited in the State Transportation Trust Fund and would be used for acquisition of right-of-way, construction, design, and engineering of qualified projects. The state would provide matching funds ranging from 20 percent to 40 percent of eligible project costs. Program eligibility would be based primarily on the county's level of taxation dedicated to transportation projects.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

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:

The ‘ELMS Nickel’ five cent local option gas tax was authorized in 1993 by the Legislature. This tax resulted from the recommendation of the Environmental Land Management Study (ELMS) Committee, which was created pursuant to Executive Order 91-291. The purpose of the ELMS Nickel was to provide local governments an additional revenue source to meet the requirements of the capital improvements element of local comprehensive plans.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON TRANSPORTATION:

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