

Funding the Florida Department of Transportation

Executive Summary

The Florida Department of Transportation (FDOT) is primarily funded by a 19.29 cents per gallon gas tax. It also receives 30 percent of its funds from the United States Department of Transportation (USDOT), which is funded by a 18.40 cents per gallon tax. Because of the rising trend of gas prices leading to historic highs, Americans have been driving less and using more fuel-efficient vehicles. Even though the recent downturn of gas prices has led to a temporary change in this trend, general habits will likely continue as prices normalize. Less revenue is being collected and a sustainable supplement or alternative to the gas tax needs to be considered to fund the FDOT for the long term. Options include charging vehicles per miles travels, raising the sales tax rate, implementing tolls, raising the gas tax, and/or cutting and diverting funds.

As this proposal will highlight, it is recommended that funds be cut and diverted from a particular state budget area that receives yearly recurring funds, but is expected to see cuts in the next or future legislative sessions. Depending on availability of funds, a small raise in the state sales tax or implementing tolls on key roads could supplement funding for the FDOT.

Statement of the Problem

The trend of rising gas prices has changed the way Americans drive. They carpool more, drive less in general, and are more mindful of the trips they take with the purpose of conserving the total amount of gas that is used. Also, fuel economy is at the forefront of the decision for a new vehicle, and more and more fuel-efficient vehicles are being produced and bought. Taken together, these causes have led to a simple and increasing effect: Americans are buying less gas.

The FDOT is currently funded by a fuel tax along with monies from the USDOT. The current fuels tax for gasoline in Florida is 19.29 cents per gallon (excluding local levies), while the federal gasoline tax is 18.40 cents per gallon. Over the past few years, both the FDOT and USDOT have seen a decline in revenue from these taxes. Even though the Florida state gas tax is adjusted to keep up with inflation, the fact remains that less gas overall is being bought. The USDOT, on the other hand, has a flat tax, which is not adjusted for inflation and has been the same since 1993. This lack of funding led to the USDOT's Highway Trust Fund needing a last minute deposit during the summer of 2014 as a temporary life preserver to keep the Department above water. And though spokespeople for the FDOT say there is no need to worry and that they are still working within budget, the FDOT receives about 30 percent of its entire budget from the USDOT.

The Current System

In the past, the tax on gasoline in the state of Florida has been raised incrementally in an effort to keep up with inflation and budget demands. Counties and municipalities have also been allowed to raise their own levies in order to fund local projects. Additional raises to the tax represent risky and unpopular political moves. In fact, such a proposal is counterintuitive in a way because since it would further raise the price of a gallon of gas, thereby encouraging drivers to buy less of the very product upon which the FDOT depends for revenue. Still, if the gas tax is not to be raised, the Department must seek alternative vehicles for funding.

Policy Options

- 1. Vehicles Miles Traveled.** An alternative to increasing the gas tax may be found in Vehicles Miles Traveled, or VMT. From recent discussions with U.S. Senate staffers, FDOT engineers and administrators, and transportation professors at the University of Florida, VMT seems to be the direction that those authorities think the discussion may be moving. Using VMT essentially means that drivers would pay a flat rate per mile for the total amount of miles that their vehicle traveled in a given amount of time. Like the gas tax, an advantage of using VMT would be that the amount paid is directly proportional to how much a driver uses the roads. Because this negates the miles per gallon that a vehicle can travel, some would argue that this is the most fair and sensible because people pay for what they use. However, just as with raising the gas tax, passing a law requiring the VMT to be tracked represents a tremendous political challenge. Even though most new cars and phones are equipped with GPS, it could be viewed as yet another government overstep in taking away privacy from citizens. Also, Florida's tourism is a vital part of the economy, and millions visit from out of state each year. This means that those drivers would get a "free ride" on Florida's road unless those vehicles were also fitted with a device to capture the number of miles that they drove in Florida.
- 2. Raise the Sales Tax.** Another option to fund the FDOT would be to raise the sales tax. Even a small increase such as half a cent could have a major effect in generating funds for transportation infrastructure. While using the tax to buy a hamburger certainly does not directly relate to the amount of driving someone has done on the state's roads, the point could be made that it really does not matter. Governments and municipalities use the sales tax to keep multiple programs and other state functions funded, so the source of revenue need not be directly linked to the revenue's usage. Nonetheless, this option still represents a tax increase.
- 3. Raise the Gas Tax.** Despite its current and future deficiencies, the gas tax has several advantages and has been the standard for revenue for the Department for one solid reason: it is fair. People pay for what they use; if someone uses a whole tank of gas driving and putting that wear and tear on the transportation

infrastructure, they directly pay for that use when they fill their tank up and pay an amount for that use. A tax on gas, however unpopular it may be, has been historically the best way to generate funds for transportation, and it remains an option. Again, however, this option is accompanied by predictable negative and self-defeating consequences.

- 4. Implement Tolls.** Yet another option would be to implement tolls. Local municipalities have long used tolls to fund local road and bridge projects, and it works because people who use the infrastructure help pay for it. This option represents another solution in which drivers pay directly for what they use. Issues that definitely warrant further discussion would be the frequency and location of tollbooths, or if they should even be used at all. Electronic systems could be set up to charge drivers at certain locations on the highway. But even then, it would need to be decided where and when drivers would be charged on interstates, highways, and small roads.
- 5. Cut and Divert.** The final option to be explored in this proposal would be to cut and divert funds from an existing budget area. Of course the main issue with this option is finding a yearly recurring account from which that the money would come. But if there was a government agency or program that were potentially seeing a cut, taking those funds and diverting them to the FDOT would enable the government to stay away from raising taxes. Efficiency, especially in large organizations, is vital, and to be able to trim the budget from somewhere within the government instead of raising taxes would enable the government to do more with less. While the recommendation of what should be cut remains outside of the scope of this proposal, it is likely to be a highly charged and partisan issue and would depend on numerous actors. But unlike any other options put forth so far, this is the only one that does not require an additional tax or fee from the people who would help fund it. Again, the only problem would be finding somewhere that money could be taken from so that it could be diverted to the FDOT.

Conclusions

- **Vehicles Miles Traveled**
 - Advantages: It represents the most direct form of payment for user fee and many would view it as a fair solution.
 - Disadvantages: Implementation could be difficult, there are tremendous capital costs for implementation, and it would present a fairness issue for out of state drivers.

- **Raise a Sales Tax**

- Advantages: A small increase would be relatively easy to pass.
- Disadvantages: It is a non-direct form of payment.

- **Implement Tolls**

- Advantages: It would be a direct user fee and many would view it as a fair solution.
- Disadvantages: Implementation could be difficult, and there would be large capital costs for implantation infrastructure and management.

- **Raise the Gas Tax**

- Advantages: It is fair in the sense that users pay per amount of gas they use.
- Disadvantages: Due to the changing ways that Americans are driving, this seems to be an unsustainable option.

- **Cut and Divert**

- Advantages: There would be no increase in tax or fee.
- Disadvantages: Finding existing funds could prove to be difficult.

Recommendation

Based on the above analysis and experience of the author, a combination of several options would be best to enable a sustainable budget to be maintained. Akin to “not putting all the eggs in one basket” this would not strain a certain area in excess and would allow for a source of revenue to cover one that may fall off, such as revenue that has recently fallen from the gas tax.

The recommended combination of options is to raise the sales tax in a small amount, cut and divert funds from a recurring budget area, and reserve the right to implement tolls if revenue falls below an acceptable amount. Obviously, this is hugely dependent on finding an area that can do without money so that it can be diverted to the FDOT. But if there is one, this option is best. Raising the sales tax would be an easier sell than raising the gas tax, and keeping the option to implement tolls would insure that the FDOT continues to offer some of the best transportation infrastructure in the country and in the world.

Annotated Bibliography

American Society of Civil Engineers (2013). "2013 Report Card for America's: Florida". <http://www.infrastructurereportcard.org/florida/florida-overview/> (March 20, 2014).

The American Society of Civil Engineers is the premier professional society that specializes in gauging the quality of the state of infrastructure in the U.S. Information on their website is useful as it details just what is wrong and right with the country's transportation and infrastructure.

Ananth Prasad, lecture, Pugh Hall, Gainesville, FL, March 25, 2014.

Ananth Prasad is the secretary of the FDOT, and his lecture to interested students at the Graham Center was very useful as he provided factual information about the state's policies and procedures as well as the vision of his leadership.

Darren Achord, personal interview, Russell Senate Office Building, Washington, D.C., March 4, 2014.

Darren Achord was a Legislative Correspondent for Senator Marco Rubio and his specialty included the area of transportation and infrastructure. His input was helpful in getting a finger on the pulse of the federal perspective relating to the USDOT.

David Wilks, personal interview, FDOT Office, Milton, FL, March 7, 2014.

David Wilks is an Operations Maintenance Engineer with the FDOT Milton office. A discussion with him helped to give a more specific overview of what the office in the North West area of Florida does on a day-to-day basis.

Eric Benson, personal interview, FDOT Office, Milton, FL, March 7, 2014.

Eric Benson is an Operations Construction Engineer with the FDOT Milton office. He was able to provide a better understanding of how the North West region of Florida received and used funds from the Florida gas tax.

United States Energy Information Administration. Independent Statistics & Analysis. Frequently Asked Questions <http://www.eia.gov/tools/faqs/faq.cfm?id=10&t=10> (November 15, 2014)

The United States Energy Information Administration's website provided a succinct compilation of gas taxes for the nation and for individual states along with other helpful tax values.