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Public Transportation Revenue Opportunities: Local Option Fuel Taxes

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**PUBLIC
TRANSPORTATION
REVENUE OPTIONS:**

**LOCAL OPTION
FUEL TAXES**

Public Transportation Revenue Opportunities: Local Option Fuel Taxes

Prepared for:

Florida Department of Transportation

By:

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**Public Transportation Revenue Opportunities:
Local Option Fuel Taxes
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Public Transportation Revenue Opportunities: Local Option Fuel Taxes

Introduction

Florida's public transportation agencies are having to make adjustments to their budgets due to the limited availability of federal and state operating and capital funds. Various "innovative funding" opportunities have been identified and utilized by a number of the public transportation agencies within the state. Innovative strategies such as State Infrastructure Bank loans; the use of flexible funds such as Congestion Mitigation and Air Quality (CMAQ) program funds and Surface Transportation Program (STP) funds; and the use of Toll Revenue Credits, to name a few are being used by many of the state's transit agencies. While many agencies have met with success in implementing these tools, they still have difficulty in meeting the ever-increasing demands placed on their systems for expanded services. The primary reason for this difficulty - limited funding.

In the state of Florida, public transportation agencies have other avenues available to them to provide additional operating and capital revenues. The following is a brief discussion of a group of options, **local option fuel taxes**, that may be levied by local governments to assist in meeting the capital and operating needs of public services, including public transportation.

The Local Option Fuel Taxes

Local governments are authorized to levy up to 12 cents of local option fuel taxes in the form of three separate levies, as described below (Table 1 identifies by county the amount of each tax levied and an estimate of the revenues generated for each 1 cent of tax. Estimates for FY 1999 were based on FY 1999 distribution percentages obtained from the Florida Department of Revenue, FY 2000 estimates were not yet available when this document was produced):

The First Option

1 to 6 Cents Local Option Fuel Tax - §336.025(1)(a), Florida Statutes authorizes local governments to levy a tax of 1 to 6 cents on every net gallon of motor and diesel fuel sold in a county. This tax may be authorized by an ordinance adopted by a majority vote of the governing body or by voter approval in a countywide referendum. Tax proceeds may only be used for transportation expenditures, including, but not limited to public transportation operations, maintenance, and debt service on transportation capital projects. Counties generally share the proceeds from the fuel tax with local municipalities through established interlocal agreements. Table 1 also

identifies the amount of revenues that would be generated by each county in the state for every \$0.01 diverted to public transportation.

The Second Option

1 to 5 Cents Local Option Fuel Tax - § 336.025(1)(b), Florida Statutes authorizes county governments to levy a tax of 1 to 5 cents on every net gallon of motor fuel sold within a county. This tax is levied by an ordinance adopted by a majority plus one vote of the membership of the governing body or by voter approval in a countywide referendum. The tax proceeds may be used for transportation expenditures needed to meet the requirements of the capital improvements element of an adopted local government comprehensive plan, including those improvements for the public transportation system. Under the same arrangement identified above, counties may share the proceeds from this tax with each of the municipalities within the county. Again, any capital improvement for the public transportation system identified in the local government comprehensive plan is an eligible expenditure.

The Ninth-Cent Fuel Tax

Ninth-Cent Fuel Tax - § 336.021(1)(a), Florida Statutes authorizes county governments to levy a "ninth cent fuel tax" on every net gallon of motor and diesel fuel sold within a county. The tax may be authorized by an ordinance adopted by a majority plus one vote of the governing body. County and municipal governments may use the tax proceeds for transportation expenditures, including, but not limited to public transportation operating and maintenance expenses.

TABLE 1

| Local Option Fuel Tax Rates (Levies) (# of cents per gallon) | | | | |
|---|------------|------------------------------|------------------------------|---------------------------------|
| County | Ninth Cent | 1 st Local Option | 2 nd Local Option | Est. Revenues per 1¢ (in 000s)* |
| Alachua | 1.0 | 6.0 | | 693.0 |
| Baker | 1.0 | 6.0 | | 131.0 |
| Bay | | 6.0 | | 796.0 |
| Bradford | | 6.0 | | 131.0 |
| Brevard | | 6.0 | | 2,089.0 |
| Broward | 1.0 | 6.0 | 5.0 | 6,781.0 |
| Calhoun | | 6.0 | | 52.0 |
| Charlotte | | 6.0 | 5.0 | 713.0 |
| Citrus | | 6.0 | | 474.0 |
| Clay | 1.0 | 6.0 | | 582.0 |
| Collier | 1.0 | 6.0 | 5.0 | 1,026.0 |
| Columbia | 1.0 | 6.0 | 5.0 | 408.0 |
| Dade | 1.0 | 6.0 | 3.0 | 8,056.0 |
| Desoto | 1.0 | 6.0 | 5.0 | 85.0 |
| Dixie | | 6.0 | | 60.0 |
| Duval | | 6.0 | | 3,399.0 |
| Escambia | 1.0 | 6.0 | | 1,285.0 |
| Flagler | 1.0 | 6.0 | | 197.0 |
| Franklin | | 5.0 | | 60.0 |
| Gadsden | | 6.0 | | 230.0 |
| Gilchrist | 1.0 | 6.0 | | 48.0 |
| Glades | 1.0 | 6.0 | | 36.0 |
| Gulf | 1.0 | 6.0 | | 48.0 |
| Hamilton | | 3.0 | | 105.0 |
| Hardee | 1.0 | 6.0 | | 98.0 |
| Hendry | 1.0 | 6.0 | | 188.0 |
| Hernando | 1.0 | 6.0 | 2.0 | 542.0 |
| Highlands | 1.0 | 6.0 | 3.0 | 346.0 |
| Hillsborough | 1.0 | 6.0 | | 4,424.0 |
| Holmes | | 6.0 | | 86.0 |
| Indian River | | 6.0 | | 514.0 |
| Jackson | 1.0 | 6.0 | | 280.0 |
| Jefferson | 1.0 | 6.0 | | 88.0 |
| Lafayette | | 6.0 | | 23.0 |
| Lake | 1.0 | 6.0 | | 918.0 |

**Local Option Fuel Tax Rates (Levies)
(# of cents per gallon)**

| County | Ninth Cent | 1 st Local Option | 2 nd Local Option | Est. Revenues per 1¢ (in 000s)* |
|------------|------------|------------------------------|------------------------------|---------------------------------|
| Lee | 1.0 | 6.0 | 5.0 | 1,981.0 |
| Leon | | 6.0 | | 1,021.0 |
| Levy | | 6.0 | | 184.0 |
| Liberty | 1.0 | 6.0 | | 29.0 |
| Madison | | 6.0 | | 92.0 |
| Manatee | 1.0 | 6.0 | | 990.0 |
| Marion | 1.0 | 6.0 | | 1,334.0 |
| Martin | | 6.0 | 2.0 | 615.0 |
| Monroe | | 6.0 | | 523.0 |
| Nassau | 1.0 | 6.0 | | 247.0 |
| Okaloosa | | 5.0 | | 844.0 |
| Okeechobee | 1.0 | 6.0 | | 232.0 |
| Orange | | 6.0 | | 4,454.0 |
| Osceola | 1.0 | 6.0 | | 941.0 |
| Palm Beach | 1.0 | 6.0 | 5.0 | 4,289.0 |
| Pasco | | 6.0 | 5.0 | 1,299.0 |
| Pinellas | | 6.0 | | 3,410.0 |
| Polk | 1.0 | 6.0 | | 2,140.0 |
| Putnam | | 6.0 | | 325.0 |
| St. Johns | | 6.0 | | 621.0 |
| St. Lucie | 1.0 | 6.0 | 5.0 | 892.0 |
| Santa Rosa | | 6.0 | | 525.0 |
| Sarasota | 1.0 | 6.0 | 5.0 | 1,363.0 |
| Seminole | 1.0 | 6.0 | | 1,493.0 |
| Sumter | 1.0 | 6.0 | | 321.0 |
| Suwannee | | 6.0 | | 208.0 |
| Taylor | 1.0 | 4.0 | | 113.0 |
| Union | 1.0 | 5.0 | | 39.0 |
| Volusia | 1.0 | 6.0 | 5.0 | 1,998.0 |
| Wakulla | 1.0 | 6.0 | | 105.0 |
| Walton | 1.0 | 6.0 | | 265.0 |
| Washington | 1.0 | 6.0 | | 99.0 |

Sources: *Local Government Financial Information Handbook*, Florida Legislative Committee on Intergovernmental Relations and the Florida Department of Revenue, September 2000, *Florida's Transportation Tax Sources, A Primer*, Florida Department of Transportation, January 2000.

* Note: County totals and includes dealer collection allowances, refunds, and GR service charge.

Who Is Benefitting?

In Table 1, we identified each county in Florida, the current levy rates for each of the local option fuel taxes, and an estimate of the revenue that would be generated by each cent. Nine counties are at the maximum rate of levy (12 cents), including: Broward, Collier, Columbia, Desoto, Lee, Palm Beach, St. Lucie, Sarasota, and Volusia Counties. Counties who have maximized their levy of the local option fuel taxes would have to redirect those revenues generated to the transit agency to support public transportation operating and capital expenses. However, there are 58 counties that have not maximized the levy of local option fuel taxes. The levy of additional local options could be a future source of revenue for the public transportation systems in these counties.

Those public transportation entities who have benefitted through the levy of local option fuel taxes are identified below. As reflected in Table 2, there are only eleven systems who benefit from revenues derived from local option fuel taxes including: Space Coast Area Transit (Brevard County); Broward County Transit; Flagler County Council on Aging; Gainesville Regional Transit System (RTS); Key West Department of Transportation (KWDOT) in Monroe County; LeeTran (Lee County); Martin County Council on Aging; LYNX (Orange, Osceola, and Seminole Counties); Palm Tran; Sumter County Transit; and VOTRAN (Volusia County). It is important to note that with the exception of VOTRAN, these allocations were new funds made available to the agencies. There was no displacement of any current funding. VOTRAN's allocation of local option gas tax revenue replaced ad valorem revenue previously received. A brief summary of the relevant benefits and characteristics of the levy for each system is addressed below.

Space Coast Area Transit (SCAT) - receives 1/3rd of a cent from the first option levied by Brevard County which generates approximately \$850,000 per year. The levy of the second local option was approved by a majority +1 vote of the Brevard County Board of County Commissioners.

Broward County Transit - receives a full cent dedicated specifically for public transportation from the second local option. They also receive 48 percent of a second cent dedicated to public transportation from the second local option. In Broward, each penny generates approximately \$6.5 million. The county primarily uses the funds to offset their operating deficit. The levy of the second local option was approved by a supermajority vote of the Broward County Board of County Commissioners.

Flagler County Council on Aging (the Community Transportation Coordinator for Flagler County) receives ½ cent of local option gas tax revenues (which equates to approximately \$95,000) as an annual appropriation from the Flagler County Commission.

Gainesville Regional Transit System (RTS) - RTS receives 80% of the amount allocated to the City of Gainesville from Alachua County. Currently, this equates to approximately \$2 million per year for RTS.

Key West Department of Transportation (KWDOT) - KWDOT receives approximately one and one-half cent of the local option fuel tax revenue collected in the County from the second local option. The City of Key West, through an interlocal agreement with Monroe County, receives a portion of the local option fuel tax revenue collected in the county and then, through the annual budgeting process, allocates a portion to KWDOT. In Fiscal Year 2001, KWDOT received approximately \$800,000 from this source of revenue. The levy of the second local option was approved by a majority +1 vote of the Monroe County Board of County Commissioners.

LeeTran - receives approximately 1/3rd of a cent from the second local option which generates approximately \$500,000 per year. The levy of the second local option was approved by a majority +1 vote of the Lee County Board of County Commissioners.

Martin County Council on Aging (the Community Transportation Coordinator for Martin County) - it is estimated that they receive approximately 1/3rd of a cent from the second local option. A portion of the fuel tax revenues collected for the county are given to the Martin County Public Services Department who allocate approximately \$232,000 per year to the Council on Aging of Martin County. The levy of the second local option was approved by a majority +1 vote of the Martin County Board of County Commissioners.

LYNX - receives varying amounts of local option fuel tax revenues from the local governments within their three county service area.

PalmTran - receives 2 ½ cents of the second local option and ½ cent of the Ninth Cent Tax which together generate approximately \$11.2 million per year. The levy of the second local option was approved by a majority +1 vote of the Palm Beach County Board of County Commissioners.

Sumter County Transit (the Community Transportation Coordinator for Sumter County) - receives ½ cent from the Ninth Cent which generates approximately \$90,000 per year. The levy of the Ninth Cent Tax was approved by a majority +1 vote of the Sumter County Board of County Commissioners.

VOTRAN also receives local option fuel tax revenues. VOTRAN receives approximately 3/4 of a cent per year from the second local option. This generates approximately \$1.5 million per year. The levy of the second local option was approved by a majority +1 vote of the Volusia County Council.

TABLE 2

| Local Option Fuel Tax Survey | | | | | |
|------------------------------|-----------------|--------------------|---|--|-----------------------------|
| County | Entity | Fuel Tax Recipient | Rate (cents/gallon) | For Public Transportation? | Referendum or Majority (+1) |
| Alachua | RTS | Yes | Varies - RTS receives 80% of the amount allocated to the City of Gainesville. Currently, this equates to approximately \$2 million per year | No | Majority +1 |
| Baker | CTC | No | N/A | N/A | N/A |
| Bay | Bay Twn Trolley | No | N/A | N/A | N/A |
| | CTC | No | N/A | N/A | N/A |
| Bradford | CTC | No | N/A | N/A | N/A |
| Brevard | SCAT/CTC | Yes | 1/3 cent | No | Majority +1 |
| Broward | BCT | Yes | 1.48 cents | Yes for first penny; 48 percent of 2nd penny dedicated to mass transit | Majority +1 |
| Calhoun | CTC | No | N/A | N/A | N/A |
| Charlotte | CTC | No | N/A | N/A | N/A |
| Citrus | CTC | No | N/A | N/A | N/A |
| Clay | CTC | No | N/A | N/A | N/A |
| Collier | CTC | No | N/A | N/A | N/A |
| Columbia | CTC | No | N/A | N/A | N/A |
| Dade | MDTA | No | N/A | N/A | N/A |
| Desoto | CTC | No | N/A | N/A | N/A |
| Dixie | CTC | No | N/A | N/A | N/A |
| Duval | JTA | N/R* | N/R | N/R | N/R |
| Escambia | ECAT | No | N/A | N/A | N/A |
| | CTC | No | N/A | N/A | N/A |
| Flagler | CTC | Yes | < ½ cent, based on annual appropriation from County Comm. FY 01: \$95,000 | No | Majority +1 |
| Franklin | CTC | No | N/A | N/A | N/A |
| Gadsden | CTC | No | N/A | N/A | N/A |
| Gilchrist | CTC | No | N/A | N/A | N/A |
| Glades | CTC | No | N/A | N/A | N/A |
| Gulf | CTC | No | N/A | N/A | N/A |
| Hamilton | CTC | No | N/A | N/A | N/A |
| Hardee | CTC | No | N/A | N/A | N/A |
| Hendry | CTC | No | N/A | N/A | N/A |
| Hernando | CTC | No | N/A | N/A | N/A |
| Highlands | CTC | No | N/A | N/A | N/A |

| County | Entity | Fuel Tax Recipient | Rate (cents/gallon) | For Public Transportation? | Referendum or Majority (+) |
|---------------------------|---------------|--------------------|---|----------------------------|----------------------------|
| Hillsborough | HARTLINE | No | N/A | N/A | N/A |
| | CTC | No | N/A | N/A | N/A |
| Holmes | CTC | No | N/A | N/A | N/A |
| Indian River | CTC | No | N/A | N/A | N/A |
| Jackson | CTC | No | N/A | N/A | N/A |
| Jefferson | CTC | No | N/A | N/A | N/A |
| Lafayette | CTC | No | N/A | N/A | N/A |
| Lake | CTC | No | N/A | N/A | N/A |
| Lee | LeeTran | Yes | 1/3 cent | No | Majority +1 |
| | CTC | No | N/A | N/A | N/A |
| Leon | TALTRAN | No | N/A | N/A | N/A |
| | CTC | No | N/A | N/A | N/A |
| Levy | CTC | No | N/A | N/A | N/A |
| Liberty | CTC | No | N/A | N/A | N/A |
| Madison | CTC | No | N/A | N/A | N/A |
| Manatee | MCAT/CTC | No | N/A | N/A | N/A |
| Marion | SunTran | No | N/A | N/A | N/A |
| | CTC | No | N/A | N/A | N/A |
| Martin | | Yes | 1/3 cent | No | Majority +1 |
| Monroe | KWDOT | Yes | 1.5 cent - based on annual allocation out of amount transferred from Monroe Co. to the City of Key West. FY 01: \$800,000 | No | Majority +1 |
| | CTC | No | N/A | N/A | N/A |
| Okaloosa | | No | N/A | N/A | N/A |
| Okeechobee | CTC | No | N/A | N/A | N/A |
| Orange/Osceola / Seminole | LYNX/CTC | Yes | Varies - LYNX receives from local jurisdictions within each county | No | Majority +1 |
| Palm Beach | Palm Tran/CTC | Yes | 2.5 cents of 2 nd local option and .5 cents of the Ninth Cent | Yes | Majority +1 |
| Pasco | CTC | No | N/A | N/A | N/A |
| Pinellas | PSTA | No | N/A | N/A | N/A |
| | CTC | No | N/A | N/A | N/A |
| Polk | LAMTD | No | N/A | N/A | N/A |
| | CTC | No | N/A | N/A | N/A |
| Putnam | CTC | No | N/A | N/A | N/A |
| St. Johns | CTC | No | N/A | N/A | N/A |
| St. Lucie | CTC | No | N/A | N/A | N/A |
| Santa Rosa | CTC | No | N/A | N/A | N/A |
| Sarasota | SCAT/CTC | No | N/A | N/A | N/A |
| Sumter | CTC | Yes | 1/2 cent | Yes | Majority +1 |
| Suwannee | CTC | No | N/A | N/A | N/A |

| County | Entity | Fuel Tax Recipient | Rate (cents/gallon) | For Public Transportation? | Referendum or Majority (+) |
|------------|------------|--------------------|---------------------|----------------------------|----------------------------|
| Taylor | CTC | No | N/A | N/A | N/A |
| Union | CTC | No | N/A | N/A | N/A |
| Volusia | VOTRAN/CTC | Yes | 3/4 cent | No | Majority +1 |
| Wakulla | CTC | No | N/A | N/A | N/A |
| Walton | CTC | No | N/A | N/A | N/A |
| Washington | CTC | No | N/A | N/A | N/A |

Source: Center for Urban Transportation Research (CUTR) survey, April 2001.

*N/R - Non Responsive