



Florida  
Department of Transportation

**FINANCE  
WORK PROGRAM  
BUDGET**

As of June 30, 2011





## HOW TRANSPORTATION IS FINANCED

Since a transportation project usually takes several years to complete from planning to construction, the department has been given statutory authority to commit funds based on projected cash needs and estimated cash receipts. This allows the department to provide faster delivery of transportation projects while maintaining adequate cash to provide contract payments as they occur. This "commitment" ability is possible since the department's funding base relies on taxes commonly termed "user fees" or transportation taxes. These include taxes such as federal, state and local taxes on highway fuels, which can be reasonably forecast. The department's ability to design, construct, preserve and maintain highways, airports, and transit facilities depends primarily on the amount of funds raised by these user fees/taxes.

The theory behind these user fees/taxes is simple: the users of the transportation system should help pay for it. So each time the public purchases gas for their car, truck, or RV, buy a plane ticket, rent or register an automobile, they pay taxes that help fund federal, state, and local transportation projects.

In 1932, the U.S. government began charging a one cent per gallon fuel tax, which eventually led to additional taxes and other important fund-raising legislation. The Federal-Aid Highway Act of 1956 launched the national Interstate Highway System and was the largest U.S. public works program ever undertaken. Not only did the act plan for a massive interstate highway system, but more importantly, it provided the means to pay for construction of the system by establishing the Federal Highway Trust Fund.

STATE TRANSPORTATION TRUST FUND FISCAL YEAR 2010-11 RECEIPTS		
SOURCE	AMOUNT (Millions)	PERCENT
Fuel Tax	\$1,787	33.51%
Aviation Fuel Tax	\$38	0.71%
Motor Vehicle Fees	\$665	12.47%
Rental Car Surcharge	\$99	1.86%
Documentary Stamps	\$91	1.71%
Miscellaneous Revenue	\$105	1.97%
Reimbursements/Participations*	\$521	9.77%
Interest	\$9	0.17%
Federal Aid	\$2,018	37.84%
<b>Total</b>	<b>\$5,333</b>	<b>100.00%</b>

\*Note: Reimbursements from the Turnpike are paid from the revenues shown in the Turnpike chart below.

FLORIDA'S TURNPIKE ENTERPRISE FISCAL YEAR 2010-11 REVENUES & BONDS		
SOURCE	AMOUNT (Millions)	PERCENT
Tolls and Concessions	\$607	100.00%
Bond Proceeds	\$0	0.00%
<b>Total</b>	<b>\$607</b>	<b>100.00%</b>

The Federal Highway Trust Fund is an important tool that finances federal-aid highway projects. Through fuel and other taxes, states pay dollars into the fund, and at a later date, get funds paid back to them by the federal government. Combining federal, state and local option taxes on gasoline and diesel fuels, the Florida motorist now pays a





maximum tax of 53.4 cents per gallon for gasoline and 54.4 cents per gallon for diesel, depending on the county in which the purchase is made.

## Calendar Year 2011 Fuel Tax Rates

LEVEL	TAX	AMOUNT	
<b>Federal</b> (Not Indexed)	<b>Fuel Excise Tax</b>	<b>Gasohol – 18.4¢/gal</b> <b>Gasoline - 18.4¢/gal</b> <b>Diesel - 24.4¢/gal</b>	
	<b>State</b> (Indexed)	<b>Fuel Sales Tax</b>	<b>All fuels 12.2¢/gal</b>
		<b>SCETS Tax</b>	<b>Gas/Gasohol</b> <b>5.6¢ - 6.8¢/gal</b> <b>Diesel – 6.8¢/gal</b>
(Not Indexed)	<b>Constitutional Fuel Tax</b>	<b>All fuels 2¢/gal</b>	
(Not Indexed)	<b>County Fuel Tax</b>	<b>All fuels 1¢/gal</b>	
(Not Indexed)	<b>Municipal Fuel Tax</b>	<b>All fuels 1¢/gal</b>	
<b>Local</b> (Not Indexed)	<b>Ninth-cent Fuel Tax</b>	<b>Gas/Gasohol 0¢ - 1¢/gal</b> <b>Diesel 1.0¢/gal</b>	
	<b>Local Option Fuel Tax</b>	<b>Gas/Gasohol 0¢ - 11¢/gal</b> <b>Diesel 6.0¢/gal</b>	

### What Would 1 Cent Generate? FUEL TAX INCREASE OF 1¢ PER GALLON (in Millions)

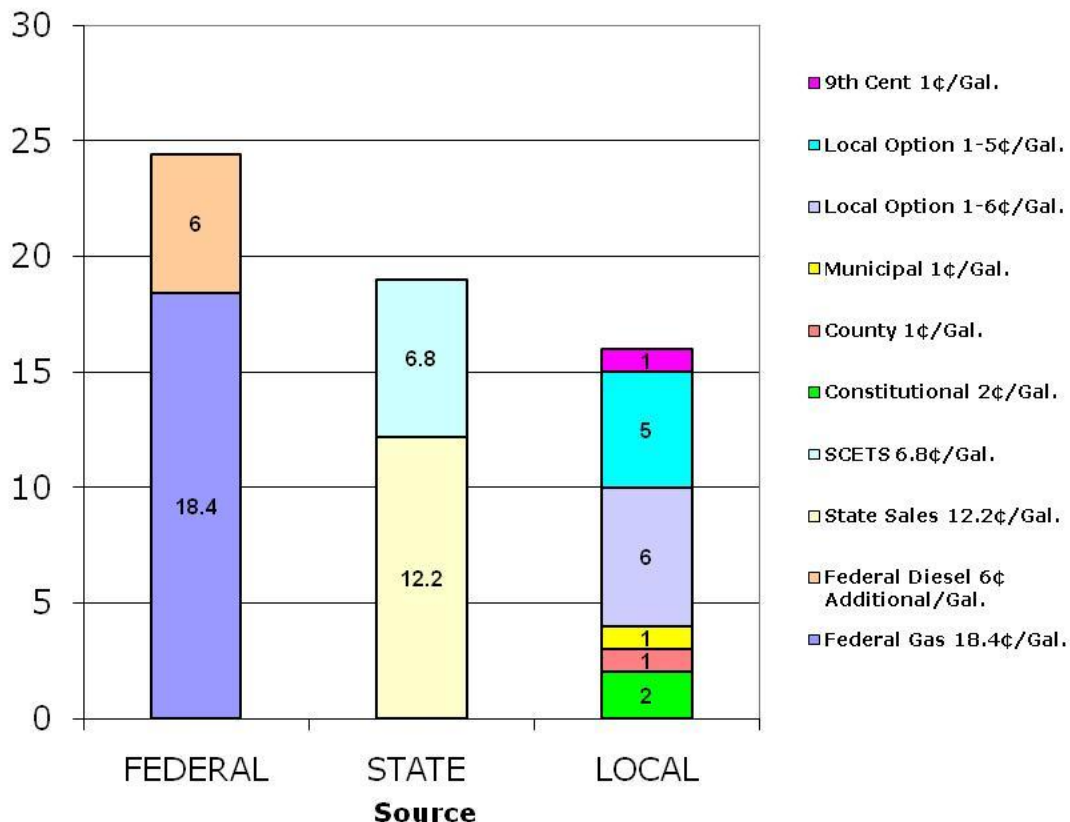
	FY 2011-12
Highway Gallons (October 2011 REC)	9418.0
Additional Gross Collections @ 1¢/gallon	\$94.2
Deductions:	
Refunds @ 2.3%	(\$2.2)
Dept. of Revenue Administration Charges @ 0.80%	(\$0.8)
Agricultural Emergency Eradication Trust Fund	(\$0.6)
Total Diversions	(\$3.6)
<b>Net revenue to STTF from 1¢ increase</b>	<b>\$90.6</b>



## Calendar Year 2011 Highway Fuel Tax Rates

### 2011 FUEL TAX RATES

(¢ per Gallon)  
Gasoline



**Federal Taxes** - Currently, the federal tax for highway fuels purchased in Florida amounts to 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel fuel. Other taxes include heavy vehicle use taxes on trucks weighing 55,000 pounds or more, excise taxes levied on truck tires, and a 12 percent sales tax on trucks over 33,000 pounds and trailers over 26,000 pounds. In addition to fuel and excise taxes, federal revenues also come from aviation taxes, which are comprised of fuel, air cargo, ticket and international departure taxes.

Florida continues to be a “donor state” in spite of the Equity Bonus program included in the SAFETEA-LU legislation enacted in 2005. For federal fiscal year 2009, Florida received a 91 cents rate of return on each dollar contributed to the Highway Account of the Highway Trust Fund (HTF) and 74 cents on each dollar contributed to the Mass Transit Account. This is an improvement over 2008 when the return was 79 cents and 63 cents respectively. Florida’s historic rate of return from the HTF since 1956 is 87 cents. Florida has effectively contributed more than \$5 billion in highway funds alone to other states over this period.



**State Taxes** – Traditional transportation user fees, including fuel taxes, motor vehicle fees, rental car surcharge, and aviation fuel taxes contributed to Florida's transportation revenues. In 1921, Florida began charging a one cent per gallon fuel tax. Since that time, the state-imposed tax for fuel has increased to its current 23 cents per gallon. Of that amount, four cents are distributed to local governments. Of the remaining 19 cents, all but the cost of collection and small transfers for environmental issues is distributed to the department for transportation projects.

**Local Option Taxes** - As a result of population growth and inflation in the 1960s and 1970s, new demands placed on local governments were greater than their ability to raise capital for local transportation projects. Therefore, in the early 1970s, counties were authorized by the Legislature to "piggyback," or add to, the state's tax on highway fuels. Today, local governments are authorized to collect another 12 cents per gallon on motor fuel and 7 cents per gallon on diesel fuel at the pump, which may be spent on local or state transportation projects.

**General Revenue/Documentary Stamps Revenue** - In 2005, the Legislature and Governor directed a one-time amount of \$575 million and a recurring amount of Documentary Stamp revenue at \$541.75 million in FY 2005/06, and, each year thereafter, for the Growth Management "Pay as You Grow" programs. In 2008, the distribution was changed to the lesser of 38.2 percent of the remainder (after distributions per sections 201.15(1)(a) and (b), F.S.) or \$541.75 million in each fiscal year. In 2011, the Legislature directed that of the STTF portion of Documentary Stamp Revenues, the following distributions are to be made to the State Economic Enhancement and Development Trust Fund (SEED): \$50 million in fiscal year 2013, \$65 million in fiscal year 2014 and \$75 million for every year after.

**General Obligation** - Bond financing also plays an important role in addressing Florida's total transportation financial needs. These bonds are used to purchase land for road projects and to finance bridge construction. Turnpike and toll operations are for the most part self-financed from toll revenues and bond sales backed by future toll proceeds.

**Innovative Finance** - To stretch transportation dollars, the department is supplementing these revenues by using innovative financing techniques. With legislative approval, the department implemented an aggressive turnpike expansion through revenue bonds backed by toll revenues; created revolving loan programs (Toll Facilities Revolving Trust Fund and the State Infrastructure Bank); issued Right-of-Way and Bridge bonds, and implemented additional tolls to maximize the available funding for road construction and improvements to bridges, airports, and seaports.





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Detailed information on Florida's transportation revenues is available in a booklet entitled ***Florida's Transportation Tax Sources – A PRIMER*** at <http://www.dot.state.fl.us/financialplanning/>.

## **A BALANCED FINANCIAL PLAN**

The department is charged with maintaining a balanced transportation program which is done through a Five Year Annual Finance Plan (Annual Finance Plan) and a Three Year Monthly Cash Forecast (Monthly Cash Forecast). The Annual Finance Plan and Monthly Cash Forecast are sophisticated models that convert the Program and Resource Plan that contains project estimates within Work Program and “commitment” authority, into projected cash disbursements and matches disbursements against projected cash receipts. This ensures the department’s allocation of transportation dollars is fully funded by current and future transportation revenues. The Monthly Cash Forecast and Annual Finance Plan have separate, but reliable processes of collecting the data required to develop projected receipts and disbursements, and are reconciled within a minimum tolerance.

Unlike other state agencies, the department is authorized to operate on a cash flow basis (see section 339.135(6)(a), F.S.). Section 339.135(3), F.S., authorizes the department to “build the Work Program based on a complete and balanced financial plan” which means project phases may begin before the total amount of cash is available to fund the entire project. This allows the department to maximize the use of funds over time and cover existing commitments as they occur.

The department is unique among state agencies in Florida in that it plans, budgets and commits state resources for more than one year. Because most department projects take years to complete, budget does not revert back to the state at the end of the fiscal year. The average significant road project takes seven years to complete from “concept to completion.”

The Annual Finance Plan and Monthly Cash Forecast are used within the department to demonstrate the financial soundness of the Five-Year Work Program. The Five Year Transportation Finance Plan and Cash Forecast must accompany the department's official submissions to the Governor and Legislature of the Tentative Five-Year Work Program and the department's annual Legislative Budget Request.

To ensure the department’s short term financial obligations can be met throughout the year, the Monthly Cash Forecast is produced each month reflecting actual receipts and disbursements activity and revised assumptions due to changing economic conditions, outside influences and modified revenue estimates. Historically, the department’s typical disbursement activity can result in cash balance decreases as high as \$351 million. Taking this cash balance





fluctuation into consideration, the department targets a forecasted monthly ending cash balance to be within a \$250 to \$300 million range. This provides a comfort level that the daily cash balances will support the monthly disbursement activity “swings.” In order to ensure that the disbursement function operates smoothly, cash is monitored on a daily basis. It is not practical to forecast on a daily basis due to the nature of the receipt and disbursement cycles, significant external influences and the operating nature of transportation projects. Since financial commitments are made throughout the department on a daily basis for varying dollars, there is no point in time (such as end of the month, end of the pay period, etc. as with a personal checking account) when a determination can be made that there are excess funds.

Lastly, the Annual Finance Plan is also used frequently in the planning of alternative financing and Work Program scenarios. It is an expedient tool for quickly assessing annual cash impacts reconciled within a tolerance level for ending cash balances. The Annual Finance Plan shows the ending cash balance at the end of the fiscal year, while the Monthly Cash Forecast shows the monthly ending cash balances for each year.

## **TRANSPORTATION WORK PROGRAM**

The department’s Five-Year Work Program is the department’s plan for projects, from concept to completion that it delivers to the people of Florida. The transportation improvements and activities are built to meet the objectives and priorities of the Florida Transportation Plan (FTP). The Work Program contains the specific transportation projects and services to be undertaken during each of the next five fiscal years. The number of eligible projects to enter the Work Program is determined by estimates of available funding. The department coordinates with its seven district offices, Turnpike Enterprise, Rail Enterprise, Metropolitan Planning Organizations (MPOs), federal government and local governments in building the program. In accordance with section 339.135 (4), F.S., the first three years of the Adopted Work Program will stand as the commitment of the state to undertake transportation projects that local governments may rely on for planning purposes. These projects will not be dropped or deferred without notification and approval of the affected local government. At the local level, the program has to be consistent with the capital improvement elements of the local government comprehensive plans.

The department matches funding to specific projects, which are then scheduled or programmed. This is a continual process that evolves from a “Tentative Work Program,” which updates the current “Adopted Work Program” each year and is presented to the Governor and Legislature along with the budget request to support the Tentative Work Program. This then is acted on by the Legislature/Governor through the appropriations process which provides the budget authority to implement the first year of the Adopted Work Program. Performance measures are in place to continually monitor system condition to ensure that the department’s goals and objectives are met. Performance is



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evaluated for major programs and projects and the update cycle begins again for the next Tentative Work Program.

## Work Program Development Process

The process the department follows in developing the Work Program is a year-round activity. The process will be explained sequentially beginning in July and ending the following June.

### *July*

In July, the Work Program is adopted by the Secretary of Transportation. The Adopted Work Program reflects the general appropriations act as signed into law by the Governor and reflects the accounting adjustments associated with closing out the last fiscal year on June 30.

Simultaneous with the adoption of the Work Program, the following year's Work Program (Tentative Work Program) begins to be developed when the department's Executive Board meets to establish the proposed funding levels, policies, and objectives for the new Ten-Year Program and Resource Plan and the Five-Year Finance Plan (including a thirty-six month Cash Forecast Balanced Plan). The Executive Board is the policy advisory body for the department and is comprised of the Secretary, the three Assistant Secretaries, the seven District Secretaries and the Executive Directors of the Turnpike and Rail Enterprises. The Tentative Work Program is based on the funding levels determined by the program balancing achieved in the Program and Resource planning process that began in July.

To communicate funding and policy directives, Work Program Instructions (WPI) and Fund Allocations are developed by the department based upon the funding levels, policies and objectives set forth in the Program and Resource Plan. The WPI provides technical guidelines which govern the development of the Tentative Work Program. These instructions are updated to reflect the enactment of new federal and state legislation which may change the program structure and/or financing guidelines of the Tentative Work Program.

The method by which the department distributes its financial resources is governed by federal and state laws and by departmental policy. The WPI contains a Schedule A for fund allocations and a Schedule B for program performance targets. These schedules provide the following:

1. Schedule A allocates product and product-support funds in accordance with the Program and Resource Plan. Fund amounts are based on the latest Federal-Aid Forecast, the latest Florida Revenue Estimating Conference (REC) projection of state funds, bonds, tolls, local funds, and reimbursable items contained in the Annual Finance Plan. When distributing its financial resources found in Schedule A, the department adheres to the following:

a. When building the department's Tentative Work Program, section 339.135, F.S., requires the following: to assure that no district or county is penalized for local efforts to improve the State Highway System, the department shall allocate funds for new construction to the various districts based on equal parts of population and motor fuel collections. Funding for resurfacing, bridge repair and rehabilitation, bridge fender system construction or repair, public transit block grants as provided in section 341.052, F.S., and other programs with quantitative needs assessment shall be allocated based on the results of these assessments.

b. The distribution of funds at the district level is mandated by federal law and by sections 206.46 and 339.135, F.S. Florida Statutes do not require the department to make a distribution of funds at the county level. However, Florida Statutes do require the department to expend proceeds from the State Comprehensive Enhanced Transportation Systems (SCETS) tax, to the maximum extent feasible, in the county in which it was collected.

c. To protect the integrity and financial soundness of the Work Program, section 339.135(5), F.S., was enacted and states that any transportation project of the department which is identified by specific appropriation in the General Appropriation Act shall be deducted from the funds annually distributed to the respective district(s). Since the development of the Work Program is based on a balanced Finance Plan, any additional projects, such as those contained in the approved General Appropriations Act may cause an imbalance to the Work Program. However, if these projects are funded from sources other than those already committed in the Annual Finance Plan, the Work Program may not be impacted. In essence, this statute further protects the Work Program by requiring the department to make a deduction from the funds allocated to the district in which the special legislative project is to be undertaken.

2. Schedule B reflects, by district, the distribution of resources needed to achieve the department's program objectives. Among these are:

a. Meet the annual needs for planning, Intelligent Transportation Systems, maintenance, Public Transportation operations as well as In-house resources that may be utilized for projects.

b. Develop and implement the Strategic Intermodal System (SIS) Plan.



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### *August through December*

During the development of the Work Program, Central Office provides technical support and other assistance to district Offices, Turnpike Enterprise, and the Rail Enterprise and monitors transportation programs which are decentralized. In addition, Central Office develops transportation programs which have not been decentralized and are managed on a statewide basis.

### *January through February*

At this stage, Central Office staff aggregates each district, Turnpike Enterprise and Rail Enterprise Work Program to develop the new proposed statewide Tentative Work Program for presentation to, and review by, the Secretary, the Executive Office of the Governor, the legislative appropriations committees, and the Department of Community Affairs.

Central Office conducts a compliance review of the district, Turnpike Enterprise and Rail Enterprise Work Programs prior to the Executive review.

The department's Office of Work Program and Office of Financial Development along with representatives from each district, Turnpike Enterprise and Rail Enterprise present their Work Programs to the Secretary and Assistant Secretaries. The purpose of the review is to ensure each Work Program conforms, to the maximum extent feasible, with the Transportation Improvement Plan, WPI and other department policies and procedures, applicable Federal and State laws, rules and regulations.

Central Office submits a preliminary copy of the Tentative Work Program to the Executive Office of the Governor, legislative appropriations committees, Florida Transportation Commission (FTC), and Department of Economic Opportunity (DEO) at least 14 days prior to the convening of the regular legislative session.

### *February through May*

The FTC reviews the Tentative Work Program for compliance with applicable laws and departmental policies, and then presents it to the public at a statewide public hearing for further review and feedback. Following the evaluation by the FTC, the proposed document is published and submitted as the department's new "Tentative Work Program."

In accordance with section 339.135, F.S., the final Tentative Work Program is submitted to the Executive Office of the Governor and the legislative appropriations committees no later than 14 days after the regular Legislative session begins. Accompanying the Tentative Work Program is the Program and Resource Plan, 36-month Cash Forecast and Finance Plan.

After the development and publication of the Tentative Work Program, the department works closely with professional staff of the Governor's Office and the appropriations committees to develop the appropriations bill. This document is



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comprised of information from the Governor's Budget Recommendations and the department's Tentative Work Program.

The department's Executive Board begins reviewing and evaluating the department's programs while the Legislature is in Session. Following an analysis, the Executive Board issues directives and sets policies for the next programming cycle. The Program and Resource Plan will be updated to reflect the Tentative Work Program, and the department will begin financial and program balancing.

#### *May through June*

After the appropriations act is approved, the Work Program is adjusted as necessary to mirror the appropriations and to adjust for actual accomplishments of the department during the fiscal year. Prior to the beginning of the fiscal year, the new Tentative Work Program is adopted by the Secretary, and budget allocations are issued to the districts, Turnpike Enterprise, Rail Enterprise and central office divisions. Once adopted, any proposed change to the Work Program must be in compliance with section 339.135(7), F.S.

For the department to maintain a viable Work Program, it is necessary to make modifications which reflect the most current information. When modifications are necessary, fiscal responsibility and data integrity of the Work Program must be maintained. Allowing modifications, while maintaining funding and budgeting capacity, requires periodic review of the Work Program and related documents such as the Program and Resource Plan, the Thirty-Six Month Cash Forecast, the Five-Year Finance Plan and the department's budget.

## **CHALLENGES WITH REVENUE STREAMS**

For many years revenue growth from traditional transportation funding sources was robust or (at a minimum) very stable. The stimuli behind the growth were mainly related to Florida's robust economy as a whole, including the major shift from smaller to larger vehicles and the continued addition of vehicles due to large net migration to the State of Florida.

Starting with Fiscal Year 2005-06 actual revenue collections have not been tracking with the forecasted revenues. For the past several fiscal years, the June 30<sup>th</sup> actual receipts were below the related Revenue Estimating Conference (REC) forecasts. The projected growth rate of future revenues has tempered in recent RECs as the growth in motor fuel consumption has dropped compared to previous years, with motor fuel consumption actually declining for the first time in Fiscal Year 2006-07. While this is certainly positive for the environment, the existing transportation infrastructure is still needed.

Market data and long-term forecasts reflect that vehicle miles per gallon will increase, which in turn reduces the amount of fuel purchased. In the future, this



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may become a substantial increase due to many more hybrid vehicles entering the fleet.

The motor fuel tax is the major source for Federal, State, and local transportation funds in Florida. It is imperative that Florida discuss this issue further and identify funding sources to augment and ultimately replace the motor fuel tax.

