

Local Option Motor Fuel Taxes

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The availability and potential of local option motor fuel taxes for local highway and transportation programs are described in this paper. Although over half of the states permit local road user taxes, only a few raise significant sums from these charges and fewer still apply them throughout the state. Only Florida has universally (i.e., 63 of 67 counties) adopted the local option motor fuel tax. Florida's local motor fuel taxes supply one-half of county and one-third of municipal funds for highways, and total spending had doubled for counties and has increased by 50 percent for municipalities since 1983. The report includes an overview of highway financing with particular focus on local road user funds for highways. The Florida local option gas tax is extensively described along with its impact on local highway financing. Nearly all counties in Florida have adopted the local option gas tax, and its pervasiveness is attributed to its approval by elected officials rather than the voters. Local highway funding has significantly increased, whereas reliance on general revenues and impact fees has decreased. The local option gas tax moves Florida into the mainstream of state motor fuel taxation, that is, the state tax of 9.7 cents per gallon plus average local tax of 5.2 cents approximates the national average motor fuel tax. However, under Florida's arrangement, local governments control 62 percent of total motor fuel tax revenues, whereas the national average is 29 percent. Given the need for added revenue for state and local road programs, the local option motor fuel tax might be considered by other states to, in part, offset the decline in real federal spending.

The availability and potential of local option motor fuel taxes for local highway and transportation programs are described in this paper. Although over half of the states permit local road user taxes, only a few raise significant sums from these charges and fewer still apply them throughout the state. Except for Hawaii where each island levies a separate gas tax, only Florida has universally (i.e., 63 of 67 counties) adopted the local option motor fuel tax.

Florida's local motor fuel taxes supply one-half of county and one-third of municipal funds for highways, and total spending has doubled for counties and has increased by 50 percent for municipalities since 1983. Given the need for added revenue for state and local road programs, the local option motor fuel tax might be considered by other states to, in part, offset the decline in real federal spending in the immediate years ahead.

This report begins with an overview of highway financing with particular focus on local sources of funds for highways. Next, the Florida local option tax is described followed by its impact on local financing and some policy implications and conclusions.

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OVERVIEW OF HIGHWAY FINANCING

In 1987, all levels of government raised \$66.5 billion for highway programs. The federal government provided \$14.4 billion; the states \$32.8 billion; and counties, cities, and other local entities the remaining \$19.3 billion (see Table 1). Federal sources—increasingly supplied by the Highway Trust Fund—accounted for 21.7 percent of total funding for highways in 1987—down from 24.1 percent in 1985 and 26.9 percent in 1984. Federal payments have been static since 1985, averaging less than \$15 billion a year. The outlook for the immediate future portends similar levels of funding or even a decline inasmuch as general revenue sharing (a significant source of local government road and street financing) has been repealed and federal aid obligations are not increasing.

State and local governments have been increasing their funding for highways lately, in part, to offset the loss of real federal funding. The states account for one-half of all money raised for highways and look primarily to user fees to supply the bulk of funds. Road user revenues totaled \$26.6 billion (86 percent) of state revenue of which motor fuel taxes generated \$16.2 billion in 1987. States have been enacting higher motor fuel taxes in recent years. Indeed, 14 states raised motor fuel tax rates in 1987, as did 17 in 1988.

The remaining participant in this public finance triad is the local government. This group is comprised of over 3,000 counties, 16,000 townships, and approximately 20 thousand municipalities and special districts financing highway programs. Providing over \$19 billion or 29 percent of the fiscal resources in 1987 for highway programs in the United States, the local government finance share is on the rise, up from 26 percent in 1985. Most local funds, excluding bond proceeds, come from nonuser sources, that is, property taxes, general revenues, and miscellaneous taxes and receipts. Road user charges accounted for only 8 percent of locally levied receipts in 1987.

Given that highway program needs in the future will greatly outstrip presently available revenues, especially in light of a federal program that is likely to remain static or even decline relative to inflation, new sources of funding must be identified by state and local governments. There is evidence that existing highway user taxes are underpriced. For example, the 1987 state motor fuel tax, expressed in real dollars, is below its 1965 level in purchasing power. To maintain parity with 1965, the average current tax rate should be raised by 2 to 4 cents per gallon (depending on choice of index). Motor vehicle registration fees are likewise below their 1965 levels, that is, 44 percent below the 1965 average fee (1).

Greater use of these revenue sources offers the potential to significantly increase funding to meet the ever-increasing state and local highway needs. Although attention has been focused on the rapid pace of state motor fuel tax changes

TABLE 1 1987 TOTAL HIGHWAY RECEIPTS AND DISBURSEMENTS FOR ALL UNITS OF GOVERNMENT (IN \$ MILLIONS) (6)¹

ITEM	FEDERAL GOVERNMENT				STATE AGENCIES AND D.C.	COUNTIES AND TOWNSHIPS	MUNICIPALITIES	TOTAL
	FEDERAL HIGHWAY ADMINISTRATION		OTHER FEDERAL AGENCIES	TOTAL FEDERAL				
	HIGHWAY TRUST FUND	OTHER FUNDS						
RECEIPTS BY COLLECTING AGENCIES								
IMPOSTS ON HIGHWAY USERS: 2/ MOTOR-FUEL AND VEHICLE TAXES	11,980	-	-	11,980	24,335	500	400	37,215
TOLLS	-	-	-	-	2,261	65	600	2,926
SUBTOTAL	11,980	-	-	11,980	26,596	565	1,000	40,141
OTHER TAXES AND FEES: PROPERTY TAXES AND ASSESSMENTS	-	-	-	-	-	2,350	1,600	3,950
GENERAL FUND APPROPRIATIONS	-	236	895	1,131	1,247	2,600	5,900	10,878
OTHER TAXES AND FEES	-	-	60	60	1,336	325	350	2,071
SUBTOTAL	-	236	955	1,191	2,583	5,275	7,850	16,899
INVESTMENT INCOME AND OTHER RECEIPTS	862	-	433	1,295	1,682	1,000	1,100	5,077
TOTAL CURRENT INCOME	12,842	236	1,388	14,466	30,861	6,840	9,950	62,117
BOND ISSUE PROCEEDS (PAR VALUE) 3/	-	-	-	-	1,927	900	1,600	4,427
GRAND TOTAL RECEIPTS	12,842	236	1,388	14,466	32,788	7,740	11,550	66,544
INTERGOVERNMENTAL PAYMENTS: FEDERAL GOVERNMENT: HIGHWAY TRUST FUND	-12,618	-	-	-12,618	12,240	205	173	-
ALL OTHER FUNDS	-	-203	-922	-1,125	351	402	372	-
STATE AGENCIES: HIGHWAY-USER IMPOSTS	-	-	-	-	-5,781	3,452	2,329	-
ALL OTHER FUNDS	-	-	-	-	-564	319	245	-
COUNTIES AND TOWNSHIPS	-	-	-	-	328	-428	100	-
MUNICIPALITIES	-	-	-	-	267	5	-272	-
SUBTOTAL	-12,618	-203	-922	-13,743	6,841	3,955	2,947	-
FUNDS DRAWN FROM OR PLACED IN RESERVES 4/	238	-	-	238	-9	1	-389	-159
TOTAL FUNDS AVAILABLE	462	33	466	961	39,620	11,696	14,108	66,385
DISBURSEMENTS BY EXPENDING AGENCIES								
CAPITAL OUTLAY: ON STATE-ADMINISTERED HIGHWAYS	-	-	-	-	21,222	-	-	21,222
ON LOCAL RURAL ROADS	-	-	-	-	938	3,800	-	4,738
ON LOCAL MUNICIPAL ROADS AND STREETS	-	-	-	-	776	-	3,856	4,632
NOT CLASSIFIED BY SYSTEM	200	21	250	471	-	-	-	471
SUBTOTAL	200	21	250	5/ 471	22,936	3,800	3,856	31,063
MAINTENANCE AND TRAFFIC SERVICES: ON STATE-ADMINISTERED HIGHWAYS	-	-	-	-	7,179	-	-	7,179
ON LOCAL RURAL ROADS	-	-	-	-	54	5,800	-	5,854
ON LOCAL MUNICIPAL ROADS AND STREETS	-	-	-	-	39	-	5,770	5,809
NOT CLASSIFIED BY SYSTEM	-	-	151	151	-	-	-	151
SUBTOTAL	-	-	151	151	7,272	5,800	5,770	18,993
ADMINISTRATION AND RESEARCH	262	12	65	339	5/ 2,877	775	975	4,966
HIGHWAY LAW ENFORCEMENT AND SAFETY	-	-	-	-	3,191	550	2,100	5,841
INTEREST ON DEBT	-	-	-	-	1,719	348	649	2,716
TOTAL CURRENT DISBURSEMENTS	462	33	466	961	37,995	11,273	13,350	63,579
DEBT RETIREMENT (PAR VALUE) 3/	-	-	-	-	1,625	423	758	2,806
GRAND TOTAL DISBURSEMENTS	462	33	466	961	39,620	11,696	14,108	66,385
<p>1/ THIS TABLE SUMMARIZES AND CONSOLIDATES DATA REPORTED IN GREATER DETAIL IN THE FA, SF, SB, LF, UF, LB, AND UB TABLE SERIES. DATA FOR FEDERAL AND STATE AGENCIES ARE FINAL; THOSE FOR COUNTIES AND MUNICIPALITIES ARE ESTIMATES SUBJECT TO REVISION WHEN DATA FOR ALL LOCAL UNITS ARE AVAILABLE. TABLES HF-1 AND HF-2 FOR 1986 CONTAIN FINAL DATA FOR ALL UNITS OF GOVERNMENT.</p> <p>2/ EXCLUDES AMOUNTS ALLOCATED FOR NONHIGHWAY PURPOSES. MOTOR-FUEL AND VEHICLE TAXES ARE ALSO NET AFTER REFUNDS AND COLLECTION EXPENSES. EXCLUDES MASS TRANSIT ACCOUNT OF HIGHWAY TRUST FUND.</p> <p>3/ ISSUE AND REDEMPTION OF SHORT-TERM NOTES OR REFUNDING BONDS ARE EXCLUDED. INTEREST IS INCLUDED. PREMIUMS AND DISCOUNTS ON SALE OF BONDS ARE INCLUDED WITH "INVESTMENT INCOME AND OTHER RECEIPTS"; REDEMPTION PREMIUMS AND DISCOUNTS ARE INCLUDED WITH "INTEREST ON DEBT".</p> <p>4/ MINUS SIGNS INDICATE THAT FUNDS WERE PLACED IN RESERVES.</p> <p>5/ INCLUDES \$65.7 MILLION PAID TO TERRITORIES.</p> <p>6/ INCLUDES \$201.8 MILLION OF FEDERAL-AID HIGHWAY FUNDS FOR RESEARCH AND PLANNING.</p>								

Source: Highway Statistics 1987,
Federal Highway Administration

during the 1980s, the potential of this levy (and others) as a locally levied road user fee has been largely overlooked.

LOCAL ROAD USER CHARGES

Road user imposts provide a minor share (7 percent for 1986 and 8.5 percent for 1987) of county and city road and street funds. Although road user charges support a significant share of local road programs via shared state user taxes, that is, 30 percent of county and 17 percent of city expenditures nationally (see Table 1), locally levied road user charges generated less than \$1 billion in 1986 (see Table 2). Local user taxes are found in over half of the states and consist of local option motor fuel taxes, motor vehicle tag fees and surcharges (see Table 3), and tolls.

Local motor fuel taxes are permitted in 16 states. However, not all states exercise the right. For 1986, local motor fuel taxes were used to fund highways in 10 states. States currently permitting these levies are as follows (2):

- *Alabama.* As of August 1988, 18 counties imposed gasoline taxes as follows: 1 or 2 cents per gallon (nine and seven counties, respectively), 1 1/4 cents per gallon (one county), and 3 percent of the selling price (one county). Cities of 5,000 or more population may also impose a gasoline tax. Today, 61 cities levy a tax of 1 to 3 cents per gallon.

- *Alaska.* The city of Bettles has a 2 percent tax on motor fuel.

- *California.* Selected counties, cities, transit districts, and so on may impose a tax of 1 cent per gallon on compressed gas used as motor vehicle fuel, if approved by voters. Additionally, counties, subject to voter approval, may impose a tax on motor fuel in increments of 1 cent per gallon. To date, no locality has imposed these taxes.

- *Florida.* See section describing Florida's local motor fuel taxes.

- *Hawaii.* Road user taxes account for 25 percent of local revenue in Hawaii in 1986. In Hawaii, each county levies its own motor fuel tax, as follows:

County	Gas/Diesel Tax (cents)
Honolulu	11.5
Maui	8.0
Hawaii	8.8
Kauai	4.0

- *Illinois.* The city of Chicago levies an added 5-cents-per-gallon tax and Cook County applies a 4-cent tax to gasoline. Legally, any municipality with more than 100,000 inhabitants may, with approval of the voters, impose a tax of 1 cent per gallon on the purchase of motor fuel sold at retail within the municipality. Springfield has a 1-cent tax.

- *Mississippi.* The counties of Harrison and Jackson levy a 2-cent-per-gallon tax on motor fuel; Hancock County has a 3-cent tax.

- *Montana.* Counties may levy a motor fuel tax, in increments of 1 cent, not to exceed 2 cents per gallon sold within the county and used by motor vehicles on public highways. To date, no county has enacted the tax.

- *Nevada.* Local governments are permitted to levy an added gasoline tax of up to 4 cents per gallon. This regional tax is collected by the state in the counties meeting the conditions of the legislation. Currently the following counties have adopted this tax:

County	Gas Tax (cents)
Carson City	4
Churchill	2
Clark	4
Douglas	4
Elko	2
Esmeralda	4
Humboldt	4
Lander	4
Lincoln	4
Lyon	4
Mineral	2
Nye	4
Pershing	4
Washoe	4
White Pine	4

- *New Mexico.* Certain counties and cities may adopt a local motor fuel gallonage tax of up to 2 cents if approved by the voters. Class A and H counties as well as municipalities located in these counties have this authority. The state collection mechanism collects the tax for localities.

- *New York.* New York City levies a tax of 1 cent per gallon on fuel containing 1/2 gram or more of tetra-ethyl lead, tetra-methyl, or other lead alkyls.

- *Oregon.* The following counties levy a local gas tax: Multnomah—3 cents per gallon and Washington—1 cent per gallon.

- *South Dakota.* Second- and third-class municipalities are authorized to levy a motor fuel tax not to exceed 1 cent per gallon. The tax is a road user charge because stationary engines, agriculture equipment and heating, lighting, cleaning, and other commercial uses are exempt. The tax is administered by the state.

- *Tennessee.* Counties, metropolitan governments, and incorporated municipalities that operate public transportation systems may levy a tax on gasoline at the rate of 1 cent per gallon, if approved by the voters.

- *Virginia.* A 2 percent sales tax is imposed on retail sales of motor fuel sold within a county or city operating the heavy rail commuter mass transportation system located in Northern Virginia. In short, the local share of the Metro system (Washington, D.C.) in Virginia is funded from motor fuel taxes.

- *Washington.* Cities of 400,000 or more population have the power to impose an excise tax on motor fuel at a rate not to exceed 2 cents, and the state administers the tax.

Local road user charges, although playing a relatively minor role in highway finance from a national perspective, represent a significant resource for certain localities. A case in point is Florida. No other state relies on local option gas tax receipts as does Florida. Granted, Hawaii and Nevada depend on local motor fuel tax, however, only Florida raises over \$200 million/year for county and city road and transit programs. Because of its yield, pervasiveness, and potential as a model, the Florida local option motor fuel tax system is extensively described in detail in the next section.

TABLE 2 1986 LOCAL GOVERNMENT HIGHWAY RECEIPTS (IN \$ THOUSANDS) (6)¹

COMPILED FROM REPORTS OF STATE AND LOCAL GOVERNMENTS							TABLE LOF-21 AUGUST 1988			
STATE	(THOUSANDS OF DOLLARS)									
	RECEIPTS							PAYMENTS FROM		TOTAL
	PROPERTY TAX	GENERAL FUND	LOCAL HIGHWAY-USER REVENUE	TOLLS	MISCEL-LANEIOUS	BOND PROCEEDS (PAR)	STATE GOVERNMENT	FEDERAL GOVERNMENT		
ALABAMA	22,425	117,805	22,970	-	25,654	7,449	151,513	11,060	358,866	
ALASKA	52,885	38,395	5,292	-	11,728	40,094	51,713	2,876	202,783	
ARIZONA	13,100	13,855	-	-	55,000	78,710	300,048	8,000	468,723	
ARKANSAS	18,155	4,924	-	-	9,300	-	113,666	24,948	170,993	
CALIFORNIA	130,000	965,188	-	15,256	307,336	40,000	643,812	145,000	2,246,592	
COLORADO	77,861	99,583	-	797	73,080	767,523	142,706	17,245	1,178,795	
CONNECTICUT	-	146,184	-	-	1,550	1,200	25,718	7,348	182,000	
DELAWARE	-	12,516	-	-	530	642	2,500	882	17,070	
FLORIDA	145,000	106,000	235,000	10,875	141,084	194,813	228,991	25,712	1,087,475	
GEORGIA	2,220	267,938	3,532	-	3,180	92,086	19,656	16,767	396,369	
HAWAII	-	13,828	13,880	-	27,606	90	23,061	9,252	87,717	
IDAHO	29,437	4,312	-	-	5,310	-	44,607	7,946	91,612	
ILLINOIS	218,000	149,357	78,000	16,526	111,440	5,625	307,970	20,048	906,966	
INDIANA	24,283	42,020	16,937	-	32,669	5,250	270,884	7,772	399,815	
IOWA	194,595	11,434	-	1,182	13,525	29,731	255,179	54,781	560,427	
KANSAS	150,000	116,261	-	-	26,000	7,885	71,894	7,960	380,000	
KENTUCKY	4,600	47,957	3,300	-	7,700	-	83,998	11,445	159,000	
LOUISIANA	81,000	159,126	22,080	5,983	108,009	67,395	75,058	34,666	553,317	
MAINE	-	101,393	-	-	-	11,705	15,270	5,864	134,032	
MARYLAND	19,000	107,737	-	-	22,000	31,000	221,343	128,920	530,000	
MASSACHUSETTS	3,100	284,697	-	-	6,500	3,150	96,313	9,825	403,585	
MICHIGAN	22,000	401,674	-	557	120,458	4,000	496,250	46,076	1,091,015	
MINNESOTA	179,042	355,857	-	230	53,452	157,211	225,252	40,496	1,011,540	
MISSISSIPPI	43,247	82,658	2,812	-	2,676	33,988	70,185	38,004	273,471	
MISSOURI	67,000	75,378	7,000	2,530	78,356	30,570	100,093	27,084	388,011	
MONTANA	35,005	3,398	-	-	42,453	-	21,154	6,971	108,982	
NEBRASKA	113,916	18,221	6,345	527	11,361	33,108	96,666	39,315	319,459	
NEVADA	2,272	22,622	22,058	-	5,723	-	17,509	12,738	82,922	
NEW HAMPSHIRE	-	37,000	34,300	-	-	-	13,666	243	85,209	
NEW JERSEY	-	550,000	-	12,054	1,276	-	-	10,718	574,048	
NEW MEXICO	4,010	38,557	2,650	-	1,400	-	16,096	7,287	70,000	
NEW YORK	420,000	1,148,999	20,000	213,726	292,069	300,000	178,999	42,002	2,615,795	
NORTH CAROLINA	2,382	139,748	3,022	-	7,112	11,950	54,703	5,324	224,241	
NORTH DAKOTA	38,500	30,456	-	-	5,200	-	33,496	9,048	116,700	
OHIO	112,422	213,954	-	-	147,411	30,256	375,844	56,204	936,091	
OKLAHOMA 2/	-	-	-	-	-	-	-	-	-	
OREGON	44,168	41,446	8,659	1,300	37,408	53,112	90,184	67,872	344,149	
PENNSYLVANIA	218,000	374,542	43,000	-	45,000	-	185,933	56,025	922,500	
RHODE ISLAND	-	37,149	-	-	-	-	390	1,490	39,029	
SOUTH CAROLINA	-	49,804	-	-	25,660	-	17,169	2,895	95,528	
SOUTH DAKOTA	16,678	62,714	176	-	1,175	2,368	23,364	4,483	110,958	
TENNESSEE	40,300	44,435	22,403	-	7,994	13,736	178,654	3,693	311,215	
TEXAS	698,285	654,770	55,815	4,833	457,979	672,793	79,367	75,454	2,699,296	
UTAH	-	52,256	-	-	1,978	1,200	33,352	2,661	91,447	
VERMONT	34,000	1,500	-	-	-	-	19,135	4,143	58,778	
VIRGINIA	11,000	21,653	53,000	10,218	39,834	119,500	117,845	6,999	380,049	
WASHINGTON	168,931	50,928	1,708	744	68,365	43,767	173,030	62,301	569,774	
WEST VIRGINIA	-	48,914	7	840	1,416	-	-	5,172	58,349	
WISCONSIN	200,268	533,384	516	-	-	91,388	180,986	1,410	1,007,952	
WYOMING	-	41,442	-	-	33,640	7,842	13,283	2,765	98,972	
TOTAL	3,657,087	7,933,881	684,462	298,178	2,478,597	2,991,137	5,958,505	1,198,770	25,198,617	

1/ THIS TABLE REPORTS LOCAL GOVERNMENT RECEIPTS AND DISBURSEMENTS FOR HIGHWAYS. IT INCLUDES DATA FOR COUNTIES AND MUNICIPALITIES REPORTED IN TABLES LF-1, LF-2, LB-2, UF-1, UF-2 AND UB-2. EXCLUDES NONHIGHWAY USE OF ROAD-USER IMPOSTS.
2/ DATA NOT ESTIMATED DUE TO INCOMPLETE HISTORICAL DATA.

TABLE 3 1986 LOCAL ROAD-USER TAX REVENUE (IN \$ THOUSANDS)¹ (6)

STATE	-MOTOR-FUEL TAXES- COUNTY MUNICIPAL	-MOTOR-VEHICLE FEES- COUNTY MUNICIPAL	LESS: NON-HWY USE 2]	NET ROAD-USER REVENUE FOR HIGHWAYS
ALABAMA	3675	19295		22970
ALASKA			5292	5292
ARIZONA				
ARKANSAS				
CALIFORNIA				
COLORADO				
CONNECTICUT				
DELAWARE				
DIST. OF COL.				
FLORIDA	146000	73000	16000	235000
GEORGIA			3162	3532
HAWAII	7206	12691		13880
IDAHO				
ILLINOIS	60000	75000	6000	78000
INDIANA			6898	16937
IOWA				
KANSAS				
KENTUCKY			3300	3300
LOUISIANA			80	22080
MAINE				
MARYLAND				
MASSACHUSETTS				
MICHIGAN				
MINNESOTA				
MISSISSIPPI	2812			2812
MISSOURI			7000	7000
MONTANA				
NEBRASKA			6358	6345
NEVADA	22058			22058
NEW HAMPSHIRE				34300
NEW JERSEY			20000	
NEW MEXICO	2650			2650
NEW YORK			20000	20000
NORTH CAROLINA			3022	3022
NORTH DAKOTA				
OHIO				
OKLAHOMA				
OREGON	8236	417	6	8659
PENNSYLVANIA			18000	43000
RHODE ISLAND				
SOUTH CAROLINA				
SOUTH DAKOTA			156	176
TENNESSEE			9592	22403
TEXAS			55815	55815
UTAH				
VERMONT				
VIRGINIA	34000	26000		53000
WASHINGTON	106	1602		1708
WEST VIRGINIA				7
WISCONSIN			295	516
WYOMING				
TOTAL	286743	208005	136004	684462

1) Includes estimates

2) Includes mass transportation

3) Equals column 3 of Table LGF-21

FLORIDA'S LOCAL OPTION MOTOR FUEL TAX

Local governments in Florida receive funds from several individual motor fuel taxes. First, the state tax of 9.7 cents per gallon is separated into two components. One part is a variable or indexed tax whereby the rate is determined by the retail price of fuel and the state motor fuel sales tax, that is, 5 percent of an established equivalent minimum price of \$1.148 per gallon, or 5.7 cents tax. These monies are retained in the State Transportation Trust Fund. The second part is a fixed rate of 4 cents per gallon. Two cents, or the "second gas tax" or "Constitutional gas tax," is distributed among the 67 counties by formula. The other 2 cents is also destined to local governments, where 1 cent is devoted to the counties and 1 cent to municipalities. These levies are collected statewide and thus constitute the state motor fuel tax. Local option

motor fuel taxes, the second group of motor fuel taxes, are discretionary and must be approved by the localities.

During the early 1980s, momentum was growing to dedicate a local revenue source for highways. From 1980 to 1983, voters approved a county 1-cent gas tax for highways in nine counties. The authority had been allowed since 1972, but no county was successful gaining voter approval until 1980, and today only 14 counties have the tax. The local road user tax movement got a major boost from the 1983 state legislation that lowered the state fixed motor fuel tax from 8 to 4 cents per gallon. The reduced 4-cent tax was offered to the counties for their highway and transportation programs. Further, state legislation expanded the option from 4 to 6 cents in 1985, and today 63 of the 67 counties have adopted this tax. Most counties (44) have opted for the maximum 6-cent tax, and 11 of these counties have also approved the "voted" 1-cent tax for a total of 7-cents-per-gallon local tax. The pace of adoption

TABLE 4 FLORIDA LOCALLY IMPOSED GASOLINE AND SPECIAL FUEL TAXES (6)

COUNTY	VOTED GAS TAX (1¢)	LOCAL OPTION GAS TAX (¢/Gallon)							TOTAL ¢/GAL	1] NET REVENUE PER ¢ (000)	1] TOT. REVENUE (000s)
		1983	1984	1985	1986	1987	1988	SUBTOTAL			
ALACHUA	1981	3		3				6	7	\$980	\$6,857
BAKER					4	2		6	6	\$86	\$517
BAY				4				4	4	\$774	\$3,095
BRADFORD		4					2	6	6	\$124	\$741
BREVARD				4	2			6	6	\$1,872	\$11,234
BROWARD		4		2				6	6	\$5,763	\$34,575
CALHOUN								0	0	\$69	\$0
CHARLOTTE		2		2		2		6	6	\$449	\$2,695
CITRUS		4				2		6	6	\$408	\$2,448
CLAY	1981		4			2		6	7	\$439	\$3,073
COLLIER	1980	2	2	2				6	7	\$726	\$5,081
COLUMBIA	1981	2		2	2			6	7	\$387	\$2,707
DADE		4		2				6	6	\$8,252	\$49,509
DE SOTO	1982	4		2				6	7	\$125	\$878
DIXIE			2		2		2	6	6	\$61	\$365
DUVAL					6			6	6	\$3,840	\$23,043
ESCAMBIA					6			6	6	\$1,327	\$7,963
FLAGLER						4		4	4	\$104	\$416
FRANKLIN								0	0	\$56	\$0
GADSDEN				4		2		6	6	\$214	\$1,283
GILCHRIST				4			2	6	6	\$36	\$217
GLADES					2		2	4	4	\$57	\$227
GULF								0	0	\$57	\$0
HAMILTON						2		2	2	\$265	\$531
HARDEE		4		2				6	6	\$133	\$796
HENDRY	1983				2			2	3	\$143	\$429
HERNANDO		2		4				6	6	\$432	\$2,593
HIGHLANDS		2	2		2			6	6	\$367	\$2,202
HILLSBOROUGH	1980	4		2				6	7	\$4,482	\$31,376
HOLMES						5		5	5	\$140	\$698
INDIAN RIVER				2	4			6	6	\$452	\$2,713
JACKSON	1986				5			5	6	\$410	\$2,459
JEFFERSON						2		2	2	\$169	\$338
LAFAYETTE		2		2				4	4	\$21	\$84
LAKE	1983		2	2	2			6	7	\$741	\$5,187
LEE	1982		4					4	5	\$1,557	\$7,783
LEON				4		2		6	6	\$1,034	\$6,204
LEVY		2		2	2			6	6	\$172	\$1,030
LIBERTY								0	0	\$43	\$0
MADISON						1	2	3	3	\$172	\$516
MANATEE	1982	4		2				6	7	\$928	\$6,494
MARION		2	2	2				6	6	\$1,242	\$7,453
MARTIN				4	2			6	6	\$479	\$2,871
MONROE		4		2				6	6	\$411	\$2,466
NASSAU					2	4		6	6	\$350	\$2,103
OKALOOSA						5		5	5	\$807	\$4,033
OKEECHOBEE		4		2				6	6	\$209	\$1,255
ORANGE		4		2				6	6	\$3,898	\$23,387
OSCEOLA	1987	4			2			6	7	\$620	\$4,341
PALM BEACH		2		2	2			6	6	\$3,904	\$23,422
PASCO		2	2		2			6	6	\$1,135	\$6,810
PINELLAS				4		2		6	6	\$3,815	\$22,890
POLK		4			2			6	6	\$2,285	\$13,712
PUTNAM				4			2	6	6	\$325	\$1,947
ST JOHNS				4	2			6	6	\$595	\$3,573
ST LUCIE				4		2		6	6	\$736	\$4,417
SANTA ROSA					6			6	6	\$368	\$2,206
SARASOTA	1988	4			2			6	7	\$1,215	\$8,507
SEMINOLE		4		2				6	6	\$1,170	\$7,020
SUMTER		2				2		4	4	\$636	\$2,543
SUWANNEE		1		2				3	3	\$264	\$793
TAYLOR				4				4	4	\$170	\$680
UNION			4					4	4	\$82	\$329
VOLUSIA	1982	2		4				6	7	\$1,703	\$11,921
WAKULLA		4						4	4	\$57	\$280
WALTON						5		5	5	\$207	\$1,036
WASHINGTON				4				4	4	\$93	\$373
TOTALS											
AVERAGE GAS TAX		1.4	1.7	3.2	4.1	4.8	5.0	5.0	5.2	\$64,651	\$388,711

1] Based on consumption estimates produced by the Department of Revenue for local government FY 1988-89.

by Florida counties of the voted tax and the local option tax is as follows (N/A = not available):

	<i>Voted</i> (1 cent)	<i>Local Option</i> (1-6 cents)
1980	2	N/A
1981	3	N/A
1982	4	N/A
1983	2	30
1984	0	9
1985	0	35
1986	1	22
1987	1	17
1988	6	6

Counties imposing these taxes are listed in Table 4 with the average local gas tax being 5.2 cents per gallon for all 67 counties in 1988. Revenue from these local option taxes is used by counties and municipalities for transportation purposes including public transit, road and street capital outlay, and maintenance and debt service on transportation bonds.

In 1985, state legislation also allowed the formation of Metropolitan Transportation Authorities (MTAs) in the state's largest urbanized areas. Counties operating a regional ground transportation system (MTA) are permitted to levy an additional 1-to-4-cents-per-gallon tax plus a 1-mill property tax. These are over the 6-cent local optional gas tax discussed previously.

The ground swell of support experienced by the county local option gas tax has not been shared by the Metropolitan Transportation Authorities and only marginally for the "voted" gas tax. The lack of acceptance may be as a result of a key tax approval condition. The local option gas tax can be implemented by a simple majority of the county governing body or commission. Conversely, after acceptance by localities, the MTAs' taxing authority and the "voted" gas tax must be approved by the voters. The success rate is evident in the results of several referenda.

The voter approved gas tax, that is, the "voted" gas tax, has been passed in only 14 out of 67 counties. However, no MTA has been successful in gaining voter approval for extra gas taxes for regional transportation projects. A case in point is Orlando. Orlando area voters twice defeated transportation financing in recent years. In 1986, the proposal included a gas tax hike plus a property tax increase. It failed according to some officials because of the property tax feature (3). Another attempt was made in 1988 when a sales tax was offered, but it too was defeated by the voters.

The success of the local option gas tax is, in part, because the approval authority rests in the hands of the governing body rather than with the voters. Moreover, there is evidence that the governing body or commission may act in opposition to the will of the voters, as was the case in Walton County. In 1987, the Walton County commissioners approved a 5-cent gas tax 6 months after the voters rejected the measure by a 2 to 1 margin (4).

Statewide, each penny gas tax will generate \$64,651,000. For FY 1989, the 63 counties will receive an aggregate of over \$388 million in local option gas and "voted" taxes (see Table 4). The larger counties, such as Dade County, will receive nearly \$50 million/year. Administratively, no major change was necessary to collect local motor fuel taxes.

Local option motor fuel taxes in Florida consist of the "voted"

1-cent, the local option 1-to-6-cent, and the MTA 1-to-4-cent-a-gallon taxes. These state-allowed resources are an outgrowth of the need to secure a dedicated source of revenue for local highway and transportation programs and a means to offset the loss of general revenue sharing funds. Adoption of the local gas taxes was slow until the commission-approved local option tax was enacted (1983).

Voter-approved taxes have been less frequent since then but not ignored as three counties recently approved the "voted" 1-cent tax in addition to adopting the maximum local option tax. The local option gas tax has been successful because of its ease of adoption and flexibility. The "voted" 1-cent tax is difficult to approve and is limited in yield, yet it may be used for any legitimate county or municipal transportation purpose. The MTA tax (1 to 4 cents) may yield more than the "voted" gas tax (but less than the local option gas tax); however, its use is restricted to arterial roads and must be approved by the voters. Based on its pervasiveness, yield, and ease of adoption, the local option gas tax is the clear choice in Florida.

IMPACT OF LOCAL OPTION GAS TAX

A review of county, municipal, and state transportation finance in Florida reveals a shift in the major revenue sources for local highways toward a more user-supported program since the advent of the local option gas tax.

In 1987, counties in Florida generated \$643 million for highways. Road user taxes and fees accounted for \$360 million of this amount, or 56 percent. Road user revenues consisted of \$177 million of shared state motor fuel and motor carrier levies and \$183 million of local option gas taxes. The local option gas taxes accounted for 47 percent of county-levied tax receipts (see Table 5). For municipalities, road user charges provided a lesser share of the total municipal road and street programs, that is, \$176 out of \$484 million, or 36 percent. The local option gas tax share of locally imposed taxes is likewise smaller for municipalities (31 percent) (see Table 5). The trend since the early 1980s, however, reflects a greater reliance on user financing for local road programs. Table 5 shows that county and municipal programs depended overwhelmingly on nonuser sources (more than 95 percent) before the local gas tax option. Since then, gas tax receipts have supplied one-half of county local revenue and nearly one-third of municipal local resources. Also noteworthy is the growth in spending—up 135 percent for counties and 52 percent for municipalities from 1983 (see Figure 1).

The Florida Department of Transportation made a survey of local government use of the local option gas tax in 1987 (5). The survey reported widespread acceptance of optional gas taxes. All areas of the state have adopted the tax with the exception of four counties in the panhandle. The survey noted that almost one-half of the counties had the full 6-cent gas tax.

Types and choices of local highway financing were covered in the survey report. Before the optional gas tax, 39 counties used general revenues—primarily property taxes—to fund highways, and 21 counties reported use of impact fees. Eleven of these counties stated that they were able to reduce their dependence on nonuser sources with the adoption of the gas tax. The saved general revenues were applied to other pressing needs.

TABLE 5 FLORIDA LOCAL GOVERNMENT HIGHWAY RECEIPTS (IN \$ MILLIONS)

	1987				1985				1983			
	COUNTY	%	MUNICIPALITY	%	COUNTY	%	MUNICIPALITY	%	COUNTY	%	MUNICIPALITY	%
USER 1)	183	47	102	31	112	52	42	15	9	5	2	1
NONUSER 2)	209	53	232	69	105	48	239	85	158	95	218	99
TOTAL	392	100	334	100	217	100	281	100	167	100	220	100

1) Includes local option gas tax and voted gas tax.

2) Includes property taxes (ad valorem, road and special assessments), franchise fees, occupation licenses, interest income, utility tax, general funds and miscellaneous receipts.

Source: FHWA Form 536, various years, supplied by FLDOT. Data reported in Tables LF-1 and UF-1, Highway Statistics, various years.

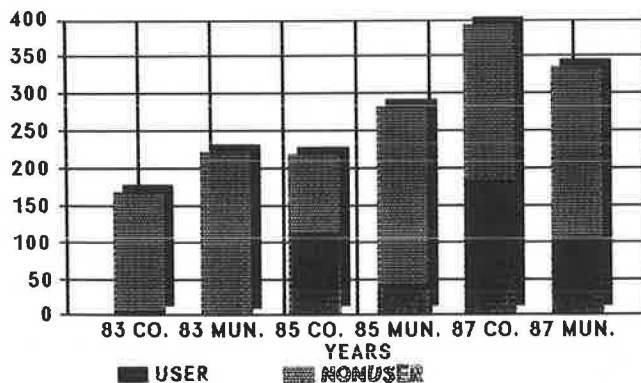


FIGURE 1 Bar chart of Florida local government highway receipts showing growth in spending since 1983 (in \$ millions).

All urbanized counties (27) had adopted the local option gas tax, and all but six elected to impose the maximum 6 cents per gallon (the others selected 4 cents). Five of the urbanized counties reported reductions in nonuser revenues devoted to highways. Municipalities also shared in the proceeds of the local gas tax under a variety of distribution formulas. Seven of these noted reductions in the use of nonuser tax revenues. Further, one urban area—Dade County/Miami—reported using significant portions of its receipts for transit operating assistance.

The yield of the local option gas tax caused some early problems for some jurisdictions. Several counties expressed an inability to meet contracting schedules and others had staffing problems, but these problems were shortly overcome. Although some stated that they had insufficient projects on the shelf to use the added funds, 20 of the 67 counties have requested their legislative delegations' support for additional transportation taxes. In fact, all 27 urbanized counties and all 23 municipalities reported a need for more transportation revenues, and some suggested that a "maintenance of effort" clause be included in any new local government taxing authority in order to avoid future reductions in revenues from other sources.

TABLE 6 DISTRIBUTION OF MOTOR FUEL RATES AMONG LEVELS OF GOVERNMENT

	Receipts (\$ millions)	Gallons	Calculated Cents per Gallon
Federal	11,643 ^a	125,183 ^b	9.3
State	14,742 ^c	"	11.8
Local	495 ^d	"	0.4
Total	26,880	"	21.5

^a(6, Table FE-10).

^b(6, Table MF-2).

^c(6, Table MF-1).

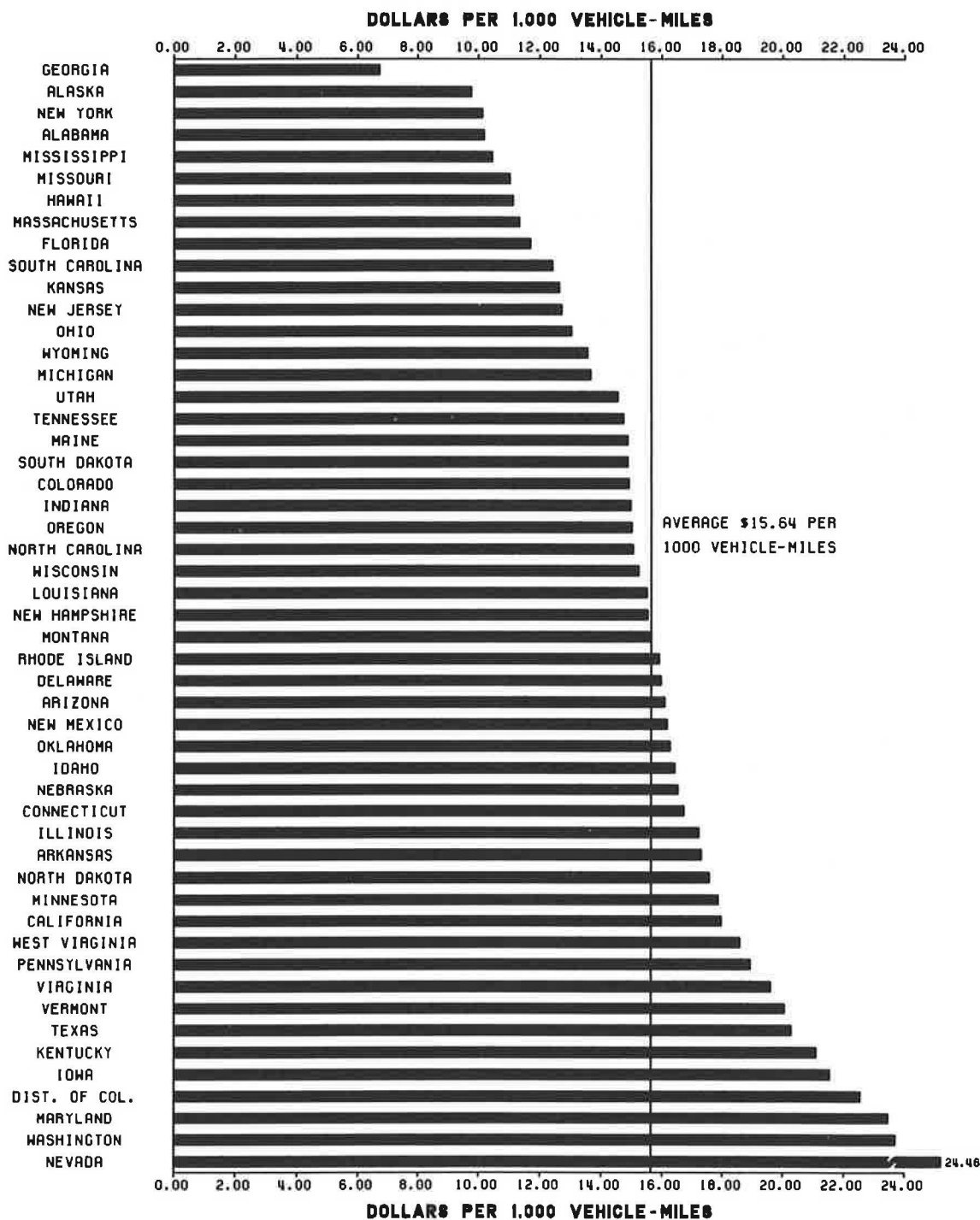
^dData from Table 3 of this paper.

CONCLUDING REMARKS

Local Motor Fuel Taxes

Combined state and local motor fuel taxes are moving Florida into the mainstream. Total motor fuel taxes averaged 21.5 cents per gallon in 1986. Nationally, motor fuel rates are distributed among levels of government as shown in Table 6. The weighted average state motor fuel tax, that is, 11.8 cents, is used in the tabulation in Table 6. The choice gives weight to the high-motor-fuel-consuming states, such as California, that have a below average state tax (9 cents). The arithmetic average is over 14 cents per gallon. In fact, several states' total tax is close to 30 cents per gallon, including those with and without a local tax. Examples of the latter include Montana and Minnesota, which levy a state tax of 20 or more cents (plus the federal 9.3 cents). On the opposite end of the spectrum, low-motor-fuel-tax states, such as Florida (9.7 cents), by permitting local option motor fuel taxes, can move toward or exceed the national average. Adding the average local option tax places Florida above the national average as shown here (note that state datum includes 4 cents dedicated to local governments; local datum is from Table 4 of this paper):

Level	Cents per Gallon
Federal	9.3
State	9.7
Local	5.2
Total	24.2



Source: Selected Highway Statistics and Charts 1987, Federal Highway Administration

FIGURE 2 1987 state highway-user revenue per vehicle-mile of travel (6).

The preceding discussion focuses on motor fuel taxation exclusively. However, certain other fees on motor vehicles and motor carriers are imposed and these must be considered in the composition of total highway taxation. When the sum of all state level user taxes and fees are considered, Florida ranks below the national average for state road user revenues

per 1,000 vehicle-miles of travel (VMT) (see Figure 2). Total state user tax receipts, including motor fuel taxes and motor vehicle fees, averaged \$15.64 per 1,000 VMT for the nation in 1987; Florida was below this level at \$11.69 per 1,000 VMT. This evaluation considered the state motor fuel tax of 9.7 cents per gallon and omitted any local option tax. If the local option

tax had been included, that is, state tax of 9.7 cents plus local tax of 5.2 cents per gallon, the revised revenue per 1,000 VMT would be \$15.36, or approximately the U.S. average.

Local Option Gas Tax

A shift in state and local priorities has occurred as a result of the local option gas tax. Based on the experience in Florida, aggressive adoption of local motor fuel taxation can shift the focus of motor fuel tax revenues from state to local programs. Total state motor fuel gallonage taxes generated \$14.7 billion in 1986, and local governments received grants-in-aid of \$3.86 billion of this, or about 3.1 cents per gallon. Local option motor fuel taxes equaled 0.4 cents per gallon nationally and, when added to the local share of state motor fuel taxes, equals 3.5 cents per gallon (out of 12.19 cents). The remaining 8.7 cents is the state share. In the case of Florida, locals get 4 cents of the 9.7-cent state tax plus all of the newly enacted local tax of 5.2 cents. The local share of combined state and local motor fuel taxes is now 9.2 cents of 14.9 cents a gallon, or 62 percent of combined gas tax revenue. Nationally, the local share is 29 percent.

Highway User Charges

Congestion occurs on highways, particularly freeways, when demand for a scarce resource (roadway space) exceeds its supply. Congestion does not occur at all times, rather only at the busier times of the day; other times do not experience a supply problem. The imbalance between demand and supply is caused, in part, by pricing the use of highways. If user charges are not imposed, people have no economic incentive to economize on the use of a scarce resource. Hence, it is appropriate to charge users for highways as opposed to charging the community-at-large for the provision of roads and streets (7).

Summary

For the most part, local governments look to nonuser revenues for highways, but the local option gas tax in Florida may change this. The tax has been nearly universally adopted and most locals elect to impose the maximum allowable tax of 6 cents per gallon—and the yield is substantial. Florida recognized that local option taxes (and maybe any tax) are not popular with the electorate, thus placement of the decision making responsibility with the governing body rather than the voters is credited for its success. Road user charges meet the test of appropriateness and are overwhelmingly used by federal and state governments (road user charges average 85 percent of combined receipts in 1987) but are used sparingly by counties and municipalities.

Florida local governments now receive up to one-half of their local support for road programs from road users since the adoption of the local option gas tax. This revenue device may have appeal in other states, particularly in those that have user taxes below the national average.

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