a report on

FLORIDA TRANSPORTATION TRENDS AND CONDITIONS

TRANSPORTATION FUNDING

Transportation Investments

FDOT

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Table of Contents

List of Tables

List of Figures

Transportation Investments

Introduction

Transportation Investments is one of three funding reports in the Transportation Trends and Conditions series. This report provides a snapshot of current trends in government investments on transportation at the federal, state, and local level. The second report, *Transportation Resources*, provides insights into household and business investments on transportation. The third report, *Transportation Costs*, centers on typical costs incurred by the Florida Department of Transportation (FDOT) and other public-sector transportation agencies in Florida.

The nature of investments varies across transportation modes, and the availability of data varies. Thus, there is no single comprehensive way to fully portray how funds are expended on transportation. This report uses the best available data for each mode. The source, quality, and nature of the data may change by mode since not all modes have equally rich databases on revenues and investments. In addition, the available data presented in this report focuses on direct investments. Other literature more fully documents the economic and financial impacts of the various modes, but that is beyond the scope of this report.

Money spent for transportation infrastructure is channeled through the various levels of government — federal, state and local. Even in cases where private funds are used to construct transportation facilities, the money is still often channeled through local or state government. Government entities that spend money on transportation projects commonly track investments via a work program. This report will generally focus on Florida's state work program amounts. In practice, the work program turns into contractual obligations that develop into actual investments over time. Throughout the sequence, the actual numbers change and may not balance in terms of annual reporting of transportation investments.

How Transportation Dollars are Spent

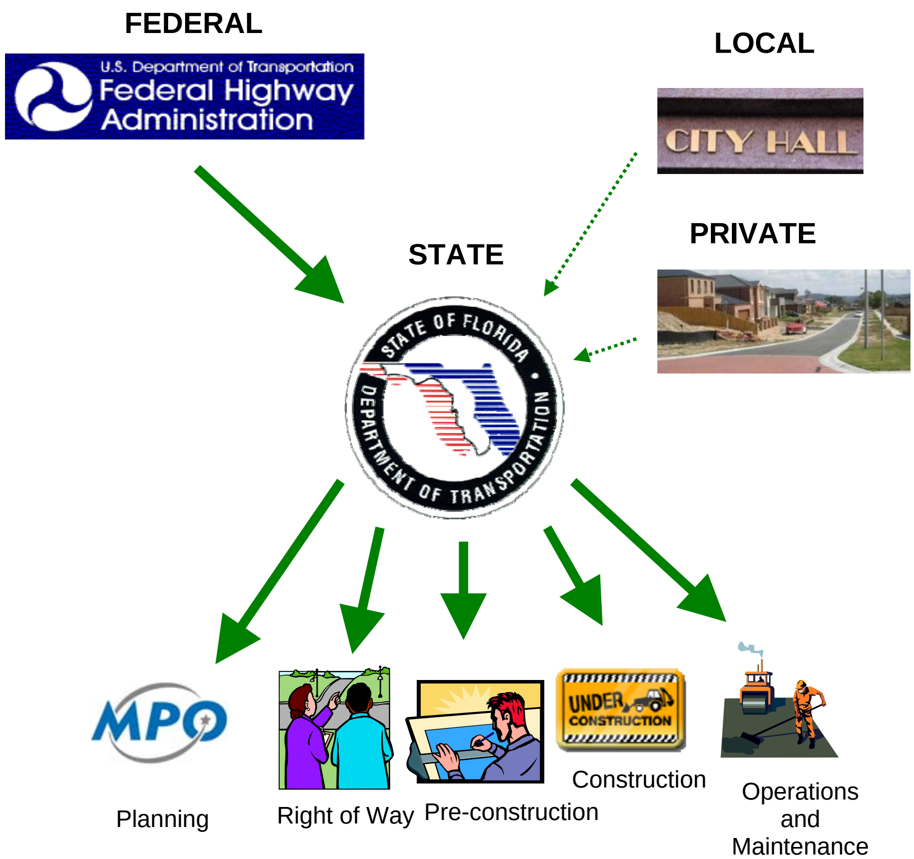
All levels of government go through elaborate exercises to program transportation improvements into a work program format. This exercise involves balancing available funds with project needs, often with substantial political and public involvement. Because the expenditure of funds is often restricted by the source, dollars are essentially programmed toward projects that fit funding restrictions in some order of priority.

Federal funds flow to individual states and sometimes to local governments or transportation authorities before being spent on capital improvements or services. Local funds occasionally flow to state agencies for project implementation. Private funds can flow through local or state agencies or directly provide some transportation services and investments. There are substantial differences in how expenditure commitments for each context and each mode are executed.

Roadway Funding

Road and safety project funds are distributed directly by the local governments and the state Department of Transportation. The flowchart in Figure 1 illustrates a simplified flow of cash from the original source to the point where the money leaves the control of the government. With the exception of projects funded by local governments, the state acts as a repository for all funds, regardless of source, and handles the accounting and contracting of those funds. The state also adds funds of its own, collected from fuel taxes and other fees. The flow of money can vary for local projects. Projects with exclusively local funds are managed by local governments, and road improvements associated with development can be carried out by the private sector before being deeded over to the government.

Figure 1 - Flow of Funds for State Roadway, Safety, and Bike/Pedestrian Projects



The state does not control all of the decision-making on which projects are undertaken. For example, local governments approve and implement projects funded by local option gas taxes collected in their jurisdictions. Metropolitan planning organizations (MPOs) and the state must agree on which projects to undertake with federal funds in their metropolitan areas. MPOs and county commissions in non-metropolitan areas submit priorities to the state for projects that will be undertaken with state funds. Port and airport authorities control capital and maintenance investments for the facilities under their jurisdiction. Most bicycle and pedestrian projects are paid in a method similar to highway projects, although a small number of projects may be funded by transit agencies in the process (Figure 2).

Transit Funding

Public transit funding is spent in a different fashion, with transit agencies acting as the clearinghouse for all funds. They receive funding from the Federal Transit Administration (FTA), FDOT, and local governments. In some cases, dedicated ad valorem or sales taxes may be sent to the transit agency, and, in other cases, local funds come from the general fund. The transit agency also collects revenue from fareboxes or advertising. While transit agencies are responsible for short-term planning, long-term transit planning is done by MPOs. Also, the actual expenditure of funds on transit capital projects is done in cooperation with MPOs. The MPOs include transit capital projects in the long-range transportation plan (LRTP) and the transportation improvement program (TIP). The transit agency is responsible for the contracting, oversight, and in-house provision of services. Figure 2 illustrates a simplified flow of transit funds.

Figure 2 - Flow of Funds for Transit Investments

Maritime and Aviation Funding

Maritime and aviation investments are usually managed by special authorities. The flow of funds for port and airport authorities closely resembles that of transit. The principal difference is that ports and airports raise a much more significant portion of their revenue from fees.[1] Fees are collected from shipping companies, airplane operators, vendors, and concessionaires for the use of the authority's facilities and services. Port and airport authorities usually strive to cover the full cost of their ongoing operations through fee collection. However, capital improvements are sometimes paid for by federal, state, or even local sources.

There are three basic types of seaport and aviation authorities: 1) local-government-owned, 2) locally-chartered special districts, and 3) state-chartered special districts. Local governments that own a port or seaport may operate it as a division of the municipal or county government. Examples of this type of facility include Fort Lauderdale International Airport which is owned and operated by Broward County, and the Port of St. Petersburg which is owned by the City of St. Petersburg. An advantage of this administrative structure is that any operating surplus can be used for other purposes by the local government. However, this dynamic works in both directions. Unprofitable facilities can become financial burdens to local government budgets.

Locally-chartered special districts are established as an independent authority by a local government or through an inter-local agreement between multiple units of local (and sometimes state) government. An example of this type of administrative structure is the Jacksonville Port Authority (JaxPort), the deepwater seaport chartered by the City of Jacksonville. An advantage of this institutional arrangement is to focus management attention and isolate the administration from broader government issues. Yet, the authority still owes allegiance to the local governments that created it, since local elected government officials or their designees serve on the board of the authority.

The final type of authority is the state-chartered special district. In this case, the Florida Legislature approves a charter for the creation of an independent authority. The authorizing charter sometimes grants board member seats to local governments served by the authority, but the board often is composed of a majority of gubernatorial appointees. An example of this type of authority is the Greater Orlando Aviation Authority.

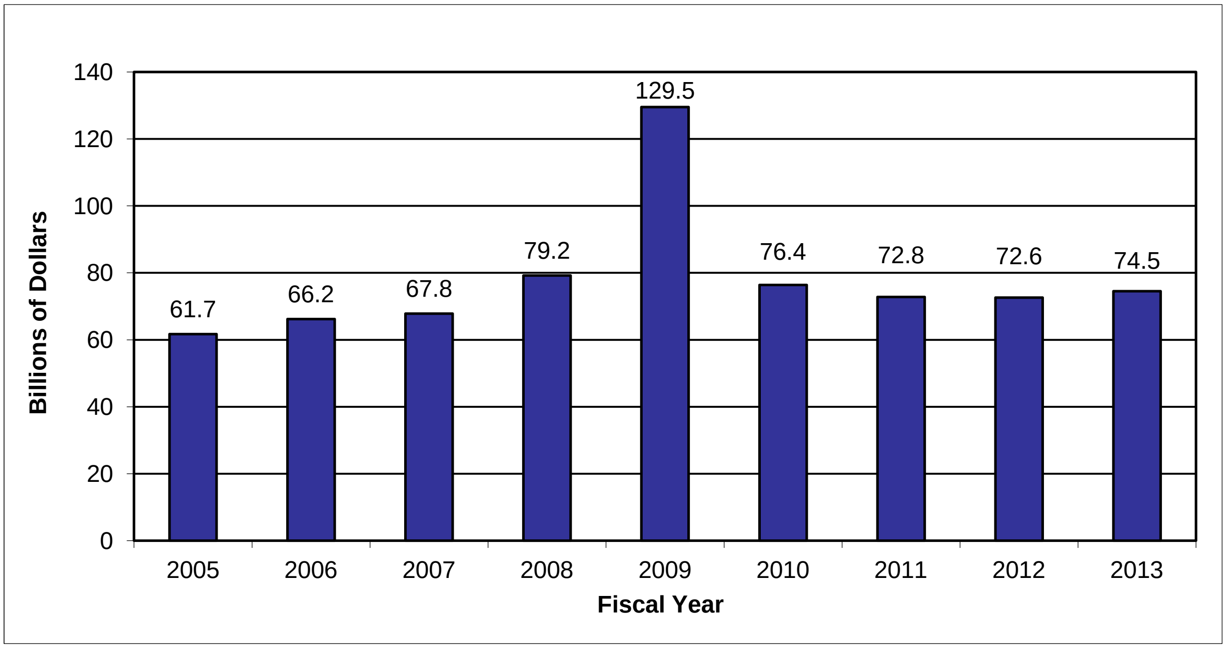
Regardless of how an airport or seaport is created, revenues and investments are treated nearly identically, with the responsible authority attempting to operate with a balanced operating budget and appropriate resources for reinvestment and expansion as necessary.

[1] See Trends and Conditions Report, *Transportation System: Seaports* and *Transportation System: Airports*, http://www.dot.state.fl.us/planning/policy/trends/tc-report/.

Federal Investments for Transportation

Figure 3 shows the total amount of federal transportation investments from fiscal year (FY) 2005 to FY 2013. This includes all modes, not just surface transportation. There were minor increases in investments from FY 2005 to FY 2008. The large increase in FY 2009 is attributable to the American Recovery and Reinvestment Act (ARRA) of 2009 which included $48 billion for transportation.

Figure 3 - Federal Transportation Appropriations

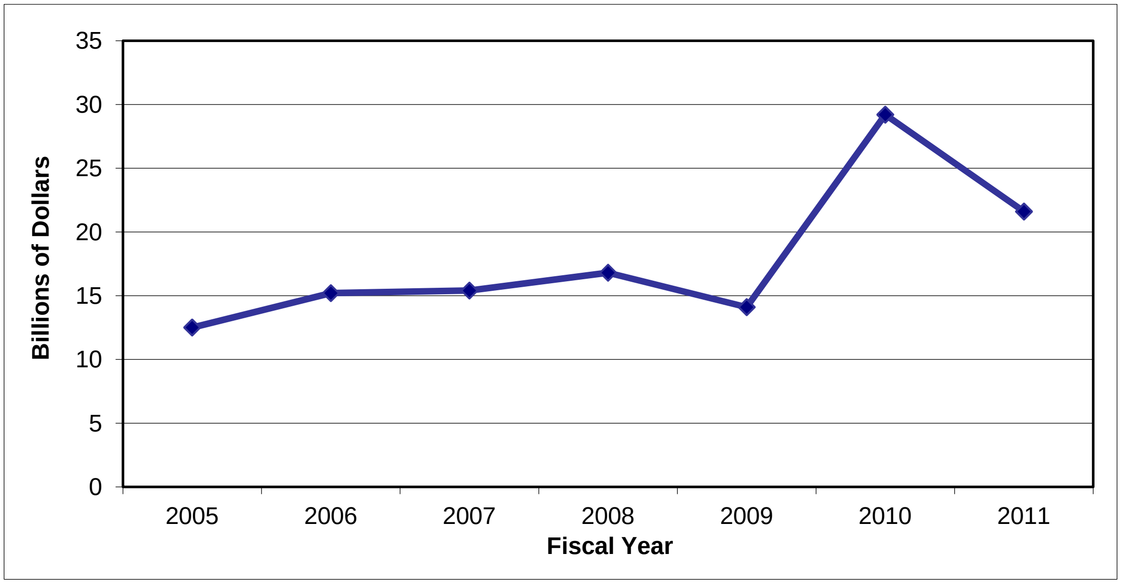


Source: USDOT Budget documents (http://www.dot.gov/budget/dot-budget-and-performance)
Note: The federal fiscal year is from October to September.

On July 6, 2012, President Obama signed into law the Moving Ahead for Progress in the 21st Century Act (MAP-21). It authorizes federal funding on surface transportation for two years, through September 30, 2014. It authorizes $40.968 billion in FY 2013 and $41.025 billion in FY 2014 for the Federal Aid Highway Program.

Figure 4 shows the actual cash balance of the Federal Highway Trust Fund. The bump in FY 2010 and FY 2011 is attributable to ARRA 2009. Since FY 2008, General Revenue funds have been transferred into the Highway Trust Fund to compensate for investments being in excess of revenue. Though not shown in the table, the MAP-21 legislation includes a $6.2 billion transfer in FY 2013 and $10.4 billion in FY 2014 from the General Revenue Fund.

Figure 4 - Highway Trust Fund Cash Balances



Source: FHWA (http://www.fhwa.dot.gov/policyinformation/statistics/2011/fe210.cfm)
Note: The federal fiscal year is from October to September.

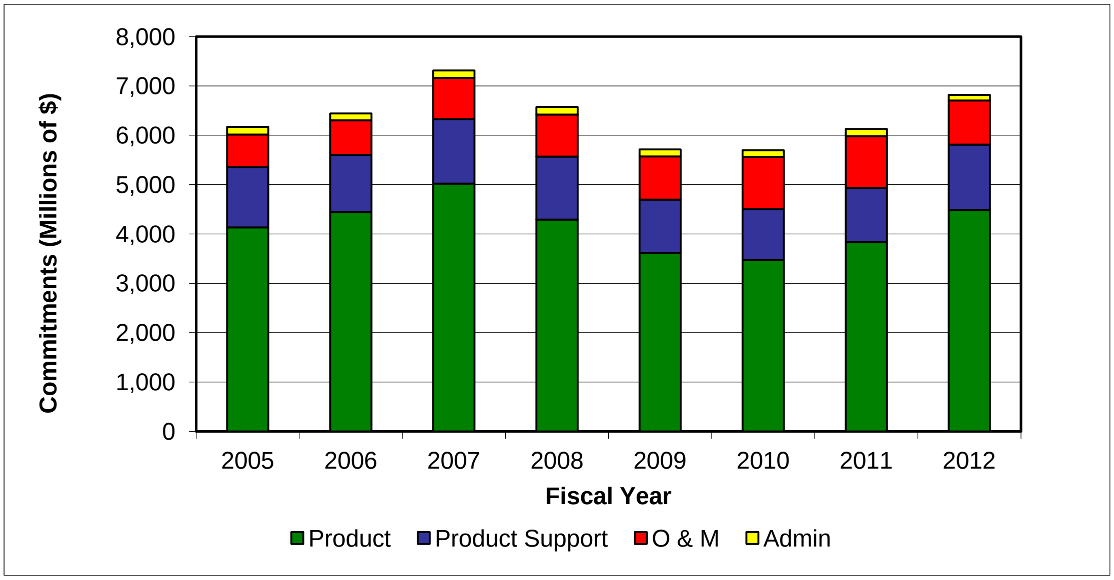
State Investments for Transportation

Figure 5 shows the total transportation commitments by FDOT from FY 2005 to FY 2012. The figure includes commitments with state and federal funds, tolls, and local funds, as well as bond funds for which FDOT has budget authority. The data are taken from the FDOT Program and Resource Plan History. The committed dollars are grouped into four categories:

- **Product** – Land, Roads and Bridges, Aviation, Transit, Rail, Intermodal Access, and Seaport Grants.
- **Product Support** – FDOT staff and professional consultants who perform studies, produce plans, acquire right-of-way land, inspect and manage construction work, and administer public transportation grants.
- **Operations and maintenance** – FDOT staff, professional consultants, and contracted labor plus equipment and materials needed to maintain, operate, and inspect the State Highway System, collect tolls, and enforce commercial vehicle enforcement laws.
- **Administration** – FDOT staff and professional consultants, who perform fiscal, budget, personnel, reprographics, information systems, and contract administrative functions, including building plus supporting facilities construction and rehabilitation.

In FY 2012, FDOT committed $6.8 billion to transportation, an 11 percent increase over FY 2005 commitments.

Figure 5 - Total State Transportation Commitments



Source: FDOT Office of Work Program and Budget, *Program and Resource Plan Summary, Fiscal Years 1982/83 through 2011/12* (Note: The state fiscal year is from July to June).

While the largest percentage of transportation commitments in FY 2012 was for Product, the category that has had the largest percentage increase from FY 2005 to FY 2012 was Operations and Maintenance (O&M). Commitments for O&M increased 35 percent. In contrast, Administration commitments have dropped 25 percent, reflecting downsizing of FDOT staff (see Table 1).

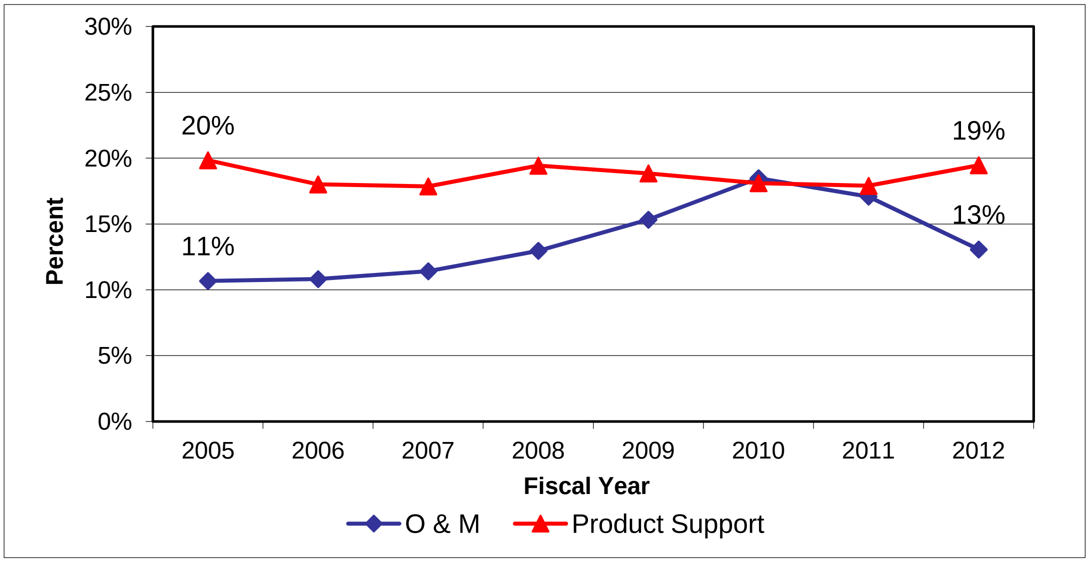
Table 1 - Component Share of State Commitments ($ million)

	FY 2005	FY 2012	FY 2012 Share	Percent Increase 2005–2012
Product	4,132.7	4,484.6	66%	9%
Product Support	1,224.6	1,327.3	19%	8%
O&M	658.5	890.8	13%	35%
Admin	155.2	116.0	2%	-25%
Total	6,171.0	6,818.7	100%	10%

Source: FDOT Office of Work Program and Budget, *Program and Resource Plan Summary, Fiscal Years 1982/83 through 2011/12* (Note: The state fiscal year is from July to June).

As shown in Figure 6, commitments for Product Support have remained steady. Commitments for O&M increased from FY 2005 to FY 2010 but then fell in FY 2011 and FY 2012.

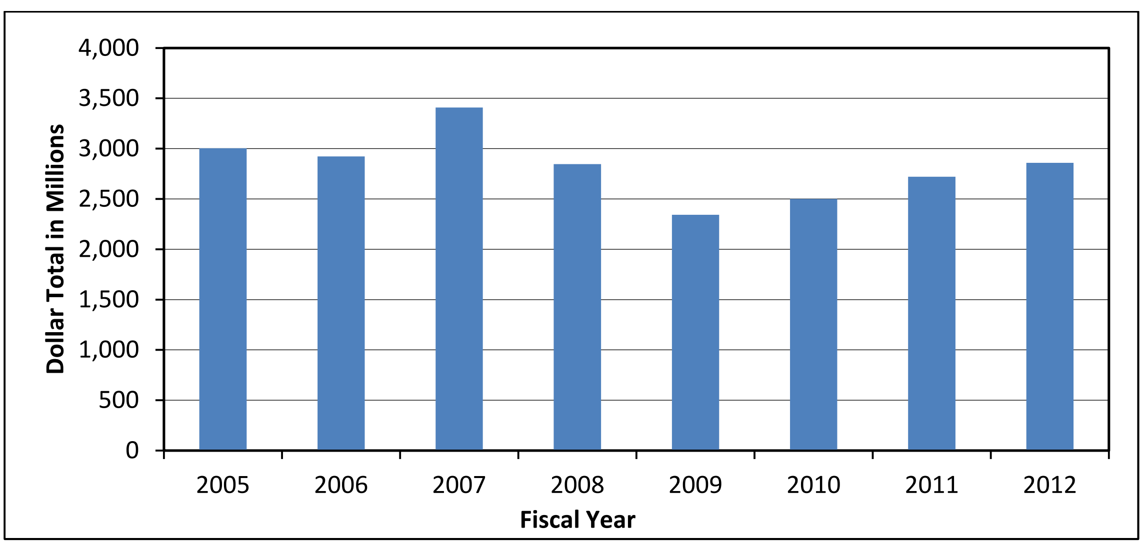
Figure 6 - Percent of State Commitments for Product Support and O&M



Source: FDOT Office of Work Program and Budget, *Program and Resource Plan Summary, Fiscal Years 1982/83 through 2011/12* (Note: The state fiscal year is from July to June).

Figure 7 shows the overall trend in Construction Commitments. There was a decline from FY 2007 to FY 2009 which reflects the economic recession. Beginning in FY 2010, commitments for construction increased which reflects the infusion of funds from ARRA 2009.

Figure 7 - State Commitments for Construction

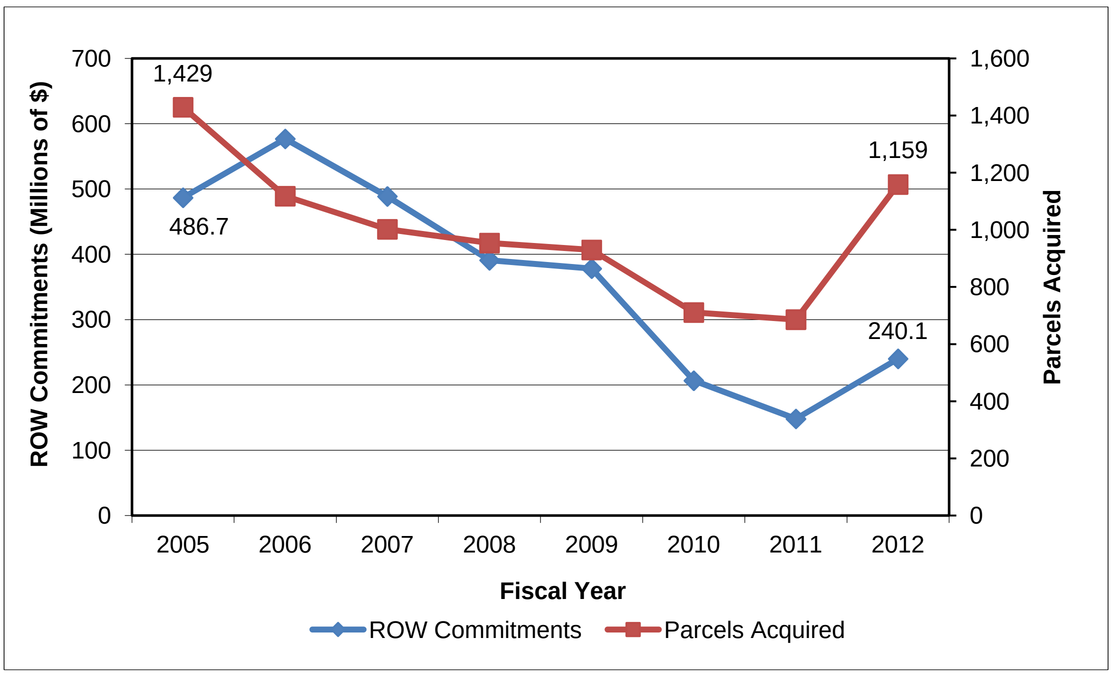


Source: FDOT Office of Work Program and Budget, *Program and Resource Plan Summary, Fiscal Years 1982/83 through 2011/12* (Note: The state fiscal year is from July to June).

Transportation Investments

Figure 8 compares total state commitments for Right-of-Way (ROW) to total parcels acquired by the FDOT. It shows a direct correlation between the two variables. From FY 2006 to FY 2011, there was a steady decline in total ROW commitments and parcels acquired. According to the FDOT Office of ROW, it is likely that several factors played a role though it is difficult to pinpoint how much of an influence any single factor had. One factor has been the economic recession, which has contributed to lower transportation revenues overall. Less revenue means less money available for ROW acquisition. Another factor is the federal ARRA funds that were received FY 2009 and fully committed in FY 2010. Because the ARRA funds were intended as an economic stimulus, there was a particular emphasis in FY 2010 and FY 2011 on construction-ready projects that did not require additional ROW. A third factor is the "negotiation rate". This is the percentage of parcels that are acquired by FDOT through negotiation with the property owner as opposed to through litigation. Generally speaking, a higher negotiation rate translates into cheaper sales prices. That, in turn, leads to less funds needed for ROW. On the other hand, higher litigation rates generally translate into higher sales prices, and, therefore, more funds are needed for ROW acquisition. A final observation is that the number of parcels acquired in FY 2012 increased 69 percent over FY 2011, and total state commitments for ROW increased 62 percent.

Figure 8 – State Commitments for ROW versus Parcels Acquired



Source: FDOT Office of Work Program and Budget, *Program and Resource Plan Summary, Fiscal Years 1982/83 through 2011/12 (*Note: The state fiscal year is from July to June).

Local Investments for Transportation

Total transportation investments by local governments (e.g., counties, municipalities, special districts) increased 12 percent from FY 2005 to FY 2011 (see Figure 9). Counties typically spend more on transportation than municipalities and special districts combined. Local gas taxes and general revenue funds historically have been local government funding sources for transportation. Increasingly, however, local governments have been supplementing these sources with revenue from impact fees, special taxing districts, and public/private partnerships.

Figure 9 - Local Government Transportation Investments

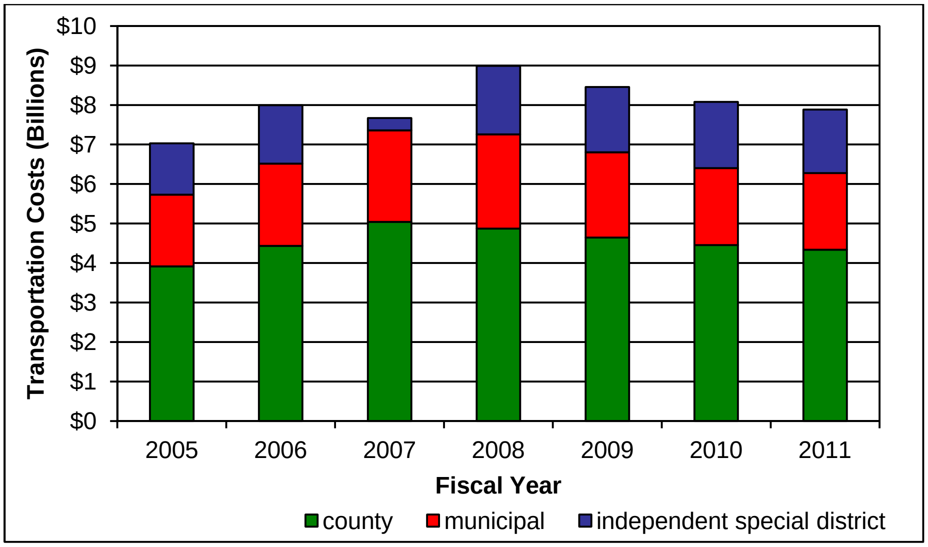
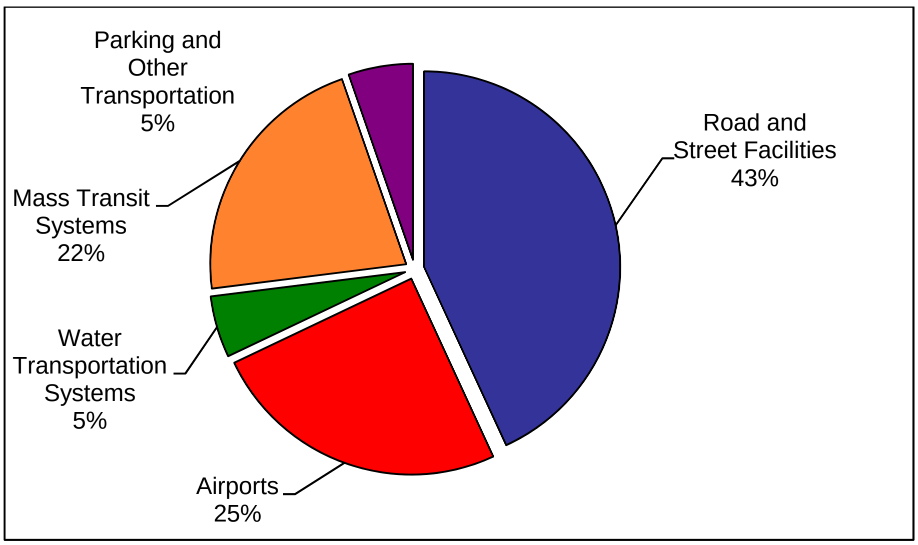


Figure 10 - 2011 Local Government Transportation Investments by Mode



Source: Florida Legislative Committee on Intergovernmental Relations based on data from the Florida Department of Financial Services

Transportation Investments

Figure 10 illustrates where local transportation dollars go. The largest percentage (43%) goes to roads and streets. The next largest percentages go to airports (25%) and public transit (22%). Parking and other transportation and water transportation systems receive the smallest amounts (5%).

Figure 11 - 2011 Municipal Transportation Investments by Mode

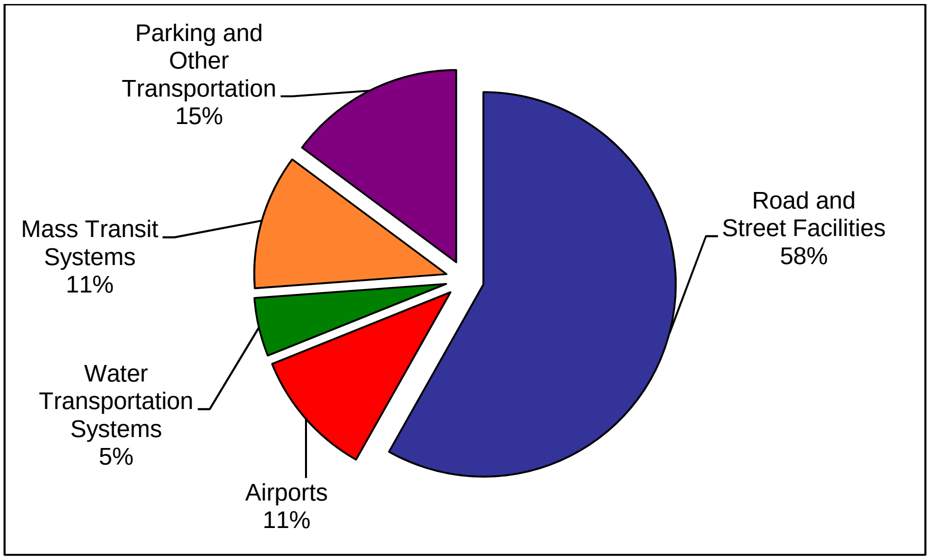
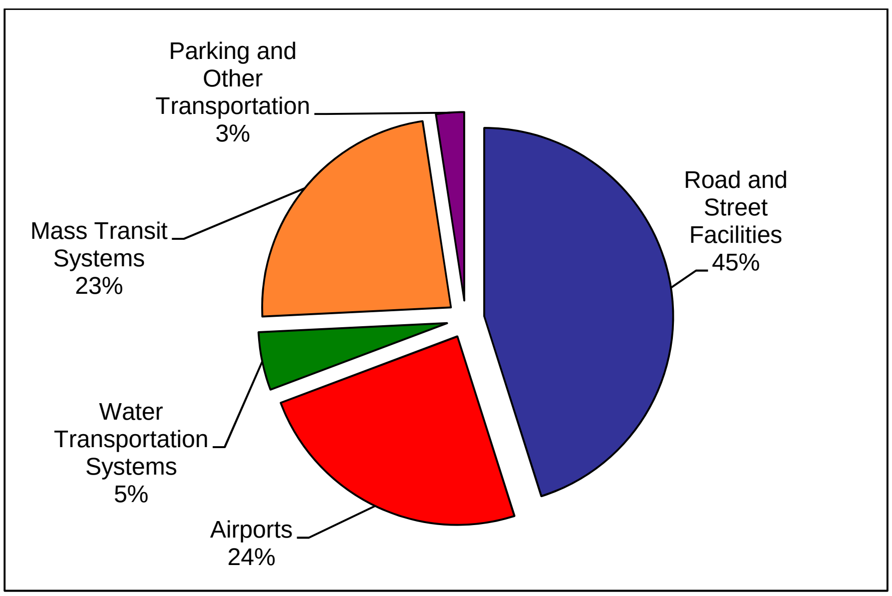


Figure 12 - 2011 County Transportation Investments by Mode

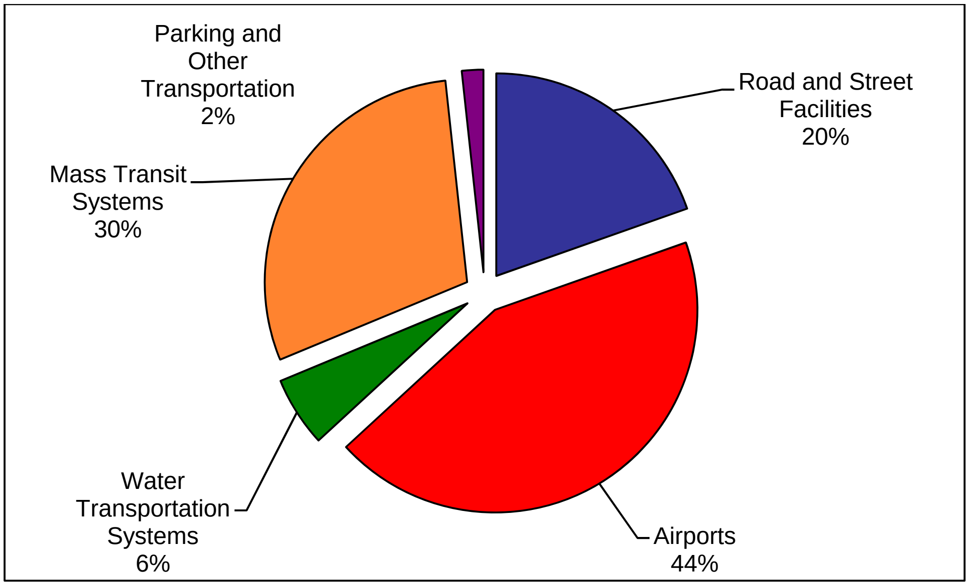


Source: Florida Legislative Committee on Intergovernmental Relations based on data from the Florida Department of Financial Services

Figure 11 – Figure 13 show the percentage of FY 2011 local transportation investments by municipalities, counties, and special districts. Municipalities and counties spend their largest

percentage of transportation investments on roads and streets (58% and 45%, respectively). Special districts spend their largest percentage of transportation investments on airports (43%).

Figure 13 - 2011 Special District Transportation Investments by Mode



Source: Florida Legislative Committee on Intergovernmental Relations based on data from the Florida Department of Financial Services

Conclusions

Several observations can be made based on the data. Since FY 2008, the negative cash balance of the Highway Trust Fund has been offset by transfers from the General Fund. In FY 2009, there was an infusion of cash from ARRA which included $48 billion for transportation. Despite this infusion, the Highway Trust Fund is still facing insolvency because of declining gas tax revenues. On July 6, 2012, President Obama signed into law MAP-21, which authorizes federal funding on surface transportation for two years, through September 30, 2014. The bill did not address the long-term funding problems facing the Highway Trust Fund but did sustain current expenditure levels.

There was an 11 percent increase in total transportation commitments by the State of Florida between FY 2005 to FY 2012. Some of this was due to the infusion of ARRA funds. Most of the 11 percent went to increased commitments for operations and maintenance of existing state facilities. In contrast, state commitments for right-of-way acquisition fell six percent between FY 2005 and FY 2012. There was a 12 percent increase in local transportation investments by local governments between FY 2005 and FY 2011.

Transportation Investments

All levels of government are challenged to find resources to meet transportation infrastructure and service needs. Involvement of the private sector and continued collaboration between the various levels of government are likely to remain the model for funding transportation projects. Some communities have been successful in securing additional resources for transportation while others remain focused on disciplined investments in the absence of alternative avenues to raise revenues.

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