

COUNTY TRANSPORTATION TRUST FUND

Description

The County Transportation Trust Fund is a special revenue fund required by Florida Statute 336.022 to account for revenues and expenditures used for the operation and maintenance of transportation facilities and associated drainage infrastructure. Activities include road and right-of-way maintenance (e.g., patching, mowing), bridge maintenance and operation, traffic engineering, traffic signal operation including Advanced Traffic Management System/Intelligent Transportation Systems (ATMS/ITS), traffic control signage and striping, sidewalk repair and construction, and maintenance of ditches, culverts, and other drainage facilities. Resources to support these activities are provided from fuel taxes collected and distributed on a shared basis to all Florida counties by the State of Florida, and local option fuel taxes levied by the County.

Two local option taxes have been imposed by the Board of County Commissioners. The first is a one cent per gallon levy (referred to by Statute as the Ninth Cent) which began in January 2007. It is dedicated to the installation, operation, and maintenance of ATMS/ITS. The other local levy is the Six Cent Local Option Fuel Tax (LOFT) per gallon tax that is shared per an interlocal agreement between the County and all municipalities within Pinellas County. The County's share of collections is 60.0% of total receipts, and the municipalities receive portions of the remaining 40.0%.

Summary

The Transportation Trust Fund is primarily funded by state and local fuel taxes. Revenue is projected to show a minimal gradual incline but not keep pace with inflationary increases for expenditures in this fund. The growth of revenue is limited by more efficient cars and fuel conservation efforts, as well as restrictions imposed by state laws that do not allow indexing fuel taxes for inflation.

The forecast for the Transportation Trust Fund indicates that expenditures exceed revenues throughout the forecast period. This is due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. Gasoline usage declined during the COVID-19 pandemic and the anticipated decline in future commuting will likely place further constraints on this revenue growth. The fund balance is used each year to cover the gap until the fund balance is depleted in FY22.

Revenues

The Transportation Trust Fund's FY21 budget consists of three primary funding sources: State-shared fuel taxes (\$10.2M), a six-cent per gallon LOFT (\$13.3M), and a one-cent per gallon fuel tax (the Ninth Cent) earmarked for the ATMS/ITS (\$4.0M). The remaining revenues of the fund include interest and other miscellaneous revenues such as reimbursements from other governments for the County's work on municipal and State traffic signal systems.

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State Shared Fuel Taxes

This resource is comprised of the Constitutional Fuel Tax and the County Fuel Tax, which total three cents per gallon on motor fuel. The taxes are collected statewide and then redistributed to Florida counties by a formula related to population, geographic area, and local collections. The amount of revenue is driven by the gallons of fuel purchased and is, therefore, sensitive to economic activity such as commuting and tourism trips or fluctuations in the price of oil that might change demand for gasoline usage. This resource has been significantly impacted by COVID-19 since gasoline usage has declined during the pandemic. While revenues are expected to rebound, the long-term implications for tourism and commuting are not clear at this time. As a result, state shared fuel taxes, as well as the other fuel taxes, are anticipated to increase between 2.7% in FY23 based on a COVID-19 recovery. However, they are projected to increase at a declining rate from 1.3% in FY24 to 0.5% in FY27.

Six-Cent Local Option Fuel Tax (LOFT)

This resource is a six-cent per gallon tax on all motor fuel sold within the County. The proceeds are shared with the municipalities through an interlocal agreement stipulating that the County retains 60.0% of monthly collections and municipalities share the remaining 40.0%. This six-cent tax and the interlocal agreement expire on December 31, 2027. Florida Statutes also provide for the option to impose up to five cents per gallon additional tax.

Ninth Cent Fuel Tax

This resource is a one cent per gallon tax on all motor fuel sold within the County. Unlike the Six Cent Local Option Fuel Tax, the proceeds are not shared with the municipalities. This fuel tax funds the installation, operation, and maintenance of the countywide ATMS/ITS. This tax will expire on December 31, 2026.

Expenditures

The Transportation Trust Fund's budgeted expenditures are \$36.6M in FY21 and support Transportation Management, Streets and Bridges, Vegetation Management and Urban Forestry, and Environmental Services programs.

Transportation Management

This program provides design, construction, operation, and maintenance of all traffic control devices for which Pinellas County has legal authority and responsibility per Florida Statute 316, State Uniform Traffic Control. The FY21 budget for this program is \$15.3M.

As part of improving traffic signal and traffic control activities, the County is actively pursuing technological enhancements to improve the flow of traffic in Pinellas County. This activity is tied to the Ninth Cent fuel tax resource and is focused on high priority traffic corridors in order to size the program to available resources. The FY21 operating expenses for the ATMS/ITS program under Transportation Management are \$2.8M.

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Streets and Bridges

This program provides for maintenance and operation of County streets and bridges with an FY21 expenditure budget of \$12.4M. Key program expenditure areas include inspection, maintenance engineering, management, repair, and maintenance operations.

Vegetation Management and Urban Forestry

Vegetation Management includes, maintenance of desirable vegetation in ponds and permitted sites, removal and targeted treatment of non-desirable vegetation in the right-of-way, ditches, ponds, County property, and parks; and mowing and maintenance of arterial corridors and unincorporated portions of the County. Urban Forestry provides for tree maintenance, inspections, public outreach, and development review and appraisal of damaged public trees in the unincorporated area. For FY21, the budget for this program in the Transportation Trust Fund is \$7.3M.

Environmental Services

Program services include management, operation, and maintenance of the countywide stormwater conveyance system. Unincorporated area stormwater conveyance system activity is funded via surface water assessment fees and is not included in this fund. The FY21 budget for this program in the Transportation Trust Fund is \$1.7M.

Transfers

The Transportation Trust Fund transfers funding to the Capital Projects Fund for improvements to the County's transportation infrastructure. In FY20 \$2.0M of these funds were used to make a non-recurring contribution to capital projects for special priorities including sidewalk repair and local road resurfacing. Additionally, in recent years \$1.7M has been transferred annually to continue implementing the Advanced Transportation Management System/Intelligent Transportation System. However, because of the quickly diminishing Transportation Trust Fund reserve levels, there are no budgeted transfers to the Capital Projects Fund in FY21.

Reserves

The budgeted FY21 reserve level of \$4.0M in the Transportation Trust Fund is 13.1% of revenues, which is lower than the 15.0% target reserve level. As expenditure increases continue to outpace revenue growth, this reserve level is projected to be depleted by FY22.

Six-Year Forecast

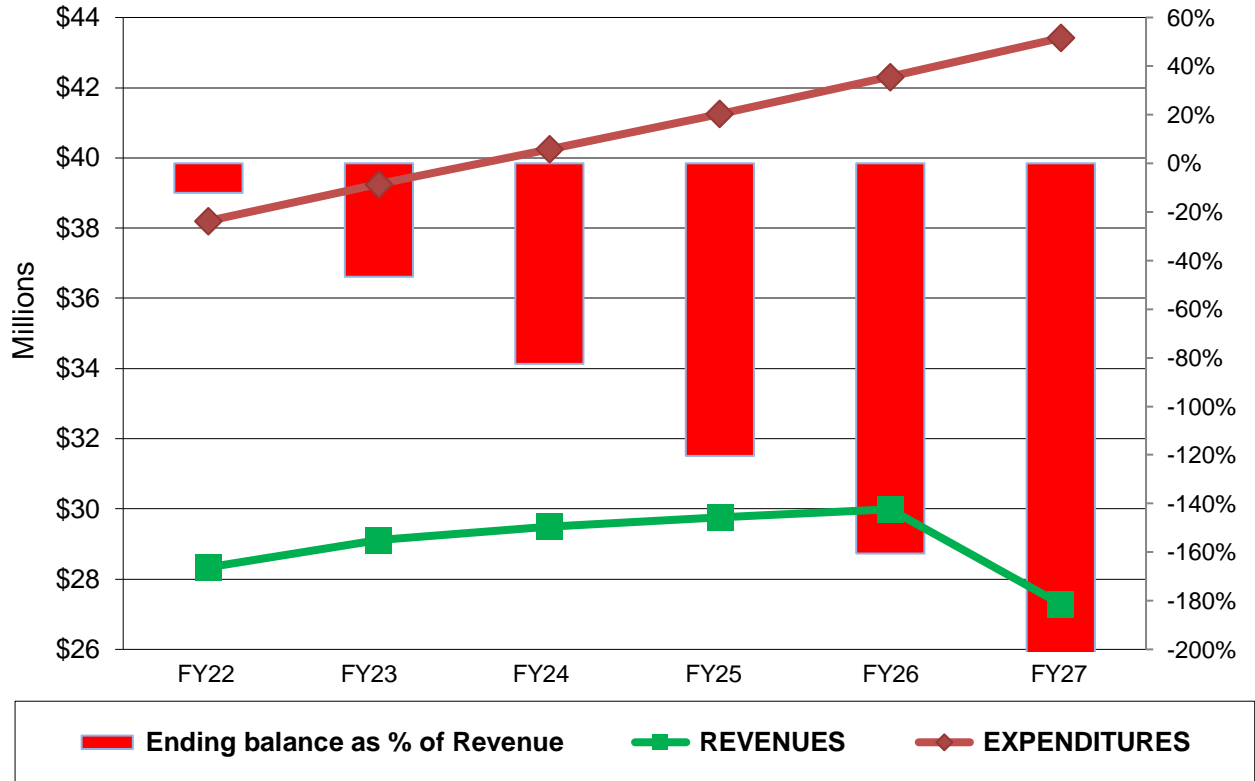
Key Assumptions

The primary revenue sources for this fund are state-shared fuel taxes and local option fuel taxes. The Six-Cent Local Option Fuel Tax levy is authorized until December 2027, and the Ninth Cent levy is in effect until December 2026. These taxes are based on gallons pumped and not fuel prices. Pinellas County's population growth is expected to be minimal through the forecast period due to its built-out condition, which limits the overall increase in fuel consumption. The likelihood of future mandated vehicle fuel efficiency standards contributes toward minimal increases in fuel tax revenues despite an improving economy and stable gas prices. Additionally, the immediate

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decline in gasoline usage due to COVID-19 and the long-term implication of modified commutes will likely impact revenues during this time frame. Based on the historical reduction and future impacted growth patterns, current fuel tax revenues are not expected to keep up with projected inflationary expenditures required for transportation operation and maintenance needs.

Transportation Trust Fund Forecast FY22 - FY27



Key Results

Transportation Trust Fund expenditures exceed revenues throughout the forecast period, causing a complete depletion of fund balance during FY22.

Potential Risks

Impacts on this forecast include macro-economic conditions, such as fluctuations in the price of oil, that could affect demand for motor fuel.

COVID-19 recovery periods are currently unknown, as well as whether widespread and permanent modified workplace work-from-home policies will impact gasoline consumption in the years following COVID-19 recovery.

Changes in the price of commodities such as concrete and asphalt could also affect the expenditure side of this forecast as the Transportation Trust Fund activities utilize large amounts of physical commodities.

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An unanticipated increase in fuel conservation efforts, an increase in hybrid and electric vehicles, or mass transit efforts could also affect the outer years of this forecast.

Balancing Strategies

Major strategies to manage the forecasted gap in revenues versus expenditures include a continuation of actions to reduce future costs on the expenditure side and/or increasing revenue by imposing additional local option fuel taxes.

From an enhanced revenue standpoint, the County has the authority to impose an additional one to five-cent tax per gallon of fuel sold within the County. Diesel fuel is not subject to this tax. By statute, proceeds would have to be shared with municipalities. If an interlocal agreement similar to the Six-Cent Local Option Fuel Tax is assumed, the County's estimated share of one cent of this local option fuel tax would be \$1.8M, which is 60.0% of the \$3.0M in proceeds that would be generated countywide.

1 cent	2 cents	3 cents	4 cents	5 cents
\$1.8M	\$3.6M	\$5.4M	\$7.2M	\$9.0M

If no interlocal agreement is established, the distribution is based on the transportation expenditures of each local government for the immediately preceding five fiscal years as a proportion of the total of such expenditure for the County and all municipalities within the County.

The additional Local Option Fuel Tax of one to five cents is not likely to have a measurable impact on the sale of fuel, as normal price differences and fluctuations routinely exceed this amount. For this reason, there would be little incentive for consumers to redirect their fuel purchases to Hillsborough County if it maintains its current seven-cent fuel tax rate. The additional five cents may be used for the construction of new roads, the reconstruction or resurfacing of existing paved roads, the paving of existing graded roads, or other expenditures that are needed to meet immediate local transportation problems or are critical for building comprehensive roadway networks. Routine maintenance of roads is not considered an authorized expenditure. The additional one- to five-cent tax could be levied by a majority plus one vote of the Board, or by approval in a countywide voter referendum.

For comparison purposes, other Florida counties that impose greater local option fuel taxes than Pinellas County's seven cents are shown in the following table.

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Counties with LOFT greater than Seven Cents	Cents Imposed
Alachua	12
Bradford	12
Broward	12
Charlotte	12
Citrus	12
Clay	12
Collier	12
DeSoto	12
Escambia	11
Hardee	12
Hendry	9
Hernando	12
Highlands	12
Jefferson	12
Lee	12
Leon	12
Levy	11
Madison	12
Manatee	12
Marion	12
Martin	12
Miami-Dade	10
Monroe	12
Nassau	12
Okaloosa	10
Okeechobee	12
Osceola	12
Palm Beach	12
Pasco	12
Polk	12
Putnam	12
Santa Rosa	12
Sarasota	12
St. Lucie	12
Suwannee	12
Volusia	12

Source: Florida Department of Revenue, 2021 Fuel Tax Rates

Of Florida's 67 counties, thirty-six (36), including Pasco, Manatee, and Sarasota, levy more than 7¢. Nineteen (19), including Pinellas and Hillsborough, levy 7¢, and twelve (12) levy less than 7¢.
