Local Option Fuel Tax Report – August 2024

Local Option Fuel Tax graphic, Florida State Capitol, and Various gasoline inspired pictures

Pinellas County

Local Government
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Executive Summary

Pinellas County approached Local Government Solutions to analyze opportunities for state-wide Local Option Fuel Tax (LOFT) reform in Florida. The concern was that LOFT in Florida is not financially sustainable due to a lack of rate indexing and the increase in electric, hybrid, and more fuel-efficient vehicles in the marketplace. These factors coupled with a sharp increase in construction costs point to the LOFT being an unreliable funding source for local governments to support road maintenance and construction. In fact, the amount of LOFT distributed to the county by the state increased by only 4.6% between FY13 and FY23. Over the same period, the National Highway Construction Cost Index (NHCCI) increased by 80%.

To create recommendations for change, we first looked at other states that had incorporated indexing or other measures to combat inflation and decreasing fossil fuel consumption. We found that half of the states used indexing or other methods to combat changes. While their varying distribution formulas and tax structures made it difficult to apply to Florida's system, they helped us identify key factors and opportunities. Ultimately, we identified three areas where the county could push for positive changes, resulting in a total of 14 scenarios.

Our legislative analyst, Pittman Law Group, reviewed these proposals for ones that would have the best chance of being approved by the Florida Legislature. They chose three options with the most promising future in Florida. Local Government Solutions (LGS) then estimated the additional amount of revenue over a 10-year period between FY26 and FY35 the county would be likely to receive if any of these proposals were adopted. These were:

1. Creating a registration fee for electric and plug-in hybrid vehicles.
    a. $12,662,726
2. Creating a commercial charging tax – indexed to inflation.
    a. Between $36,373,400 and $46,604,500
3. Indexing LOFT by inflation
    a. Indexing the 9th and 1-6 cent
        i. Between $34,667,232 and $102,391,706
    b. Indexing the 9th, 1-6 cent, and implementing and indexing the 1-5 cent.
        i. Between $156,249,976 and $261,297,303

In addition to being the most financially advantageous for Pinellas County, Scenario 3 would benefit all cities, counties, and the State of Florida. The state would see a significant increase in revenues from fees and charges associated with coordinating the LOFT program. Scenarios 1 and 3 also have a higher likelihood of passing, given their previous introduction as legislative bills.

LOFT Background

This section will cover the Florida structure of state fuel taxes. We will also illustrate actual revenue over time, variables impacting revenue, and comparisons to the cost of construction.

Legislative Authorization for Fuel Taxes

The State of Florida collects and distributes all state, and locally levied fuel taxes, the proceeds of which are used mostly in road construction and maintenance.

State Levied Fuel Taxes

The state levies two motor vehicle fuel taxes, which are authorized by Florida Statutes 206 and 212 – the Fuel Sales Tax and the State Comprehensive Enhanced Transportation System Tax (SCETS). Both taxes are generally for the benefit of the State Transportation Trust Fund and are adjusted each January based on the average Consumer Price Index (CPI) for the last 12 months.

The state also levies and collects Constitutional, County, and Municipal Fuel Taxes for the benefit of local government. However, these are not indexed, leaving the volume of gas purchased as the lone variable impacting revenue from these sources. In addition, the State of Florida takes service charges and administrative fees from the proceeds for the County and Municipal Fuel taxes.

Locally Levied Fuel Taxes

There are three optional fuel taxes counties are authorized to levy. These include the Ninth Cent Fuel Tax, and two variations of a Local Option Fuel Tax, one that applies to gasoline and diesel (1-6 Cent LOFT), and another that only applies to gasoline (1-5 Cent LOFT).

Ninth-Cent Fuel Tax

Florida Statutes 336.021 established the Ninth-Cent Fuel Tax. This name was derived from the fact that, at the time it was created, the state had a fuel tax of 8 cents, so this would have been the 9th cent. Counties are allowed to incorporate the 9th cent with an extraordinary vote of its Board of Commissioners. Pinellas County implemented the 9th cent in January 2007. Revenue from the 9th cent is dedicated to implementation of the ATMS/ITS program and currently generates about $4 million annually.

Local Option Fuel Tax

The Florida Legislature created Local Option Fuel Taxes (F.S. 336.025) in 1983 to provide local governments with an additional source of funding. The 1-6 cent LOFT can only be adopted at the 6-cent amount, and it applies to both gasoline and diesel sales. The 1-5 cent LOFT can be adopted at any amount between 1 and 5 cents, but it only applies to gasoline

sales. Pinellas County has implemented the 1-6 cent local option fuel tax and shares the proceeds of the distribution with its cities on a 60%/40% split (60% remaining with the county). The county has not moved forward with implementing any portion of the 1-5 cent local option fuel tax. Table 1 compares each of these taxes. As with the state levied County and Municipal Fuel taxes, Local Option Gas Taxes are not indexed, and the state deducts service charges and administrative fees prior to distributing the collected funds.

Table 1. Comparison of 9th Cent, 1-6 Cent, and 1-5 Cent Local Option Fuel Taxes

LOFT	9th Cent	1-6 Cents	1-5 Cents
Created by FL	1972	1983	1993
Local Authorization	Extraordinary vote of county commission	Majority vote of county commission, or county-wide referendum initiated by county commission or municipalities representing more than 50% of the county's population.	Extraordinary vote of county commission or county-wide referendum initiated by county commission.
Interlocal Sharing	Optional	Required	Required
Includes Deisel	Yes	Yes	No
Collection Method	Wholesaler (gas), Terminal Supplier (Diesel)	Wholesaler (gas), Terminal Supplier (Diesel)	Wholesaler (gas)
Calculated by	Number of gallons sold	Number of gallons sold	Number of gallons sold
Indexed for Inflation	No	No	No
Authorized Uses	Any legitimate county or municipal transportation purpose.	Local transportation; small counties may also use funds for other infrastructure needs.	Local transportation; small counties may also use funds for other infrastructure needs.
# of Counties	55 of 67 have implemented the 9th cent.	67 of 67 have implemented full 6 cents	37 of 67 have implemented some or all of the 1-5 cents

Source: Florida's Transportation Tax Sources: A Primer 2024

As detailed in Florida Statutes 336.025, the 1-6 cent LOFT can be used for "Transportation Expenditures." The statutes go on to say that the 1-5 cent LOFT can be used for:

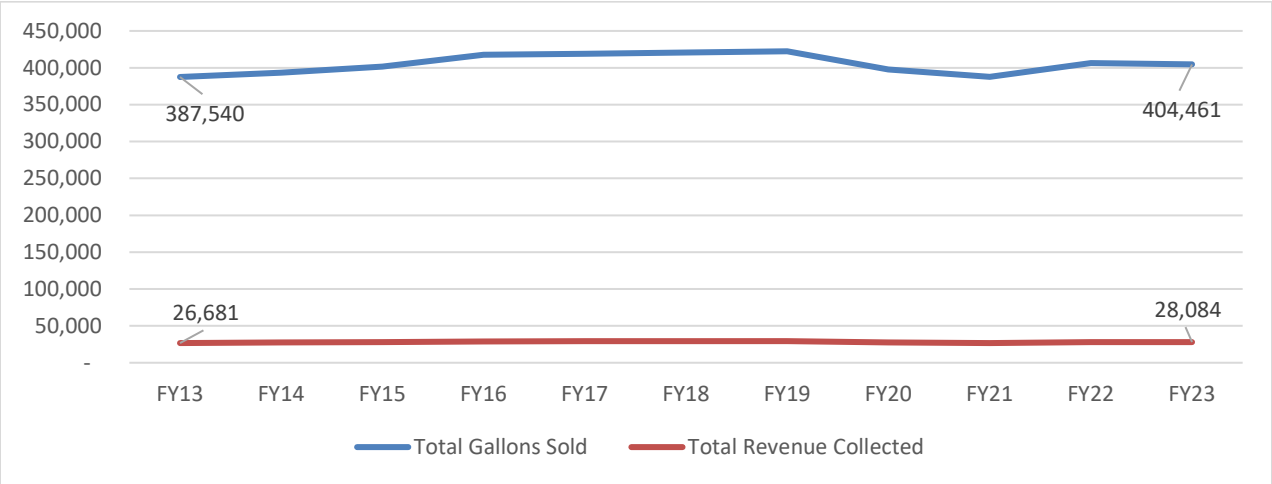
> …Transportation expenditures needed to meet the requirements of the capital improvements element of an adopted comprehensive plan or for expenditures needed to meet immediate local transportation problems and for other transportation-related expenditures that are critical for building comprehensive roadway networks by local governments. For purposes of this paragraph, expenditures for the construction of new roads, the reconstruction or resurfacing of existing paved roads, or the paving of existing graded roads shall be deemed to increase capacity and such projects shall be included in the capital improvements element of an

adopted comprehensive plan. Expenditures for purposes of this paragraph shall not include routine maintenance of roads.

Local Option Fuel Tax Revenue History for Pinellas County

The 9th and 1-6 cent LOFT revenue is determined by the number of gallons of regular and diesel gallons sold by wholesalers or terminal suppliers that will eventually be sold to consumers in Pinellas County. Over the last 11 years, the number of gallons sold has only increased by 4.4%. This corresponded to a 5.3% increase in total tax collections by the state over this same period (state fiscal year 13-23). Figure 1 below shows this comparison.

Figure 1. Gallons Sold and 9th and 1-6 cent state collections for Pinellas (in 1,000's)



Source: Florida Department of Revenue
Note: Data is by State Fiscal Year (July-June). Also, gallons are total, and revenue is in 1,000's of dollars.

As shown above, both the number of gallons sold, and revenue collected for the 9th cent and 1-6 cents for Pinellas County have stagnated over the last 11 years. While there was a slight decrease and subsequent increase in both during the pandemic, it did not significantly impact the overall 11-year trend.

Actual revenue distributed back to the county and municipalities for the LOFT is reduced by various post collection tax refunds, and the state administrative fee and service charge. Table 2 shows the difference between the revenue collected by the state for the 9th cent and 1-6 cent fuel taxes, and the amounts disbursed to the county and its municipalities between FY13 and FY23 (State Fiscal Years).

Table 2. State Collection Vs. Disbursements for 9th and 1-6 cent taxes (in 1,000's)

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21[1]	FY22	FY23
Total Revenue Collected	26,681	27,367	27,871	29,014	29,167	29,178	29,310	27,401	26,884	28,130	28,084
Total Revenue Distributed	24,924	25,414	25,942	26,994	27,167	27,181	27,316	25,576	20,459	26,216	26,187

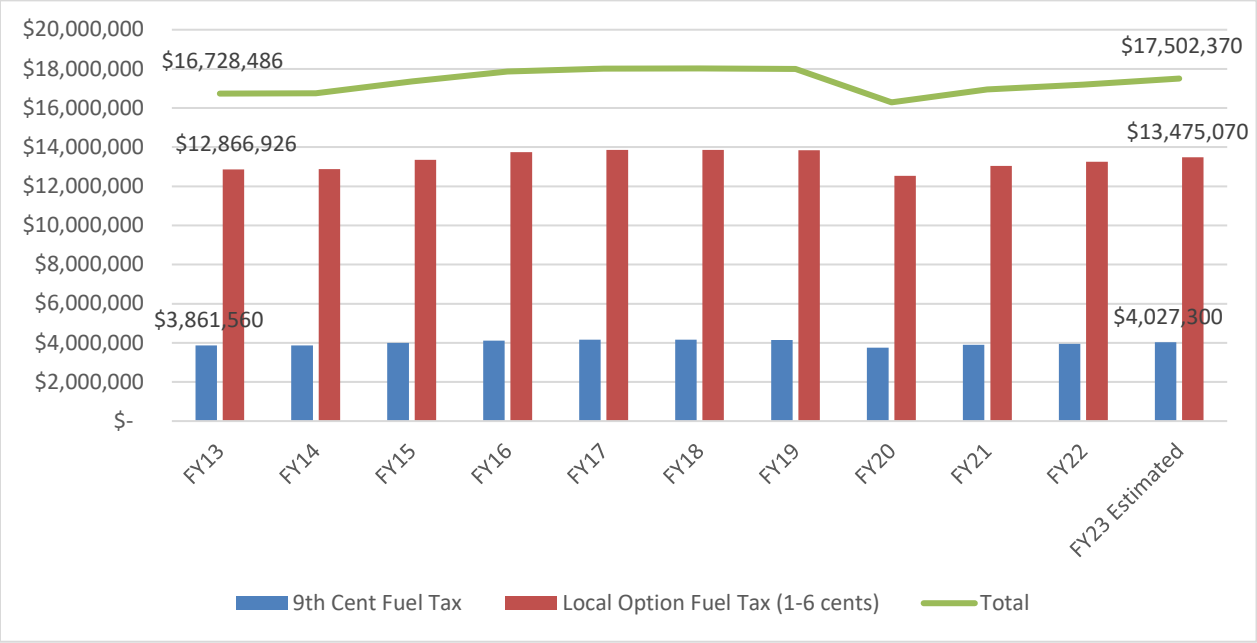
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21[1]	FY22	FY23
Difference	(1,757)	(1,953)	(1,929)	(2,020)	(2,001)	(1,997)	(1,994)	(1,824)	(6,426)	(1,914)	(1,897)
% Loss	-6.6%	-7.1%	-6.9%	-7.0%	-6.9%	-6.8%	-6.8%	-6.7%	-23.9%	-6.8%	-6.8%

[1]The state collected but did not distribute any fuel taxes in May or June of 2021 to local governments due to technical issues. However, in checking revenue from Pinellas County, it seems the state corrected this issue, but did not indicate this happened within their reporting.
Note: FY = State Fiscal Year (July-June)

As the table above illustrates, the state has taken about $20 million in fees and charges from Pinellas County over the 11-year period between FY13 and FY23. This does not include FY21 when there was an issue with the state numbers.

After the state takes its share, the remaining revenue is distributed between the county and its cities based on their interlocal agreement. Figure 2 illustrates the county's net revenue after distributions to the cities. As previously mentioned, the revenue from the first six cents is divided between Pinellas County and its cities in a 60%/40% split, respectively.

Figure 2. Pinellas County 9th and 1-6 cent local option fuel tax revenue FY13 - FY23



Source: Calculated from state distribution amounts (FY13 - FY18), Pinellas County budget book (FY19 - FY23).
Note: Fiscal Year is October-September

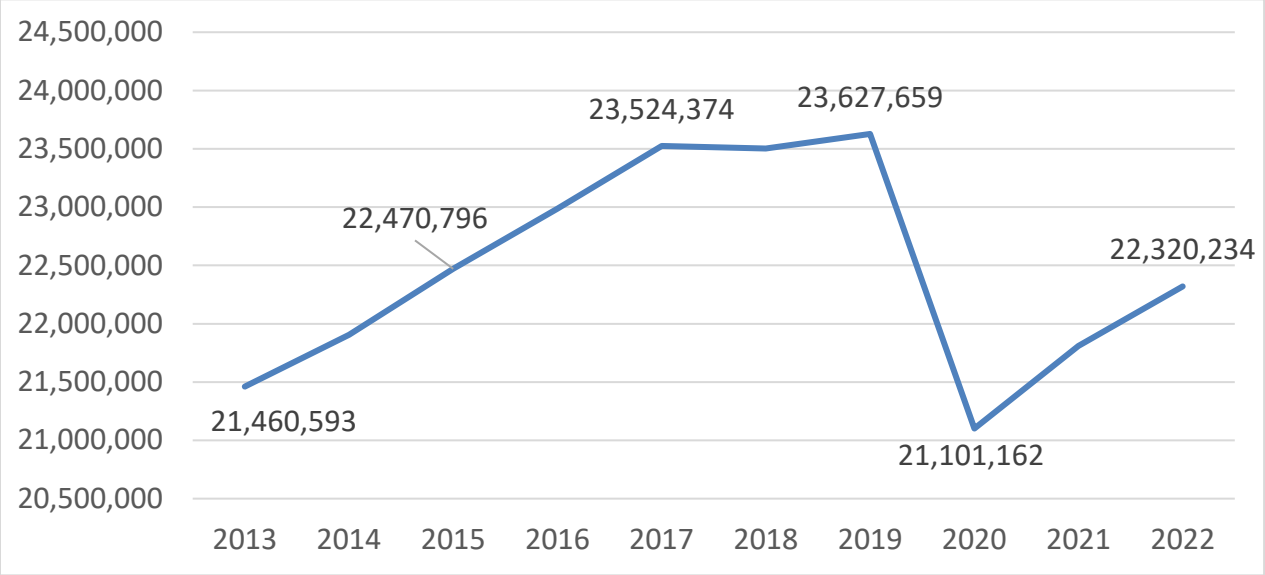
Overall, Pinellas County only received $773,884 more in LOFT revenue between FY13 and FY23 (a 4.6% increase). In comparison, revenues for the state's two indexed revenue sources rose from $1,897,373,444 in FY13 to $2,356,400,209 in FY23 (24.2% increase). Additionally, FDOT reported in their most recent tax primer that between FY97 and FY23 indexing has been responsible for the collection of an additional $985,000,000 (41.8% of the FY23 collection).

Variables Impacting Gas Tax Revenue in Pinellas County

The main drivers of wholesale gallons sold in Pinellas County and thus fuel tax revenue include the number of vehicle miles traveled, average gas mileage, and the number of alternative fuel vehicles. Below, we provide data on these variables based on availability.

The number of vehicle miles traveled in Pinellas County (4%) has increased at about the same level as the revenue over the last decade (4.6%). Figure 3 shows this trend over time. While there was a significant decline during the pandemic, the number of miles driven has recovered recently.

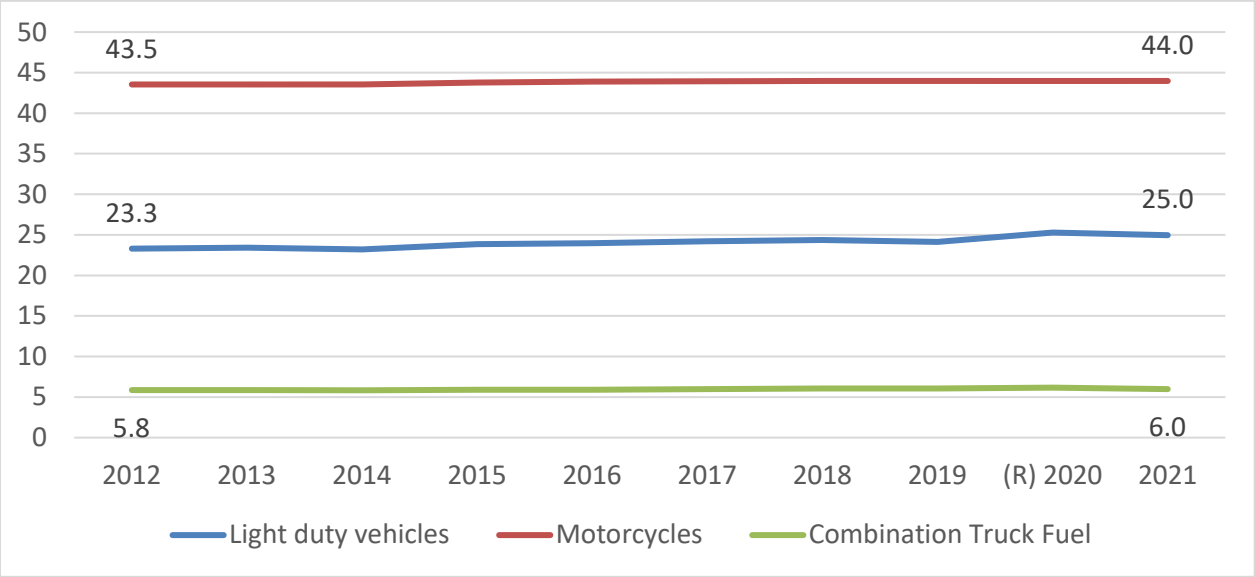
Figure 3. Daily Vehicle Miles Travelled in Pinellas County 2013-2022



Source: Florida Department of Transportation Public Road Mileage and Miles Traveled Report.

During a similar timeframe, average fuel efficiency has not increased significantly. Figure 4 shows the average miles traveled per gallon for three categories of vehicles between 2012 and 2021.

Figure 4. Average Miles Traveled per Gallon



Source: 1996-2021: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics (Washington, DC: Annual issues), table VM-1, available at https://www.fhwa.dot.gov/policyinformation/statistics.cfm as of Mar. 13, 2023.

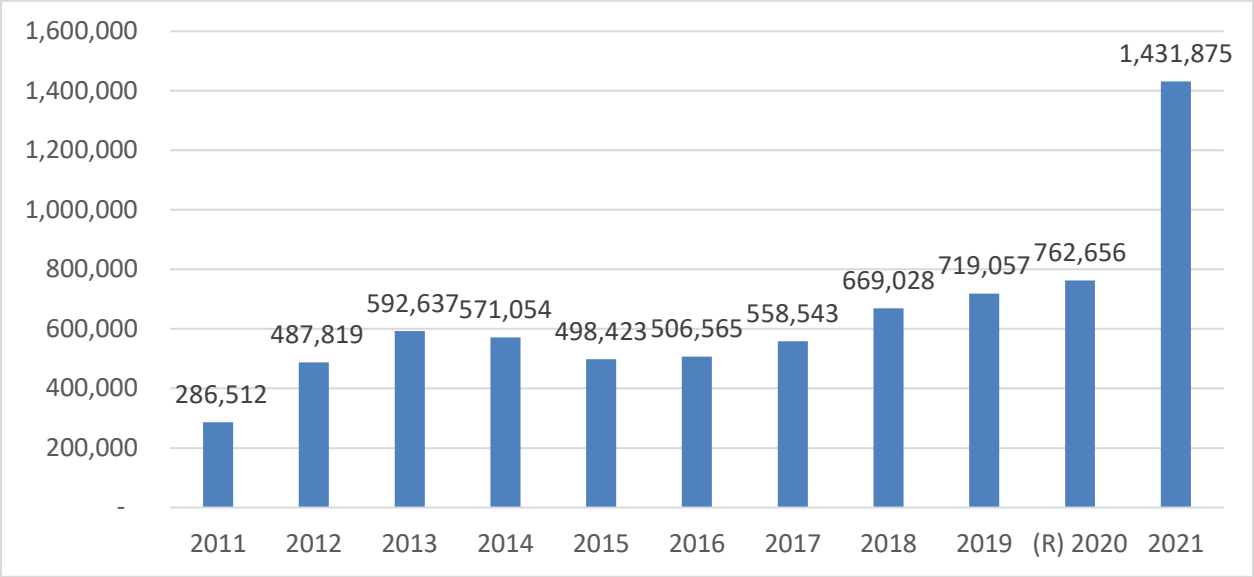
The percent increase in gas mileage in the United States for the categories listed in Figure 4 between 2012 and 2021 are:

- Light Duty Vehicles = 7.3%
- Motorcycles = 1%
- Trucks = 1.9%

Being that "light duty vehicles" make up 91% of all registered vehicles in the United States, this has a significant impact on the purchase of gasoline. When compared with the increase in vehicles miles traveled (4%), the increase in fuel efficiency of 7.3% has kept demand for fuel lower than it would have been if fuel efficiency had not improved.

In addition to the interplay between vehicle miles driven and fuel efficiency, the number of alternative fuel vehicles (AFVs) sold in the United States has increased dramatically in recent years. Figure 5 shows the total number of AFVs sold in the US between 2011 and 2021.

Figure 5. Hybrid-Electric, Plug-in Hybrid, and Electric Vehicle Sales in the US



Source: U.S. Department of Energy, Energy Vehicle Technologies Office, Oak Ridge National Laboratory, Transportation Energy Data Book, Edition 40, table 6.2, available at https://tedb.ornl.gov/data/ as of Jun. 21, 2022.
Note: R = Revised

Based on the information above, it is clear that AFVs are increasing in popularity in the US. Between 2011 and 2021 the percent increase in number of AFVs sold increased 400%. Between 2020 and 2021, this number increased 88% alone.

While some may think that most electric vehicles sold and registered in the US are in states with Democratic majorities versus those with Republican majorities, this is not always the case. In fact, Florida has the most electric vehicles registered of any state other than California. Also, as Table 3 shows, 40% of the top 10 states with the most electric vehicle registrations are states with Republican controlled state houses. Additionally, these 10 states make up 51% of the US population.

Table 3. States With the Most Electric Vehicles Registrations, 2022

Rank	State	Number of EV Registrations	Control of State House	Population
1	California	903,620	Democrat	39,040,616
2	Florida	167,990	Republican	22,245,521
3	Texas	149,000	Republican	30,029,848
4	Washington	104,050	Democrat	7,784,477
5	New Jersey	87,030	Democrat	9,260,817
6	New York	84,670	Democrat	19,673,200
7	Illinois	66,880	Democrat	12,582,515
8	Arizona	65,780	Republican	7,365,684
9	Georgia	60,120	Republican	10,913,150

Rank	State	Number of EV Registrations	Control of State House	Population
10	Colorado	59,910	Democrat	5,841,039

Sources: Vehicle registration counts derived by the National Renewable Energy Laboratory with data from Experian Information Solutions, Ballotpedia.org, US Census Bureau.
Note: Data only includes fully electric vehicles. It does not include plug-in electric hybrids.

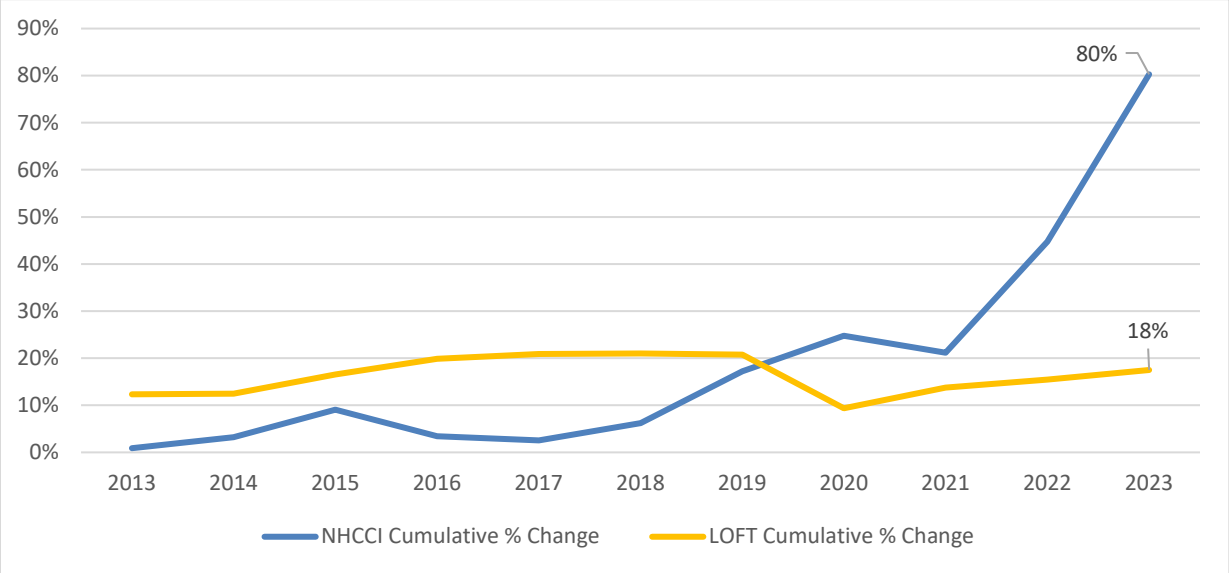
It is important to note that only all-electric vehicles are included in the table above. Plug-in hybrid electric vehicles (PHEVs) are not included. Therefore, the total number of AFVs registered in Florida (and reducing gallons sold) is higher. Additionally, even though Florida's population is significantly smaller, it has more registered EVs than Texas.

Based on the variables provided above, it makes sense that the number of gallons sold, and revenue distributed to counties in Florida has stagnated over time. Local governments rely on these revenues to build and maintain critical transportation infrastructure within the state to support residents, tourism, and businesses.

Cost of Transportation Construction Over Time

The National Highway Construction Cost Index (NHCCI) is a more precise measure of inflation for roadway construction and maintenance than the CPI due to the revenue use restrictions on LOFT. Figure 6 shows the cumulative percent increase in NHCCI vs. Pinellas LOFT revenue for the same period.

Figure 6. NHCCI and Pinellas LOFT Revenue Cumulative % Increase from 2012-2023



Source: NHCCI (Federal Highway Administration); LOFT Revenue (Pinellas County Budget Book).
Note: Pinellas LOFT Revenue includes the 9th Cent and 1-6 Cent taxes.
Note: Year is calendar year for NHCCI and Fiscal Year for Pinellas County.
Note: Although this figure begins in 2013, it shows the percent increase from 2012-2013.

As the figure above shows, the cost for road construction has increased by 80% since 2012. During that same period, LOFT revenue for Pinellas County has only increased 18%. Most of this is due

to a large increase in revenue between 2012 and 2013. However, this significant gap in funding and expenditures requires counties like Pinellas to either seek alternative funding sources, or to minimize the amount of maintenance or road construction it completes over time. Even when comparing the cumulative change in Consumer Price Index during the same period (2012-2023) 32%, the gap between revenue and cost of repair and maintenance has been expanding.

The factors mentioned above are significantly straining local governments across Florida in their efforts to fund road construction and maintenance. For example, Pinellas County has had to allocate a portion of its countywide millage rate specifically to transportation maintenance because of these pressures. Consequently, the county might have been able to impose a lower ad valorem rate if it hadn't needed to use ad valorem taxes for transportation.

While the state's gas taxes are indexed to inflation, the local government portion (LOFT) is not. The remaining sections of this report will explore possible changes to Florida legislation that could help alleviate the pressure on local roadway funding.

Review of Nationwide Fuel Tax Structures

LGS reviewed all state fuel tax systems in the United States to identify which states utilized a variable approach to fuel tax generation rather than a constant approach. We also researched those states that have implemented a charging fee on public charging stations to help offset losses in gasoline-based revenue.

For the purposes of this review, we define variable approach as having a factor that automatically adjusts at least one of the controllable factors for determining revenue. We define a constant approach as only being able to adjust the controllable factors for determining revenue though legislative action. For example, if revenues are calculated by multiplying the number of gallons sold by a cent per gallon rate that can only be changed by legislative action, it is a constant system, as the number of gallons sold is not controllable, but the rate is. If the same scenario existed, but the cent per gallon rate was automatically changed annually based on the CPI without the action of the legislature, we would consider that a variable structure.

In our initial review, we identified all the systems that included at least a partially variable rate. We found that 22 states met this criterion. Next, we conducted a deeper analysis of these states to better understand their systems and further categorize them. From this analysis, we determined that these states could be grouped into four categories. The variable rate categories include Construction Index, Consumer Price Index (CPI), Gas Prices, and other systems. These categories are explained below.

Variable Categories

Construction Index

Three states (Alabama, Colorado, and Minnesota) have adopted construction indices to adjust at least a portion of their fuel taxes. Construction indexes are like the CPI; however, they are focused specifically on tracking price changes related to construction. Used in the context of fuel taxes, the focus is specifically on tracking the cost of highway construction.

The federal government maintains a national index known as the NHCCI, which measures the average change over time in the prices paid by state transportation departments for roadway construction materials and services. Some states also maintain indexes for their state, however Florida does not. FDOT does have a construction cost indicator report that it uses for project estimation, however it does not appear to be readily usable as a state index.

Currently two states (Colorado and Alabama) use the NHCCI as the variable that adjusts a portion of their legislatively determined cent-per-gallon rate. In both cases the respective legislatures kept the existing rate constant and applied the indexing only to additional rates that were adopted in parallel with the indexing language. In the case of Alabama, the impact of the index has been limited by the legislature to 1 cent every other year.

A third state (Minnesota) utilizes its own index to adjust their legislatively defined cent-per-gallon rate, however they apply the index to the entirety of their rate rather than a portion of it. Table 4 summarizes states that use highway construction costs to index fuel taxes.

Table 4. States Using Highway Construction Costs to Index Fuel Taxes

State	Variable	Parameters	Notes
Alabama	NHCCI	Max increase is $0.01 every other year. There is no floor for adjustments.	Alabama recently implemented a variable rate to buttress their constant rate. The variable rate was adopted over multiple years and upon full implementation that rate could be adjusted by inflation based on the NHCCI.
Colorado	NHCCI	Max increase is 5% annually once implementation of the new system begins	Colorado recently added a variable rate to operate with their constant rate. The variable rate has legislatively determined rate increases until 2032, and then resets the rate to an NHCCI indexed inflation system.
Minnesota	MHCCI	Max increase is 3% annually. Application of the MHCCI cannot reduce the tax rate	Minnesota recently changed its constant rate to a variable rate and utilizes their own "Minnesota Highway Construction Cost Index" as its driver for inflation.

Consumer Price Index (CPI)

Some states use the overall CPI or a variant to index their fuel taxes. The CPI is a tool commonly used to track the impacts of inflation on the pricing of consumer goods and in many instances, it is used to adjust various rates on an ongoing basis. Typically, this is calculated by comparing the index differential for a particular month in the current year against the same month in the prior year. From the fuel tax perspective, it is the second most popular of the variable methods for adjusting tax rates.

Seven states (California, Florida, Illinois, Maryland, Michigan, Rhode Island, and Virginia) utilize this method as a standalone approach to adjusting their fuel taxes, and variations in how these states apply the CPI include placing a floor and/or cap on the impact of the CPI, or only allowing the CPI to increase the rate, and one state (Rhode Island) has placed a floor on the rate itself.

California is unique to the other states who utilize CPI in couple of ways. First, they are the only state of this group that uses their state CPI rather than the national CPI. They also have built in two automatic rate adjustments to protect their rates, one based on a reduction of the federal tax rate and the state transportation appropriations that come with them, and the other based on the impact of gas tax exemptions on revenues.

Three other states (Georgia, Indiana, and North Carolina) use the CPI as part of a hybrid calculation.

Georgia operates a multi-step model, where in step one, they adjust the rate based on the increase/decrease in the percentage of fuel efficiency for new vehicles registered in the last year. They then take that adjusted rate and further adjust it based on the CPI.

Indiana takes an approach that averages the impact of the CPI with the changes in Indiana Personal Income (IPI). That said, 2024 is the final year of that application, so changes may be on the horizon for Indiana.

Finally, North Carolina utilizes a weighted approach using the percentage change in their population (75% of the rate adjustment) and the energy index portion of the CPI (25% of the rate adjustment). Table 5 summarizes states using CPI to index fuel taxes.

Table 5. States Using CPI to Index Fuel Taxes

State	Variable	Parameters	Notes
California	Cal-CPI	None	California's rate includes two provisions that automatically adjust the rate. The first is based on the impact of exemptions. The second is based on reductions of the Federal fuel tax rate and coupled with a drop in federal transportation funding.
Florida	CPI	None	The CPI applies to both the motor fuel tax and the SCETS.
Georgia	CPI + Fuel Efficiency	None	Rate adjusted multiplying the existing rate by the following: Multiply existing rate by the percentage change in vehicle fuel efficiency for new vehicles as compared to the previous year. Then multiply the result by the percentage change in CPI. The CPI portion of this calculation expires in 2016.
Illinois	CPI	Application of the CPI cannot reduce the tax rate	Illinois recently converted their constant rate to a variable rate after they doubled the base rate.
Indiana	CPI + Indiana Personal Income	Application of the calculation cannot reduce the tax rate	Rate adjusted multiplying the existing rate by the following: Add CPI percentage change to the percentage change in Indiana Personal Income (IPI) and then dividing by 2.
Maryland	CPI	Max increase is 8%. Application of the CPI cannot reduce the tax rate	Maryland has two rates. The rate discussed in this section is adjusted by CPI with the other adjusted by gas prices.
Michigan	CPI	Max increase is 5%. Application of the CPI cannot reduce the tax rate	N/A

State	Variable	Parameters	Notes
North Carolina	CPI + Population	None	Rate adjusted by multiplying the existing rate by the following: Multiply estimated state population percentage change by 0.75 and then add to the result of CPI-City Energy Index multiplied by 0.25.
Rhode Island	CPI	CPI cannot reduce the tax rate below $0.32	N/A
Virginia	CPI	Application of the CPI cannot reduce the tax rate	Rate updates are every other year.

Gas Prices

Another often used approach is focused on the change in gas prices themselves, with eight states taking this approach (Arkansas, Kentucky, Maryland, Nebraska, Pennsylvania, Utah, Vermont, and West Virginia). In these systems, the rate is typically obtained by legislating a percentage and then applying that percentage to either the wholesale or retail gas prices that are driven by the market. State to state variations of these include limiting the impact the annual adjustment can have on the tax rate on a gallon per cent basis, implementing a floor and/or cap on the gas rates for the purpose of rate calculation, and placing a floor and/or cap on the tax rate itself.

Of note for this group, is the unique approaches Utah and Pennsylvania take to implementation. Utah has a system that limits the price of gas when used in the calculation with a static cap and a floor that is adjusted by CPI. In every year of rate adjustment this has resulted in the wholesale price exceeding the capped rate used in the calculation, in effect making this a variable definition only, as reality has made it a functionally a non-variable rate.

Pennsylvania is the other unique approach, and while they also have a cap on the rate that can be used in a calculation, and like Utah the wholesale rates greatly exceed that cap, Pennsylvania has taken the approach of increasing the percentage portion of their rate calculation annually by a legislatively defined amount. This is an unusual way to approach rate calculation, however it has helped them become one of the highest producing gas tax states. Table 6 summarizes the states that use fuel prices as the index for inflation of fuel taxes.

Table 6. States Using Fuel Prices to Adjust Fuel Tax Rates

State	Variable	Parameters	Notes
Arkansas	Wholesale	Rate cannot increase by more	Arkansas also has a constant rate which constitutes most of the total taxes.

State	Variable	Parameters	Notes
		than $0.001 annually	
Kentucky	Wholesale	Rate cannot increase or decrease by more than 10% annually	Kentucky also has a constant rate; however the variable rate constitutes most of the total taxes.
Maryland	Wholesale	None	Rate adjusted multiplying the existing rate by the following: Multiply existing rate by the percentage change in vehicle fuel efficiency for new vehicles as compared to the previous year. Then Multiply the result by the percentage change in CPI. The CPI portion of this calculation expires in 2016.
Nebraska	Wholesale	Rate cannot increase by more than $0.01 annually	Nebraska also has a constant rate which constitutes most of the total taxes.
Pennsylvania	% of Wholesale	The wholesale rate is capped at $2.99, however it is not the variable	Automatic legislative increases to the percentage being applied to the wholesale rate is what determines the tax rate.
Utah	Wholesale	Rate to determine tax paid cannot exceed non-indexed legislative cap. A floor also exists but is indexed to CPI.	Actual wholesale rate has never been below the legislative cap under current system.
Vermont-1	Retail	The resulting tax rate cannot drop below $0.0396	Vermont has three rates, two are variable and make up the bulk of the taxes.
Vermont-2	Retail	The resulting tax rate cannot exceed $0.18 or drop below $0.135	Vermont has three rates, two are variable and make up the bulk of the taxes.
West Virginia	Retail	None	N/A

Other Systems

Connecticut and New Jersey operate unique systems for fuel tax collection. As part of Connecticut's system, they charge based on a percentage of a company's gross sales of petroleum products. New Jersey is the most recent state to adjust their approach to gas taxes, and while the jury is still out on how they operate, their rate is built around budgeted capital needs. In essence they review the long-term capital budget and adjust the rate to ensure they have the appropriate amount of funding for those planned projects. This is an

intriguing approach, however the potential for manipulation through the budgeting process is a noteworthy concern and it will be interesting to see how implementation works. Table 7 shows the states that use other variables to influence fuel tax amounts.

Table 7. States Using Other Variable Approaches to Fuel Taxing

Sate	Variable	Parameters	Notes
Connecticut	% of Earnings	None	Based on a percentage of gross petroleum earnings by retailer. Connecticut also has a constant system.
New Jersey	Revenue Collected	Annual highway fuel revenue cap	Tax rate is adjusted based on the state's ability to collect revenue the legislatively defined revenue cap. If revenue is below the cap, the rate is increased. If revenue is above the cap, the rate is reduced.

Public Charging Stations

Seven states have implemented a fee for individuals to recharge vehicles at charging stations open to the public. Six of these have applied a cent per kWh method and one (Utah) applied a percentage tax to charging activity.

Georgia's is the most closely tied to their fuel tax, as it is based on an electric to gas conversion, which is then applied to the gas tax amount. However, Georgia has decided to cap the electric to gas conversion.

Montana and Oklahoma charge fees only when a higher capacity charger is used. These would only apply to level three chargers of a certain capacity, which differs by state. These states, as well as Iowa, do not have a variable factor attached to their rates.

Kentucky has taken the approach of utilizing the NHCCI to index their rate, something they have not done with fuel taxes to date.

All seven of these implemented taxes have been applied at the state level, and the use requirements for funds generated by the tax either mirror or closely resemble the use requirements for fuel tax revenues. The exception is Utah, which allocates the revenues to the state general fund. Of the six states that have similar use, distributions to local governments typically come in the form of direct allocations of a percentage of the funds. Georgia is the exception, and as you will note in the following section, Georgia is also the only one of these seven that allows for a local option fuel tax.

Table 8. States With Taxes on Public Charging Stations

State	Variable	Rate	Notes
Georgia	Y	$0.095/kWh	Georgia converts its kWh to gallons and applies its regular gas tax, however the max that can be converted is 11 kWh, limiting the conversion to 32% of the gas tax
Iowa	N	$0.026/kWh	None

State	Variable	Rate	Notes
Kentucky	Y	$0.03/kWh	Indexed to NHCCI
Montana	N	0.03/kWh	On chargers over 25 KW capacity
Oklahoma	N	0.03/kWh	On chargers over 50 KW capacity
Pennsylvania	Y	0.172/kWh	None
Utah	Y	12.5% of charging fees	Free stations are not charged

Local Revenue Collection from Fuel Sales (Local Option)

In reviewing the local options within the United States for revenue collection on fuel, we identified a total of eight states, including Florida, whose statutes allow for revenue collection on fuel, and only four of those eight had systems that were variable.

Of the variable options, two states (Georgia and New York) had what were in essence sales taxes on fuel and had use restrictions. Georgia has caps on the sales tax percentage and the wholesale rate, so the system is functionally constant. However, New York does not artificially limit the wholesale rate for the calculation, so it remains a variable rate.

California also uses sales tax, and like New York there is no artificial cap, but it is important to note that only 0.5% of this levy is restricted to transportation. The remaining is general revenue.

The lone non-sales tax variable state is Nevada. Nevada uses a system very similar to Florida's, with counties being authorized to levy to a maximum per cent rate, that is not variable. However, unlike Florida, Nevada counties can choose to request a referendum that would allow them to index their per cent rate. As it stands, only two counties have converted to a variable system – Clark and Washoe. These counties also account for 89% of the population of the State of Nevada as they are the population centers for Las Vegas and Reno. The indexing can vary between CPI and the Producer Price Index (PPI). Table 9 shows the states with variable local fuel taxes.

Table 9. States with Variable Local Fuel Taxes

Sate	Variable	Notes
California	Local Sales Tax Rate	California cities and counties can levy sales tax on various items, fuel included. In many counties this includes a half cent sales tax levy for transportation, the proceeds of which are the only proceeds from the sales tax that are required to be used for transportation purposes.
Georgia	Local Sales Tax Rate	Georgia sales tax on fuel of up to 1% for each city and county but cap the rate that the sales tax can be applied ($3.00). Use of these funds is more akin to Florida's local discretionary infrastructure sales tax and are intended to reduce Ad Valorem rather than increase revenue.
Illinois	Local Sales Tax Rate	Illinois Cities and Counties can levy local sales taxes under certain conditions, and fuel is subject to sales taxes. Illinois also has a constant local rate.

Nevada	PPI or CPI	Only 2 counties in Nevada utilize (Washoe and Clark) and they can index to PPI or CPI.
New York	Local Sales Tax Rate	New York cities and counties can levy to 8% sales tax on fuel or they can levy and alter locally, a per cent rate.

The other four constant states are Alabama, Florida, Hawaii, and Illinois. Since Florida is the main subject of this analysis, it will not be described again here. Alabama has a unique system built on long standing legislation that allows cities and counties to levy a business tax receipt on fuel at the local level. These levies are on a per cent basis, have no apparent cap, and vary by locality. Additionally, the revenue from these levies has not historically had a use restriction, however a transportation only restriction was put into place in 2023 for any new levies.

Hawaii has a per cent levy as well, and that levy differs by county, however there is no apparent cap, and the counties can change the rate at the local level. Additionally, Hawaii has the geographic advantage of having no land masses that have more than one county on them, so the challenges that accompany rates not being uniform from locality to locality are mitigated.

The final local option was Illinois. Illinois is similar to Florida in that there is a maximum per cent levy, however levies can occur at both the city and county levels, and not all cities and counties have the right to levy the taxes. Illinois does also have a variable element, related to local sales tax being levied on fuel, similar to California. Table 10 summarizes the state with constant local fuel taxes.

Table 10. States with Constant Local Fuel Taxes

Sate	Variable	Notes
Alabama	Local Business Tax Rate	Can be adjusted by the local elected body.
Florida	County Fuel Tax Rates	Vote by County or Referendum up to a legislative cap.
Hawaii	County Fuel Tax Rates	Can be adjusted by local elected body.
Illinois	Local Govt Rate	Under certain conditions, cities and counties can levy a tax. If allowed, the levying government has a max amount they can go to.
Nevada	County Fuel Tax Rates	Vote by County up to legislative cap and a referendum can make it variable (CPI/PPI).

LOFT Scenarios

This section highlights the 14 scenarios we created based on current and past Florida legislation and variations of scenarios present in other states. They are separated into three categories (and tables).

1. Scenarios Focused on Rate Variability
2. Scenarios Focused on Resource Volume Reduction, and
3. Other Scenarios

Scenarios are not ranked in this section. The ranking provided by the legislative analyst is included in the next chapter.

Scenarios Focused on Rate Variability		
Scenario 1	**Adjust 1-6 cent LOFT by inflation (i.e., CPI, NHCCI, etc.), reduce the 1-5 cent LOFT (if enacted) by the same amount until the 1-6 cent becomes 11 cents and then cap at 11 cents.**	
Pros	**Cons**	**Notes**
1. Increases rates for counties that have not levied the full amount, without a vote by the elected body. 2. All 67 counties have adopted the full 1-6 cents, so whether they see gains from this change or not, they have no action to take.	1. This does not help the counties that have already maxed the levy as they already collect 12 cents out of the 1-6, 1-5 cent, and 9th cent taxes. 2. Not sustainable as it would cap all LOFT at 12 cents (including the 9th cent). 3. At 3% inflation indexed to today, an initial adjustment would not be until year 4 (assuming we are rounding up to the penny).	This approach phases out the 1-5 cent LOFT. The option to implement the 1-6 cent tax would remain with the County, while the option to levy the 1-5 cent would slowly go away, culminating in a 12-cent per gallon LOFT (including the 9th cent). This approach won't provide any long-term financial sustainability, and it is not likely to be looked at favorably by those who are already at the cap.

Scenarios Focused on Rate Variability (Continued)		
Scenario 2	**Adjust the 1-6 cent LOFT by inflation (CPI, NHCCI, etc.) but not the 1-5 cent LOFT. No cap on total LOFT.**	
Pros	**Cons**	**Notes**
1. Increases rates for all counties. 2. All counties have implemented the full 1-6 cent and this change would apply evenly for all 67 counties. 3. No vote needed at the local level. 4. Provides indexed revenue. 5. Does not require change to the collection at the wholesale level.	1. At 3% inflation indexed to today on the 1-6 cents, an initial adjustment would not be until year 4 (assuming we are rounding up to the penny). 2. Does not guard against stagnant gallons sold due to other trends such as EV sales and usage.	This approach will result in increases in year four and beyond. There will be no cap in the increase of the 1-6 cent LOFT. This could be indexed to a prior year to hasten the indexing. If indexing to "current" year it would take 4 years to see any increase at 3% per year (as an example).
Scenario 3	**Automatically adjust the 1-5 cent LOFT by inflation (i.e., CPI, NHCCI, etc.) using the full 12 cents as a base but keeping the 1-6 cents stable.**	
Pros	**Cons**	**Notes**
1. Using the full 12 cents adjusted with inflation to today's numbers would create an increase in year 3 (rounding up to the penny). 2. If counties have implemented any portion of their 1-5 cents, their cap and their rates would increase automatically with inflation.	1. Extraordinary vote of county commission or county-wide referendum initiated by county commission is required to implement any portion of the 1-5 cent LOFT. 2. This scenario would impact each county differently depending on how much of the 1-5 cents they have implemented at the time the change goes into effect.	Using the 12 cents as a base for variability hastens the increase in revenue, but only for counties that have implemented any of the 1-5 cent LOFT. However, counties that have implemented the 1-5 cent LOFT have differing amounts and it will impact them differently. State could also put all counties with 1-5 cents at max amount at time of implementation, but this would likely not be politically viable.

Scenarios Focused on Rate Variability (Continued)		
Scenario 4	**Increase the 1-5 cent LOFT cap by inflation (i.e., CPI, NHCCI, etc.). No change to actual rates unless counties vote for increase in the 1-5 cent LOFT. No change to 1-6 cent LOFT.**	
Pros	**Cons**	**Notes**
1. Provides county's a higher cap to potentially levy within the 1-5 cent LOFT. 2. At 3% inflation indexed to today, using the full 12 cents as an inflation base, the max would adjust in year 3 (assuming we are rounding up to the penny).	1. This would still require county action to push the rate up even though the cap increases by inflation.	This approach creates an automatic increase to maximum LOFT at the 1-5 cent level, but doesn't automatically increase the actual tax, which would need to be done at the local level per state law. This change would not help those who have not implemented the 1-5 cent LOFT or those who do not attempt to increase their amount of 1-5 cent tax.
Scenario 5	**Establish a 1% local sales tax on fuel indexed by inflation (i.e., CPI, NHCCI, etc.) at the state level (no change to current LOFT).**	
Pros	**Cons**	**Notes**
1. Created at the state level for all counties. 2. No need for local vote. 3. Indexed to inflation. 4. Assuming rounding to the nearest 10th of a percent, a 1% sales tax would begin increasing in year three with a 3% annual adjustment as an example.	1. Based on gallons sold and price at pump, so could be volatile. 2. Does not solve problem if gallons sold or price declines. 3. Collected at the retail pump so harder to collect and distribute.	This could be subject to the same rules for splitting revenue of the 1-6 cent and 1-5 cent between cities and counties. It wouldn't be as complicated to implement as replacing LOFT. Another option would be to create this opportunity at the state level but allow counties to vote on creating it. This option would be tougher politically at the local level but would provide an indexed option if adopted.

Scenarios Focused on Rate Variability (Continued)

Scenario 6	Index the 9th cent, 1-6 cent, and 1-5 cent LOFT by inflation (i.e., CPI, NHCCI, etc.)	
Pros	**Cons**	**Notes**
1. Meets every county where they are. 2. Increases all base LOFT amounts as currently voted in. 3. Does not require any local action. 4. Would still allow for regular voting increases up to the maximum for counties not already there. 5. Does not require change to the wholesale collection level.	1. Rounding to the nearest cent at 3% indexing per year, even those that have maxed out their LOFT do not see an increase until year 4. This is due to indexing each LOFT separately as opposed to adding the total LOFT together for indexing purposes. 2. Each county would experience different increase based on their level of implementation of the current LOFT amounts. 3. The 9th cent would take over 10 years indexing by 3% per year and rounding to the nearest cent to show any increase.	The state could bundle the total 9th cent, 1-6 cent, and 1-5 cent for indexing, regardless of implementation level at each county, but the state would need to define which LOFT max would increase using the 12-cent base. However, it would hasten the indexing increase. The state could also index to a past number to create a quicker increase than 4 years.
Scenario 7	**Create an electric charging fee at commercial charging stations indexed to inflation. No change to LOFT.**	
Pros	**Cons**	**Notes**
1. Creates more equity between electric/gas vehicle users. 2. Helps offset the concerns of gas volume reduction. 3. Associated resource volume is likely to grow rather than decline. 4. Might shift more of the EV charging tax to travelers instead of residents. 5. Also solves for inflationary issues already plaguing the current LOFT system.	1. Does not capture home based charging, which accounts for a large source of charging. 2. As a standalone, it focuses burden on EV owners that may not have access to home charging (condo's, apartments, etc.).	This approach applies a LOFT like tax on electric vehicles charging at commercial charging stations. As a standalone, its focus is on capturing tax revenue from those who do not use at home chargers. It is recommended that the implementation of such an approach should not be local, but statewide to avoid the purchase/use issues that exist for LOFT. HB 107 (2024) required the state to collect data for 3 years to be used in 2027 to decide whether to institute a tax on commercial charging stations, but the bill died.

Scenarios Focused on Resource Volume Reduction (Continued)

Scenario 8	Create a registration fee over and above normal vehicle registration for electric and some hybrid vehicles indexed to inflation.	
Pros	**Cons**	**Notes**
1. Creates more equity between electric/gas vehicle users. 2. Captures revenue from EV users regardless of method of charging (home vs commercial). 3. Associated resource volume is likely to grow rather than reduce.	1. Does not capture revenue from vehicles registered outside of the state (PT residents and visitors). 2. Focus is on vehicle volume rather than frequency of vehicle use.	The legislature considered SB 28 (2024) proposing this type of change this past session, but it failed. The proposal was to include an additional annual license tax on fully electric vehicles and motorcycles, and plug-in hybrid vehicles and motorcycles of $200, $25, $50, and $10 respectively. Increasing to $250, $35, $100, and $20 respectively in 2029. 64% of the proceeds would go to the state and 36% to the county where the vehicles were registered. The counties would then split the local revenue with the cities based on their current split of any LOFT. This amendment would have expired on June 30th, 2034, unless action was taken in the future to preserve it by future legislatures.
Scenario 9	**Hybrid program of registration fee and commercial charging tax both indexed to inflation. No change in LOFT.**	
Pros	**Cons**	**Notes**
1. Creates more equity between electric/gas vehicle users. 2. Helps offset the concerns of gas volume reduction. 3. Associated resource volume is likely to grow rather than reduce. 4. Captures more of a combination of EV users regardless of whether they are residents or not. 5. Indexed for inflation.	1. Does not capture revenue from vehicles registered outside of the state if they are charging at a second home in Florida. 2. Potential for owners of registered vehicles to be hit both with registration fees and commercial charging taxes.	This approach is a hybrid of items 7 and 8 that collects tax on commercially operated charging stations, but also levy's a registration fee for vehicles registered in Florida. Might be seen as controversial to do both unless both methods account for each other and equal out to about the same amount they would have paid in LOFT.

Other Scenarios

Scenario 10	Implement sales tax on fuel & commercial EV charging sales and index them to inflation. No change to LOFT.	
Pros	**Cons**	**Notes**
1. Provides some equity between gas and electric users. 2. Is indexed to price changes and inflation. 3. Offsets declining use of motor fuel by including the sales tax on commercial EV charging. 4. Commercial EV charging is likely to impact tourists more than residents. 5. Could be adjusted over time if EVs continue to become a larger portion of vehicles to reduce LOFT and increase sales tax.	1. Does not account for home charging. 2. May need to be collected at the retail level, which is different from current LOFT structure (especially EV charging sales).	This approach implements sales taxes on the purchases of fuel and commercial EV charging, in addition to LOFT and the state excise tax. It might have a significant impact on the sustainability of the gas tax system. It could be distributed based on current county/city formulas. Combines Scenarios 5 and 7.

Scenario 11	Eliminate LOFT and move to a centralized gas tax approach where revenues are collected by the state and a portion is distributed to the counties/cities.	
Pros	**Cons**	**Notes**
1. Opportunity to change distribution to counties/cities where roads are used more, rather than where gas is purchased [i.e., miles driven (the state already has this report)]. 2. Opportunity to institute a model that can be sustainable (i.e., indexed to inflation). 3. Funds already flow through the state. 4. All cities and counties would be aligned on how share is distributed.	1. Loss of local control. 2. Unknown of distribution formula. 3. State would still likely take a cut via “service charges” for handling the taxes. 4. Would take substantial legislative work between cities, counties, and state to achieve results that would be acceptable to everyone, especially if replacing LOFT.	This represents a substantial overhaul of the gas tax system at state and local levels, but this is probably the best opportunity to achieve financial sustainability at both the local and state funding levels. It is anticipated that if a shift to this level were to occur, building of alignment among cities, counties, and FDOT would be critical prior to approaching the legislature with changes.

Other Scenarios (Continued)		
Scenario 12	**Replace all LOFT with a local sales tax on Fuel including a "floor" that would establish minimum revenues.**	
Pros	**Cons**	**Notes**
All counties would have an indexed revenue based on price at the pump.	1. Gallons of gas sold, and price would still be a problem if prices decline and/or if usage continues to stagnate or decline. 2. Collection would be at the retail level making it more difficult than the current collection at the wholesale level. 3. Implementation would be extremely difficult in trying to find the right % vs. gallons sold conversion rate when performing the switch because it would need to be based on current price per gallon sold, which will likely be months or a year behind due to the time to implement legislation. This could significantly impact initial revenue for cities and counties.	In this approach, the State would convert the 1-6 cent and 1-5 cent LOFT to a local sales tax on gas and diesel at the current rates implemented in each county. Instead of calculating revenue on the gallons sold, it would be on the price at the pump at the time sold. It would still allow increases to the base tax up to the current max levels (1-6 cents and 1-5 cents) based on current law dictating how those are enacted at the local level. It would likely be accompanied by a minimum gas rate to mitigate gas price volatility. In theory, the minimum would be equivalent to whatever the current locally adopted rate is in each county. So, for example, Pinellas County has implemented the full 1-6 cents.
Scenario 13	**Implementation of a miles travelled element to vehicle registration to determine gas taxes owed.**	
Pros	**Cons**	**Notes**
1. There are pilot programs in other states currently. 2. Opportunity to charge drivers for exactly the number of miles used. 3. Would include gasoline, diesel, fully electric, and hybrid vehicles.	1. Would have to monitor vehicle mileage each year. 2. Vehicles not registered in the state pay no tax. 3. Reporting/Validation infrastructure would completely change. 4. People would be charged for miles driven outside the state as well.	This represents a substantial overhaul of the gas tax system and there is no way of knowing how it would affect each city/county once implemented due to unknown driving habits. It would likely decrease revenue due to the inability to charge cars registered out of state. And it would be inequitable as people registered in Florida, but driving out of state would still be charged for mileage not used on Florida roadways.
Scenario 14	**Elimination/Reduction of trust fund service fees and reallocations of service fees (such as the LOFT service fee).**	
Pros	**Cons**	**Notes**
Municipalities would receive a higher percentage of the revenue sources that belong to them.	This does not create a sustainable system in the long term.	This approach reallocates funds siphoned by the state back to local governments. It does not fix the resource allocation issue, the purchase use issue, or create a sustainable system, but it does provide additional funds back in the hands of local governments.

Comparisons of LOFT Alternatives & Financial Forecasts

Legislative Analysis

After creating the 14 scenarios included in the previous chapter, we provided them to the Pittman Law Group for their analysis on which ones would have the best chance to survive the legislative process. Their overall thoughts were that:

> In a Republican-controlled Legislature, fuel option tax increases are a difficult problem to address. The most effective way to get something passed at the state level would be to focus on an electric-vehicle-centric approach, which wouldn't add additional costs to FL residents using gas-powered vehicles. Furthermore, by indexing rates to inflation, the State could characterize these increases as "adjustments" rather than tax hikes that are directly linked to the US economy rather than any lawmaker.

With these thoughts, the Pittman Law Group indicated that the following three scenarios were the most likely to survive the legislative process.

1. **Scenario #9: A hybrid approach including an additional registration fee for electric and plug-in hybrid vehicles, and a commercial charging tax – both indexed to inflation.**

This approach is like Scenario #8 (below), but it adds the vehicle charging station component. This was the Pittman Law Group's top suggestion for the legislature. It does not penalize gas-powered cars; they feel it is most palatable for Republican members.

2. **Scenario #8: Creating a registration fee over and above normal vehicle registration for electric and plug-in hybrid vehicles indexed to inflation.**

Since this was introduced and gained momentum last session (SB 28, 2024), this would be a relatively familiar line of thinking if it were to be introduced again. Additionally, the focus on owners of EVs will make it more palatable for legislative members as it doesn't put an increased burden on residents who own gas vehicles.

3. **Scenario #6: Index the 9th cent, 1-6 cent, and 1-5 cent LOFT by inflation (i.e., CPI, NHCCI, etc.).**

The Pittman Law Group feels this is the most uniform approach, which accounts for inflation and a standardized system for increasing the local option fuel tax. This would be an easier lift for legislators because it could be applied evenly across the state, and it would not require reinventing the wheel.

Financial Forecasts

After receiving input from the Pittman Law Group and Pinellas County, Local Government Solutions created forecasts for the top three scenarios below. However, since the top two scenarios overlap, we have deconstructed scenario 9 (the highest rated scenario) to show the impact of each of its distinctive elements. The forecasts and their potential 10-year additional revenue include:

1. Creating a registration fee for electric and plug-in hybrid vehicles.
    a. $12,662,726
2. Creating a commercial charging tax – indexed to inflation.
    a. Between $36,373,400 and $46,604,500
3. Indexing LOFT by inflation
    a. Indexing the 9th and 1-6 cent
        i. Between $34,667,232 and $102,391,706
    b. Indexing the 9th, 1-6 cent, and implementing and indexing the 1-5 cent.
        i. Between $156,249,976 and $261,297,303

Proposal 1: Creating an additional registration fee for electric and plug-in hybrid vehicles.

This section will highlight the variables used to create a 10-year forecast of adding an additional registration fee for electric and plug-in hybrid vehicles for Pinellas County. This proposal is not indexed to inflation. While we have used the registration fees from Senate Bill 28, we did not utilize the growth factor used by the state to estimate revenues. In reviewing the data and trends in the share EVs will hold in the new vehicle marketplace, we believe the state's forecast to be very conservative in relation to the number of EVs coming into service the next several years, especially considering the current phase out approach for internal combustion engine (ICE) vehicles. Instead, we have utilized forecast data from industry experts to show what we believe are realistic growth numbers.

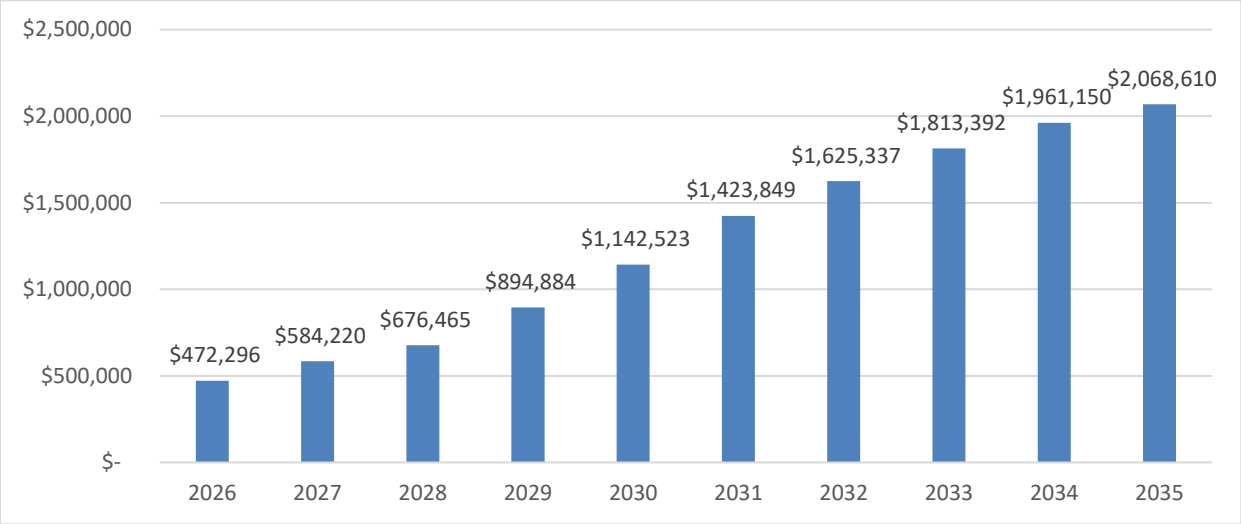
Our approach to identifying the number of EVs coming into service was to take the average number of new vehicles sold annually over the last ten years in the US, using Bureau of Transportation Statistic's (BTS) data, and then determining the percentage of those vehicles which would be registered in Florida. We then applied market forecast data related to the EV share of the new vehicle purchase market to determine the ratio of those new vehicles that would likely be EVs. We then used BTS data to determine the ratio of plug in EVs to full battery EVs based on recent sales data.

The remainder of the process was applying the state determined fees from SB28 to our EV estimates to determine the total amount of funds.

To determine the local share for these funds, we utilized data from state vehicle registration reports and the reported number of registered vehicles that were all electric and plug-in hybrid. We applied SB 28's proposed additional registration fee and split it between the state, county, and cities. While SB 28 expired in 2034, we continued it through 2035 for the sake of the forecast. Figure

7 shows the proposed revenue should the Legislature reintroduce SB 28 and pass it exactly as proposed last time.

Figure 7. Forecast Revenue for Pinellas County Related to SB 28



As shown in Figure 7, Pinellas County could see a modest increase in revenue between 2026 and 2035 based on the forecast of increased alternative fuel vehicles sold in the US in the coming years. This 10-year increase in revenue would amount to an additional $12,662,726. Out of the three proposals, this is the least financially beneficial proposal.

Proposal 2: Create a Commercial Charging Tax

This section will highlight the variables used to create a 10-year forecast of adding an additional commercial charging tax for public chargers in Pinellas County. We have used the same vehicle growth factor utilized in Proposal 1 to drive charger growth, which has been stabilized based on charger capacity in four California cities (Fresno, Sacramento, San Diego, and San Jose) in the range of the population and physical size of Pinellas County. California was chosen due to its more mature EV network and provided stabilization targets to assist with modeling. We did not use any counties from California as comparators due to those jurisdictions being much larger.

Our approach to identifying the number of chargers was based on California's 3.9/100 vehicle to charger ratio from Q4 2023 per the Department of Energy (DoE). For context, the Florida ratio is 4.8/100 and the US average is 7.7 per 100.

We determined charger demand by applying the number of estimated EV's in Pinellas to the 3.9/100 ratio and compared this to the number of reported public chargers currently in Pinellas County, which resulted in the charger supply in Pinellas County meeting 83% of demand. We then targeted FY28 as the year that supply would meet and maintain demand and adjusted the current ratio of free to paid chargers based on our comparators from California, which included a free to paid ratio of 8% for level 2 chargers and 0% for level 3 chargers by FY28. Because we could not

find good data on the average output of chargers, we ran two variations of the proposal, one at average capacity for the respective charger category (13 KW for level 2 and 200 KW for level 3) and one at max capacity (19.7 KW for level 2 and 350 KW for level 3).

After determining the number of current chargers and forecasting the number of future chargers in Pinellas County, we applied a utilization rate to the chargers which identifies how often in a 24-hour period charging ports are operating. Because the Federal government is actively working to obtain and report this data, we obtained the utilization rate used in this report from Stable Auto, a third-party data analysis company. According to Stable Auto, Florida is meeting a 25% utilization rate, which, when combined with Florida's average rate for charging of $0.45/kWh meets probable profitability thresholds based on EV charging profitability analysis performed by McKinsey & Company.

Finally, we turned our attention to the rate the county might charge. For this step in the process, we used two formats for rates already being applied in other states and provided an additional two variations for this proposal. The first format was a percentage-based format used by Utah at 12.5%. For the cent-based format, we used the most popular rate of $0.03/kWh. To determine revenue on the percentage-based model, we utilized a $0.45/kWh rate for charging, which is the national average as well as the state average. This rate was indexed to the 10-year average CPI for assumption purposes, as the rate is driven by the market. For the cent-based model we indexed the rate to NHCCI 10-year average.

Table 11. Commercial Charging Fee Revenues Forecast (in $1000's, Max Capacity)

Model	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Cent-Based	$2,597.7	$3,755.6	$4,050.3	$4,099.1	$4,139.9	$4,180.9	$5,277.9	$5,330.1	$5,382.9	$5,436.2
Percent-Based	$4,879.5	$5,291.7	$5,706.9	$5,775.9	$5,833.1	$5,890.9	$5,949.2	$6,008.1	$6,067.6	$6,127.6

Table 12. Commercial Charging Fee Revenues Forecast (in $1,000's, Average Capacity)

Model	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Cent-Based	$1,523.1	$2,204.0	$2,379.3	$2,408.1	$2,431.9	$2,456.0	$3,100.4	$3,131.1	$3,162.1	$3,193.4
Percent-Based	$2,861.2	$3,105.2	$3,352.1	$3,392.7	$3,426.3	$3,460.2	$3,494.5	$3,529.1	$3,564.0	$3,599.3

If the state allows counties to implement a fee on commercial charging stations, and Pinellas implements such a charge, it could see a significant increase in revenue in the coming years. However, this variation is not the most financially beneficial of the three. The 10-year additional revenue from the four commercial charging tax variations on the proposal above are provided in Table 13.

Table 13. 10-Year Revenue Totals for Commercial Charging Proposal Variations

Variation	10-Year Revenue Forecast
Max Capacity Cent-Based	$46,604,500
Max Capacity Percent-Based	$61,953,100
Average Capacity Cent-Based	$27,367,200
Average Capacity Percent-Based	$36,373,400

Proposal 3: Index LOFT to Inflation

This section will highlight two different inflation variations of the proposal. The first will forecast the 9th Cent and 1-6 Cent LOFT revenue based on CPI and NHCCI. The second variation will forecast the 9th Cent, 1-6 Cent, and 1-5 Cent LOFT revenue based on CPI and NHCCI.

While the Pittman Law Group recommended a push to index all three LOFTs, Pinellas County does not currently collect the 1-5 Cent LOFT. Therefore, showing the forecast increase in revenue including the 1-5 Cent LOFT might be misleading. By creating two variations below, the reader can separate out the forecasted increase with or without the implementation of the 1-5 Cent LOFT for Pinellas County.

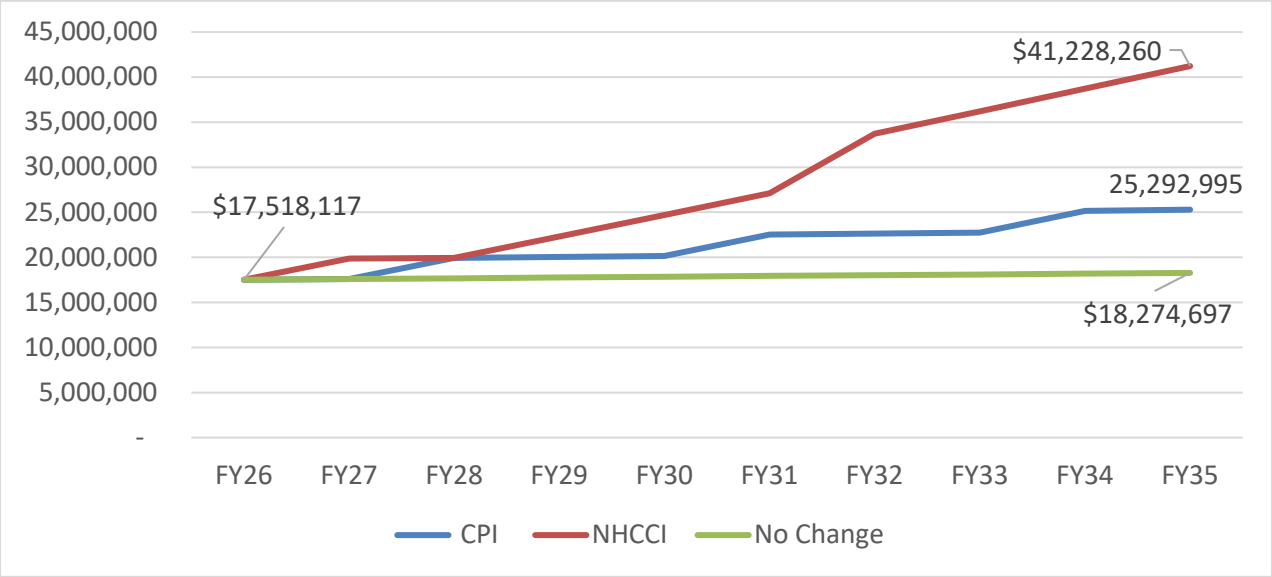
As indicated above, we have chosen to use both the NHCCI and CPI as inflationary factors. While the NHCCI has more of a nexus with LOFT due to its use in transportation construction, CPI might be more politically palatable (although not as sustainable) as an inflationary factor.

Additionally, because design and construction of transportation projects tends to be a process spread out over several years, we are recommending that the variable that adjusts the rate be a rolling ten-year average, calculated based on January-to-January comparison. This should help to reduce major variability in revenue from year to year.

Indexing the 9th and 1-6 Cent LOFT to Inflation

Figure 8 compares 10-year forecasts for the 9th and 1-6 cent LOFT for Pinellas County indexed to inflation versus the non-indexed approach (current scenario).

Figure 8. 9th and 1-6 Cent LOFT Revenue for Pinellas County - Current Vs. Inflationary



Note: Revenue includes county's portion of the 9th Cent and 1-6 Cent LOFT.

As seen in Figure 8, Pinellas can expect an increase in annual revenue of only 4.3% between FY26 and FY27 if no inflationary factors are implemented. This is due to the state's forecast for gallons sold increasing by about 0.47% annually. This meager increase is due to increases in fuel efficiency, consumers transitioning to alternative fuel vehicles, and slowing population growth. However, should the state approve indexing LOFT to inflationary factors (either CPI or NHCCI), revenue would increase more substantially over time.

As shown above and below, the NHCCI provides the best-case scenario for keeping up with highway construction costs over time. Table 14 shows the cumulative revenue forecast for the 9th Cent and 1-6 Cent revenue sources for Pinellas County between FY26 and FY35.

Table 14. Pinellas Cumulative Revenue Forecast for 9th and 1-6 Cent LOFT (FY26 - FY35)

Inflationary Factor	10 Year Cumulative Revenue	Difference From No Change
NHCCI	$281,332,080	$102,391,706
CPI	$213,607,607	$34,667,232
None	$178,940,375	$0

Note: Revenue includes county's portion of the 9th Cent and 1-6 Cent LOFT.

As shown above, using NHCCI as an inflationary factor for the 9th and 1-6 cent LOFT, the county might expect to gain over $102 million more in revenue over the 10-year period between FY26 and FY35.

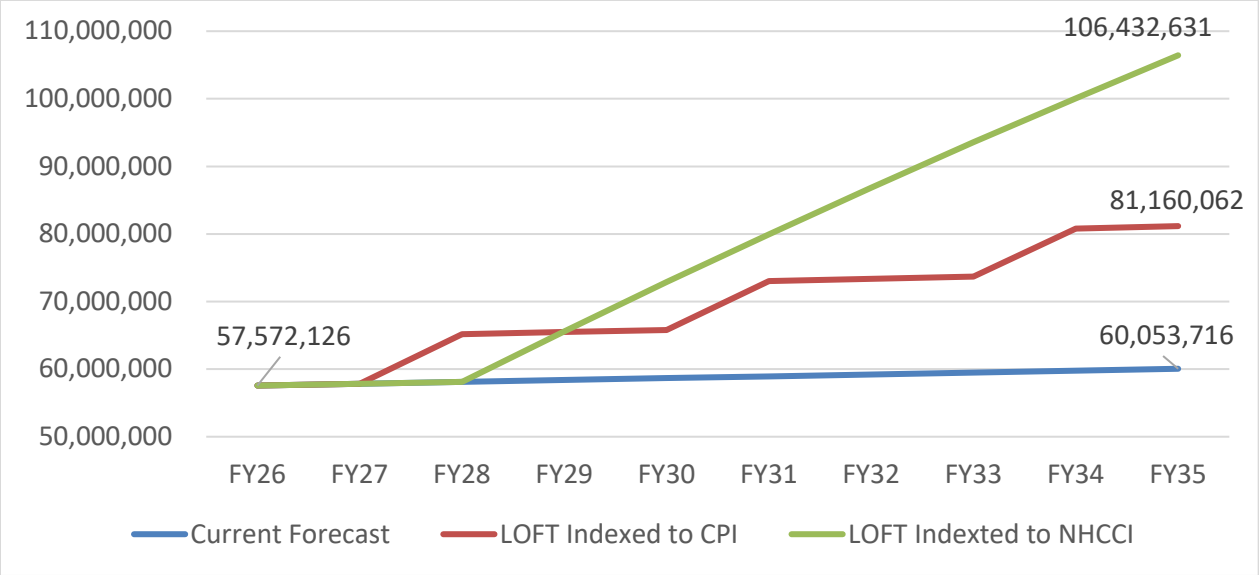
Variables used in these calculations include:

- Forecasted change in gallons sold annually: 0.47% (Based on Pinellas County 10-year average)

- Average change in CPI annually: 2.8% (based on 10-year previous average)
- Average change in NHCCI annually: 6.3% (based on 10-year previous average)

If the state allows indexing on the 9th cent and 1-6 cent LOFT revenue, it will also see a benefit in that its fees and charges for handling these revenue sources will also increase. Figure 9, shows Florida's statewide fees and charges on the 9th and 1-6 Cent LOFT revenue over the next 10 years with indexing compared to the status quo.

Figure 9. 10-Year Forecast of Fees and Charges for the State of Florida (9th and 1-6 Cent)



Note: This is State Fiscal Year

As shown above, if the state makes no changes in LOFT revenue, it can expect a modest 4.3% increase in revenue from fees and charges over the 10-year period from FY26 through FY35. However, if the state allows LOFT to be increased by either CPI or NHCCI, it might expect to see a significant increase of either 41% or 84.9% respectively.

Table 15 shows the cumulative revenue difference over the 10-year period between FY26 and FY35 for each of the variations included in Figure 9.

Table 15. Cumulative State Revenue from Fees and Charges (FY26 and FY35)

Inflationary Factor	10 Year Cumulative Revenue	Difference From No Change
NHCCI	$778,832,372	$190,780,735
CPI	$693,861,182	$105,809,545
None	$588,051,637	$0

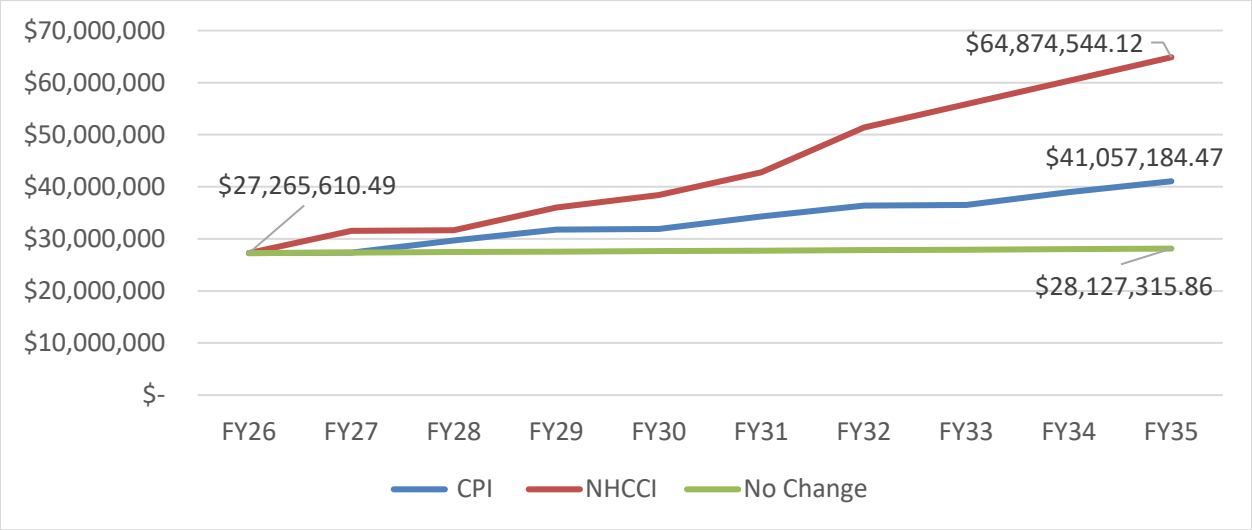
As shown above, if the state allows indexing by either CPI or NHCCI, its statewide cumulative revenue from fees and charges will increase by almost $191 million or $106 million between FY26

and FY35. This gain in revenue could be a boon to the state with the added benefit of not having increased any statewide taxes. If the county decides to move in this direction. The positive impact on cities, counties, and the state could be extremely powerful in gaining momentum for this change.

Indexing the 9th, 1-6 Cent, and 1-5 Cent LOFT to Inflation

This section calculates LOFT revenue indexed to inflation should the county implement the 1-5 Cent LOFT in addition to the current 9th and 1-6 Cents.

Figure 10. All LOFT Revenue for Pinellas County - Estimated Vs. Inflationary



If Pinellas instituted the 1-5 Cent LOFT at the maximum level in FY26, the estimated baseline increases by 55.6% as compared to the baseline in Figure 8. As seen in Figure 10, Pinellas can expect an increase in annual revenue of only 3.2% between FY26 and FY35 if no inflationary factors are implemented. This increase is lower than the 4.3% increase in the forecast that did not include the 1-5 cents. This is due to the state's forecast for overall gallons sold dropping to a 0.12% annual increase from 0.47% annually in the previous model. This drop is due to the removal of diesel fuel from 1-5 cent calculations, and further highlights the stagnation of fuel sales for non-diesel vehicles.

As with the previous model, the NHCCI remains the highest grossing indexing method, and the cumulative effect of all approaches is shown below in Table 16.

Table 16. Pinellas Cumulative Revenue for Indexing All LOFT (FY26 - FY35)

Inflationary Factor	10 Year Cumulative Revenue	Difference From No Change
NHCCI	$440,237,677	$163,297,576
CPI	$335,190,351	$58,250,250
None	$276,940,101	$0

Note: "None" assumes that the county still implements the 1-5 Cent LOFT at the 5-cent level

As shown above, using NHCCI as an inflationary factor for the 9th, 1-6, and 1-5 Cent LOFT, the county might expect to gain over $163 million more in revenue over the 10-year period between FY26 and FY35. This assumes that the 1-5 cent has been implemented and only represents the revenue increases based on indexing. However, the difference between the current situation (no indexing on only the 9th cent and 1-6 cent LOFT) and the variation that includes implementing the 1-5 cent LOFT and indexing everything is much larger. Table 17 shows this overall difference.

Table 17. 10-Year Revenue Forecast: Current Situation vs. Indexing All LOFT

Inflationary Factor	10 Year Cumulative Revenue	Difference From Current Revenues
NHCCI	$440,237,677	$261,297,303
CPI	$335,190,351	$156,249,976
None	$276,940,101	$97,999,727
Current Situation	$178,940,375	$0

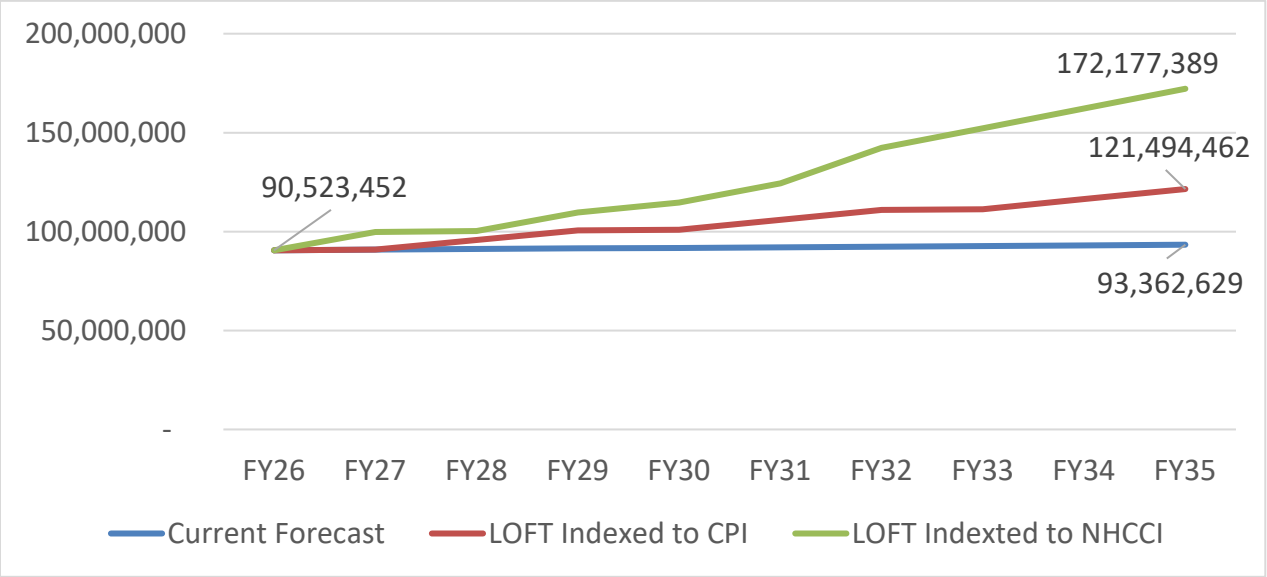
As shown above, the county might see an additional $156 to $261 million over the ten-year period from FY26 – FY35 if it implements the 1-5 Cent LOFT and the state indexes all LOFT revenue. If the county implements the 1-5 Cent LOFT and the state does nothing, Pinellas might still see an additional $98 million in revenue during this period.

Variables used in these calculations include:

- Forecasted change in gallons sold annually: 0.47% for the 9th cent and 1-6 cent and 0.12% for the 1-5 cent (Based on Pinellas County 10-year average)
- Average change in CPI annually: 2.8% (based on 10-year previous average)
- Average change in NHCCI annually: 6.3% (based on 10-year previous average)

If the State of Florida allows indexing on the 9th, 1-6 Cent, and 1-5 Cent LOFT revenue, it will also see a benefit in that its fees and charges for handling these revenue sources will also increase. Figure 11 shows Florida's statewide fees and charges on the 9th, 1-6 Cent, and 1-5 Cent LOFT revenue over the next 10 years with indexing compared to the status quo.

Figure 11. Forecast of All LOFT State-Wide Fees and Charges for the State of Florida



Note: This is State Fiscal Year

As shown above, if the state does not allow indexing to LOFT revenue, it can expect a modest 3.1% increase in revenue from fees and charges over the 10-year period from FY26 through FY35. However, if the state allows the 9th, 1-6, and 1-5 Cent LOFT to be indexed by either CPI or NHCCI, it might expect to see a significant increase of either 34.2% or 90.2% respectively.

Table 18 shows the cumulative revenue difference over the 10-year period between FY26 and FY35 for each of the variations included in Figure 11.

Table 18. Cumulative State Revenue from Fees and Charges on all LOFT

Inflationary Factor	10 Year Cumulative Revenue	Difference From No Change
NHCCI	$1,268,194,412	$348,844,439
CPI	$1,044,505,948	$125,155,975
None	$919,394,974	$0

As shown above, if the state allows indexing on all LOFT by either CPI or NHCCI, its statewide cumulative revenue from fees and charges will increase by $125.2 million or $348.8 million between FY26 and FY35 respectively. This gain in revenue could be a boon to the state with the added benefit of not having increased any statewide taxes. If the state decides to index LOFT, the positive impact on cities, counties, and the state could be extremely powerful in gaining momentum for this change.

It is also important to note that only 37 of 67 counties have implemented some or all of the 1-5 Cent LOFT. If the state allows indexing of this revenue stream, there might be a significant push in

counties to implement more of the 1-5 Cent LOFT. If this occurs, the state could see significantly more revenue than forecasted above.

Out of the three proposals, indexing LOFT may be the most financially beneficial (except at the lowest levels). In addition, this proposal has the added benefit of increasing revenue at the state level simultaneously.

Conclusion

Pinellas County has the best chance to pass legislation similar to bills previously introduced and/or bills that have the ability to benefit multiple parties. Indexing LOFT and adding additional registration fees for alternative fuel vehicles fall into this category even though past bills have not succeeded. While an additional charging fee for EV's has not been considered at the state level, all these proposals will help mitigate against an increase in construction costs, and a shift from traditional fuel vehicles to those that use less or no fossil fuels. Two of the proposals (indexing LOFT and additional registration fees) also benefit the state, all cities, and all counties. If the county puts forth the LOFT and EV registration fee proposals, it should find it easier to gain political allies throughout the state (including legislators).

It's worth noting that the forecast for gallons sold that impacts LOFT revenue assumes a small increase in the number of gallons sold each year. However, the forecast for revenue from EV registrations assumes an exponential increase in the number of alternative fuel vehicles on the road. These two scenarios cannot coexist. If the number of EVs increases based on this aggressive forecast, the number of gallons sold may fall quickly over the next 10-20 years.

This is a transitional period in American consumer choices as it relates to vehicle fuel options (i.e., gas vs. electric). There have been many articles debating the benefits and drawbacks of charging EV users to solve gas tax reduction woes including this Politico article provided by Pinellas County staff.

While there may be a precipitous change on the horizon, the best strategy is to "move with the flow of traffic" in the sense of what is easy to comprehend and understand in the current economy. Recommending seismic shifts that might take advantage of some future that may not happen with the speed forecast by some, may result in a "speeding ticket" from the legislature and a reset on recommending changes. Allowing the "flow of traffic" in Tallahassee to adjust to the speed of change may produce better results in the long run.