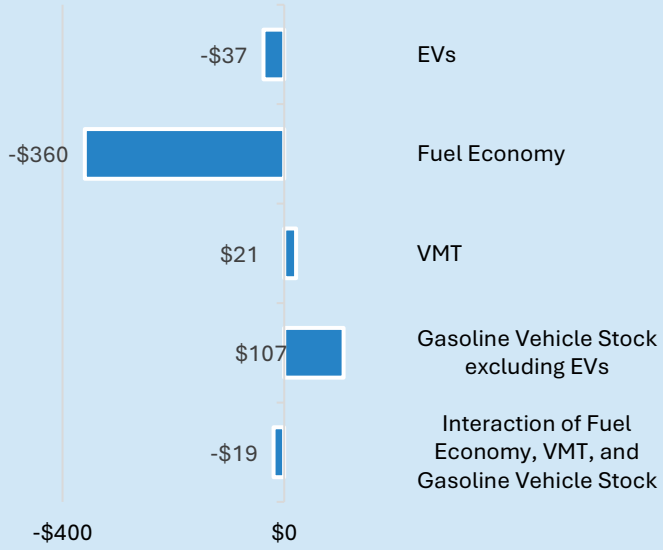
Florida's Highway Funding Gap:

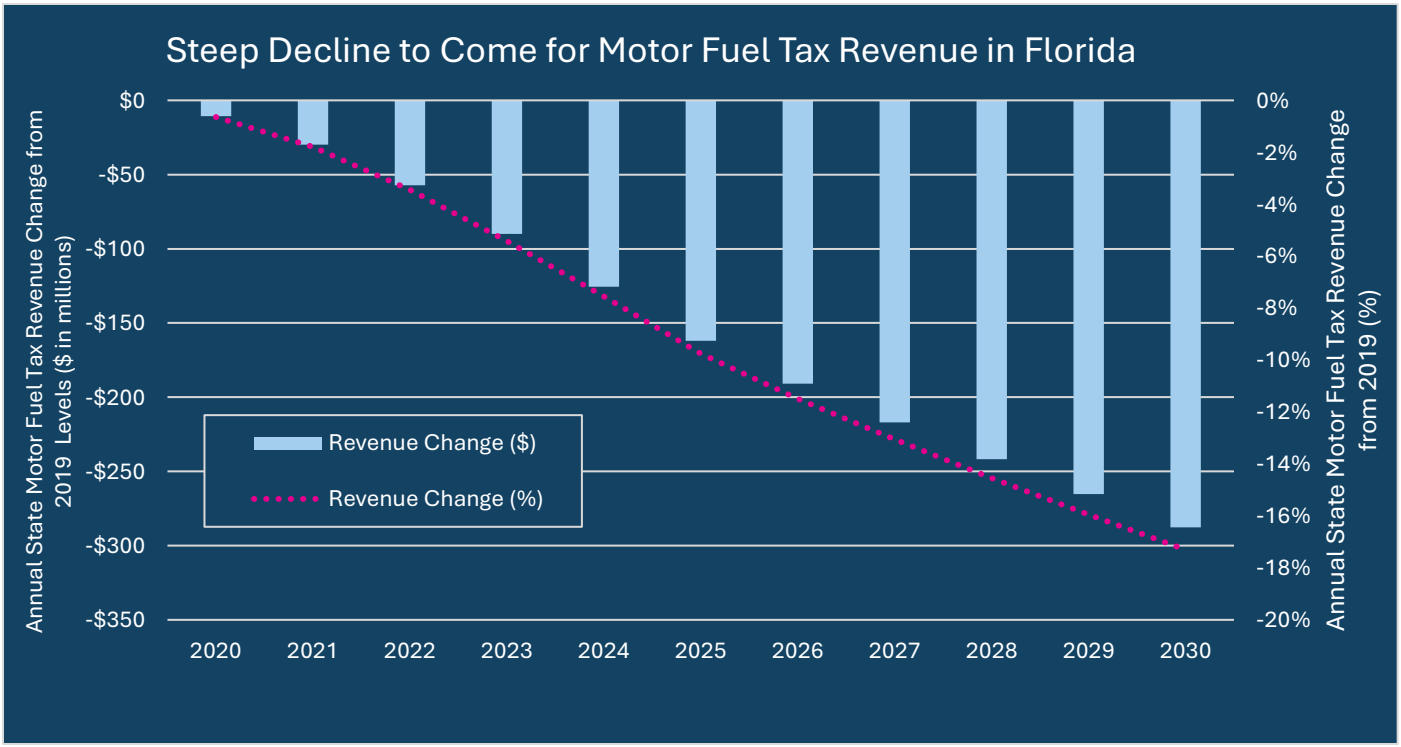
Fuel Tax Revenue to Decline by $288 million through 2030

Key Findings

- Cumulative motor fuel tax revenue losses of **$288 million from 2019 through 2030.**
- The revenue losses are driven by significant improvements to fuel economy, and not offset by increases in vehicle miles traveled (VMT) and changes to fleets**.**
- While EVs should pay their fair share for use of the roads, they are not the problem. The growth in EVs contributes **almost nothing** to the state's revenue losses.
- Florida has an opportunity to implement **structural fixes to how it raises revenue** to meet the state's growing transportation needs and increasing costs.

Cumulative Revenue Changes by 2030 (millions)**





*** The interaction effects of fuel economy, VMT, and gasoline vehicle stock on motor fuel revenue are the result of these factors all changing at the same time.*

18 Percent Drop in Gasoline Tax Revenue Over Next 10 Years

Florida relies on motor fuel excise taxes to build and maintain state highways, roads, and bridges. This funding mechanism is increasingly inadequate to maintain the quality of its roadways. Absent change, Florida could experience an absolute decline of 18 percent in state motor fuel tax revenue on a nominal basis totaling $288 million from 2019 levels through 2030.[1] These losses are mostly spurred by significant increases in vehicle fuel economy that are not offset by modest increases in vehicle travel and the number of vehicles on the road. Unlike many other states, Florida indexes the gas tax to the Consumer Price Index and so will not see the same losses to inflation as other states without indexation.

The primary source of the loss of revenue is a 28 percent rise in the overall vehicle fleet fuel economy from 2019 through 2030. The average fuel economy for vehicles on the road was approximately 23.3 miles per gallon (MPG) in 2019 and is expected to be 29.7 MPG by 2030. To understand the improvements in fuel economy, take the top-selling truck in the country, Ford's F-150, as an example. The F-150 has improved from 17 miles per gallon (MPG) in 2010 to 22 MPG in 2020. As a result of fleetwide fuel economy improvements alone, Florida is projected to experience revenue losses of $360 million from 2019 through 2030.

Any Imposed EV Tax Will Have a Negligible Impact

Florida has seen several bills introduced that would impose an annual electric vehicle registration tax. These bills, without structural changes in the way gas taxes are determined and assessed would do little to arrest the losses experienced by the State Highway Fund. Even though Florida is expected to experience a steep rise in EV adoption to 2030, any reasonable EV tax will not even begin to bridge the gap.[2] For example, the proposed tax of $135 for light electric vehicles that has been proposed in Florida SB 908 (re-introduced in November 2021) would only recover about 9 percent of the total losses.[3]

This analysis concluding that EVs are a small contributing factor to declines in highway funding sources for Florida is consistent with findings made by the Florida Department of Transportation (FDOT) in its recently published Electric Vehicle Infrastructure Master Plan.[4] In that report, FDOT predicted that potential losses to state highway funding under a moderate scenario of light-duty EV market growth would be about two percent by 2030 and 11 percent by 2040. This analysis shows that overall highway fund losses by 2030 would be 18 percent, showing that EVs are a minor contributing factor, and punitive taxes on EVs will not solve Florida's highway funding problem.

Florida's road funding predicament will see road revenues decline just as the state grapples with aging infrastructure and a rising population. Already, Governor DeSantis proposed $10.4 billion in additional road funding, including funds for new highways and resurfacing roads. As the state deals with lower gas tax revenues, it may increasingly have to rely on similar infusions.

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[1] This calculation assumes U.S. Energy Information Administration's 2020 Annual Energy Outlook projections hold for on-road fuel economy of all vehicles, vehicle travel, vehicle stock, and the number of electric and hybrid vehicles on the road. Recently announced Corporate Average Fuel Economy (CAFE) standards will only further erode revenue.

[2] According to projections from the U.S. Energy Information Administration's 2020 Annual Energy Outlook

[3] According to analysis by Atlas Public Policy using the Highway Revenue Assessment Tool (2021)

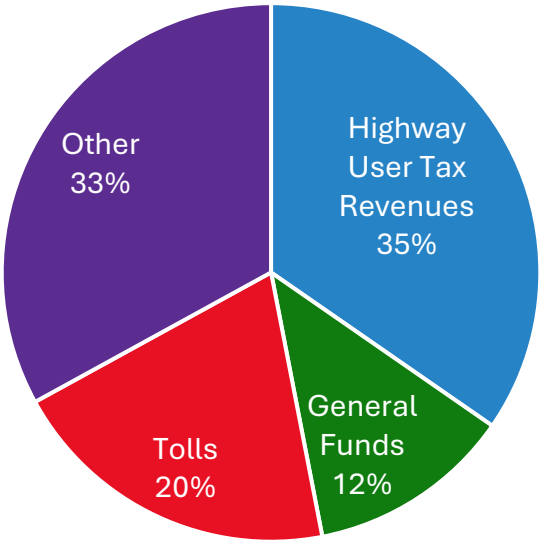
[4] Florida Department of Transportation. EV Infrastructure Master Plan, Tallahassee, Fl. July 2021.

Other Sources of Revenue for Florida Roads

States have long recognized that motor fuel taxes cannot fully support the needs and costs of maintaining a robust road network. The chart on the right displays the other sources of funding Florida relies on to fund its infrastructure beyond motor fuel revenues.[5] To address the gap, there are alternatives to punitive EV taxes that Florida may consider:

- Raise the motor fuel tax
- Index the tax to motor fuel use
- Increase other tolls or and taxes
- Transfer money from other sources
- Raise revenue bonds
- Establish public-private partnerships
- Increase car rental taxes
- Increase annual vehicle registration fees

Infrastructure funding in Florida is about a lot more than motor fuel taxes



Source: FHWA Highway Statistics Series (2021)

What Makes Sense for Florida?

Of these options, we believe that tying fuel taxes to vehicle use may hold the most promise. It has the advantage of working for both gasoline and electric vehicles and can be assessed differently for different vehicle types.

Florida can look to other states that are considering tying funding to road use through greater use of toll lanes or mileage-based user fees as recommended by the National Surface Transportation Infrastructure Financing Commission for real and long-term solutions to its road funding problem. In Colorado, the state enacted a bill to more efficiently address road funding shortfalls, adding a fee on gas and diesel purchases and for deliveries and rideshare trips. Pennsylvania and New York City were considering a similar measure to continue funding transportation without harming economic growth. Florida should consider alternative transportation funding mechanisms to support dynamic, robust transportation infrastructure to serve its burgeoning population.

Electric vehicles should certainly pay their fair share for use of Florida's roads. Fairness suggests that any fee imposed should not be significantly greater or less than highway taxes paid currently by Florida drivers. A mileage-based fee applied to all vehicles in the state, including electric vehicles, would be

[5] Note: this is an average of road funding data available from years 2009-12 and 2015-19.

one way to reform the system that could be adjusted from year to year to meet the fiscal need for the State. But there are data collection and privacy issues that must be worked through.

Some states like Washington, Oregon, and Minnesota have approached this road user charge option with pilot programs, which is a good option for Florida to consider. Florida could impose a reasonable registration fee for EVs in the short-term, while looking at more effective financing mechanisms, like road-user charges, in the long-term. But Florida cannot, and should not, consider taxes on EVs as a panacea to its road funding problem.

Moving Florida Forward

Florida's ever-growing population and traffic congestion put increasing pressure on aging infrastructure. At the same time, EVs have the potential to provide more than just efficient transportation alternatives to the state. Florida is currently second in the nation in EV sales, an accomplishment given that there has been little in the way of incentives for purchases. The network of charging stations in the State is also growing rapidly, due in part to forward-looking actions by utilities and the State Public Service Commission. Florida currently has a distinct advantage in that it is one of only two regional states that allows car manufacturers to sell directly to consumers and service vehicles in-state.

Imposing a punitive EV fee does not address the root issue. Further, it stands in contrast to the law enacted by the Legislature in 2020 and signed by Governor DeSantis (Section 339.287, FS) which included multiple provisions encouraging the development of EV markets. EV registration fees would barely begin to offset revenue losses due to overall improved vehicle economy and other factors. We support reasonable registration fees for EVs so that EV owners pay their fair share, but such fees should not be punitive. They should be set at a level close to the annual fuel taxes paid by gasoline powered vehicles of the same type.

Of course, EV fees and highway funding is only one of the issues that Florida will need to address in the coming years so that the State can reap the benefits of growing EV markets. In this regard, we urge policymakers to review and consider the whole range of recommendations pertaining to the development of EV markets made by the Florida Department of Transportation in its Electric Vehicle Master Plan should be considered by the Legislature as part of an overall effort to integrate EVs into the Florida economy and promoting the development of EV markets for the benefit of all Florida residents.[6]

Additional Resources

For more information on Florida, EV registration fees, and road funding, please visit the following resources:

AASHTO | State Transportation Funding Initiatives Since 2013

Alliance for Transportation Electrification | Accelerating Electric Vehicle Adoption

Atlas Public Policy | Highway Revenue Assessment Tool

[6] FDOT EV Infrastructure Master Plan, op. cit.

Census | New Vintage 2021 Population Estimates Available for the Nation, States and Puerto Rico

Consumer Reports | Rising Trend of Punitive Fees on Electric Vehicles Won't Dent State Highway Funding Shortfalls but Will Hurt Consumers

Environmental and Energy Policy and the Economy | Should Electric Vehicle Drivers Pay a Mileage Tax?

FDOT | Electric Vehicle Infrastructure Master Plan

Fuel Economy | Compare Side-by-Side

MassDOT | Electric Vehicle: Impacts on Transportation Infrastructure – A Review of Other States

Pennsylvania Department of Transportation | Transportation Revenue Options Commission

Plug In America | Paying for the Roads: Electric Vehicle Road Usage and Registration Fees

UC Davis Institute of Transportation Studies | A Zero-Emission Vehicle Registration Fee is not a Sustainable Funding Source for Maintaining California's Roadways

This report was prepared with the assistance of Atlas Public Policy utilizing their Highway Revenue Assessment Tool. The conclusions and recommendations, however, should be attributed only to the sponsors of this paper, the Alliance for Transportation Electrification and Drive Electric Florida.