

**Council Auditor’s Office
Analysis of 2021-223
Local Option Gas Tax Levy & Extension**

Points of Consideration:

1. Based on our review and discussions with JTA and the Administration, the incremental revenue based on the proposed LOGT split (new and extension) is estimated to generate approximately \$500 million to the City and \$500 million to JTA, for a total combined \$1 billion. The assumptions utilized do not appear unreasonable.
2. The Gas Tax can be levied at any 1-cent increment up to 6 cents.
 - a. 1-5 cent estimated revenue – \$4.07 million per cent
 - b. Ninth-cent estimated revenue – \$4.58 million
3. The current 6-cent LOGT does not have to be extended.
4. The City would be utilizing all of its remaining LOGT capacity through 2046.
5. The City can choose to change the proposed allocation (50/50) of the gas tax (new and extension) with JTA, including the option to not share at all.
6. Below is a table depicting how the LOGT (in cents) is proposed to be allocated for the next 30 years:

Time Period	City Portion	JTA Portion
2022 – 2036	4 (1 existing + 3 new)	8 (5 existing + 3 new)
2037 – 2046	6	6
2047 – 2051	3	3

(Note – This table does not reflect that the ninth-cent tax on diesel goes exclusively to the City or that the existing and extension portion periods begin on September 1 and not January 1.)

7. The total project listing (Exhibit 1 to the legislation) of \$930.2 million attached as a sample of eligible transportation projects includes:
 - a. \$329.5 million of City projects currently included in the City’s 5-year CIP (including beyond 5th year)
 - b. \$74.4 million of City projects not currently in the City’s 5-year CIP
 - c. \$37.6 million of additional dollars for City projects currently in the City’s 5-year CIP
 - d. \$488.7 million of JTA projects not currently in the JTA’s 5-year CIP
8. The project listing attached to the legislation is a sample of eligible transportation projects upon which local option gas tax dollars can be spent. As proposed in the legislation, it is not a definitive committed list of projects to be completed with this new revenue stream. If JTA is to receive other funding for any of the proposed projects, they can utilize LOGT dollars for mass transit and any other lawful purposes.
9. JTA will see an approximately \$30 million increase in annual revenues from the ½-cent transportation sales surtax beginning in 2033 due to the retirement of most of the debt related to BJP projects that the ½-cent transportation tax is pledged to.

Concern:

The City is allocating half of its existing LOGT capacity and the extension of the current gas tax to JTA without a definitive list of projects that JTA commits to complete.

Recommendation:

The City should require a definitive list of projects that have to be completed by JTA. (If not adopted, references to Exhibit 1 in the JTA Interlocal Agreement need to be removed.)

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Technical Amendments:

1. Clarify in Sections 799.106 and 799.206 that the Council Auditor will provide the State Department of Revenue with distribution proportions "on or before October 1" instead of "prior to August 15".
2. Correct start date of gas tax extension to September 1, 2036
3. Correct end date of proposed six cent levy from 2052 to 2051
4. Page 7, lines 17-19 and Page 9, lines 7-9 strike sentence concerning businesses or occupations.
5. In Section 4 add clarifying language that funds can be used for any lawful purpose.
6. Correct scrivener's errors in bill.
7. Place revised documents On File with the following technical corrections:
 - a. Correct referenced bill number throughout the document.
 - b. Correct end date of proposed six cent levy from 2052 to 2051
 - c. Clarify in the JTA Interlocal Agreement that revenues received by the City on the sale of diesel fuel is not included.
 - d. Strike reference to 9th Cent local option gas tax in Beaches and Baldwin Interlocal Agreement.
 - e. Correct scrivener's errors.