



Inspector General Insights

Background: Local government services are funded by a broad mix of taxes and service fees. Florida Statutes provide local discretion to implement many taxes/service fees, based on individual County needs. Many "high tourism" Florida counties have implemented a wide variety of local discretion taxes/fees, since the costs of providing service is not simply borne by the local taxpayer, but also by visiting tourists. Examples include local option fuel taxes, discretionary sales surtaxes, and tourist taxes on hotel stays. This helps to offset reliance on ad valorem (property) taxes as a principal government funding source. As a point of reference, ad valorem taxes comprise 67% of total FY 2022 General Fund revenues.

In addition to federal and state levied taxes on fuel, Florida County governments have the authority to enact ordinances that tax consumers up to .12 cents more per gallon at the pump in **local option fuel taxes**, as follows:

1. A tax of 1 to 6 cents on every net gallon of motor and diesel fuel sold within a county.
2. A tax of 1 to 5 cents on every net gallon of motor fuel sold within a county. Diesel fuel is not subject to this tax. Funds may also be used to meet the requirements of the capital improvements element of an adopted local government comprehensive plan.
3. A "ninth-cent" fuel tax of 1 cent on every net gallon of motor and diesel fuel sold within a county. This tax is dedicated to residential road maintenance.

The Board of County Commissioners (BCC) approved three separate ordinances levying the maximum local option gas taxes of .12 cents. The proceeds of the 5th and 6th Cent Local Option Gas Taxes are shared with the City of Naples, City of Marco Island, and the City of Everglades. When added to the 18.4 cents per gallon of federal tax and the 26.5 cents per gallon of state tax, Collier drivers pay 56.9 cents on every gallon of unleaded gas purchased.

In Collier County, total fuel taxes collected in FY 2021 totaled \$22.9 million; of this amount, \$16.3M or 71.1% were generated by the local option motor fuel taxes. These revenues are used to pay debt service on bonds issued for transportation capital improvements and to maintain and improve the transportation network.

Objective: To advise residents of the structure of Collier fuel taxes, their budget impact, and how the local fuel taxes compare to other municipalities.

Scope: The OIG covered the history of the tax, the current structure, and the comparison of Collier fuel taxes to the other 66 counties in Florida.

History: Long-term residents may recall the 1990's and early 2000's in Collier County when several principal roadways were being expanded from wither 2 lanes to 4 lanes or from 4 lanes to 6 lanes. The local option motor fuel taxes provided a stable revenue source recognized by bond rating agencies as a viable means of financing road construction. While road impact fees are a significant source of annual revenue to fund road construction, they are less viable as a pledge on outstanding debt due to potential volatility (downturns) in the housing market.

The following chart traces the history of the local option motor fuel taxes. It is interesting to note that the 9th cent local option fuel tax ordinance was initially adopted in 1980 and implemented after approval via voter referendum. The six-cent local option fuel tax was initially adopted in May 1989 and was reauthorized on two separate occasions. The five-cent local option fuel tax was initially adopted in August 1993 and was reauthorized once (June 2023). As a County with a strong focus on tourism, it is recognized that tourists should contribute to the costs of the transportation network, as a portion of the roadway capacity is in place to serve the seasonal population.

Local Motor Fuel Tax History	9th Cent Local Option Fuel Tax	Five Cent Local Option Fuel Tax	Six Cent Local Option Fuel Tax
Initial Imposition	Ordinance 80-50; adopted June 3, 1980 following approval via referendum	Ordinance 93-48; adopted August 3, 1993	Ordinance 89-27; adopted May 9, 1989
1st Reauthorization	Ordinance 2003-34; Adopted June 24, 2003; Expires: December 31, 2025	Ordinance 2003-36; Adopted June 24, 2003; Expires: December 31, 2025	Ordinance 99-40; adopted May 25, 1999 Expires: August 31, 2015
2nd Reauthorization	n/a	n/a	Ordinance 2003-35; Adopted June 24, 2003; Expires: December 31, 2025

Comparison: While all 67 counties in Florida have levied the first local option of .06 cents, not all have levied the other optional fuel taxes. Of the 67 counties in Florida:

12 Counties Consumers pay just **.06 cents** local option fuel taxes per gallon. These counties include Orange, St. Johns, Indian River, and Brevard.

19 Counties Consumers **pay .07 cents** local option fuel taxes per gallon. These counties include Hillsborough, Lake, Pinellas, Glades, and Pinellas.

5 Counties Consumers pay an additional **.09-0.11 cents** local option fuel tax per gallon. These counties include Miami-Dade and Hendry.

31 Counties Consumers pay the maximum allowable **.12 cents** additional cents of local option fuel tax per gallon. These Florida counties include Collier, Lee, and Charlotte, Manatee, and Sarasota on the west coast and Broward, Martin, Palm Beach, and Monroe on the east coast.

Upcoming Actions: All three local option fuel ordinances are set to expire on December 31, 2025. The FY 23 Budget Policy document stated the following relative to an early extension of the local option motor fuel taxes:

“The strategy behind an early extension before December of 2025 involves capitalizing on low interest rates; greater coverage ratios; and an extended repayment horizon which increases funding capacity. Proceeds would fund identified Transportation system assets deemed “poor” in the inventory; capacity improvements not funded by the Local Option Infrastructure Sales Tax; and **expansion of the eastern Collier County transportation grid**. Large scale projects identified in the five-year CIE which could be financed include Collier Boulevard (Green Boulevard to Main Golden Gate Cana), Vanderbilt Beach Road (16th Street NE to Everglades Boulevard), Goodlette Road (Vanderbilt Beach Road to Immokalee Road). Interest rates on superior investment quality bonds – like Collier County credit – remain low. These large-scale projects and others identified in the five-year CIE between FY 23 and FY 26 have a projected shortfall of \$88,000,000. Specific project engineering schedules will be reviewed during the succeeding 12-month period and the Finance Committee will continue to refine the concept and strategy and further information will be forthcoming.”

Total # Counties Contrasted	Amounts Audited or Reviewed	Questioned Costs	Taxpayer Savings	# Observations / Recommendations
67	N/A	N/A	N/A	N/A