



TRANSFORMATION:

FUNDING HEALTHY AND SUSTAINABLE
TRANSPORTATION OPTIONS



metroplan orlando

A REGIONAL TRANSPORTATION PARTNERSHIP

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Acknowledgements

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TRAN\$FORMATION:

FUNDING HEALTHY AND SUSTAINABLE TRANSPORTATION OPTIONS

The Central Florida region is in the midst of a transportation building boom. The reconstruction of I-4 affects about 200,000 drivers each day. SunRail's Southern Expansion adds a new transit option for thousands of people in southern Orange and Osceola Counties. Anyone who travels via air sees the construction underway at the region's two passenger airports. This is in addition to the Wekiva Parkway and several bicycle and pedestrian projects recently completed or under construction.

How are we funding all of these projects? That question has hundreds of answers and this paper attempts to simplify and demystify those answers. The transportation transformation underway is preparing Central Florida for its expected growth and changing demographics. By 2045, at least 3 million people are projected to live in Orange, Osceola, and Seminole counties. Our transportation system will significantly influence where they will live and the quality of life will enjoy.

The changing nature of the Central Florida region was a key aspect to MetroPlan Orlando's Transportation Think-In. This nearly day-long event gathered 60 community leaders from various sectors ranging from health and housing to business and tourism. These leaders represent industries and groups that are impacted by transportation, but who traditionally are not part of the ongoing transportation conversations. Throughout the day, it was clear that those gathered thought we could achieve great things by coordinating our efforts and leveraging resources, like funding.

Six interconnected topic areas for future research emerged from the Think-In conversations. Three were selected to become white papers. This paper addresses funding, and specifically, details about existing funding

sources, the connection between funding and quality-of-life enhancing projects, and recommendations for several next steps. Transportation funding is inherently complex and bureaucratic. But it is important to understand the potential for using transportation funding to create the healthy and sustainable places we want throughout Central Florida.

Transportation and Quality of Life in Central Florida

The region's transportation network directly affects each person's ability to interact with his or her community. It determines the jobs and educational opportunities they can reach and impacts the decisions they make. Here in Central Florida, quality of life can be enhanced or hindered by the availability of transportation options. Quality of life can mean different things to different people. From a regional transportation perspective, quality of life is enhanced when:

- Each person has access to as many transportation choices as possible.
- Transit, walking, and biking are the easiest way to travel.
- A range of services can be easily reached via safe transportation options.

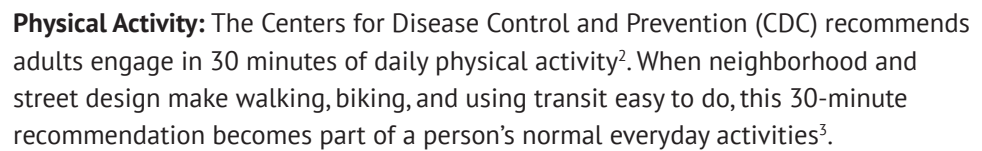
The Think-In was subtitled Making 2045 Healthy, Sustainable, and Resilient. These attributes are essential to improving the quality of life in our region. It is important to connect these quality of life elements to transportation funding. This report and the two others that accompany it are part of an applied research effort MetroPlan Orlando is undertaking to integrate health and sustainability principles into the regional transportation planning process. Simply put,



MetroPlan Orlando – as a government agency with a transportation planning mandate – has focused its efforts on a health in all transportation policies initiative, which has five focus areas. A more detailed literature review of MetroPlan Orlando’s health focus areas is located in *Framing the Future*, a complimentary white paper to this one.

A person's health status is often dependent on the places where they live. Health in all Policies is an approach that incorporates health considerations into decision-making across government agencies¹.

A brief description and type of transportation facility that exemplifies the connection between transportation and health



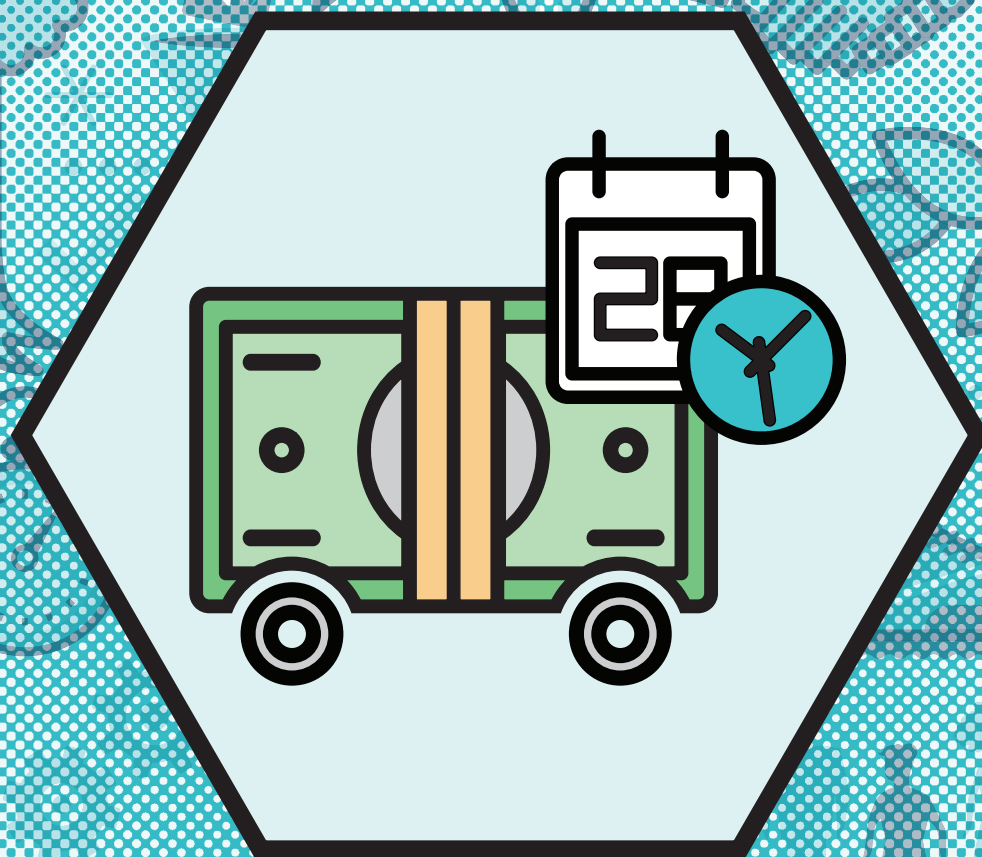
Access to Healthy Food and Access to Care: Transportation choices, such as a frequent, reliable bus service or a safe walking environment, can make it easier for someone to reach the doctor or grocery store. A missed or late bus is often the cause of missed medical appointments⁴.

Environmental Quality: Transportation is a main contributor to air pollution and source of greenhouse gas emissions⁵. Additionally, transportation facilities can impact the presence of trees and water quality in a neighborhood.

Safety: How safe someone feels walking, biking, or using transit is critical to whether they choose to use that mode of transportation. According to the Signal Four Analytics crash database, 295 people died in traffic crashes on Central Florida roads in 2017. Of that number, 79 were people walking.

Example: Pedestrian hybrid beacons at mid-block crossing locations

WHAT WE ARE CURRENTLY FUNDING



MetroPlan Orlando is the metropolitan planning organization (MPO) for Orange, Osceola, and Seminole counties. MPOs have a federal mandate to produce an annual document called the Transportation Improvement Program (TIP), which contains transportation projects expected to be funded in the next five years. Each July, the MetroPlan Orlando board adopts a new TIP. The TIP is a good indicator of existing regional transportation priorities.

Notable Projects in MetroPlan Orlando TIP FY 2019-2023

I-4 Ultimate: the complete reconstruction and expansion of 23 miles of I-4 between SR 528 (the Beachline) and SR 434

I-4 Beyond the Ultimate: rehabilitation and expansion of 20 miles of I-4 east of SR 434 and 20 miles west of Kirkman Rd, plus interchange improvements

Pine Hills Transit Center: a new bus transfer center in the Pine Hills area of Orange County, with a connection to the Pine Hills multi-use trail

Sanford Riverwalk: a bicycle and pedestrian trail along Lake Monroe in Sanford, FL

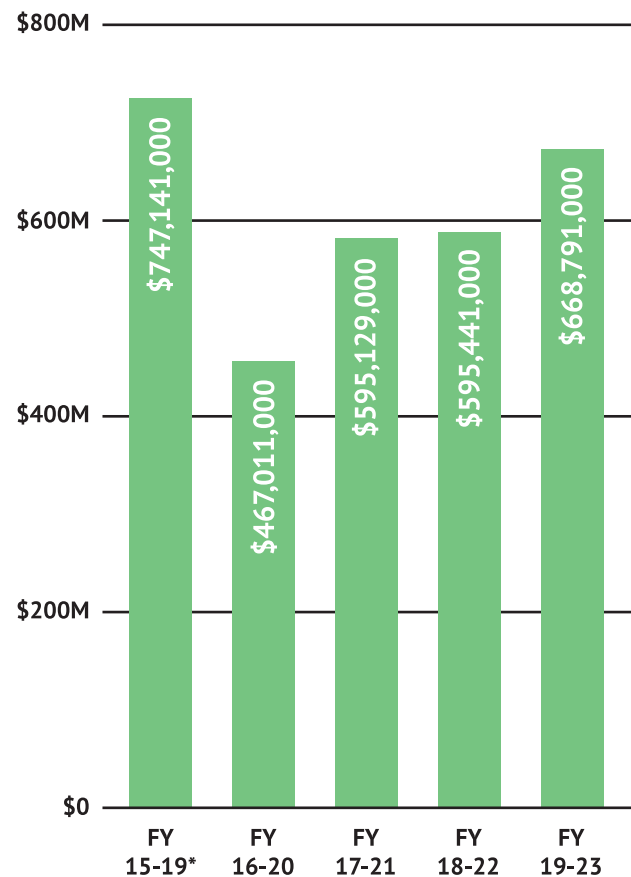
Shingle Creek Regional Trail: a recreational trail between southern Orlando and Kissimmee that parallels parts of Shingle Creek, the headwaters of the Everglades

SunRail Positive Train Control: the implementation of an advanced communications system to enhance safety on SunRail and the Central Florida Rail Corridor

Wekiva Parkway: a 25-mile tolled, limited access highway that completes a beltway around the Orlando metropolitan area

Analysis of the TIPs from the last five years can show a trend of where we are headed. MetroPlan Orlando analyzed the last five TIPs to determine how much is being invested in “health-promoting” projects, which are transportation facilities designed to encourage walking, biking, and transit use. These facilities enhance their health-promoting aspects through supportive land use policies related to smart growth, building design, and more (*see Housing: A Primer for Transportation Professionals in Central Florida* for additional information). In the current TIP (FY 19-23), Central Florida is funding \$669 million through federal, state, and local funds to “health-promoting” projects. Examples include SunRail, the Shingle Creek Regional Trail, a couple of local Complete Streets redesigns, and LYNX bus and service expansions.

TRANSPORTATION SPENDING TO PROMOTE HEALTH

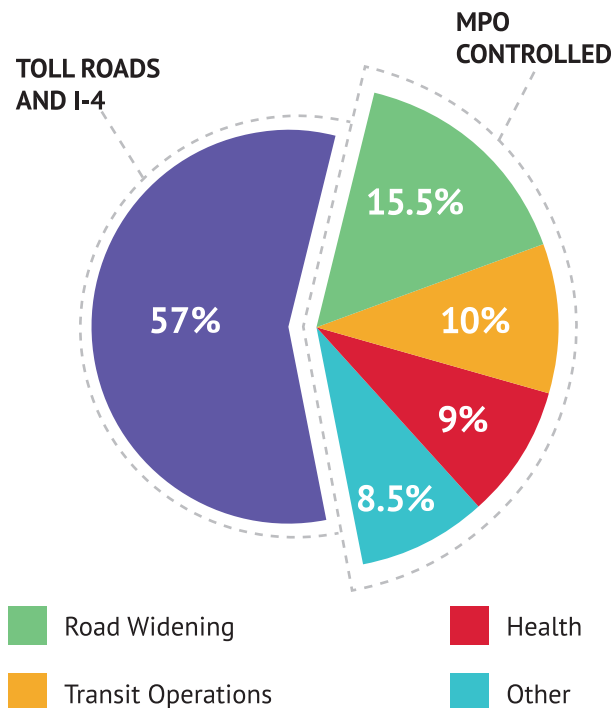


*In FY 15-19, \$474M went to SunRail Phase 1



While these hundreds of millions are a significant amount of funds, the region's TIP has more than \$7 billion programmed. The most recent TIP's funding breakdown is shown in the following graph:

MOST MONEY GOES TO WIDEN ROADS



The Other category includes Transportation System, Management, and Operations projects; airport funds; and routine maintenance. While only 9% of the TIP is explicitly dedicated to health promoting projects, several projects in the Other category have economic and environmental benefits. For example, retiming the region's traffic signals had a benefit to cost ratio of 8:1 and reduced vehicle emissions by 1,200 tons of CO₂ last year⁶. Spending on transit operations is critical for maintaining or improving transit service. Additionally, maintenance can prolong a transportation facility's lifespan, opening up funds that can be used for other projects.

Existing Transportation Funding Policies

Policy created the un-level playing field between highway funding and funding for transit, bicycle, and pedestrian projects. Addressing these structural issues is beyond the purview of this white paper, but there are several transportation-related funding policies that are worth exploring. The key ones are the state's Strategic Intermodal Systems (SIS) priorities and MetroPlan Orlando's Surface Transportation Program (STP) allocations.

The SIS is the Florida Department of Transportation (FDOT)'s priority transportation facilities. These SIS facilities link regions, highways, ports, and economies, with a focus on interregional – connecting Orlando to the Space Coast as opposed to connections within the Orlando-Kissimmee metropolitan area. SIS facilities receive priority for state transportation funding, and currently, the MetroPlan Orlando planning area has only one facility – I-4 – in FDOT's Approved SIS Plan and SIS Cost Feasible Plan, which cover FY 2024-2045^{7 8}.

MetroPlan Orlando's Board of Directors establishes the allocations of the region's estimated \$30 million of STP funds a year. Currently, they are set at:

- 32% for Highways
- 21% for Transportation Systems, Management, and Operations
- 20% for Transit
- 17% for Bicycle and Pedestrian

It is also worth noting that bicycle and pedestrian projects like a Complete Street redesign qualifies for the funds allocated to highways. At a minimum, 37% of the region's STP funds are allocated to capital projects that promote health and sustainability. Highway and TSMO projects can also have the same health and sustainability benefits.

HOW IS TRANSPORTATION FUNDED NOW?



The transformational projects recently completed or under construction are the result of federal, state, and local coordination. This coordination starts with an initial idea and proceeds from planning to design to construction. The roles and responsibilities of the federal, state, and local agencies differ from project to project. A key determinant in the roles and responsibilities of each government agency is often who has identified financial responsibilities for the facility. The federal, state, and local governments each have their own transportation funding sources.

Federal

The federal government uses the federal gas tax and general revenue sources to support regionally significant projects and interstate commerce. For every gallon of gas purchased, 18.4 cents per gallon goes into the Highway Trust Fund. For more information on the federal gas tax, see infographic on page 9. Overall, the federal Highway Trust Fund allocates approximately 20% of its funds to transit and 80% to highways, which also includes bicycle and pedestrian infrastructure. These funds usually carry restrictions regarding what mode they can be used for – as opposed to an overall use to improve the transportation system⁹.

In very simple terms, the federal government distributes its funds two ways – via a formula and at its discretion. The formula funds flow through two main avenues – state departments of transportation and metropolitan planning organizations (MPOs). MPOs serving more than 200,000 people receive what are known as Surface Transportation Program (STP) funds and MetroPlan Orlando's planning area receives approximately \$30 million in STP funds a year. In the last couple of years, these funds have supported new LYNX buses, the widening of John Young Parkway in Orange County, the Hoagland Blvd. improvements in Osceola County, the Shingle Creek Trail in Orange and Osceola Counties, and Safe Routes to School improvements across the region.

The Federal Transit Administration's New Starts program is an example of a discretionary funding

The roles and responsibilities of the federal, state, and local agencies differ from project to project.

program. This is the main source of federal funds for new transit capital projects (it was the source of federal funds for SunRail). It lacks the contracting authority, which allows federal grantees to enter into long-term funding obligation agreements – a benefit enjoyed by the Highway Trust Fund's formula funds¹⁰. Therefore, the New Starts program must depend on the annual appropriations process. This yearly fight for continuing the funds for projects already under construction subjects transit projects to an uncertainty that highway projects do not experience.

Each year, the US Department of Transportation issues Notices of Funding Opportunities (NOFO) for other discretionary funds, essentially opening a national competition for funding a specific type of project. Transportation professionals and decision-makers commonly know the NOFOs by their acronyms – TIGER/BUILD and FASTLANE/INFRA are two examples (see box). The Federal Transit Administration (FTA)'s common NOFOs are for Bus and Bus Facilities as well as Low-No Emissions Buses. LYNX received a Bus and Bus Facilities discretionary grant to build the Pine Hills SuperStop and add eight new buses¹¹.

The funds for these discretionary programs are authorized and appropriated by the US Congress each year. Eligible agencies submit applications and it is the USDOT's discretion to award funding for specific projects. For the purposes of this report, MetroPlan Orlando has drastically simplified the federal funding sources. In reality, the federal transportation funding picture is intricate. See Additional Resources section to learn more.



Commonly Used Terms

TIGER/BUILD: Since 2007, the US Department of Transportation has issued a Notice of Funding Opportunity (NOFO) for capital projects that advance national objectives. From 2009-2017, this funding program was known as the Transportation Investment Generating Economic Recovery (TIGER). It is currently known as BUILD – Better Utilizing Investments to Leverage Development¹².

FASTLANE/INFRA: The Fixing America's Surface Transportation (FAST) Act, the current federal surface transportation authorization, established the Fostering Advancements in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) funding program. Its primary focus is supposed to be freight projects¹³, and in 2017, it became the INFRA program.

Documentary Stamp Tax: the state of Florida levies a tax on the processing of certain documents, such as a deed or certificate of title¹⁵.

Impact Fee: a charge levied on new development to mitigate the development's impact on public infrastructure¹⁶.

State

Each person who buys a gallon of gasoline in Florida pays into the state's Transportation Trust Fund. Similar to the federal trust fund, the state's gas tax is responsible for a large percentage of the revenue going into the trust fund. Unlike the federal government, Florida periodically adjusts its gas tax for inflation. This revenue source supports projects on the state's transportation network. Additionally, 24% of the revenue from the state's documentary stamp tax is

added to the state's Transportation Trust Fund. These funds are administered by the FDOT. These programs fund statewide projects, with priority going to SIS facilities, such as Interstate 4 and the Wekiva Parkway.

Local

The local governments of Central Florida provide substantial funding for projects that make it easier to move within the region. Local gas taxes, impact fees, and property tax revenues are the main forms of local transportation funds. In MetroPlan Orlando's planning area, two counties have a 1-cent sales tax dedicated for infrastructure (see Potential Funding Sources section), which can be used for transportation purposes.

Tolls

Tolls are a familiar concept to most Central Floridians. To travel on State Roads (SR) 408, 414, 417, 429, 528, and Florida's Turnpike, a fee is charged to each vehicle. These fees are assessed at certain points on each road and the price of the fees do not change unless authorized. These fees are considered tolls – and the toll revenue collected is used to pay for all costs associated with construction, rehabilitation, operations, and maintenance of the road¹⁷. The tolls currently assessed on Central Florida's toll roads are a flat rate, meaning they do not vary based on congestion.

Managed Lanes is the appropriate term for roads or lanes that are managed through an approved pricing strategy. When the I-4 Ultimate project is complete and as improvements are made by Florida's Turnpike Enterprise, there will be Express Lanes, a type of Managed Lane. Express Lanes use a dynamic pricing formula. As congestion increases, toll prices in the Express Lanes go up to keep traffic flowing. Another type of managed lane toll is called the High-Occupancy Toll (HOT). HOT lanes allow vehicles carrying multiple passengers to use a HOT lane for free, while vehicles with just a driver are charged a market price toll¹⁸.

THE PROBLEM WITH THE GAS TAX

The 18.4 cents gas tax levied by the federal government does not generate enough revenue to meet the country's transportation needs. The funds collected are deposited into the Highway Trust Fund (HTF), which requires infusions from general revenue sources to stay solvent. From 2008-2014, \$65 billion of non-gas tax revenue has been transferred into the HTF¹⁹. General revenue does not run a surplus, which means these transfers have contributed to the federal budget deficit. In simple terms, the gas tax is unable to provide enough money to meet the federal government's transportation obligations established through its authorization legislation. Why?

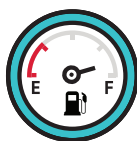
The gas tax levies a charge on a product that is declining in use. The switch to electric vehicles – which do not require gasoline – is reducing

the amount of gasoline-based taxes each year. Additionally, advances in technology have increased fuel efficiency, reducing the amount of gasoline a person needs to buy. This results in a reduction in the amount of gas tax revenue that is collected²⁰.

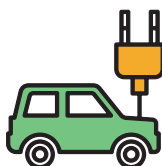
The federal fuel taxes are levied at a per gallon rate rather than at a percentage of the price of a gallon of gas. The federal gas tax is also not adjusted for inflation, which means it has a lower buying power than it did when the rate was established at 18.4 cents in 1993. While Florida's motor fuel tax rate is adjusted (indexed) to the general rate of inflation using the Consumer Price Index (CPI) every January, the same economic circumstances apply.

GAS TAX: A DECLINING TRANSPORTATION FUNDING SOURCE

WHY ISN'T THE GAS TAX WORKING ANYMORE?



Fuel efficiency
is increasing. We're driving farther while using less gas.



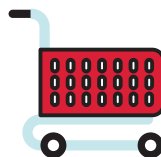
Advances in technology
for hybrid and electric vehicles have made these increasingly popular. Cars that don't use gas don't pay gas tax.



Federal gas tax rates haven't changed
since 1993. At 18.4¢ per gallon of gasoline, the federal Highway Trust Fund is expected to be bankrupt by 2021.

IF NOT THE GAS TAX, THEN WHAT?

The model for how we fund transportation will have to change in the future. Here are some potential funding sources.



Sales Tax:
a charge on the goods and services we buy

- A sales tax to fund transportation requires a majority vote by residents



Vehicle Miles Traveled:
a fee based on the number of miles a person drives

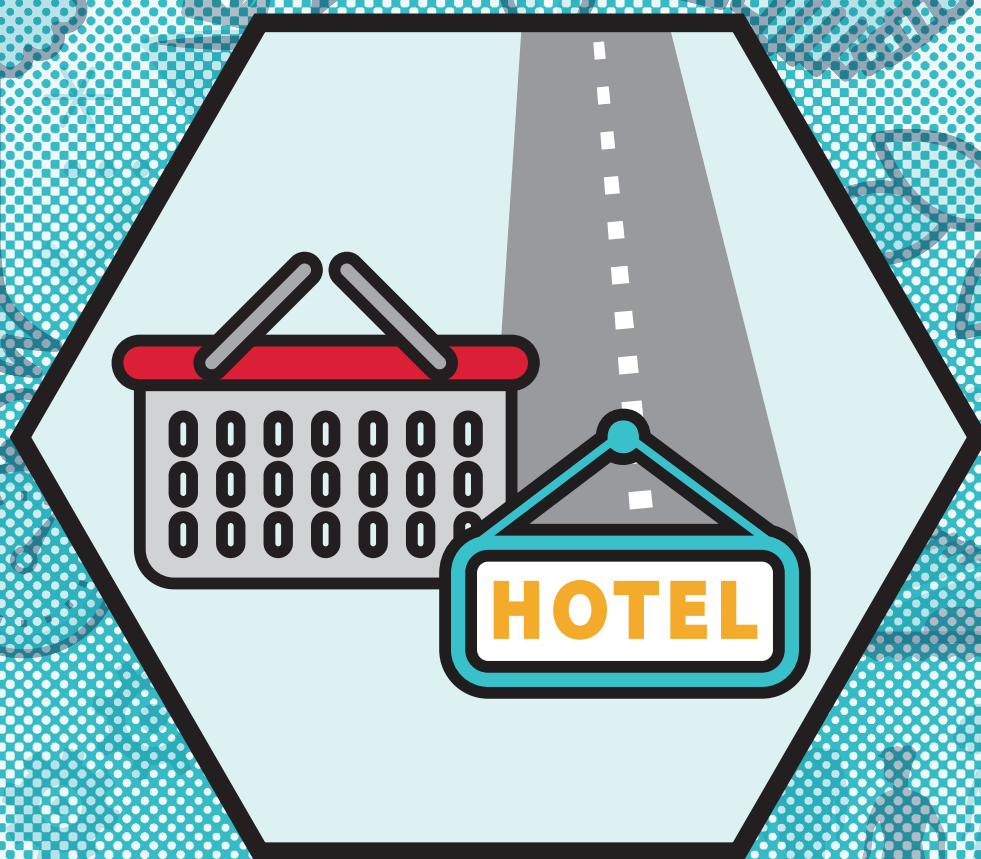
- This funding source is not currently authorized outside designated toll roads.



Value Capture:
uses property value increases and resulting property tax revenues to fund transit systems

- This would require authorization at the state and local levels.

POTENTIAL FUNDING SOURCES



The way transportation projects have been funded in the past is unlikely to be how they are funded in the future. As stated previously, existing sources lack the necessary revenue to fund the region's infrastructure needs. New or currently underutilized funding sources will be needed in the next decade. More research is needed before the appropriate funding sources are decided upon, but this section describes five potential sources for additional transportation funding in Central Florida.

Sales Tax

In Florida, a sales tax is charged on most goods. This consumption charge varies by location and the product that is being bought. The state of Florida has a 6% sales tax, while each county is allowed to levy additional voter-approved sales taxes for specific uses. For example, Seminole and Osceola Counties have a 1% sales tax for infrastructure projects. The counties use their sales taxes revenue for all types of infrastructure, such as schools, storm water, and transportation. Seminole County has used a portion of its sales tax revenue for projects such as the Sanford Riverwalk²¹.

In Central Florida, each county has a different local sales tax rate. Orange County has a .5% rate, Osceola County levies a 1.5% rate, and Seminole County's is 1%. The counties' sales tax are voter-approved and all have a sunset provision²². For MetroPlan Orlando's 3-county planning area, at least 50% of the sales tax revenue collected comes from the 72 million tourists that came through the region in 2017.

Each county – through their status as charter counties – is authorized to levy an additional 1% sales tax for transportation – the Charter County and Regional Transportation System Surtax. Currently, only two counties in the state – Duval in Northeast Florida and Miami-Dade in Southeast Florida – utilize this revenue option²³. There is some movement across the state to expand this authorization to municipalities with more than 150,000 people. This would require approval from the Florida Legislature²⁴.

The use of a sales tax to fund transportation improvements does have drawbacks. Each person – no matter who they are – pays the same amount of tax for purchasing the same number of goods. This differs from income and property taxes. The percent of income tax a person pays depends on a person's income. The more a person makes, the higher the percent of income tax they pay. That is the simple economic theory of income taxes that overlooks deductions and the role they have in reducing someone's income tax percentage. In order to pay property taxes you must first own property, which is not a situation applicable to many low-income or underserved populations.

While each person pays sales tax, it has a bigger effect on those considered low-income. In some states – Florida, included – sales taxes worsen income equality – largely due to the existing tax system in place²⁵. That being said, a sales tax for transportation ensures that each person invests in the transportation system. A 1-cent sales tax in Central Florida could bring in an additional \$489 million annually in revenue²⁶.

Bed Tax

Many counties and municipalities in Florida assess a tourist development tax – often called the bed tax. It is a specialized form of the sales tax that is charged to someone who stays at a hotel or rents for six months or less²⁷. In Central Florida, the funds collected are restricted and must be used to build, operate, and market facilities that support tourism, such as convention centers and sports stadiums. Currently, the funds collected cannot be used for public infrastructure projects, such as roads or transit routes.

The Florida Legislature has considered legislation to allow use of the bed tax for other purposes. Recently, the law was expanded to allow some, but not all, counties the ability to use the funds for major capital improvements to tourism-related infrastructure such as transportation and pedestrian facilities²⁸. Orange, Osceola, and Seminole counties are currently not authorized to use its bed tax for the region's transportation system²⁹.



Road Pricing

Data from the FDOT in 2015 highlighted Central Florida's unique distinction of having the most miles of toll roads in the United States³⁰. FDOT has a policy that any new capacity on the state road system must include a form of tolling – or road pricing, a term also synonymous with congestion pricing, value pricing or vehicles miles traveled fee. Road pricing is a fee for each vehicle, incorporating both the supply and demand aspects of transportation. The fee to use a road can be a set fee or vary depending on the current demand and available capacity; the higher the demand and fewer space for vehicles, the higher the fee³¹.

With the significant amount of toll roads currently in Central Florida and forthcoming Express Lanes, it is a concept already familiar to many residents and visitors. For health and sustainability, road pricing has a lot of implications. A switch to a road pricing scheme for the transportation system more accurately distributes costs and can reduce the inequalities that exist with the status quo. This is especially true if transit service is expanded, allowing for an efficient and cheaper transportation option. Those who walk, ride a bicycle, or use transit pay less than someone who uses a less sustainable mode of transportation³². Market-based road pricing can reduce the number of miles a car travels, which improves congestion and air quality³³. When combined together, the reallocation of resources through free-market mechanisms supports transportation options and a higher quality of life for Central Floridians.

Value Capture

Transportation projects are a form of economic development. Value capture is a term for policies that enable governments to capture some of the economic value created through a public investment³⁴. Primarily, value capture refers to real estate-based gains, but can be implemented through a variety of methods, such as special assessment district fees or tax increment financing³⁵.

Transit stations, in particular, have been shown to increase nearby property values. These stations serve

as spots for people to access a bus rapid transit or passenger rail line. The property values around SunRail stations have increased by \$810 million since the train line was first announced. While not all of this \$810 million is attributed to the hundreds of millions in SunRail investment, a portion can be³⁶. At this moment, no value capture mechanism is in place for local governments in Central Florida to realize a financial benefit from the substantial SunRail investment other than increased ad valorem property taxes.

Value capture can be a key financial component for many transit projects. All Aboard Florida, the private company that operates Brightline in South Florida, is using revenue from real estate development near Brightline stations to fund a portion of the train's costs³⁷. This approach utilizes transit-oriented development to support sustainable transportation options, such as transit, walking, and biking.

Mobility Fee

In Florida, several local governments have implemented a mobility fee as an approach to funding transportation improvements. A mobility fee is a charge local governments assess on new development to cover the cost of transportation improvements required to serve those using the new development. It is a type of impact fee, but it allows for the funds to be used for non-road capacity improvements, including bike lanes, transit, and sidewalks³⁸.

Within the MetroPlan Orlando geographic area, five local governments have implemented a mobility fee or multimodal impact fee: Osceola County, City of Kissimmee, City of Maitland, City of Altamonte Spring, and the City of Orlando. A mobility fee can provide a local government more flexibility when funding transportation improvements. The use of a mobility fee should tie a proposed development to the goals of a governing document, such as the comprehensive plan or mobility plan. The flexibility lies within what the fees can be used for. Most mobility fees assessed can be used for bicycling and pedestrian infrastructure, including wide sidewalks and protected bike lanes. Of the five local governments in Central



Florida with mobility fees, all can be used for these types of transportation improvements. Additionally, their mobility fees can be used for transit upgrades – buses, new routes, etc. The City of Kissimmee's mobility fee goes further and allows for the funds to be used for transit operations³⁹.

A Note on Public-Private Partnerships

Public-private partnership (P3) is a term that is increasingly used – and often incorrectly described. A P3 is an agreement between a public agency and a private entity that facilitates project delivery⁴⁰. The agreements are usually designed to better allocate financial risk between the public and private sectors. These risks often include cost overruns, poor performance, and low financial returns⁴¹. A P3 that implements a transportation project generally utilizes the private sector to finance and manage a project, not to provide a direct financial contribution – the private sector does not give us free money!

P3s vary in size. They are not all large capital projects like the I-4 Ultimate. Transit agencies enter into P3 arrangements to provide better services, reduce operational costs, develop publically-owned land, and other projects designed to provide public benefits. These P3s include Massachusetts Bay Transportation Authority's P3 with a real estate developer to upgrade, operate, and maintain the Boston Landing Commuter Rail station in exchange for naming rights⁴². In Florida, the Pinellas Suncoast Transit Authority (PSTA)'s has a P3 arrangement with Uber, United Taxi, and Wheelchair Transport to provide ride sharing services in areas where PSTA does not provide direct bus service⁴³.

A Note on Impact Investing

Impact investing – the act of intentionally investing in businesses that generate measurable social benefits – is on the rise. It is expected to grow from \$60 billion today to \$2 trillion by 2030⁴⁵. Affordable housing and clean energy are types of impact investment. There is scant research on impact investing related to transportation and the potential for transportation infrastructure to capture some of the expected growth in impact investing-related capital. The increased use

of a performance-based planning process, specifically one that measures social benefits, could open the transportation field to impact investing, though. There



I-4 Ultimate Project

The I-4 Ultimate project is using a public-private partnership arrangement to facilitate a 7-year project delivery process, instead of the projected 27 year process using traditional project delivery methods. The Florida Department of Transportation (FDOT) and I-4 Mobility Partners have an agreement for financing, designing, building, operating, and maintaining 23 miles of I-4⁴⁴. This arrangement enabled the rehabilitation and expansion of I-4 to occur now and fix existing issues with the interstate.

The entire project has multiple financing sources, the biggest of which is a USDOT loan of \$949 million. I-4 Mobility Partners has the responsibility to ensure I-4 operates at agreed upon targets or FDOT assesses a financial penalty. All the project's lenders are guaranteed repayment from FDOT, whether it is through toll revenues, gas tax revenues, or other state funds. Each year until 2054, I-4 Mobility Partners will receive a guaranteed payment – referred to as an availability payment – from FDOT minus any penalties for poor performance of I-4's 23 miles.



The Tax Cuts and Jobs Act created a new community and economic development financing option called Opportunity Zones, which is a designated low-income Census tract eligible for investments from Qualified Opportunity Funds.

are two emerging impact investing tools that seem most applicable to infrastructure development and worth a closer look.

Social Impact Bonds or Pay for Success Financing use private sector funds to achieve public benefits. The theory behind Social Impact Bonds is that the private sector finances a specific intervention designed to achieve a social outcome. Throughout a pre-determined time period, the intervention or program is rigorously monitored and evaluated. If the desired outcome is not achieved, the intervention stops and the private sector loses its investment. If the evaluation identifies successful achievement of pre-determined targets, the government repays the private investors⁴⁶.

This pay for success approach shares the risk of implementation, similar to a P3, and encourages innovation. Each bond/program is structured

differently, but ideally, the money to repay the bonds is derived through the cost savings achieved by the program's intervention. But this emerging financing tool, so far, has had mixed success. A behavior therapy program designed to reduce recidivism at Rikers Island, a prison in New York, was funded through Pay for Success Financing. It failed to do so, and the lenders lost their \$7.2 million investment⁴⁷.

As the name suggests, Social Impact Bonds are primarily designed for funding social programs, but government agencies are starting to identify physical infrastructure projects that could benefit from this pay for success model. DC Water recently received \$25 million in pay for success financing to build green infrastructure designed to reduce the combined sewer overflows into the Chesapeake Bay, a project still in its implementation stage and not yet ready for evaluation to determine success⁴⁸.

The Tax Cuts and Jobs Act, passed in December 2017, created a new community and economic development financing option called Opportunity Zones, which is a designated low-income Census tract eligible for investments from Qualified Opportunity Funds. Investors looking to reduce their capital gains taxes from a previous investment can establish or contribute to an Opportunity Fund, which must invest in an Opportunity Zone⁴⁹. MetroPlan Orlando's 3-county area has 33 Opportunity Zones that are now eligible for Opportunity Fund capital for projects such as small business financing, infrastructure, and real estate⁵⁰. As of August 2018, there is no guidance on the type of infrastructure that qualifies for investment from an Opportunity Fund⁵¹.

RECOMMENDATIONS AND CONCLUSION



Performance targets tied to person trips instead of vehicle trips relate to the concept of moving people instead of moving cars.

The transportation funding landscape is inherently complex and the information in this paper skims the surface. As transportation continues its rapid change and the Central Florida region grows, there are a lot of next steps for MetroPlan Orlando and its partners to consider. This section describes funding-related recommendations for MetroPlan Orlando in the coming years.

1 – Conduct additional research and feasibility studies for potential funding sources

MetroPlan Orlando, its local government partners, and independent parties can research each potential funding source listed in this report for more in-depth information. As part of this research, feasibility studies on each of these potential funding sources can be conducted. During this process, analysis should consider how these potential sources could provide funding for the projects that promote health and sustainability.

- a. As part of these feasibility studies, there needs to be consideration towards any connection between a funding source and the project delivery process. Often times, the existing project delivery processes can limit which jurisdictions and agencies have the capacity to implement projects that could have measurable health and sustainable benefits. Further examination is needed to analyze if or how a new funding source can address existing project delivery issues.

2 – Conduct additional research into the viability and potential to use impact investing mechanisms to fund planning studies and capital projects

MetroPlan Orlando can partner with a university or other research-oriented institutions to evaluate if and how impact investing mechanisms, such as Pay for Success and Opportunity Zones, could be utilized in Central Florida.

3 – Develop a comprehensive list of built environment-related funding sources that can be leveraged with transportation funding.

The Transportation Think-In highlighted the need to work across sectors. Unfortunately, the restrictions around nearly all funding sources reinforces the silo'd nature of most disciplines. The region can conduct analysis to identify and determine how to utilize all possible sources to create healthy, sustainable, and resilient communities.

4 – Evaluate I-4 variable tolls on travel patterns, driver behavior, and individual decisions

The Express Lanes on I-4 open in 2021. This is an excellent opportunity to analyze how travel behavior might change once a driver has the option to choose between a non-tolled travel lane that is potentially slower and paying a fee to travel at a higher speed. MetroPlan Orlando and FDOT can work with a group of academic researchers to study what, if any, changes occur. The findings could inform how travel behavior will change with the implementation of additional road pricing and also provide insights into the types of road pricing that generate sufficient revenue while promoting health and sustainability objectives.

In 2014, MetroPlan Orlando conducted a value pricing study that identified a variable mileage-based user fee as the most appropriate type of road pricing. This is what will be assessed in the I-4 Express Lanes. An evaluation after the fee is implemented continues MetroPlan Orlando's leadership in developing and implementing Transportation System, Management, and Operations strategies.



5 – Establish performance targets through the transportation planning process that lead to incentives for trips by non-single occupancy vehicles

Performance targets tied to person trips instead of vehicle trips relate to the concept of moving people instead of moving cars. Mobility fees are a funding source tied to person trips, taking into account travel by bike, walking, or transit. The Central Florida region has limited ability to build or expand roads in the next few decades. The funding source used to achieve targets reflects several things – whether the target is achievable and a direct connection between the target and the money available for transportation.

Conclusion

The Central Florida region's success in transportation funding has enabled the implementation of several megaprojects. The needs of the region are changing, though, and new funding sources are necessary. Additionally, process improvements are needed to better align existing funding streams with the region's needs. This report does not present the answers, but does offer insights into what we are currently funding, how transportation projects are funded now, and how they could be funded in the future.



ADDITIONAL RESOURCES

If you are interested in learning more about the information described in this report, here is a list of additional resources:

How We Pay for Transportation: the life and death of the Highway Trust Fund, Eno Center for Transportation

- Available at: <https://www.enotrans.org/etl-material/the-life-and-death-of-the-highway-trust-fund/>

Is Congestion Pricing Fair to the Poor?, 100 Hours LA Campaign

- Available at: 100hoursla.com

Value Pricing Study, MetroPlan Orlando

- Available at: https://metroplanorlando.org/wp-content/uploads/value_pricing_fact_sheet-8-8-13.pdf

Life in the FASTLANE, Eno Center for Transportation

- Available at: <https://www.enotrans.org/etl-material/life-fastlane-recommendations-improving-federal-freight-grants/>

SIS Funding Strategy, Florida Department of Transportation

- Available at: <http://www.fdot.gov/planning/systems/programs/mspi/plans/>

Florida Metropolitan Planning Organization Advisory Council: <https://www.mpoac.org/>

Transportation for America: <http://t4america.org/>

Infrastructure and Transportation, Congressional Budget Office

- Available at: <https://www.cbo.gov/taxonomy/term/15/latest>

A Guidebook: Using Mobility Fees to Fund Transit Improvements, Florida Department of Transportation

- Available at www.fdot.gov/transit



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- ⁴ Access to Health Care and Nonemergency Medical Transportation: Two Missing Links (2005) Transportation Research Record, <https://trrjournalonline.trb.org/doi/abs/10.3141/1924-10>
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- ⁹ How we pay for transportation: the life and death of the highway trust fund (2014), Eno Center for Transportation, <https://www.enotrans.org/etl-material/the-life-and-death-of-the-highway-trust-fund/>
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