

Transportation Infrastructure Investment will Stimulate Florida's Sluggish Economy and Increase Productivity

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Researchers

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- Member of the Florida Council of Economic Advisors at Florida TaxWatch.
- His teaching areas include principles of microeconomics, money and banking, econometrics, labor economics, and labor relations. He is an applied labor economist whose research focuses on pensions, discrimination, industry deregulation, labor unions, and the minimum wage.
- His recent work includes the study of company stock and participant direction in pension funds, turnover in the long-term care industry, and occupational segregation. Dr. Macpherson has published over 45 articles in leading economics journals.

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- Senior Research Analyst/Economist at Florida TaxWatch Research Institute since August 2004.
- He has doctoral degrees in both economics and education.
- His research covers a variety of topics including local government budget analysis, economic impact studies, tourism, higher education, virtual education, information technology, and Medicaid.



Introduction

- An efficient transportation system is critical to Florida's economy and the quality of life of the state's citizens and out-of-state visitors.
- Statutory Recommendation (SR) 36 of Taxation & Budget Reform Commission (TBRC) proposes to modify and/or adjust current user fees and taxes related to transportation funding.

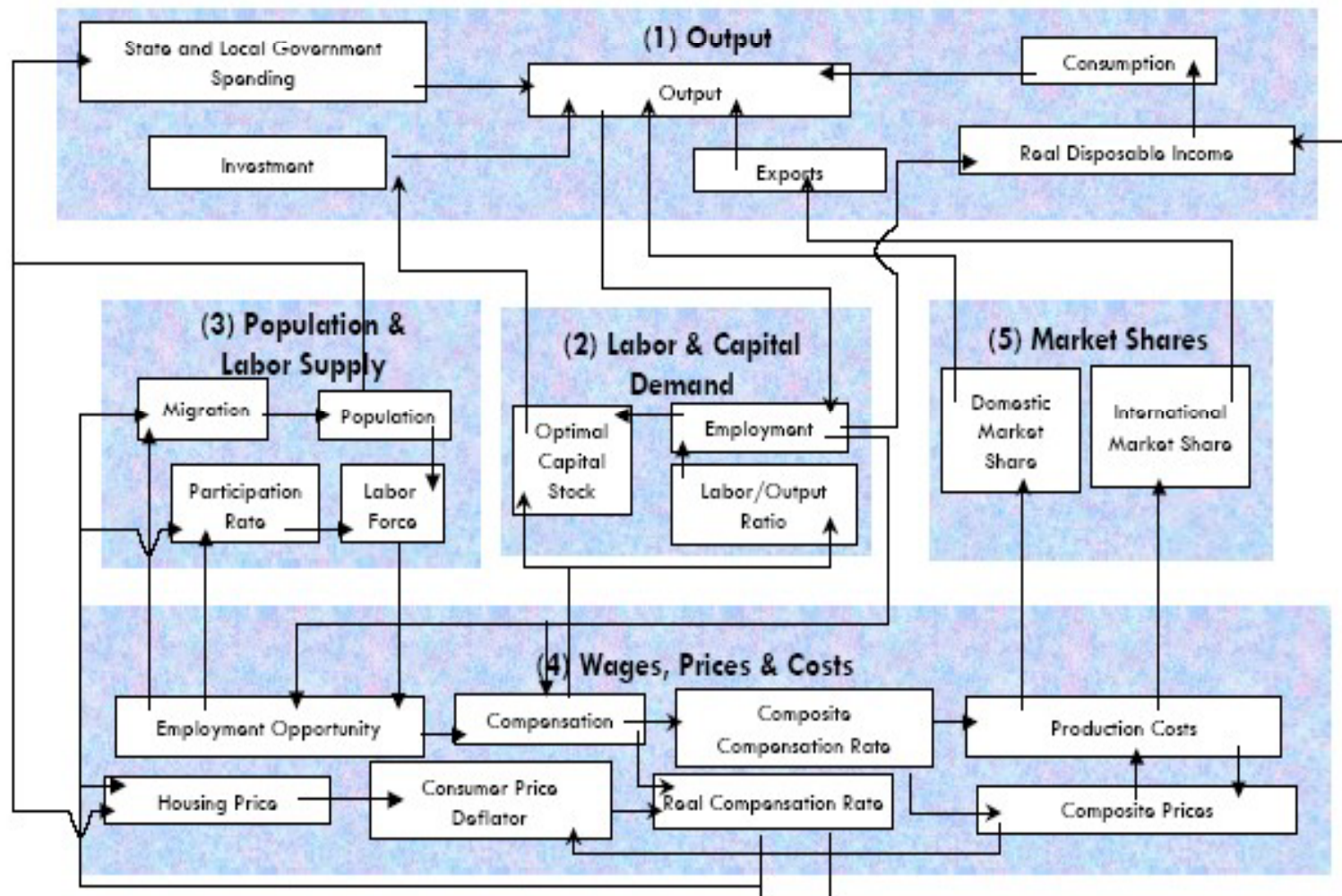


SR 36 Proposal of TBRC

- Increases auto title fees over a three-year period and then indexes it to the CPI starting in 2012.
- The measure also proposes a similar change for vehicle license taxes.
- Indexes the 9th cent Fuel Tax and 6 cents of Local Fuel Tax on diesel fuel to the CPI.
- Creates the National System Tax, indexing federal fuel taxes and also indexing local option fuel taxes.
- Equalizes the 9th cent Motor Fuel and maximum 11 cent Local Option Fuel taxes statewide.



REMI Model



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REMI Model Assumptions

- Financing Assumptions:
 - The model uses the SR 36 staff analysis estimates of the revenue increases for 2009 to 2017 as inputs to the model
 - Motor vehicle title and license fees are treated as a personal tax
 - Fuel tax increases are treated as a sales tax
 - Tax and fee increases are assumed to be absorbed 67 percent by consumers and 33 percent by businesses.



REMI Model Assumptions

- Tax and fee increases are divided across industries in proportion to each industry's share of spending on transportation.
- Spending Assumptions:
 - 55 percent will be spent on capacity development
 - 43 percent will be spent on operating and maintenance expenditures
 - 2 percent will be spent on administration

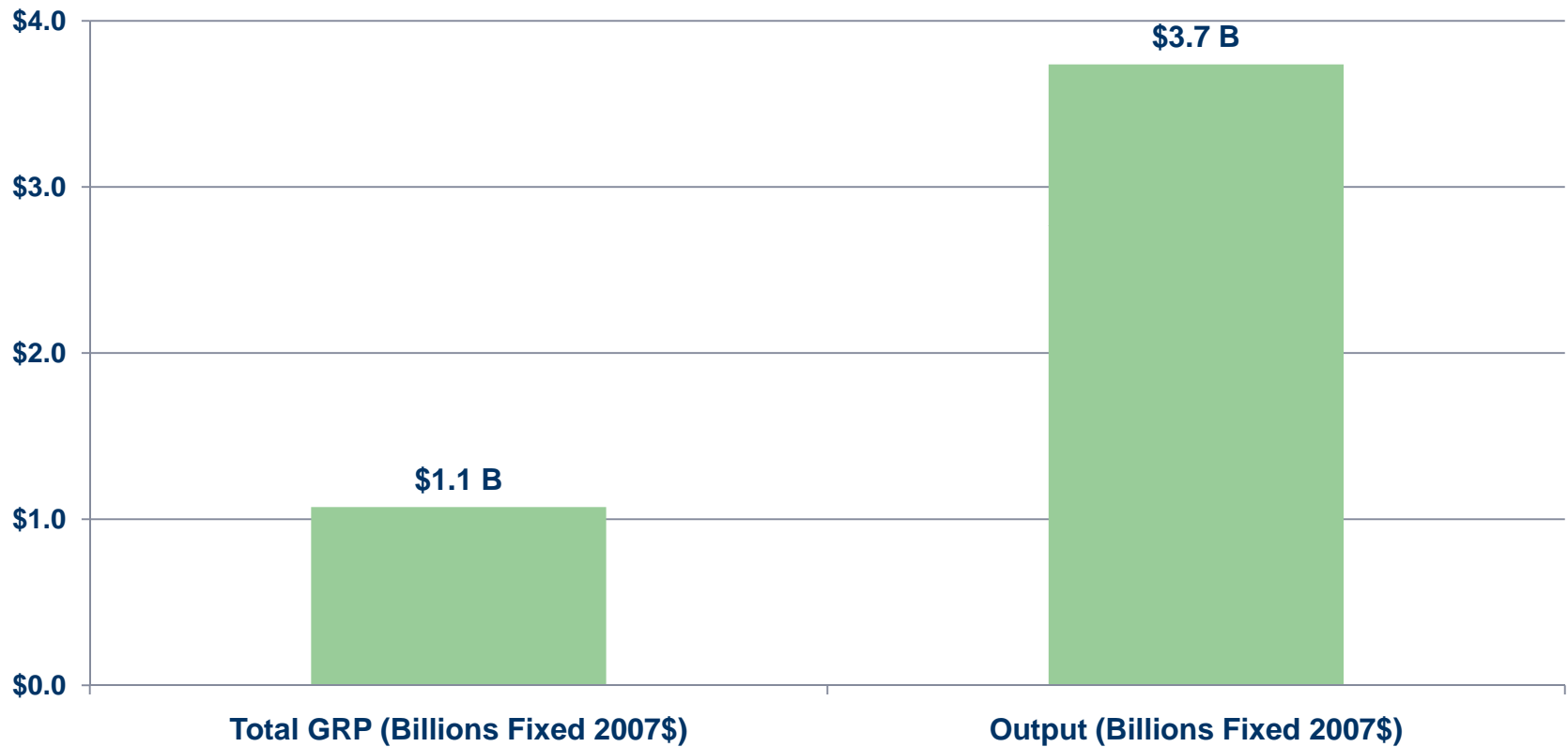


REMI Model Limitations

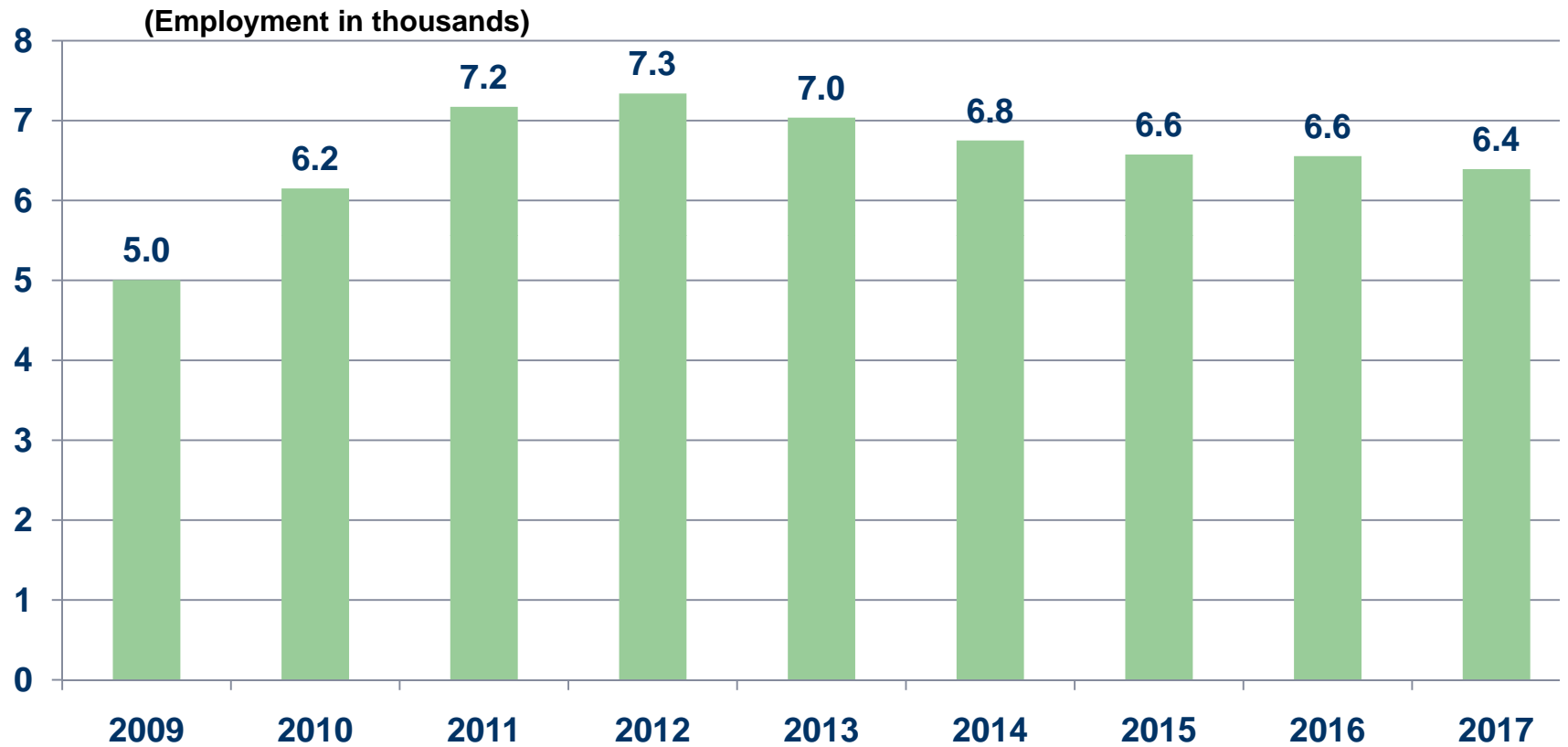
- The REMI model will understate the benefits of increased transportation infrastructure spending resulting from the reduction in:
 - The loss of life and life quality
 - The loss of output due to temporary incapacitation
 - Medical costs
 - Legal costs
 - Property damage costs



Total GRP and Output Change Between 2009-2017 Due to SR 36



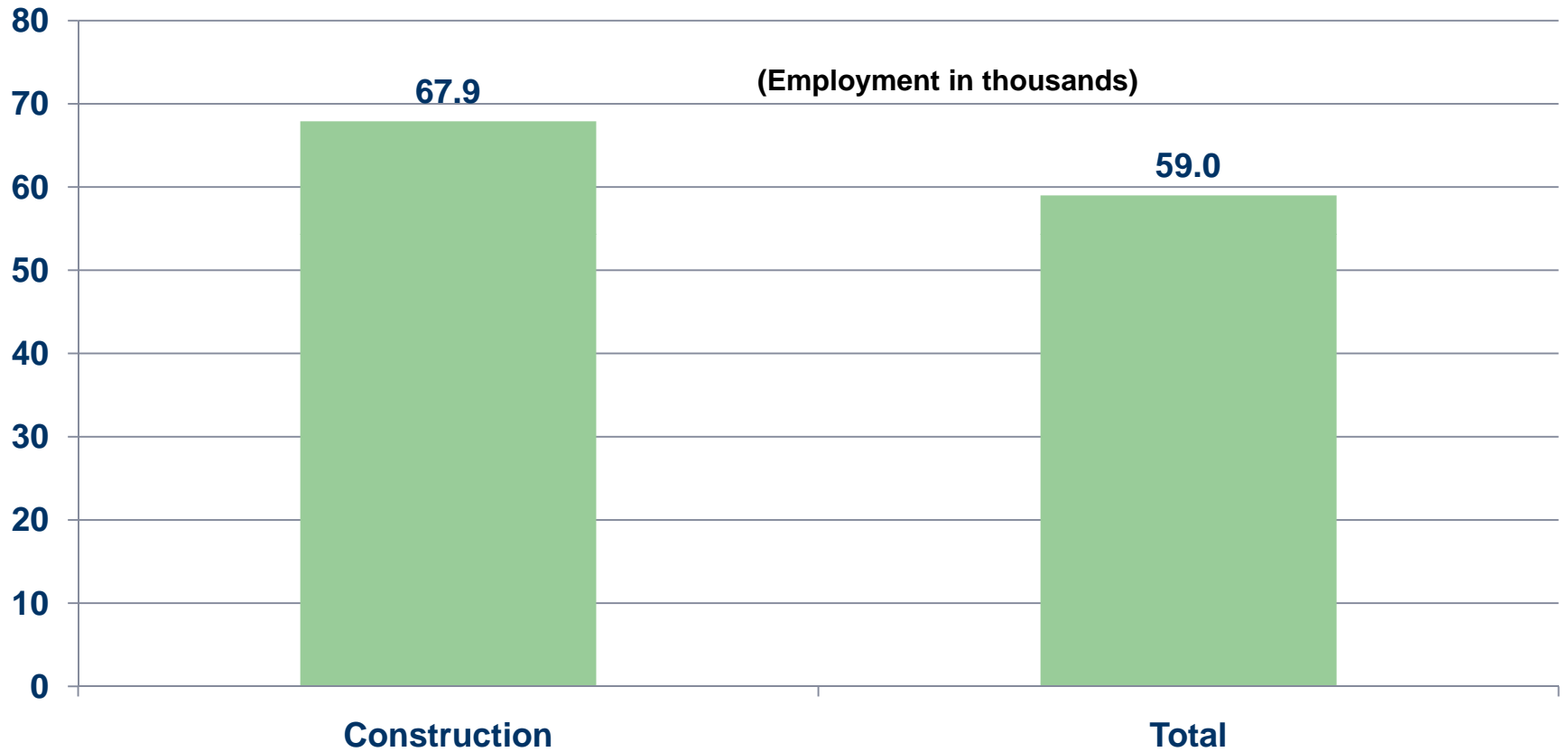
Employment Change by Year Due to SR 36



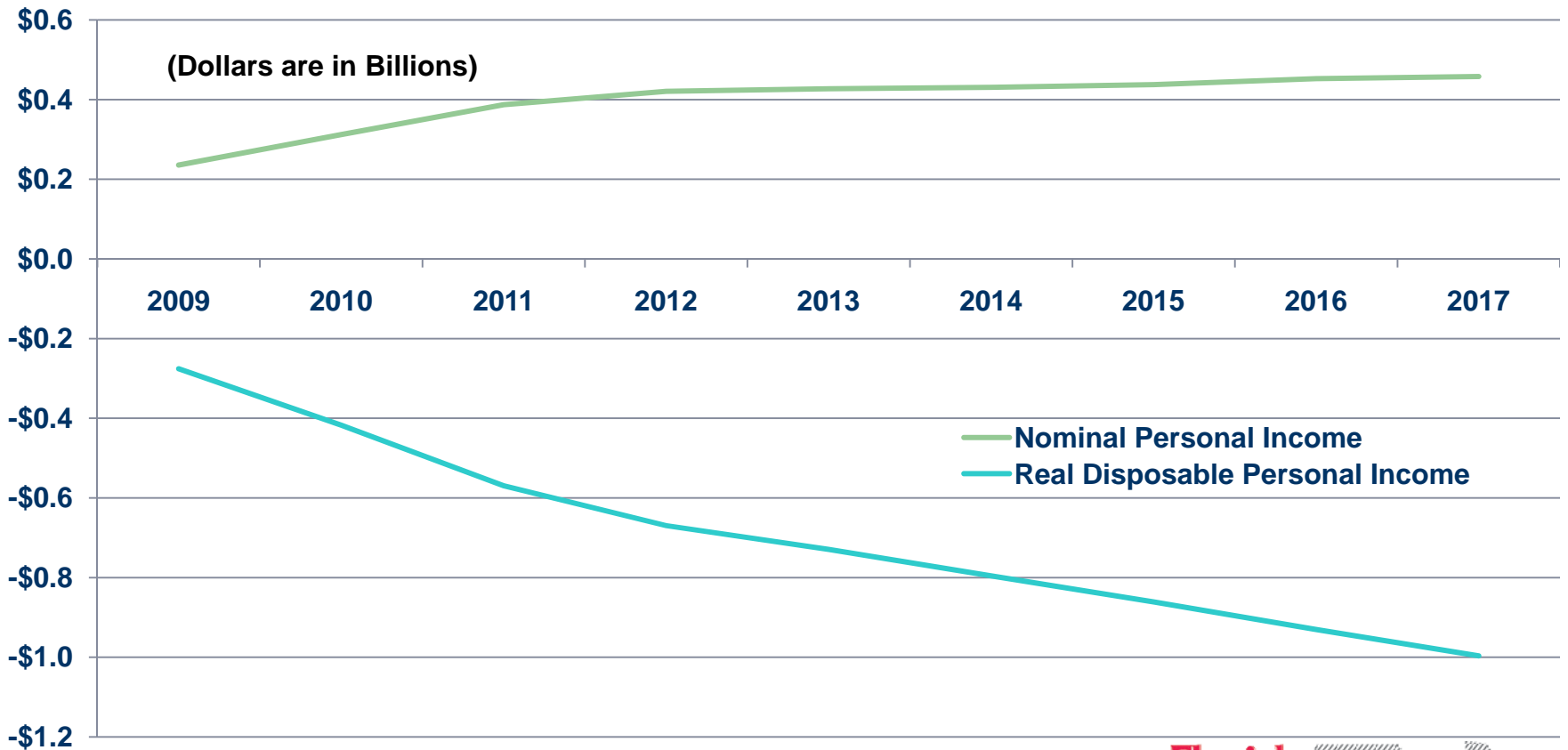
Employment Change in Construction, By Year Due SR 36



Employment Change between 2009-2017 Due to SR 36



Nominal and Real Disposable Income Change by Year Due to SR 36



Conclusions

- SR 36 of TBRC will yield significant economic benefits.
- In 2009 alone:
 - Gross Regional Product will increase by \$490 million
 - Employment will increase by 5,005 jobs.
- Between 2009 and 2017:
 - Gross Regional Product will rise by \$1.1 billion
 - Net employment will increase by 59,000 jobs.
- The econometric model underestimates the positive economic impact of SR 36 resulting from the reduction in:
 - The loss of life and life quality
 - The loss of output due to temporary incapacitation
 - Medical costs
 - Legal costs
 - Property damage costs