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Road to Nowhere: Money available for road-building is dropping

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On a recent sunny day in South Florida, Gov. Charlie Crist took a shovel of dirt and hurled it on the ground to celebrate the start a massive \$1.8 billion project to add reversible toll lanes to Interstate 595.

Crist lauded the Broward County project because it would create “jobs for our fellow Floridians at a time when they need it the most.”

Florida only got this construction project started because of a 35-year deal it inked with a consortium where the private contractor put up the money for the project now in exchange for a contract that guarantees a series of payments later this decade. The money is coming from a combination of federal money and toll revenues.

But the I-595 project comes at the same time that the money actually available for Florida road projects is sinking. The latest \$32.4 billion work plan drawn up by state transportation officials contains a \$1.6 billion drop in spending on road and bridge work and other projects in the next five years.

And it could get even worse since that work plan was drawn up before a new set of estimates from economists showed that Florida will have about \$487 million less for its main road building account over that same time period.

This is fueling fears that Florida could soon find itself in the same dire straits as twenty years ago when the state was forced to shut down construction projects because the state didn't have enough cash on hand to pay its bills.

“I think that's a real possibility if we are not careful,” said Sen. J.D. Alexander, R-Lake Wales and Senate budget chairman. Alexander noted that the road building fund was “thin” before the latest estimates come out.

This drop in money spent on road-building could deal another blow when Florida is still mired in a deep recession. Road-builders are already warning that thousands of jobs could be lost under the new work plan recommended by the Department of Transportation. Road builders say that as many as 28,000 jobs will be lost for every \$1 billion decline in road spending.

Bob Burleson, president of the Florida Transportation Builders Association, noted that much more concern has been shown about the loss of 9,000 jobs once the space shuttle is retired.

“I'm as sympathetic as anyone about the Space Coast issue for example, but we're talking five times as many jobs and nobody blinks twice,” said Bob Burleson, president of the Florida Transportation Builders Association.

The fate of Florida's road-building program could spark a budget fight in Tallahassee this spring. Last week House Speaker Larry Cretul, R-Ocala, proposed sweeping hundreds of millions out of the same road-building trust fund that economists predict will lose \$500 million over the next five years.

House Republicans defend their move as a way to fill a potential \$3 billion budget shortfall in the overall state budget. Cretul said that the House has decided to prioritize education, health and public safety over transportation.

"We are looking now to provide services to people and not potholes," said Cretul. "We understand the importance of road construction, but we also understand the dilemma we are in."

Road-building, however, isn't like other state programs.

In many ways, Florida builds and repaves roads the same way that homeowners pay off their mortgage. When the Department of Transportation signs multi-year contracts it doesn't have all the money at the time the deal is signed.

Instead the state tries to figure out how much cash it will have in the next several years and draws up a five-year work plan based upon these estimates. The main account used to pay for these projects – called the State Transportation Trust Fund – flows up and down depending on money coming in from gas taxes and rental car surcharges and license fees and money going out to pay contractors.

Last fall state legislators were told by economists that money headed into this account was actually going up. Lawmakers voted to dedicate some of that "extra cash" to the South Florida commuter rail system known as Tri-Rail. This was considered a key concession in order to get the votes needed to pass a sweeping rail bill that also helped out SunRail in Central Florida.

But those estimates are now wrong say state economists. The February forecasts show the road-building fund will be \$75 million less than projected by the end of June – and a total of \$487 million less between now and 2015.

That could have deep ramifications on the trust fund since state law requires that there must be at least \$50 million on hand in this account at the end of each quarter.

The latest five year work plan is already skirting the edge. A Florida Transportation Commission review of the work plan notes that the trust fund will sometimes average no more than 1.5 percent of the total amount needed to pay all the bills.

When DOT Secretary Stephanie Kopelousos presented the work plan at a public hearing last week there was alarm from commission members.

"We need to make sure people understand how close this is," said Garrett Walton, a commission member. "It appears to me there's not much of a hiccup we can sustain."

Kopelousos maintains that DOT has the "right controls" in place to prevent a reoccurrence of what happened in the late 80s when the state was forced to shut down work.

Still she acknowledged that any changes to the road-building trust fund during this year's session could have consequences. She notes that recently DOT paid out \$300 million in one week to contractors.

"It will affect projects, " said Kopelousos. "If there's 500 million in cash today, you can't take 400 million of that and leave 100 million. We have to make sure we cover the bills that are coming in. When you have contractors whose margins are getting slimmer and slimmer, they want to get reimbursed more frequently and frequently."

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