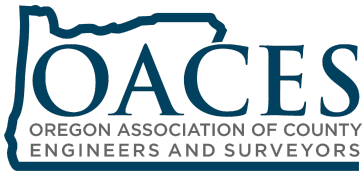




Local Transportation Revenue Options Available to Counties

Introduction	2
County Vehicle Registration Fee	3
County Gas Tax	4
System Development Charges	5
Traffic Impact Fee	6
Transportation Development Tax	7
Local Option Ad Valorem Tax Levy for Public Improvements	8
County Road Bonding Act	9
Road Districts: General, Special, and Assessment Districts	10
Local Improvement Districts	11
Bonded Indebtedness for County Roads	12
Transient Lodging Tax	13
Road Utility Fee	14



Introduction

Counties are responsible for the largest share of Oregon's road system, with 26,744 road miles and 3,448 bridges under county jurisdiction. The county road system provides essential links for commerce and economic development, including local farm-to-market delivery; access to Oregon's deepwater ports and freight rail network; access to recreational areas and tourist attractions; residential roads; safe routes to schools; connectivity between city streets and state highways; and access to federal lands.

The statewide revenue forecast over the next five years shows a 59 percent annual shortfall for county road departments. Counties need \$834 million in additional revenue per year to maintain the county road system in a safe and adequate condition.

Road departments prioritize the safety, maintenance, and preservation of county roads. It is far more economical to maintain existing infrastructure than let roads deteriorate, and face the much higher costs incurred through deferred maintenance.

Anticipated revenue will not meet even basic maintenance needs. Pavement preservation, such as overlays. Capital construction projects, such as road rebuilds and bridge reconstruction, have been on hold. Over the next five years, counties anticipate a 60 percent shortfall for pavement preservation projects and a 70 percent shortfall for capital construction.

Nearly all county road funding is earmarked exclusively for road purposes. The funding sources are the United States Forest Service revenue, the Fund Exchange Program, Oregon's State Highway Fund (SHF), and local funding options.

The majority of county road funds come from the State Highway Fund, which combines revenue from the gas tax, the heavy truck weight-mile tax, and vehicle fees. These revenue streams are equitably distributed according to a longstanding formula between the state (50%), counties (30%), and cities (20%).

Local funding tools for county road departments make up a very small portion of road budgets, accounting for less than 38 percent of Oregon county road revenue statewide. Most counties lack the tax base necessary to support local funding options. Across all local funding options, over 80 percent is collected in Oregon's three metro counties—Clackamas, Multnomah, and Washington.

In the pages to follow, local funding options are summarized and evaluated including: County Vehicle Registration Fees, County Gas Tax, System Development Charges, Local Option Ad Valorem Tax Levy for Roads, Road Districts: General, Special and Assessment Districts, And several smaller funding mechanisms.



County Vehicle Registration Fee

TYPE

Vehicle User Fee

SUMMARY

Vehicle registration fees support all types of road needs, capital improvement, safety, preservation, and maintenance. These fees on vehicle ownership help to capture the costs associated with road usage from lightweight vehicles. Counties with a population of over 350,000 can implement local vehicle registration fees through an ordinance. Counties with less than 350,000 population may enact an ordinance establishing registration fees only after voter approval. The Oregon Department of Transportation (ODOT) collects this revenue and charges a five cent administration fee for each registered vehicle. Once collected, 40 percent of county vehicle registration fee revenue is required to be shared with cities within the county.

CHALLENGES

Vehicle registration fees in Eastern, Southwest, and Coastal Oregon would not have a meaningful impact on those county's road department funding gaps. Data shows that several counties would generate less than 45 thousand dollars a year from a \$60 biennial registration fee. Oregon's three metro counties – where local Vehicle registration fees can generate meaningful revenue – currently generate approximately \$47 million or 6% of total county road revenue with this tool.

CURRENT TOTAL REVENUE

\$47 million or 6% of total county road revenue

RELEVANT STATUTES

ORS 801.041 & 803.445

IMPLEMENTATION

County ordinance if over 350,000 population
Countywide vote if under 350,000 population

EXAMPLE COUNTY

Clackamas (\$30 yr)
Multnomah (\$56 yr)
Washington (\$30 yr)



County Gas Tax

TYPE

Vehicle User Fee

SUMMARY

County gas taxes support all types of road needs, capital improvement, safety, preservation, and maintenance. These taxes on gallons of gasoline purchased help to capture the costs associated with road usage from lightweight vehicles. The Oregon Department of Transportation (ODOT) Fuels Tax Group collects taxes on behalf of Multnomah and Washington County.

CHALLENGES

County gas taxes face the same challenges of the statewide system—vehicles are becoming heavier and more fuel efficient, causing more damage to the roads while paying less to preserve the system. County gas taxes in Eastern, Southwest, and Coastal Oregon would not have a meaningful impact on those county's road department funding gaps. Rural drivers already face higher gas prices due to shipping costs, and longer driving distances. Due to these limitations, low population counties have not sought county gas taxes. Two of Oregon's three metro counties – where local gas taxes can generate meaningful revenue – currently generate approximately \$6.9 million or less than 1% of total county road revenue with this tool.

CURRENT TOTAL REVENUE

\$6.9 million or less than 1% of total county road revenue

RELEVANT STATUTES

ORS 203.035 - 203.055 & 319.950

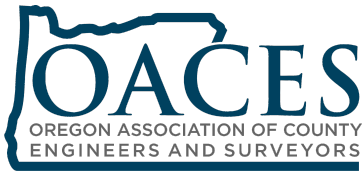
IMPLEMENTATION

Countywide vote

EXAMPLE COUNTY

Multnomah (\$.03 gal)

Washington (\$.01 gal)



System Development Charges

TYPE

Development Fee

SUMMARY

System development charges (SDCs) can only be used for capital improvement projects. These one-time charges on new development and certain types of redevelopment help to pay for existing and planned public infrastructure to accommodate new homes and commercial buildings. Found in urbanizing counties, these charges are intended to support the capital improvement projects needed to connect new homes and commercial buildings to Oregon's seamless transportation system.

CHALLENGES

SDC revenue is restricted to new capital improvement projects and does not support safety improvements, preservation, or maintenance. SDCs only support new infrastructure needed to handle the increase in traffic that a new development brings to a roadway, and do not support the long term wear and tear the new development will bring to the transportation system. Additionally, these charges only cover a small portion of the cost of the capital improvement projects, and without matching funds, it can take time for counties to save up the funds needed to invest this highly limited revenue. Seven of Oregon's growing counties – where SDCs can generate meaningful resources – make approximately \$4.1 million or 1% of total county road revenue with this tool.

CURRENT TOTAL REVENUE

\$4.1 million or less than 1% of total county road revenue

RELEVANT STATUTES

ORS 233.297 - 233.314

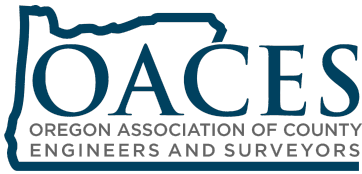
IMPLEMENTATION

County ordinance

EXAMPLE COUNTY

Clackamas
Deschutes
Hood River

Jackson
Jefferson
Marion
Washington



Traffic Impact Fee

TYPE

Development Fee

SUMMARY

Traffic impact fees can only be used for capital improvement projects. These one-time fees on new development and certain types of redevelopment help to pay for existing and planned public infrastructure to accommodate new homes and commercial buildings.

CHALLENGES

Traffic impact fees are similar to system development charges, but require a countywide vote to implement them. Traffic impact fees are restricted to new capital improvement projects and do not support safety improvements, preservation, or maintenance. These fees only support new infrastructure needed to handle the increase in traffic that a new development brings to a roadway, and do not support the long term wear and tear the new development will bring to the transportation system. Additionally, these fees only cover a small portion of the cost of the capital improvement projects, and without matching funds, it can take time for counties to save up the funds needed to invest this highly limited revenue.

CURRENT TOTAL REVENUE

None

RELEVANT STATUTES

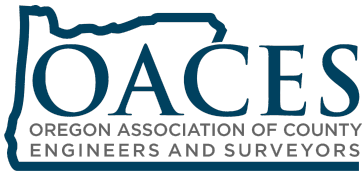
ORS 233.297 - 233.314

IMPLEMENTATION

Countywide vote

EXAMPLE COUNTY

Few to None



Transportation Development Tax

TYPE

Development Fee

SUMMARY

Transportation development taxes can only be used for capital improvement projects. These one-time taxes on new development and certain types of redevelopment help to pay for existing and planned public infrastructure to accommodate new homes and commercial buildings. This funding mechanism, unique to Washington County, includes provisions for revenue sharing with cities within the county.

CHALLENGES

Transportation development taxes are similar to system development charges, but require a countywide vote to implement them and require revenue sharing with cities within the county. Transportation development taxes are restricted to new capital improvement projects and do not support safety improvements, preservation, or maintenance. These fees only support new infrastructure needed to handle the increase in traffic that a new development brings to a roadway, and do not support the long term wear and tear the new development will bring to the transportation system. Additionally, these taxes only cover a small portion of the cost of the capital improvement projects, and without matching funds, it can take time for counties to save up the funds needed to invest this highly limited revenue. Washington County – where this modified SDC can generate meaningful resources – makes approximately \$4.1 million or 1% of total county road revenue with this tool.

CURRENT TOTAL REVENUE

\$4 million or less than 1% of total county road revenue

RELEVANT STATUTES

ORS 233.297 - 233.314

IMPLEMENTATION

Countywide vote

EXAMPLE COUNTY

Washington



Local Option Ad Valorem Tax Levy for Public Improvements

TYPE

Property Tax

SUMMARY

Local Option Ad Valorem Tax Levy for Public Improvements provide temporary taxing authority above the permanent rate limitation and can be used to support all types of road needs, capital improvement, safety, maintenance, and preservation needs. Taxes on assessed property value help to capture the costs associated with road usage from local residents. This tool is used by a handful of diverse counties. Once collected, 50 percent of local option taxes must be shared with cities and road districts within the county. Local option taxes are limited to five years for operation and 10 years for capital construction purposes.

CHALLENGES

Oregon law prohibits counties from using property taxes for road purposes unless the tax is specifically dedicated to county roads through a countywide vote. Property tax levies for county roads account for a small portion of total revenue, comprising just \$12 million or 1.7% of total county road revenue. Seven counties use this tool. Washington, one of Oregon's three Metro counties, makes up 85 percent of all property tax revenue collected for county roads. Washington County and Sherman County are the only two counties that have a road levy included within the county permanent rate limit per ORS 368.705(3)a, they were in place before Measure 50 was passed in 1997 and rolled into the permanent rate as a result.

Property taxes are subject to a limit of \$10 per \$1,000 of real market value for general government districts. When local option levies would exceed that rate limitation, all property taxes are proportionally reduced in a process called compression, local option taxes are reduced first.

CURRENT TOTAL REVENUE

\$12 million or 1.7% of total county road revenue

RELEVANT STATUTES

ORS 280.040 - 280.145 & 368.710

IMPLEMENTATION

Countywide vote

EXAMPLE COUNTY

Baker, Clatsop, Jefferson, Malheur, Polk, Sherman, Washington, Wheeler



County Road Bonding Act

TYPE

Property Tax

SUMMARY

County road bonding acts can support all types of road needs, capital improvement, safety, preservation, and maintenance. These bonds produce a one time infusion of funds to be paid off with taxes on assessed property value, and help to capture the costs associated with road usage from local residents. The county governing body must develop a road work plan and specifications and submit to bid.

CHALLENGES

Oregon law prohibits counties from using property taxes for road purposes unless the tax is specifically dedicated to county roads through a countywide vote. Property taxes are often oversubscribed by other mandated county services, making road funding through road bonding difficult.

CURRENT TOTAL REVENUE

\$1.1 million or less than 1% of total county road revenue

RELEVANT STATUTES

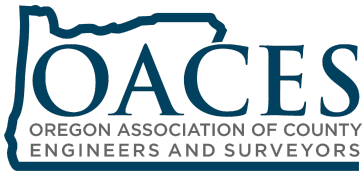
ORS 370.010 - 370.240 & 287A.001 - 287A.640

IMPLEMENTATION

Countywide vote

EXAMPLE COUNTY

Tillamook



Road Districts: General, Special, and Assessment Districts

TYPE

Property Tax

SUMMARY

Road Districts: General, Special, and Assessment Districts can support all types of road needs, capital improvement, safety, preservation, and maintenance. These taxes on assessed property value help to capture the costs associated with road usage from local residents for a smaller section of county roads. Assessment Districts can only have a population between 19,000 and 25,000 and must designate specific road improvements. General and Special districts can have flexible road maintenance purposes. Once collected, taxes levied by road districts from properties within a city shall be transferred to the city.

CHALLENGES

Property taxes are limited to \$10 per \$1,000 of real market value for government needs excluding school district funding. When taxes exceed \$10 per \$1,000 of real market value, all property taxes are proportionally reduced in a process called compression. Property taxes are often oversubscribed by other mandated county services, making road funding through road distinct creation difficult. Local improvement districts and road districts produced approximately \$2 million less than 1% of total county road revenue.

CURRENT TOTAL REVENUE

\$2 million or less than 1% of total county road revenue

RELEVANT STATUTES

ORS 371.005 - 371.535

IMPLEMENTATION

General: County Ordinance

Special: Landowner Petition

Assessment: County Ordinance

EXAMPLE COUNTY

At last count, 16 counties use this mechanism.



Local Improvement Districts

TYPE

Property Tax

SUMMARY

Local improvement districts can support all types of road needs, capital improvement, safety, preservation, and maintenance but must be designated for specific purposes. These taxes on assessed property value help to capture the costs associated with road usage from local residents for a smaller section of county roads.

CHALLENGES

Local improvement districts are formed through citizen petitions requiring 60 percent approval. Property taxes are limited to \$10 per \$1,000 of real market value for government needs excluding school district funding. When bonding acts would exceed \$10 per \$1,000 of real market value, all property taxes are proportionally reduced in a process called compression. Local improvement districts may be exempt from compression when funding a public capital improvement project. Property taxes are often oversubscribed by other mandated county services, making road funding through road bonding difficult. Local improvement districts and road districts produced \$2 million or 0.2% of total county road revenue.

CURRENT TOTAL REVENUE

\$2 million or less than 1% of total county road revenue

RELEVANT STATUTES

ORS 371.605 - 371.660

IMPLEMENTATION

Vote of property owners adjacent to the proposed improvement or county resolution.

EXAMPLE COUNTY

At last count, 9 counties use this mechanism.



Bonded Indebtedness for County Roads

TYPE

Property Tax

SUMMARY

Bonded indebtedness for county roads supports capital improvement projects. This mechanism allows ODOT to issue a loan to a county road department to be repaid with either taxes on assessed property value or by reducing gas tax revenue from the State Highway Fund (SHF).

CHALLENGES

Counties are prioritizing safety, maintenance, and preservation work to prevent Oregon's county road network from deteriorating. It is far more economical to invest in maintaining existing infrastructure than to face the much higher costs incurred through deferred maintenance. While bonded indebtedness offers the flexibility to pay down the debt with SHF revenue instead of property tax, the reduced funding for essential preservation and maintenance activities makes the investment unappealing.

CURRENT TOTAL REVENUE

None

RELEVANT STATUTES

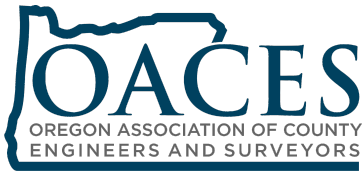
ORS 367.700 - 367.750

IMPLEMENTATION

County resolution and application to Oregon Transportation Infrastructure Bank.

EXAMPLE COUNTY

None



Transient Lodging Tax

TYPE

Misc

SUMMARY

Transient lodging taxes are primarily designed to support tourism, with 70 percent strictly dedicated to that purpose. The remaining 30 percent can support general county services, including all types of road needs, capital improvement, safety, preservation, and maintenance. However, road expenditures must compete with other county mandated services. These taxes are on short term stays in hotels, motels, and vacation rentals.

CHALLENGES

Only 30% of lodging tax is discretionary, the funds are generally over subscribed, but can be dedicated to road needs. Transient lodging taxes produced \$2 million or 0.2% of total county road revenue. While all parts of the great state of Oregon have beautiful destinations, not all host sizable tourist industries.

CURRENT TOTAL REVENUE

\$2 million or less than 1% of total county road revenue

RELEVANT STATUTES

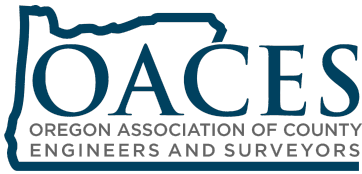
ORS 320.300 - 320.302 & 320.345 - 320.350

IMPLEMENTATION

Countywide vote

EXAMPLE COUNTY

Tillamook
Multnomah



Road Utility Fee

TYPE

Misc

SUMMARY

Road Utility fees could support all types of road needs capital improvement, safety, preservation, and maintenance. These fees are tacked onto water or sewer utility bills for both single family residential properties and per dwelling multi-unit residential properties. These fees are administered through public utilities.

CHALLENGES

Unlike cities, counties do not administer public utilities and do not have a viable method of collection.

CURRENT TOTAL REVENUE

None

RELEVANT STATUTES

ORS 203.035 - 203.055

IMPLEMENTATION

Countywide vote

EXAMPLE COUNTY

None