

ODOT Funding Package Resource Library

How Oregon Local Governments Fund Roads

Transportation funding challenges exist beyond the state level, with cities and counties also seeking solutions to declining transportation revenue streams.

In Oregon, formulas set in statute distribute about 45 percent of net State Highway Fund revenues (after deducting the costs of collecting the revenue) to cities and counties. For cities, this amounted to \$246,201,089 in Fiscal Year 2023, while counties received \$371,824,904 in Fiscal Year 2023. Cities and counties receive a significant portion of their funding from the State Highway Fund, with a majority of county road funding coming from state sources. Oregon provides a larger share of statewide road funding to local governments than almost any other state in the nation, and rural areas and smaller communities are more reliant on state revenue sources than urban areas and larger communities.

Cities and counties rely on locally-generated revenue for about half of their total road spending. Cities and counties have additional options available for sourcing transportation revenue, such as system development charges, local option fuel taxes and vehicle registration fees, and transportation utility fees.

Local Option Fuel Taxes

Under ORS 319.950 local governments have authority to implement local option fuel taxes. However, under this statute local governments are required to have a public vote to approve a fuels tax. Thirty cities and two counties in Oregon levy a local option fuel tax.¹ ODOT's Fuels Tax Group collects taxes on behalf of most of these local governments, totaling about \$34 million annually. While local option fuel taxes remain a viable option in the near term, they – similarly to the state fuel tax – face diminishing returns over the long term as the vehicle fleet becomes increasingly efficient and electric.

Local Option Registration Fees

Three counties in Oregon—Multnomah, Washington, and Clackamas—impose a county registration fee for vehicles that reside in those counties. These are collected by Oregon DMV at minimal cost to the counties. Currently, at the local level, only counties are able to impose registration fees – cities do not have the authority to do so. However, counties must provide for payment of at least 40 percent of moneys from the registration fee to cities, with the exception of Multnomah County as provided in ORS 801.044. Under ORS 801.041, the governing body of a county with a population of 350,000 or more may enact a registration fee, but the voters must approve a registration fee in counties with a population less than 350,000.

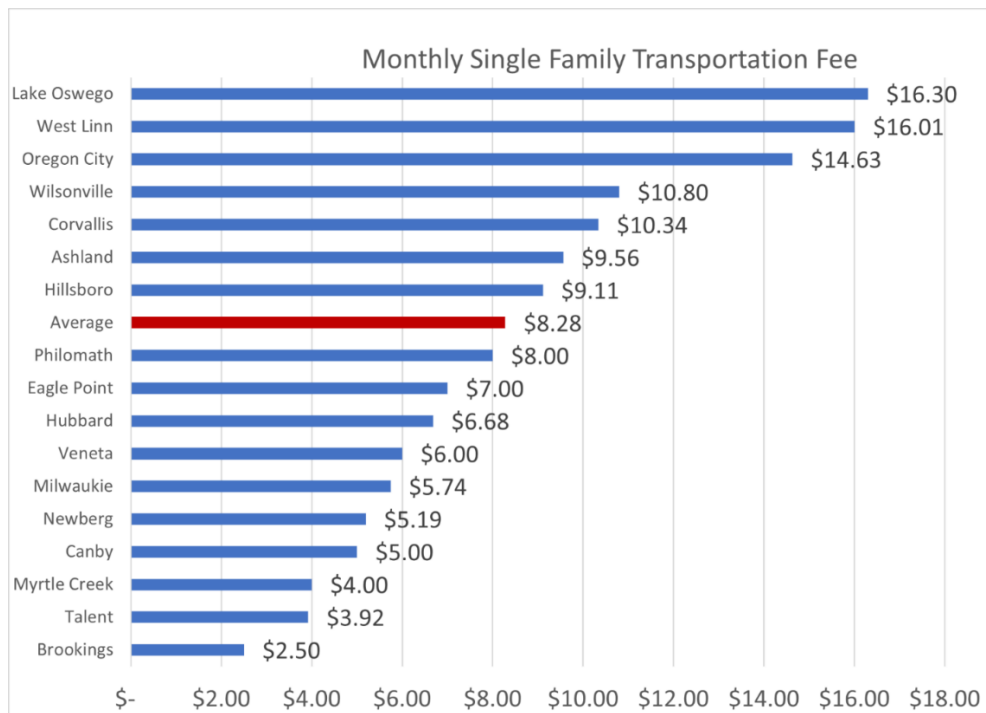
¹ [Oregon Department of Transportation – Current Fuel Tax Rates](#)

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County	Registration Fee (Annual)	Approx. Total Collections (Annual)
Multnomah	\$56	\$32 million
Clackamas	\$30	\$12 million
Washington	\$30	\$16 million

Transportation Utility Fees

Also referred to as a street utility fee, some local governments have implemented a fee that is assessed on customer utility bills (e.g. water/sewer) and dedicated to maintaining and improving transportation infrastructure. Over 30 cities in Oregon utilize a transportation utility fee.



[Source: City of Creswell, Oregon \(January 2023\), updated by City of Bend \(August 2023\)](#)

(Click on “How much are other cities in Oregon paying for this type of fee?”)

System Development Charges

System development charges (SDCs) are “one-time charges on new development and certain types of redevelopment to help pay for existing and planned infrastructure to serve that development.”² In Oregon, SDCs may be used by cities, counties, and special districts for capital improvements to various types of infrastructure, including transportation. SDCs may be used for capital costs but are ineligible for ongoing maintenance and operation costs. Moreover, a reasonable connection must exist between the fee paid and benefits received by the developer.

² [State of Oregon Legislative Policy and Research Office – System Development Charges Issue Brief](#)

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Other Local Funding Options

Additional options available to local governments for raising road revenue include:

- Transient lodging tax
- Parking meters and fines
- Franchise fees
- Sales tax
- Road and service districts
- Local improvement districts (LID)

Local Road and Street Finance Report³

ODOT conducts a Local Road and Street Finance Questionnaire every year to track annual receipts, expenditures, debt information, and capital outlays on the National Highway System. The Fiscal Year 2023 survey, which spanned July 1, 2022, through June 30, 2023, achieved a survey response rate of 100 percent. The data are gathered from survey responses received from all 36 counties, the four road assessment districts of Malheur County, and Oregon cities with populations of 5,000 or more.

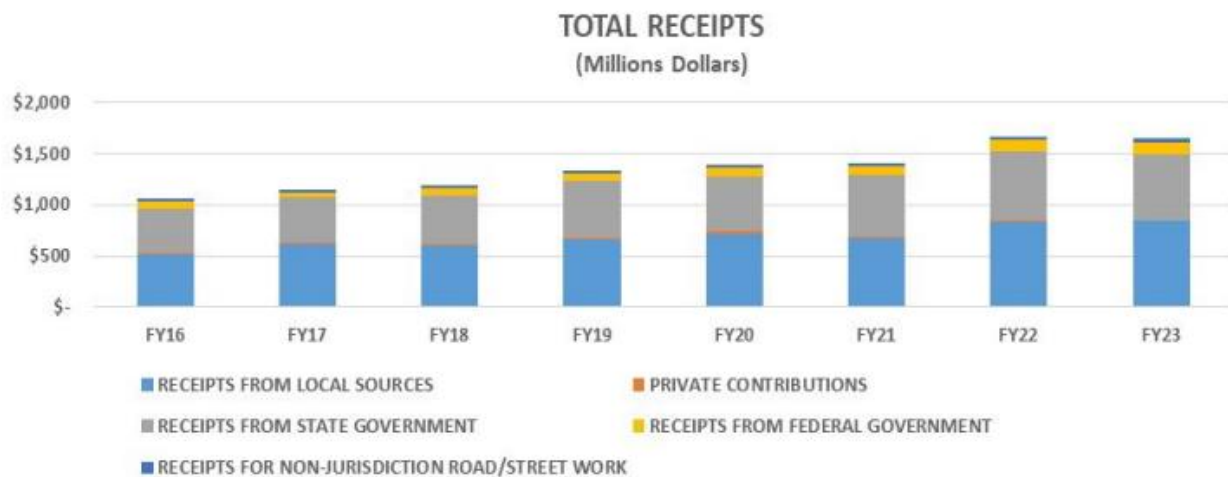


Figure 1 – Total Receipts

Figure 1 displays the combination of five funding sources that produce total receipts. Receipts from local sources is the largest source at more than 50 percent of receipts, while receipts from state government is the next largest at almost 40 percent.

³ [State of Oregon – Local Road and Street Finance Questionnaire Report \(FY 2023 State Fiscal Year\)](#)

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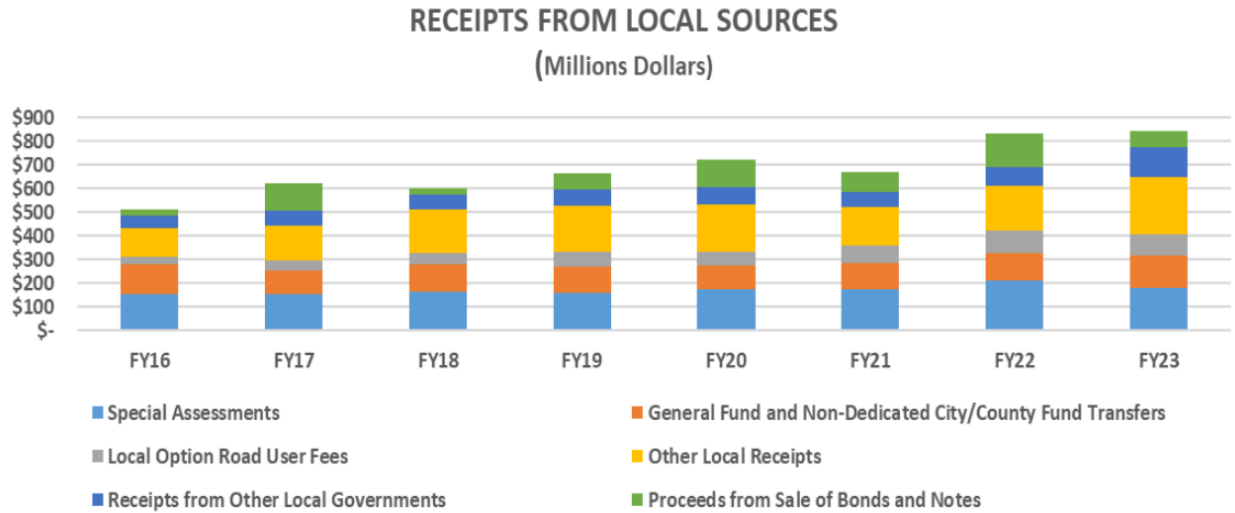


Figure 2 – Receipts from Local Sources

Figure 2 breaks down the receipts from local sources, which makes up more than 50 percent of total receipts. The largest source – Other Local Receipts – includes revenue from parking fees and fines; permits and land use fees; and interest income. Special Assessments include property taxes and system development charges; Local Option Road User Fees include fuel taxes and vehicle registration fees.

Receipts from local sources are much more significant in large-population jurisdictions than in rural, low-population jurisdictions. Smaller jurisdictions tend to have higher percentages of their annual budgets derived solely from the State Highway Fund.

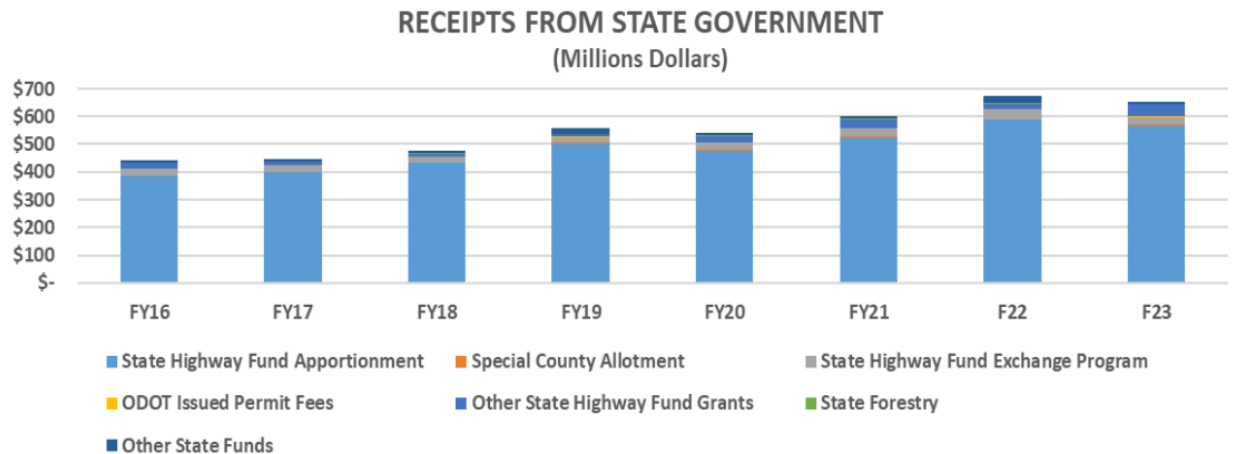


Figure 3 – Receipts from State Government

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Figure 3 depicts the seven sources of funding that make up receipts from state government, which equal nearly 40 percent of total receipts. The State Highway Fund Apportionment accounts for nearly 87 percent of receipts from state government.