

Local Government Revenue Options

- 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. 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. But as increasing fuel efficiency and inflation diminish the SHF revenue sources, local governments experience a similar effect as the state.
- Cities and counties have additional options at their disposal for sourcing transportation revenue, such as system development charges, local option fuel taxes and vehicle registration fees, and transportation utility fees. Each of these funding sources could also be leveraged – individually or jointly – as pledged revenues to support a bonding program.

Local Option Fuel Taxes

Local governments are allowed under ORS 319.950 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 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.

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

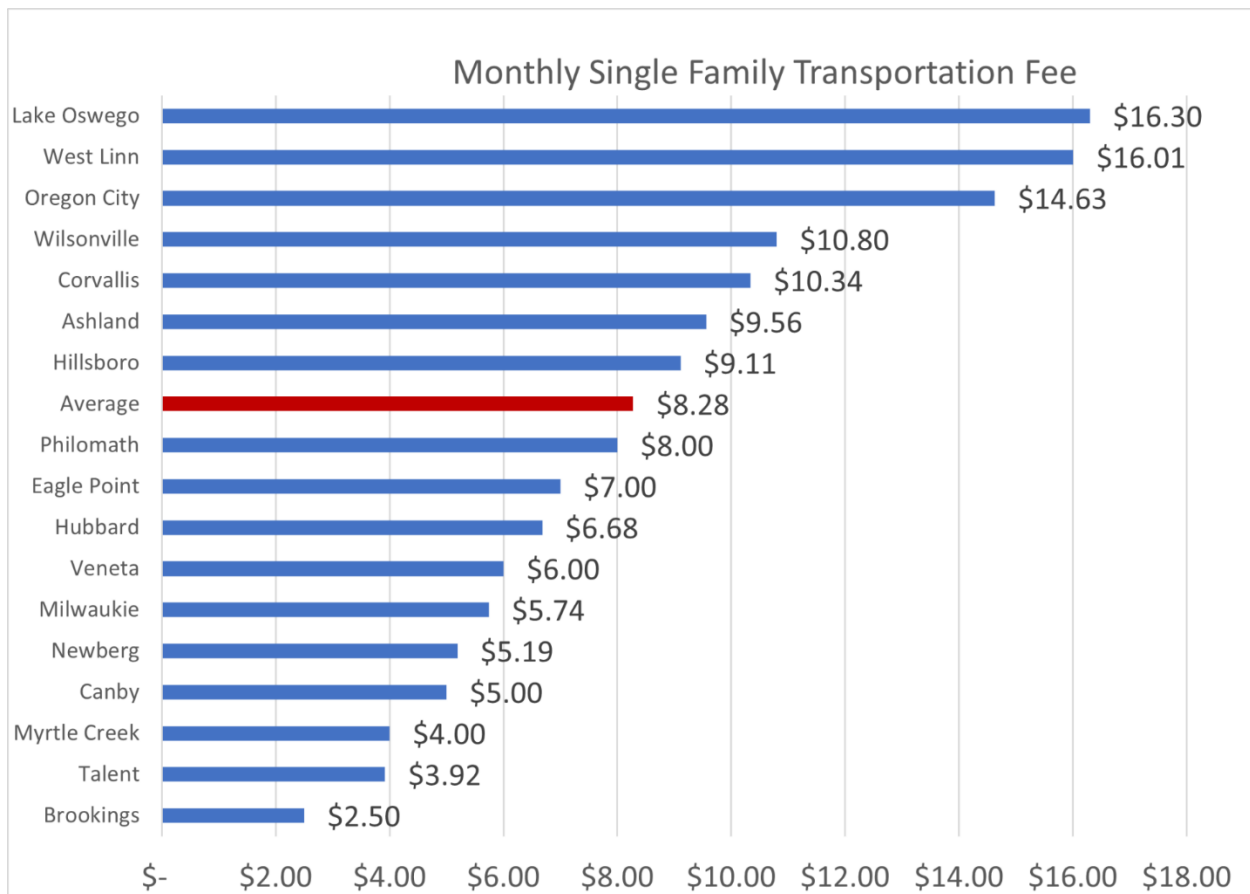
¹ [Oregon Department of Transportation – Current Fuel Tax Rates](#)

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.

As an example, the City of Bend is in the process of implementing a transportation fee that will begin appearing on resident and business utility bills as an ongoing source of transportation funding beginning July 1, 2024.² The transportation fee is intended to support the priorities established in the city’s transportation system plan and is expected to be used for services such as snow plowing, street sweeping, clearing debris from bicycle lanes and sidewalks, sidewalk infill, safety equipment, street pavement preservation, and traffic signal upgrades.

For residents, single-family residential accounts will be charged, per utility bill cycle, a fee of \$5.60 per dwelling unit while multi-unit residential accounts will be charged \$4.15 per dwelling unit. Nonresidential fees are based on building square footage.



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?”)

² [City of Bend – Transportation 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.”³ 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.

Local Option Road Usage Charging

ODOT completed a local option RUC pilot that demonstrated how OReGO’s RUC system and program has the technical capability to execute a local option RUC using GPS-enabled reporting.⁴ It did not, however, explore the challenges with developing business rules that would apply within the geographic boundaries, nor did it determine how rates would be set. The costs associated with administering a local option RUC increase based on several variables, such as geofence sizes, location sampling rates, and increased storage costs to name a few. Implementation could be challenging, as levying a local RUC would require vehicles to provide location data.

Local Road and Street Finance Questionnaire Report⁵

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.

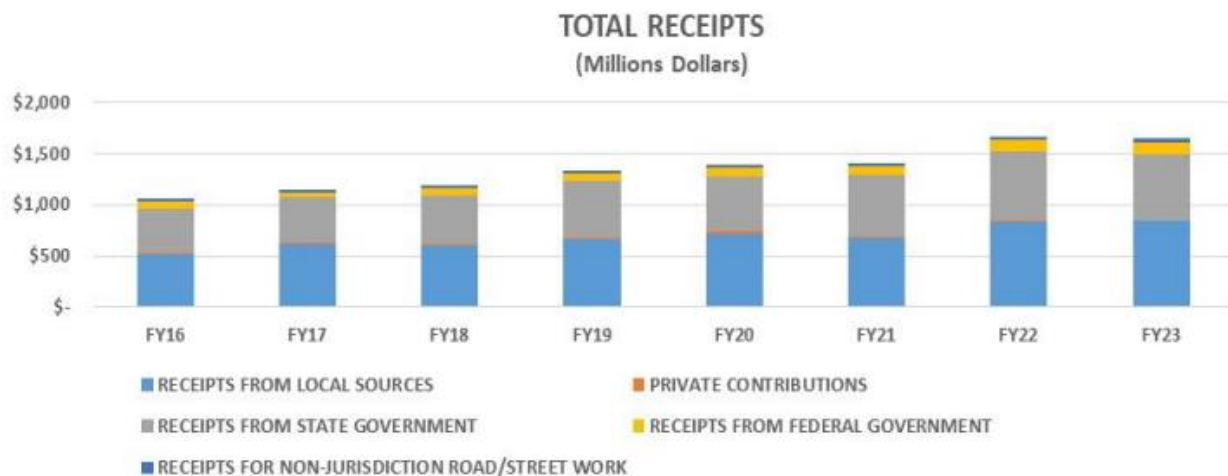


Figure 1 – Total Receipts

³ [State of Oregon Legislative Policy and Research Office – System Development Charges Issue Brief](#)

⁴ [Oregon Department of Transportation – Local RUC Project Evaluation Report to the Secretary](#)

⁵ [State of Oregon – Local Road and Street Finance Questionnaire Report \(FY 2023 State Fiscal Year\)](#)

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.

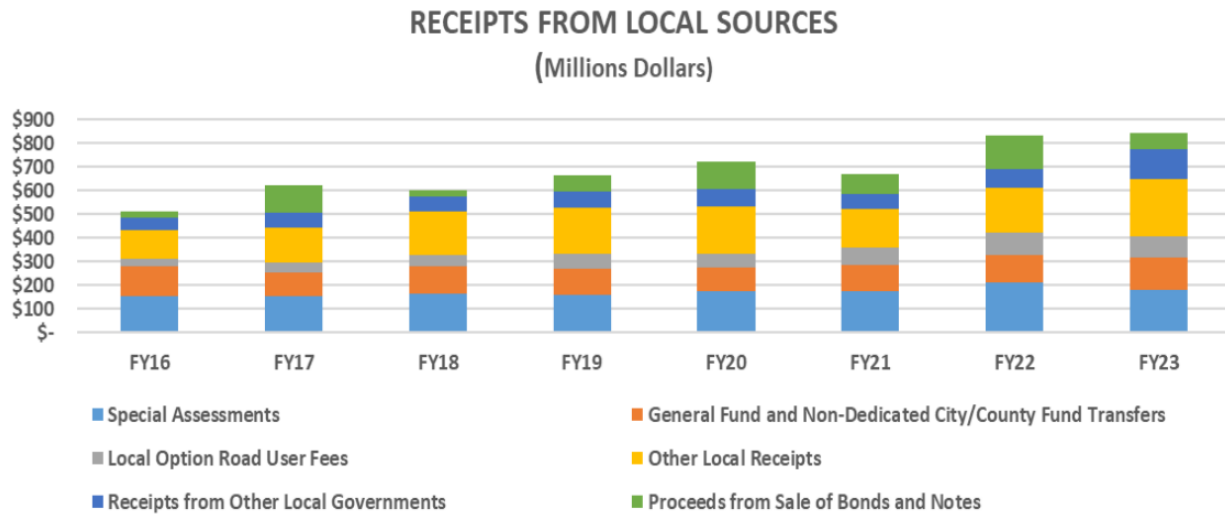


Figure 2 – Receipts from Local Sources

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.

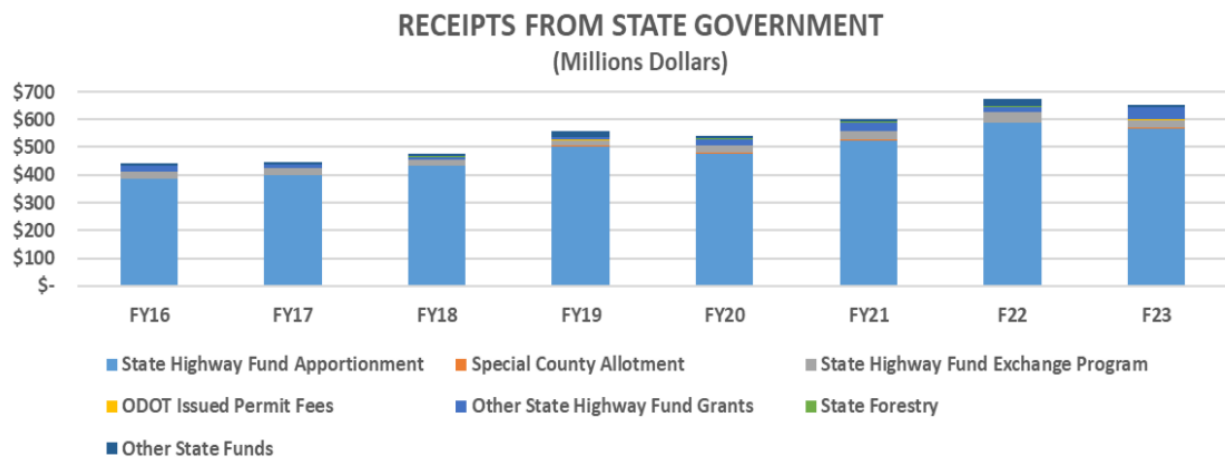


Figure 3 – Receipts from State Government

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.