



MEMORANDUM

DATE: February 17, 2016
TO: Linn County TSP Project Management Team
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**SUBJECT: Linn County Transportation System Plan
Technical Memorandum #3: Funding Assumptions**

P14180-010

This document details the transportation funding that is expected to be available through 2040. The funding assumptions will help prioritize the investments the County can make in the transportation system, and will be utilized to develop reasonable budgeting assumptions when selecting a set of transportation improvements to meet identified needs through 2040.

Current Funding Sources

The County uses several funding sources for transportation, including funds from the State Highway Trust Fund, Federal Forest Payments, grants and other sources, including the Surface Transportation Program (STP).

The State Highway Trust Fund makes distributions from the state motor vehicle fuel tax, vehicle registration fees, and truck weight-mile fees on a per capita basis. Cities and counties receive a share of State Highway Trust Fund monies, and by statute may use the money for any road-related purpose, including walking, biking, bridge, street, signal, and safety improvements.

The state gas tax funds previously have failed to keep up with cost increases and inflation. With increased fuel efficiency of vehicles and the State's emphasis on reducing vehicle miles traveled, the real revenue collected gradually has eroded over time. In an effort to offset the relative decline in contribution of state funds, the 2009 legislature passed the Oregon Jobs and Transportation Act (Oregon House Bill 2001). It increases transportation-related fees including the state gas tax and vehicle registration fees as a fixed amount at the time a vehicle is registered with the Department of Motor Vehicles. Vehicle registration fees in Oregon increased from \$27 to \$43 per vehicle per year for passenger cars, with similar increases for other vehicle types. The gas tax in Oregon increased on January 1, 2011 by six cents, to 30 cents per gallon, the first increase in the state gas tax since 1993. It currently remains at 30 cents per gallon.¹

Linn County also receives Federal Forest Payment funds. These funds dropped substantially due to a reduction in logging in the Northwest to protect the spotted owl and salmon, but were replaced with

¹ www.oregon.gov/ODOT/CS/FTG/pages.reqgasdiscl.aspx, visited November 20, 2015.

subsidies to replace this income over the past 20 years. However, these subsidies are no longer secure and are voted on year by year.

Federal Highway Trust Funds are received from federal motor vehicle fuel tax and truck-related weight mile charges. The six-year Federal Transportation Authorization Act allocates funds through various programs. Federal Highway Trust Funds from the Surface Transportation Program (STP) flow to the states that use them primarily for safety, highway, and bridge projects. Linn County receives a portion of these funds based upon actual population. Typically, these funds are exchanged with the state for more flexible funds without the constraints of federal requirements.²

Estimated 2040 Revenues

Linn County will collect almost \$17 million annually in revenues from existing sources through 2040 (see Table 1). Over the past five years, Linn County averaged annually about \$7 million in State gas tax and vehicle registration fee revenue, about \$3.8 million in Federal Forest Payment revenue, and almost \$6 million from a variety of other sources (e.g. FEMA, interest, grants, other). Assuming, as a conservative estimate,³ similar levels in the future, Linn County can expect to receive through 2040, almost \$420 million in State gas tax and license fee, Federal Forest Payment, Grants and other revenue.

State law requires that the County must set aside a minimum of one percent of the State gas tax and vehicle registration funds received for construction and maintenance of walking and bicycling facilities. In Linn County, this represents approximately \$70,000 per year and approximately \$1.75 million through 2040.

The County received approximately \$2.3 million annually in other revenues over the past seven years, which includes about \$600,000 in STP funds. Keeping this revenue level consistent, this represents about \$56 million through 2040.

Estimated 2040 Expenditures

Expenditures will approach \$420 million through 2040. The County will spend the majority of the funds, about \$260 million through 2040 on materials and services and personnel services. In addition, the County will spend over \$210 million on capital outlay and other expenditures.

² Per Darrin Lane, Linn County Roadmaster, email November 9, 2015.

³ This assumes the population growth rate in Linn County will be roughly the same as the cost inflation rate, therefore, maintaining existing revenues through 2040.

**Table 1:
Linn County Transportation Funding (2015 Dollars)**

Revenue Source	Average Annual Amount	Estimated Amount Through 2040
State Gas Tax and License Fees	\$7,010,000	\$175,250,000
Grants	\$3,400,000	\$85,000,000
Federal Forest Payments	\$3,810,000	\$95,250,000
FEMA	\$130,000	\$3,250,000
Interest	\$170,000	\$4,250,000
Other	\$2,260,000	\$56,500,000
<i>Total Revenue (7-year Average)</i>	<i>\$16,780,000</i>	<i>\$419,500,000</i>

Expenditures	Average Annual Amount	Estimated Amount Through 2040
Personnel Services	\$6,650,000	\$166,250,000
Materials and Services	\$3,790,000	\$94,750,000
Capital Outlay	\$5,680,000	\$142,000,000
Other	\$2,870,000	\$71,750,000
<i>Total Expenditures (7-year Average)</i>	<i>\$18,990,000</i>	<i>\$474,750,000</i>

Expected Funds for Capital Improvements	Average Annual Amount	Estimated Amount Through 2040
Net Revenue (Revenues – Expenditures)	<i>-\$2,210,000</i>	<i>-\$55,250,000</i>
Existing Fund Balances (2014-15 Fiscal Year)		\$21,087,862
<i>Total Funds for County Street Improvement Needs (Net Revenue + Existing Balance)</i>		<i>-\$34,162,138</i>

Funding Summary

Based on current funding levels, the County expects to have a shortage of about \$34 million to fund projects in the TSP. The County can reasonably likely assume between \$15 and \$20 million from the state⁴, based on County unincorporated population, to cover investments along state highways and the local transportation network over the next 20 years. The County may wish to consider expanding its funding options in order to help make up for the shortage and to fund more of the desired improvements in a timely manner. As a comparison, Table 2 summarizes expected horizon year funding per capita for similar Oregon counties.

⁴ Per Terry Cole, ODOT Region 2, September 8, 2015.



**Table 2:
County Transportation Funding Horizon Year Comparison**

County	Horizon Year Population	Horizon Year Estimated Net Revenue	Revenue/ Population
Yamhill	143,000	\$6,000,000	\$42
Clatsop	40,500	\$3,740,000	\$92
Columbia	64,000	-\$109,400,000	-\$1,709
Linn	157,000	-\$54,860,117	-\$349

Potential Additional Funding Sources

New transportation funding options include local taxes, assessments and charges, and state and federal appropriations, grants, and loans. Factors that constrain these resources include the willingness of local leadership and the electorate to burden citizens and businesses with taxes and fees; the portion of available local funds dedicated or diverted to transportation issues from other competing County programs; and the availability of state and federal funds. The County must consider all opportunities for providing or enhancing funding for the transportation improvements included in the TSP.

Counties and cities have used the following sources to fund the capital and maintenance aspects of their transportation programs. As described below, they may help to address existing or new needs identified in Linn County’s TSP.

Local Fuel Tax

Fourteen cities and two counties in Oregon have adopted local gas taxes ranging from one to five cents per gallon. The fuel distributors pay collected taxes to the jurisdictions monthly. Newport increases its local gas tax during the summer months to place more of a burden on visitors than on year-round residents. Linn County also may want to implement a local gas tax. The process for presenting such a tax to voters would need to be consistent with Oregon State law as well as the laws of the County.

System Development Charges

System development charges (SDC) are fees collected from new development and used as a funding source for all capacity adding projects for the transportation system. The funds collected can be used to construct or improve portions of roadways impacted by applicable development. The SDC is collected from new development and is a one-time fee. The fee is based on the proposed land use and size, and is proportional to each land use’s potential PM peak hour vehicle trip generation. Linn County does not currently collect SDCs. The County may wish to pursue vehicle and/or pedestrian and bicycle SDC’s to fund transportation projects for new developments. Many of the transportation improvements in the TSP would be 100 percent fundable through SDC’s. If an SDC rate program is desired, a rate study would be required to determine appropriate fees based on capacity projects costs, growth potential and local preferences. SDCs may not make sense for rural Linn County since most development occurs within city UGBs.



ODOT Statewide Transportation Improvement Program (STIP) Enhance Funding

ODOT has modified the process for selecting projects that receive STIP funding to allow local agencies to receive funding for projects off the state system. Projects that enhance system connectivity and improve multi-modal travel options are the focus. The updated TSP prepares the city to apply for STIP funding.

ODOT Highway Safety Improvement Program (HSIP) Funding

With significantly more funding under the HSIP and direction from the Federal Highway Administration to address safety challenges on all public roads, ODOT will increase the amount of funding available for safety projects on local roads. ODOT will distribute safety funding to each ODOT region, which will collaborate with local governments to select projects that can reduce fatalities and serious injuries, regardless of whether they lie on a local road or a state highway.

ODOT entered into a memorandum of understanding with AOC (Association of Oregon Counties) and LOC (League of Oregon Cities) that establishes that all Oregonians share the roads and that safety is everyone's concern. The common purpose is to reduce fatal and serious injuries on all public roads through a data driven process.⁵ The program is referred to as the All Roads Transportation Safety Program (ARTS). The ARTS program funds are separated into two categories – systemic and hot spots. The 2017 – 2021 STIP timeframe includes funding for the first round of ARTS projects.

Debt Financing

A community can use debt financing to pay for significant capital improvement projects and spread costs over the useful life of a project. This equitable funding strategy spreads the burden of repayment over existing and future customers who will benefit from the projects. Debt service must have a funding source to fulfill annual interest and repayment obligations.

⁵ All Roads Transportation Safety Program: Key Facts – 2015, program information through April 30, 2015.

