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The Road Ahead

County Transportation Funding and Financing

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Counties need the federal government to continue to work with them and the states in funding the U.S. surface transportation system.

- Counties own 45 percent of the public roads and 230,690 bridges
- Local governments own 43 percent of the federal-aid highways
- Local areas receive a suballocation that is equal to 16 percent of MAP-21 National Highway Performance Program (NHPP) and the Surface Transportation Program (STP) funding for federal-aid highways

Executive Summary

Counties are an essential part of the nation's transportation system. They are responsible for building and maintaining 45 percent of the public roads, 230,690 bridges and are involved in a third of the nation's transit and airport systems that connect residents, businesses and communities. The impending expiration of the federal surface transportation funding law, Moving Ahead for Progress in the 21st Century Act(MAP-21), presents an opportunity for counties to discuss their role in the national transportation network.

An analysis of county transportation (roads and bridges only) funding sources, challenges and solutions across 48 states with county governments shows that:

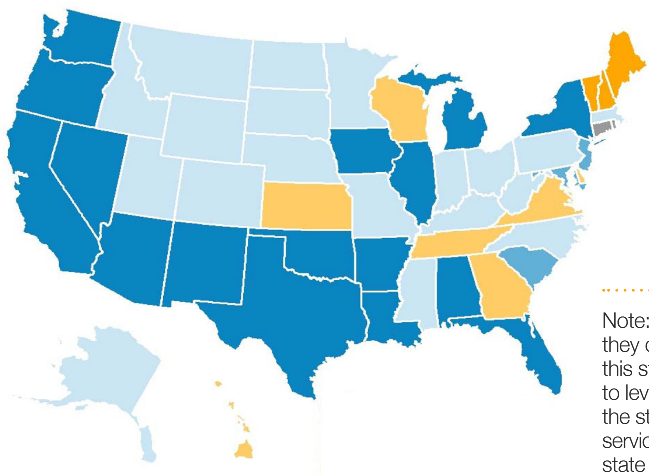
1 – **Federal and state funding for county transportation projects is increasingly inadequate.** Based on Federal Highway Administration data, the share of federal and state funding to local governments for highways decreased by 10 percent between 1998 and 2011. The latest federal surface transportation law, Moving Ahead for Progress in the 21st Century Act (MAP-21), further skewed the allocation of funds away from local governments. While local governments own 43 percent of the federal-aid highways, local areas receive a suballocation that is equal to 16 percent of the MAP-21 National Highway Performance Program (NHPP) and the Surface Transportation Program (STP) funding for federal-aid highways. A combination of federal budget cuts, the effect of the recession on state government budgets and the fixed gas tax nature of state and federal highway funding are contributing to a widening gap in transportation funding available to counties.

For the full report, the companion interactive data tool the Road Ahead interactive and individual state profiles, see www.naco.org/countytransportation.

The reader can access transportation funding data and information for counties in each of the 48 states with county governments: county ownership and financial authority over roads and bridges, funding sources, challenges and solutions with funding and financing transportation.

2 – **Counties face the dilemma of rising costs of transportation projects, increasing traffic volumes and limitations on their ability to generate revenue.** The cost of construction and materials increased by 44 percent between 2000 and 2013, more than the 35 percent rise in the overall rate of inflation. Among other factors, regulatory costs contributed to this trend, as shown by California counties. Fast changing economic environments put pressure on county transportation systems, especially in states with rapidly expanding oil and gas industries. At the same time, most states limit counties' ability to raise revenue. Forty-three (43) states have some type of limitation on the property taxes collected by counties, including 38 states that impose statutory limitations on property tax rate, property tax assessments or both. Only 12 states authorize counties to collect their own local gas taxes, which are limited to a maximum rate in most cases and often involve additional approvals for implementation.

STATE IMPOSED LIMITATIONS ON COUNTY PROPERTY TAX RATES AND PROPERTY ASSESSMENT, AS OF FEBRUARY 2014

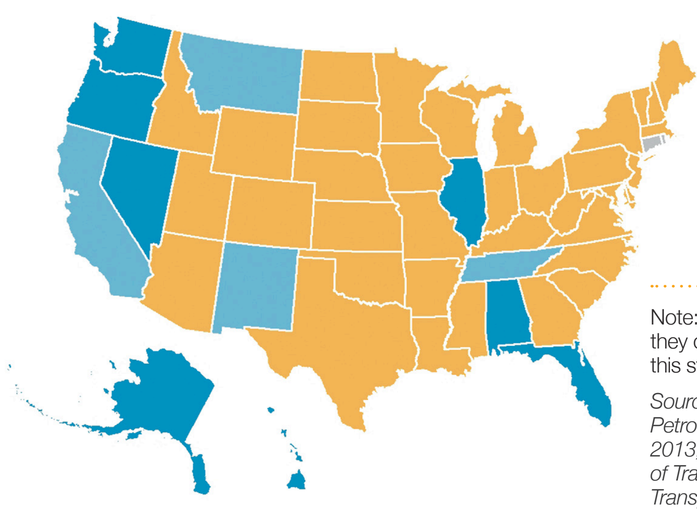


- Both property tax rate and assessment limit
- Only assessment limit
- Only property tax rate limit
- Neither property tax rate nor assessment limit
- Counties do not have authority to levy property taxes on their own

Note: Connecticut and Rhode Island are marked in gray because they do not have county governments. They are not included in this study. Maine and Vermont do not give counties the authority to levy any taxes, but counties may request an assessment from the state government based on estimates of the costs of county services. In New Hampshire, a county delegation composed of state representatives is responsible for levying taxes.

Sources: NACo update of National Conference of State Legislatures, A Guide to Property Taxes: Property Tax Relief, 2009

STATES ALLOWING COUNTIES TO COLLECT LOCAL OPTION GAS TAXES, AS OF FEBRUARY 2014



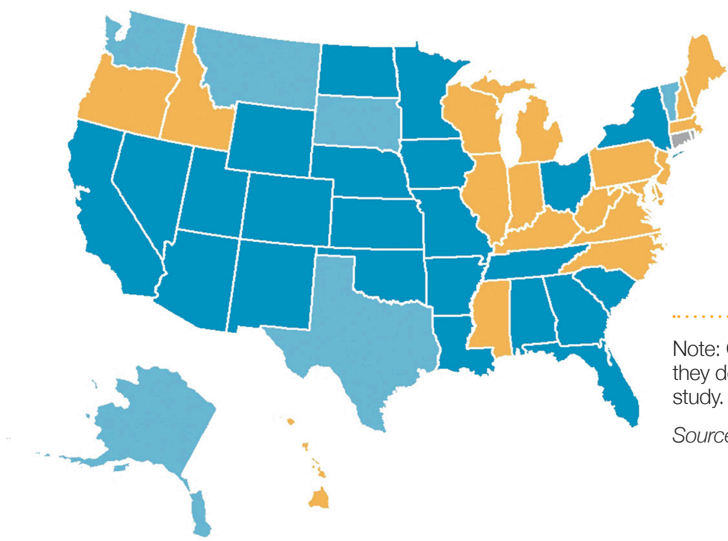
- Not authorized
- Authorized but not adopted
- Adopted

Note: Connecticut and Rhode Island are marked in gray because they do not have county governments. They are not included in this study.

Sources: NACo Analysis of Goldman and Wachs, 2003; American Petroleum Institute (API), State Motor Fuel Taxes, October 2013; Goldman, Todd; Corbett, Sam; Wachs, Martin. Institute of Transportation Studies University of Berkeley. Local Option Transportation Taxes in the United States, Part One: Issues and Trends. March 2001.

3 – **Counties have adopted additional funding and financing mechanisms, but they are not sufficient to cover the needs of their businesses and residents.** Counties increasingly use local option sales taxes to fund transportation projects, where allowed under state law. Twenty-nine (29) states allow counties to collect local option sales taxes for transportation purposes or general purposes including transportation. Over the years, county residents in 15 states voted for local option sales taxes for road capital projects. In addition, partnerships with state and local governments allowed counties in Pennsylvania and Ohio to pool resources and materials to save money on transportation projects. Counties in states such as Iowa, Missouri and Nevada implemented land value capture options such as tax increment financing, special assessment districts and development impact fees, linking transportation investments to the economic growth in their counties. For large and complicated capital projects, counties partnered with the private sector in Public-Private Partnerships (PPPs) such as Miami-Dade County's Port of Miami tunnel project.

COUNTY LOCAL OPTION SALES TAXES FOR TRANSPORTATION, AS OF FEBRUARY 2014



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Sources: NACo analysis of Goldman, Corbett and Wachs, 2001

- **43 states have some type of limitation on the property taxes collected by counties**
- **Only 12 states authorize counties to collect their own local gas taxes**
- **29 states allow counties to collect local options sales taxes for transportation purposes or general purposes, including transportation**
- **County residents in 15 states voted for local option sales taxes for road capital projects**

The Road Ahead: County Transportation Funding and Financing

> Global competition and an increasing backlog of needs at all levels of government require strong federal-state-local and public-private collaboration and solutions.

However, these local solutions are not a sufficient solution to the problems facing a big portion of the nation's overall transportation network. Counties need the federal government to continue to work with them and the states in funding and financing the U.S. surface transportation system. Absent this partnership, the result will be a piecemeal approach to an integrated network of roads, bridges and other transportation modes. The U.S. surface transportation system is the "circulatory" system of the U.S. economy that requires a cohesive resolution for a strengthening economic recovery on the ground.

Global competition and an increasing backlog of needs at all levels of government require strong federal-state-local and public-private collaboration and solutions. Americans driving home or U.S. businesses shipping goods to destinations want an efficient and well-maintained U.S. transportation system. They move between roads and bridges owned by different levels of government or between various types of roads, with little knowledge of the different segmentations or ownership conditions. A seamless network of roads and bridges needs consistency in construction and maintenance across the entire U.S. transportation system. All levels of government participating in this responsibility must also share funding and grant counties the ability to generate additional revenues. This requires all owners of roads and bridges to work together to maintain and improve the U.S. surface transportation network.

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