

Innovation Profiles: Transportation Utility Fees

Using Transportation Utility Fees to Fund Infrastructure Projects



Transportation utility fees allow local agencies to raise revenue to meet local transportation needs, which can make a significant difference for local agencies as they plan and finance transportation projects amid decreasing revenues and reduced support from other funding sources. In 1994, Oregon passed legislation to authorize transportation utility fees—also called street maintenance fees, road user fees, or street utility fees—to expand the ability of local jurisdictions to generate funds for infrastructure projects.

Transportation utility fees are financing mechanisms that treat the transportation system like a utility. Residents and businesses are charged fees based on their use of the transportation system rather than charged taxes based on the value of the property that they occupy.

Program Highlights:

- Planning agencies and public works departments can use transportation utility fees to generate additional revenue and bolster more traditional revenue streams. For example, on average, street maintenance fees in Lake Oswego generate nearly \$3 million in revenue per year. As of Fall 2020, these fees have generated about \$28.9 million for the City of Lake Oswego. These funds have helped Lake Oswego maintain a balanced budget.
- Transportation utilities fees may be advantageous because they apply to all transportation-related infrastructure, from curb maintenance and bridge repair to rehabilitation of infrastructure designed for vehicles, pedestrians, or bicyclists. Transportation utility fees help planners and other agency departments to fund a diverse range of projects, and can fund them concurrently.

Project Financing

Transportation utility fee revenue provides agencies with increased financial flexibility to address transportation needs by supplementing traditional funding sources like general funds and gas tax revenue. These fees can help agencies supplement other funding sources and enable them to avoid deferred maintenance due to lack of funds. By supporting projects for all modes, transportation utility fees may also help to reduce overall vehicle-miles traveled, reducing wear and tear on roadway infrastructure, and foster compact mixed-use development.

In 2003, City of Lake Oswego staff determined that the gas tax, the traditional funding source for street maintenance was inadequate to meet the repair and street maintenance needs. Without a fee in place, the City would face increasing budget shortfalls and delays in replacing or maintaining their transportation infrastructure.



Figure 1: Lake Oswego's DPW repaves a section of road. Image courtesy of Lake Oswego DPW.

Department of Public Works (DPW) and transportation staff approached the City Council for a vote to institute a street maintenance fee, which the Council approved on November 4, 2003; the fee has since become the





Figure 2: Lake Oswego DPW repairing a curb ramp. Image courtesy of Lake Oswego DPW.

preferred alternative source of funding for city infrastructure. In addition to securing local legislative approval, agencies seeking to implement these fees must also decide which entity or department will manage the program. For example, Lake Oswego DPW Engineering staff lead efforts funded by the fee program due to their responsibilities for improving pavement quality and other rehabilitation projects.

In order to implement the fee, DPW staff first needed to inventory all existing uses on parcels within their boundaries, which enabled them not only to create a parcel classification system, but also to estimate yearly revenue. This classification system helps DPW plan for future projects beyond yearly estimates. The DPW used trip generation rates produced by the Institute of Transportation Engineers to determine trip generation

values for each classified use; this classification increases the likelihood of street maintenance fees capturing an accurate estimate of infrastructure use.

Legislative bodies can increase the maintenance fee rate through majority vote, using [Engineering News Record's \(ENR\) Construction Cost Index](#) as a reference, with two percent minimum and seven percent maximum limitations. This ensures that fees keep pace with inflation rates and gives agency staff flexibility to adjust fees based on emerging infrastructure needs.

Timely maintenance of streets due to readily available funds improves the overall life of the infrastructure and decreases future costs; restoration of pavement near the end of its service life can cost four to five times more than maintenance performed more timely.

| Type of Use | | Definition |
|---------------------|---------------|--|
| Residential use | Single family | Includes each single family unit |
| | Multi-family | Includes each unit of a duplex, triplex, condominium, townhouse or apartment |
| Non-residential use | Group 1 | Includes parcel with less than 29 vehicle trip miles per day per 1,000 square feet of GFA (gross floor area) |
| | Group 2 | Includes parcel with 29 – 90 vehicle trip miles per day per 1,000 square feet of GFA |
| | Group 3 | Includes parcel with more than 90 vehicle trip miles per day per 1,000 square feet of GFA |

Table 1: Parcel Classification by Type. Information courtesy of Lake Oswego.

Challenges and Lessons Learned

- **Transportation utility fees may prove especially helpful for agencies with limited methods of raising revenue.** Transportation utility fees are particularly advantageous for communities that rely heavily on funding that is challenging to maintain or increase, such as property taxes. Transportation utility fees require every local traffic generator to help support the local road system, and help agencies raise funds that are more likely to cover their maintenance costs.
- **Transportation utilities fees may face public opinion and legal challenges; agency staff should be prepared to defend the funding mechanism by explaining program benefits.** Agency staff pursuing street maintenance fees must meet a series of legislative requirements to avoid legal complications regarding these fees; therefore, they must be prepared to defend the fees as instrumental to their mission. It is important for agency staff to build support for new funding tools like transportation utility fees by providing information to residents on how and why these fees are used. For Lake Oswego, a tangible and visible pavement maintenance strategy—funded by street maintenance fees—was an important selling point for the public, and provided a direct connection between the fee and improved service.

