

STATE SUMMARY OF COUNTY TRANSPORTATION FUNDING AND FINANCE

TENNESSEE COUNTIES

FUNDING SOURCES FOR COUNTY TRANSPORTATION PROJECTS

From State Funds:

- The state provides funding for county transportation projects through the State Aid Road Program. The program provides an annual appropriation in the Tennessee Department of Transportation (TDOT) budget (\$21,082,000 - has not increased in years); 75 percent state dollars, 25 percent local dollars, shared by 95 county highway departments. The funds are distributed by the following formula - 50 percent equally, 25 percent by population, 25 percent by land area.
- The state provides funding for county bridge projects through the State Bridge Grant Program. The annual appropriation in the TDOT budget is \$9,549,000 and has not been increased in years. The funding is provided to counties in a ratio of 80 percent state dollars, 20 percent local dollars which is distributed based on bridge inspection reports. Funding from the state Bridge Grant program is provided to counties in the ratio of 80 percent state and 20 percent local match.

From Federal Funds:

- Counties do not receive any direct federal transportation funding. Counties do not share in federal fuel tax collections and do not share infedepal bridge grant funds.

From County Funds:

- Counties may impose a wheel tax which is normally approved by referendum. The county legislative body determines revenue allocations from the wheel tax. Approximately 50 counties in Tennessee have approved a wheel tax and only 18 highway departments receive all or a portion of the funding for transportation purposes.
- The county legislative body can adopt by resolution a mineral severance tax, not to exceed 15 cents per ton. The proceeds must be dedicated to transportation. Fifty-three (53) counties have adopted the tax. These revenues have been declining due to the absence of state highway construction projects.

COUNTIES FACE THE FOLLOWING CHALLENGES IN FUNDING AND FINANCING TRANSPORTATION PROJECTS

- In 2012, approximately 22 percent of all bridges in Tennessee were classified as structurally deficient or functionally obsolete.

Share of County Owned Road Miles Out of Public Roads Statewide	64%
Share of County Owned Bridges Out of Public Bridges Statewide	48%
Share of Structurally Deficient Bridges Out of County Owned Bridges	8%

COUNTY FINANCIAL AUTHORITY		
	County Authority	Limitations
Levy Property Taxes	X	The county legislative body (CLB) can appropriate property taxes for transportation.
Levy Personal Property Taxes	X	Counties can levy a tax on any motor vehicle taxable by the state for the privilege of operating within the county.
Levy Local Option Sales Taxes	X	Counties may levy a sales tax up to 2.75%, and half of the proceeds are available as general revenue.
Levy a Local Gas Tax	X	Counties may levy a 1 cps gas tax with voter approval. Proceeds must go to public transit.
Charge a Motor Vehicle License or Registration Fee	X	Counties may charge a flat registration fee upon voter or county board approval.
Form Special Districts for Transportation		

- Growth in gas tax revenues has been flat for years since fuel taxes are based on flat rate per gallon of sales with no allowance for inflation.
- The cost of road to bridge construction and maintenance materials has doubled in the last five years.
- Tennessee county highway departments are in a “total maintenance mode” - virtually no new construction is being initiated due to flat or declining revenues, which cannot keep pace with inflating costs of construction. Counties are attempting to limit the acceptance of any new roads in the county road systems.
- County highway departments are undergoing staff reductions.
- Any sources of significant local county revenues, other than property taxes, require a public referendum, to levy or increased rates which makes raising additional revenue for transportation projects difficult.
- The majority of county property tax revenue is obligated to fund K-12 education.
- When faced with a revenue shortfall or additional mandates from state or federal government, the county commission has few options for managing its budget.

NEW FUNDING AND FINANCING SOLUTIONS FOR COUNTIES

- The Tennessee County Services Loan Pool offers low cost and low interest loans for counties.

BREAKDOWN OF COUNTY TRANSPORTATION FUNDING¹

County Share	20%
State Share	80%
Federal Share	-

¹ This is an estimate based on Tennessee County Services Association, 2014.