Kentucky Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

• The maximum rate of levy that any county may impose is $0.50 for every $100 of assessed value. Taxes on real property should not generate more than 104 percent of the property tax revenues in the prior year. In the event that the county’s proposed levy would generate more than a 4 percent increase in revenues from the prior year, qualified voters may elect to recall the portion of the tax rate exceeding 4 percent.

•A county may levy taxes for the provision of services in a tax district, but creation of such a district or tax requires a petition in favor of the tax signed by a majority of the district’s registered voters. Taxes levied for local improvements within special service districts are not included in the calculation of the overall tax rate limit.

• Counties do not have the authority to levy general sales or use taxes.

• Motor vehicles are subject to ad valorem personal property taxes.

• Each county receives a portion of the revenues collected from a state tax on the severance of coal.

• For every driver’s license issued within its jurisdiction, each county receives $0.50 of the fees collected to be used for county road purposes.

• Counties are required to maintain a stable infrastructure in the county in the form of roads, bridges, and other rights-of-way.

• Counties are expressly authorized to contract indebtedness not to exceed two percent of the value of taxable property within the county unless public health and safety demand increasing the county debt. If the county chooses to contract debt, it must provide a tax that will pay off the debt within 40 years. The county may vote to incur additional indebtedness, as well as levy a $0.20 tax on every $100 of taxable property to pay off indebtedness and establish a sinking fund for the same purpose.

## **Funding Sources for County Transportation Projects:**

• State law dedicates 48.2 percent of the state’s motor fuel tax revenues to county and city governments for construction, reconstruction and maintenance of local roads and bridges. A total of 40.5 percent goes to county governments, with the following distribution between programs:

|  |  |
| --- | --- |
| **Program** | **Share** |
| County Road Aid | 18.3% |
| Rural Secondary Program | 22.2% |
| Municipal Aid Program | 7.7% |
| Total to local governments | 48.2% |

• Counties have the option of receiving their County Road Aid funds on a monthly basis or they can participate in the ORSR Cooperative Programs. Participants of the cooperative programs receive a portion of their funds three times a year, and have three percent of their road aid funds withheld and placed in emergency funds. Only participants are eligible to request emergency funds for projects.

• One in five county governments also receives an average of about $150,000 a year through the municipal road aid program because of a provision allowing “urban areas” to receive funds, given to the county fiscal courts because the areas are not incorporated cities.

• Both county road aid program and rural secondary programs distribute their funds using a “formula of fifths” that benefit rural counties. Each county receives a portion of the state total split up into 5ths as follows:

○ 1/5th is divided evenly among all counties,

○ 1/5th is divided proportionately based on the amount of rural population in each county,

○ 1/5th is distributed on the basis of rural road mileage in each county, and

○ 2/5th is apportioned according to each county's share of the total land area in the state.

## **Challenges in Funding and Financing Transportation Projects:**

• The formula of fifths which is used to distribute county road aid and rural secondary programs hurts counties that are growing rapidly.

## **Innovative Solutions to Funding and Financing Challenges:**

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