Tennessee Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

Counties have authority to:

• Collect severance taxes. A county may levy a tax on the severance of sand, gravel, sandstone, chert, and limestone from land under its jurisdiction at a rate not to exceed 15 cents per ton. The county must dedicate the revenues from this tax to the county road fund.

• Levy a tax on any motor vehicle taxable by the state for the privilege of operating within the county.

Counties do not have authority to:

• Levy franchise taxes or fees.

Mandated/Authorized Transportation Services:

• Counties have the authority to lay out, construct, maintain, widen, improve, and otherwise enlarge all roads, avenues, boulevards, sidewalks, bridges, and other public easements or rights-of-way within the boundaries of the county.

• The county has the power to vote the stock of any railroad corporation or in any election thereof.

• Counties may establish sober ride programs to provide transportation to any individual who does not wish to operate a motor vehicle intoxicated or under the influence of a drug.

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

Counties Receive:

• Significant revenue from the gas tax (motor fuel tax) to assist in providing transportation services.

• Federal Compensation For Non-Taxable Federal Lands, which is reserved for local governments.

• Funding for the State Aid program is to be provided in the ratio of 75 percent state and 25 percent local match. The funds appropriated for this program are distributed to each of Tennessee's ninety-five counties by the following formula: 50 percent equally distributed, 25 percent by area, 25 percent by total population.

• Funding for the Bridge Grant program is to be provided in the ratio of 80 percent state and 20 percent local match.

Counties Collect:

• Counties are required to provide a level of funding from local revenue sources at least equal to the average level of local funding for a five year period in order to continue drawing down the full allotment of gas tax funds. A reduction in local funding below this amount results in a corresponding reduction in gas tax revenues. Local funding for highway departments must be maintained at a 5 year average or state revenues are lost.

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

• In 2007, 19.7 percent of county owned bridges were considered deficient.

• In 2012, there were nine times more projects than can be funded.

• Growth in gas tax revenues has been flat for years.

• Repairs and maintenance are postponed.

• Petroleum tax losses combined with inflationary costs in transportation and highway maintenance are the most urgent need.

• Nearly 90 percent of the expenditures in a typical county budget are “non-discretionary,” meaning that these expenditures may not be reduced without violating constitutional, statutory or contractual obligations.

• When faced with a revenue shortfall or additional mandates from state or federal government, the county commission has few options for managing its budget.

• Local option sales taxes and wheel taxes usually cannot be increased without approval by the voters in a referendum. Therefore, without the ability to cut much of its budget and with restrictions on increasing other taxes, county commissions can generally only spend down reserves or raise property tax rates

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

• TCSA loan program: low cost and low interest loans for counties.