



[CLICK HERE](#) to return to the home page

[Value Capture Home](#) > [Defined](#) >

Transportation Utility Fees

Transportation utility fees are a financing mechanism that treats the transportation system like a utility in which residents and businesses pay fees based on their use of the transportation system rather than taxes based on the value of property they occupy. The fees are not subject to voter approval and are based on the number of trips generated by different land uses. Utility fee rates may be determined by the number of parking spaces, square footage, or gross floor area. This approach links the costs of maintaining transportation infrastructure with the benefits derived from the mobility a transportation system provides.

The first transportation utility fees in the United States were implemented in Oregon in the 1980s. Since then they have been used successfully in smaller cities in Washington, Idaho, Utah, Colorado, Texas, Missouri, and Florida. The fees are used primarily by local governments to fund roadway maintenance. They are also known as street maintenance fees, road use fees, street utility fees, and pavement maintenance utility fees.

Transportation utility fees differ from other types of impact fees in that they are levied on all property occupants - owners and renters alike - rather than on property owners alone. They are also paid on an ongoing monthly basis like a utility bill and not in annual or quarterly installments the way real estate taxes are collected. Given that use of the transportation system is not metered in the way that home electricity or sewer utilization is, the fee is calculated on estimated trip generation rates for different land uses. Most transportation utility fee programs in the United States use of trip generation rates prepared by the Institute of Transportation Engineers (ITE). ¹

Transportation utility fees have faced legal challenges questioning whether they are a fee or a tax. Revenue generation authority granted to cities by state constitutions vary, but in general, a city's power to tax is more

limited than its power to charge fees. Taxes often require voter approval, so if utility fees are challenged and determined to be a tax, referendum requirements may be triggered. In addition, fees are collected to compensate public entities for services rendered rather than for raising revenue. As a result, fees are voluntary because residents have the option of not utilizing the public service and thereby avoiding the charge. Since transportation fees are levied based on assumed trip levels, some occupants and business are charged for trips that are not actually made. Using this argument, transportation utility fees could be interpreted to be illegal because they are not voluntary. This issue arose in Austin, Texas where transportation utility fees can be waived if property owners can demonstrate that they do not drive or own a car. In several instances, legal challenges have led to the removal of transportation utility fees. ²

Transportation Utility Fee Examples

City of Newberg, Oregon Local Streets

The City of Newberg, Oregon [adopted a Transportation Utility Fee in 2017](#) to help close an annual funding gap of \$1.9 million to maintain, preserve, and rehabilitate its streets. A [five-year pavement plan](#) is guiding capital improvement projects funded substantially with the new TUF. Projects underway as of late 2018 include East Fifth Street and Villa Road.

City of Oregon City, Oregon Local Streets

Oregon City, Oregon adopted a Pavement Maintenance Utility Fee in 2008 and phased the fee in over five years to target a revenue goal of \$1.5 million per year. As of 2013–2014, the fee increases 3 percent per year. Like those in many other Oregon communities, the fee is also based on nationally recognized information developed by the Institute of Traffic Engineers that estimates the average number of vehicle trips generated by a property based on how that property is used. The fee funds preventative maintenance (crack sealing, slurry sealing, chip sealing and microsurfacing) and rehabilitation (overlays, grind/inlays and full depth reconstruction). As of 2018, active projects include:

- 12th and Washington Signalized Intersection
- [2018 Oregon City Pavement Maintenance](#)
- [2018 Oregon City Roadway Reconstruction Projects](#)
- [Meyers Road Extension Project](#)
- [Molalla Avenue: Beavercreek Road to Hwy. 213 Construction](#)
- [Gaffney Lane Street Widening](#)

Projects

[East Fifth Street Rehabilitation Project - Newberg, Oregon](#)

Resources

[Transportation Utility Fees Fact Sheet](#)

[View Resources on Transportation Utility Fees](#)

Legislation

[View enabling legislation for Transportation Utility Fees.](#)

Footnotes

1 Carole Turley, Promises and Pitfalls of Transportation Utility Fees, TRB Fifth International Conference on Transportation Finance, July 2014.

2 *Ibid.*

- [Asset Recycling](#)
- [Development Impact Fees / Mobility Fees](#)
- [Joint Development](#)
- [Land Value Tax](#)
- [Naming Rights](#)
- [Negotiated Exactions](#)
- [Private Contributions](#)
- [Right-of-Way Use Agreements](#)
- [Solar Energy Use](#)
- [Special Assessments](#)
 - [Benefit Assessment Districts](#)
 - [Business Improvement Districts](#)
 - [Community Improvement Districts](#)
 - [Local Improvement Districts](#)
 - [Sales Tax Districts](#)
 - [Special Service Areas](#)
 - [Transportation Improvement Districts \(TID\) / Transportation Development Districts \(TDD\)](#)
- [Tax Increment Financing](#)
- [Transportation Corporations](#)
- [Transportation Reinvestment Zones](#)
- [Transportation Utility Fees](#)

[Defined home](#)

[Value Capture home](#)

[back to top](#)

- [IFS Home](#)
- [Project Profiles](#)
- [Fact Sheets](#)
- [FAST Act](#)
- [Glossary](#)
- [Resources](#)
- [Site Directory](#)
- [Website Feedback](#)

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