

MEMO

TO: Ron Foggin, Dallas City Manager; Jason Locke, Dallas Community Development/Operations Director

FROM: Daniel Adatto, Administrative Intern

DATE: October 2nd, 2014

SUBJECT: City of Dallas Gas Tax Analysis

Purpose:

This memo provides an overview of the legal, administrative, and financial considerations of implementing a local gas tax in the City of Dallas.

Oregon Gas Tax Moratorium:

Between September of 2009 and January of 2014, a five-year statewide Moratorium prohibited local governments from passing new gas tax ordinances. The Moratorium was in place due to a provision of the Oregon Legislature's Jobs and Transportation Act of 2009. Now that the Moratorium has ended, local governments may pass gas tax ordinances.

An important legal provision of the Jobs Act is that any new local gas tax in Oregon must be approved by local voters, whereas in the past local gas taxes could be passed by Council approval.

Administering the Gas Tax:

There are two administrative options for implementing a local gas tax in Oregon:

1. The gas tax is administered by the Fuels Tax Group of the Oregon Department of Transportation (ODOT), by way of an intergovernmental agreement. Depending on the number of local gas stations, ODOT charges a 3-4% surcharge of the revenue to administer the tax. ODOT also charges municipalities a onetime start-up fee of approximately \$2,500.
2. The local jurisdiction administers the gas tax. Local fuel providers send monthly invoices to the jurisdiction detailing the number of gallons sold.

The option of contracting with ODOT to administer the gas tax saves local staff time associated with collecting the tax. Larger cities that have many gas stations have mostly chosen to have ODOT administer the tax. Conversely, the option to administer the gas tax locally increases the amount of revenue the local jurisdiction collects from the tax.

Oregon Local Governments that Collect a Gas Tax:

There are currently 22 cities in Oregon that collect a local gas tax. In addition, Multnomah County and Washington County are the only counties in Oregon that collect local gas taxes.

The City of Eugene collects the State's highest gas tax at 5 cents a gallon. The cities of Woodburn, Stanfield and Sandy collect 1 cent taxes. The most prevalent gas tax amount in Oregon is 3 cents per gallon, with 14 of the 22 cities collecting that amount.

Estimating Local Gas Tax Revenue:

A challenge for local governments that are considering implementing a local gas tax is estimating the potential revenue generated from the tax. The challenge comes from the fact that ODOT's reporting system does not account for gas sold in jurisdictions that do not already collect a local gas tax. For non-gas tax jurisdictions, ODOT tracks gas sold at the wholesale level, rather than locally.

In order to overcome this challenge, the League of Oregon Cities notes that in the past, cities have estimated gas tax revenue by comparing their own jurisdiction to a comparable jurisdiction that already collects a gas tax¹.

Of the 22 cities that currently collect a gas tax in Oregon, the city with the most similarities in terms of population, geography, and commuting patterns to Dallas is the City of Canby.

According to 2012 American Community Survey (ACS) data, Canby has approximately 15,800 residents². This makes Canby slightly more populous than Dallas, which has approximately 14,800 residents.

Geographically, Dallas and Canby are separated by similar distances from major metropolitan areas. Dallas is located about 15 miles west of Salem, and Canby is located about 20 miles south of Portland. It is worth noting that neither city receives considerable pass-through traffic from tourism, like Newport receives on the Oregon coast. Similarly, neither city receives considerable pass-through traffic from commercial trucking, like Coburg along Interstate - 5. This means that neither city's streets are disproportionately frequented by out-of-town visitors.

From a commuting pattern perspective, both cities have populations whose residents largely commute out of city by car. ACS data shows that 66 percent of Dallas residents work outside of the place they live, and 80 percent of Canby residents work outside of the place they live. Additionally, 79 percent of Dallas workers commute to work by car alone, and 80

¹ The League of Oregon Cities, *Implementing Local Gas Taxes: A Survey on City Gas Tax Ordinances*, 2 (2007).

² ACS data retrieved from U.S. Census American Factfinder. All subsequent ACS information was retrieved from this same data source.

percent of Canby residents commute to work by car alone. The commuting statistics of the two cities reflect similarities in terms of the mode of transportation used to get to work (personal car), and that most residents work outside of their respective city.

The table below provides of snapshot of key demographic and commuting statistics for Dallas and Canby:

City	Dallas	Canby
Population	14,800	15,800
Number of Gas Stations	6	7
Proximity to Major Metropolitan Area	15 Miles (Salem)	20 Miles (Portland)
Percent of commuters who drive alone to work	79	80
Percent of workers who work in place/outside place of living	(34/66)	(20/80)

Potential Revenue of a Local Gas Tax in Dallas:

The City of Canby’s gas tax provides an example of how much revenue Dallas could potentially generate from implementing a local gas tax, based on the assumption that Dallas and Canby share key similarities highlighted above.

This past fiscal year, Canby’s 3 cent per gallon gas tax generated approximately \$249,000 in revenue³. Therefore, a 3 cent gas tax in Dallas could potentially generate a similar amount. Continuing with this method of analysis, a 2 cent Dallas gas tax could generate approximately \$166,000 in annual revenue, and a 1 cent gas tax could generate \$83,000 in annual revenue.

Gas Tax Cost to Local Residents:

An additional method to analyze the financial considerations of implementing a local gas tax is to estimate the cost of the tax for local residents.

Based on driving data collected by ODOT, the average Oregonian drives approximately 13,000 miles per year⁴. Meanwhile, the average American car sold in 2014 gets about 25 miles per gallon⁵. After applying these standard driving characteristics, a 3 cent local gas tax would cost drivers approximately \$17 at the pump, annually. A 2 cent local gas tax would cost drivers approximately \$11 per year, and a 1 cent tax would cost drivers about \$5 per year⁶. Gasoline purchased outside of Dallas does not factor into these totals.

³ City of Canby, *FY 2014-2015 Proposed Budget*

⁴ Oregon Department of Transportation, *Road Usage Charges in Rural, Urban and Mixed Counties*, 7 (2013).

⁵ University of Michigan Transportation Research Institute, *Average Sales Weighted Fuel Economy of purchased New Vehicles 2007-14*, retrieved from http://www.umich.edu/~umtriswt/EDI_sales-weighted-mpg.html.

⁶ A detailed table depicting the cost of a gas tax to residents may be found in Appendix B.

APPENDIX A

Oregon Cities that Collect a Local Gas Tax

Jurisdiction	Local Tax Rate per Gallon	State or Locally Administered	Year Passed
City of Astoria	\$0.03	State	2007
City of Canby	\$0.03	State	2008
City of Cobourg	\$0.03	State	2007
City of Coquille	\$0.03	State	2008
City of Cottage Grove	\$0.03	State	2003
City of Dundee	\$0.02	Local	2003
City of Eugene	\$0.05	State	2003
City of Hood River	\$0.03	State	2009
City of Milwaukie	\$0.02	State	2007
City of Newport (Jun - Oct)	\$0.03	State	2009
City of Newport (Nov - May)	\$0.01	State	2009
City of Oakridge	\$0.03	Local	2004
City of Pendleton (Sunset 2013)	\$0.04	Local	2009
City of Sandy	\$0.01	Local	2002
City of Sisters	\$0.03	Local	2009
City of Springfield	\$0.03	State	2003
City of Stanfield	\$0.01	Local	1999
City of The Dalles	\$0.03	Local	1980
City of Tigard	\$0.03	State	2006
City of Tillamook	\$0.015	Local	1982
City of Veneta	\$0.03	State	2004
City of Warrenton	\$0.03	State	2007
City of Woodburn	\$0.01	State	1989

Source: Oregon Department of Transportation

APPENDIX B

Annual Cost of Local Gas Tax to Drivers

This table demonstrates what a local gas tax would cost drivers annually at the pump, based on a car's fuel economy and the number of miles driven.

Fuel Economy	Mileage/year	Gallons /year	Annual Cost of Gas Tax		
			1 cent tax	2 cent tax	3 cent tax
15 miles/gallon car	10,000	666.67	\$ 6.67	13.33	20.00
	11,000	733.33	\$ 7.33	14.67	22.00
	12,000	800.00	\$ 8.00	16.00	24.00
	13,000	866.67	\$ 8.67	17.33	26.00
	14,000	933.33	\$ 9.33	18.67	28.00
20 miles/gallon car	10,000	500.00	\$ 5.00	10.00	15.00
	11,000	550	\$ 5.50	11.00	16.50
	12,000	600	\$ 6.00	12.00	18.00
	13,000	650	\$ 6.50	13.00	19.50
	14,000	700	\$ 7.00	14.00	21.00
25 miles/ gallon car*	10,000	400	\$ 4.00	8.00	12.00
	11,000	440	\$ 4.40	8.80	13.20
	12,000	480	\$ 4.80	9.60	14.40
	13,000	520	\$ 5.20	10.40	15.60
	14,000	560	\$ 5.60	11.20	16.80
30 miles/ gallon car	10,000	333.33	\$ 3.33	6.67	10.00
	11,000	366.67	\$ 3.67	7.33	11.00
	12,000	400.00	\$ 4.00	8.00	12.00
	13,000	433.33	\$ 4.33	8.67	13.00
	14,000	466.67	\$ 4.67	9.33	14.00

* A typical Oregonian drives 13,000 miles per year, and the national average fuel economy for vehicles sold in 2014 is approximately 25 miles per gallon.