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Background Brief on ...

Public Transit

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Transit systems were largely private prior to 1950, but, as automobiles became more common, private transit companies gradually lost business. Subsidies for transit programs began four decades ago. Policy makers reasoned that the benefits of transit go beyond persons who use the service; reductions in congestion, pollution, fuel consumption, and demand for highway and parking expansions are seen as direct benefits of an efficient and well-used transit system. Today, policy makers reason that many transit users lack alternatives, due either to economic or physical constraints. Additionally, the measure of independence provided by transportation alternatives allows certain populations to remain active or to stay in their own homes.

Federal transit funding dates to 1961 with the enactment of the Housing and Urban Development Act that, in one provision, funded transit demonstration projects. State involvement with transit began in 1969 with the creation of the Oregon Highway Department's Public Transit Division and the enactment of a bill authorizing the formation of mass transit districts.

One of the biggest changes to the transit picture occurred in 1990 with the passage of the federal Americans with Disabilities Act (ADA). Because the ADA requires accessibility features on transit vehicles and provision of transportation services for those who cannot use existing fixed-route systems, it has been a major cost driver for transit providers. An aging population is expected to dramatically increase demand for such services.

Most states support their local transit systems to some degree. Common sources of revenue for transit in other states include state fuel taxes, vehicle registration fees, and sales taxes. Common sources of local revenue include local sales taxes, local fuel taxes, fares, and payroll taxes.

Transit Structure and Funding in Oregon

Oregon's locally operated public transportation systems include mass transit districts, transportation districts, city and county providers, and over 100 other transportation providers. Many are either senior centers or small, private, non-profit entities serving seniors and persons with disabilities. The state's largest provider is the Tri-County Metropolitan Transportation District (**TriMet**). Its district boundaries cover most of the metropolitan areas of Washington,

Multnomah, and Clackamas counties. TriMet provides an average of 309,000 daily weekday trips, operates 660 buses on 93 bus lines and a total of over 7,500 bus stops and 105 light rail vehicles on 4 lines, and maintains 225 additional vehicles for seniors and the disabled.

A state constitutional restriction prevents funding transit with any fuel tax or vehicle fee revenues in Oregon. This restriction, and the lack of any sales taxes in the state, means Oregon transit systems rely more on General Fund, payroll taxes, and lottery revenues than other states. Oregon's local public transit services are funded through a combination of local property taxes, local payroll taxes paid by employers, transit fares, federal funds, state funds, and lesser amounts from advertising, private funds, and other sources.

Oregon supports local senior and disabled transportation services using 3 revenue sources: a dedicated 2 cents of the state's \$1.18 cigarette tax, non-vehicle fuel taxes, and a portion of state identification card fees. For the 2005-2007 biennium, the state distributed nearly \$8.6 million in cigarette tax revenues, \$6.1 million in non-vehicle fuel taxes, and \$4.5 million in state identification card fees to help local providers provide these trips.

The state also supports some transit districts through state general funds "in lieu of payroll tax" for state employees in those districts. In the 2005-2007 biennium, about \$15 million in lieu of payroll tax was distributed to 10 districts. This revenue represented a significant share of Salem Area Mass Transit District's operating revenue due to the number of state employees based in Salem.

In addition, the Oregon Department of Transportation (**ODOT**) provides \$10 million in capital funding to providers of transportation for the elderly and disabled from flexible federal funds under the Surface Transportation Program.

In the 2005-2007 biennium, the state added \$4 million federal flexible funds toward the over \$20 million estimated cost to replace old buses

each year. The state continued to use \$1.5 million in flexible dollars to promote "Transportation Options" strategies that reduce drive-alone auto trips.

Federal funds, administered by the Federal Transit Administration, derive mainly from 2.86 cents of the 18.4 cent federal gas tax. Federal programs provide approximately \$123 million in current biennial support. Amounts received by Oregon providers include Elderly and Disabled Capital Assistance (\$2.8 million), Jobs Access program (\$3 million), Urban Area Assistance (\$91.5 million), Small City and Rural Areas programs (\$15.5 million), Metropolitan Planning Assistance (\$1.4 million), Statewide Planning Assistance (\$.36 million), congressional "earmarks" for vehicles and equipment (\$6.6 million), and the newly initiated New Freedom program (\$1.5 million for accessibility beyond the ADA).

The state's larger transit providers rely principally on local revenues, while small transit providers are more dependent on state and federal assistance. Large systems generally also receive a higher percentage of their operating revenues from fares than small systems due to operating efficiencies.

A portion of most providers' special transportation services are contracted out to either for-profit or not-for-profit companies.

State dollars are distributed to local service providers either through a formula based on service-area population or a discretionary grant program that combines the multiple sources of federal and state funding referred to previously. During the 2005-2007 biennium, the division allocated \$13.7 million in state formula funds to 33 counties and transportation districts and 9 tribal governments, and combined \$4.6 million state funds with \$17 million federal funds to offer \$21.6 million in discretionary grants. Grant projects are selected by merit and need, with public and stakeholder input through the Public Transportation Advisory Committee. The division also allocated \$11 million in federal formula funds to assist rural communities that

offer general public transit service.

ODOT's Transit Division provides planning and technical assistance to local service providers, offers operating support to smaller providers, serves as a link between the Federal Transit Administration and local providers, and administers grants and formula funds. The division also facilitates local development of ridesharing, telecommuting, and other strategies to reduce single occupancy car trips.

Light Rail

The state was one of the funding partners for construction of TriMet's east and west side MAX light rail lines. For the east side, the 1979 Legislative Assembly appropriated \$16.1 million to a Light Rail Construction Fund. Interest earnings over the project life increased the state contribution to \$25 million. For the west side, the 1991 Legislative Assembly dedicated up to \$20 million per biennium in lottery revenues for repayment of \$113.6 million in bonds that were sold to help finance the project. The principal funding sources for both the east and west side construction projects were federal funds and locally-approved property taxes. The federal share for the west side was 75 percent, while the state share was about 12.5 percent. The state provided no revenue for the Airport MAX line that opened in 2001, for the Interstate Avenue extension that opened May 2004, or for Portland's \$53 million streetcar project. However, in 2007 the Legislature approved \$250 million in funding to extend light rail south into Clackamas County.

Bus Rapid Transit

A number of local transit systems nationwide, including Lane Transit District in Oregon, are using or planning Bus Rapid Transit systems. These systems combine dedicated bus lanes, limited stops, signal prioritization, and, in some cases, "fixed guideways" and train-like stations to improve service and encourage transit-oriented development. The first phase of Lane Transit District's system will run between the downtown areas of Eugene and Springfield.

Rail Initiatives

Commuter Rail: A number of communities are showing interest in commuter rail. TriMet is scheduled to complete the Westside Express Service (**WES**) connecting Beaverton and Wilsonville by fall of 2008 (see *Freight and Passenger Rail Background Brief* for more information).

Trolleys and Streetcars: Trolleys and streetcars are making a comeback. Portland and TriMet operate a 4.8-mile streetcar loop between Portland State University and Northwest Portland. Construction is underway on an extension to the Riverplace District. Additionally, four vintage trolleys operate weekends only on light rail track between downtown and the Lloyd District. Astoria operates a riverfront trolley and Lake Oswego operates the *Willamette Shore Trolley* from the city's downtown area into Portland.

Recent Legislation

Senate Bill 71 (2005) provided one-time lottery bond authority of \$100 million for non-highway transportation projects including aviation, rail, transit, and marine modes. Under this program, known as ConnectOregon, the Transportation Commission approved \$13.7 million in grants for transit projects in Sandy, Portland (Streetcar), Lane County (Bus Rapid Transit), Bend, and northeast Oregon. A separate multi-modal project to include a regional transit hub at the Medford airport was also approved for funding. In 2007, the Legislative Assembly approved an additional \$100 million in bonding, referred to as ConnectOregon II.

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