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Background Brief on...

# Public Transit

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## Background

Transit systems were largely private prior to 1950, but as automobiles became more common, private transit companies gradually lost business. Transit programs began to be subsidized 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 also reason that many transit users lack alternatives, due either to economic or physical constraints, and that 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 and passage of the Housing and Urban Development Act, which funded transit demonstration projects. State involvement with transit began in 1969, with creation of the Public Transit Division at the Oregon Highway Department and the enactment of a bill authorizing 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 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 a hundred other transportation providers. Many are either senior centers or small private non-profits serving seniors and persons with disabilities. The state's largest provider is TriMet, whose district boundaries cover most of the

metropolitan areas of Washington, Multnomah, and Clackamas Counties. TriMet provides an average 286,200 daily trips, operating 632 buses on 93 bus lines, 105 light rail vehicles on four lines, and 203 additional vehicles for seniors and the disabled.

A state constitutional restriction prevents funding transit with fuel tax or vehicle fee revenues in Oregon, whether collected at the state or local level. 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 two revenue sources: a dedicated two cents<sup>1</sup> of the state's 68-cent cigarette tax and state general funds, principally from lottery revenues. In the current biennium the state will distribute nearly \$9.1 million in cigarette tax revenues, \$5.8 million in non-vehicle fuel taxes, and \$3.7 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 current biennium, about \$15 million in lieu of payroll tax will be distributed to ten districts. This revenue is a significant share of Salem Area Transit's operating revenue, due to the number of state employees 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 current biennium, the state restored a program to assist districts with some of the local match for federal grant assistance. This \$2 million dollar

program using flexible federal dollars will also replace several old buses each year, and with \$1.5 million in flexible dollars, the state introduced a program to implement "Transportation Options" strategies that reduce drive-alone auto trips.

Federal funds, administered by the Federal Transit Administration, derive mainly from 2.8 cents of the 18.4-cent federal gas tax. Federal programs provide approximately \$150 million in ongoing biennial support. Amounts received by Oregon providers include Elderly and Disabled Capital Assistance (\$2.3 million), Urban Area Assistance (\$115 million), Small City and Rural Areas programs (\$7 million), congressional "earmarks" for vehicles and equipment (\$18.4 million), and the newly initiated Jobs Access program (\$2 million). Although delayed, state officials anticipate that the new six-year federal authorization act will continue this support with about 5 percent increases.

The state's larger transit providers rely principally on local revenues, while small transit providers are more dependent on state and federal assistance. The larger systems also receive a larger percentage of their operating revenues (16-23 percent) from fares. This range reflects lower percentages for systems that offer "fare-free zones" to reduce auto congestion.

Wilsonville's South Metro Area Rapid Transit (SMART) system, offers free rides to all riders, both fixed route and dial-a-ride. Operations are funded principally through payroll taxes.

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 in two ways: (1) through a formula based on service-area population, and (2) through a Discretionary Grant Program that combines the multiple sources of federal and state funding referred to previously. This biennium, the division expects to allocate \$15.5 million in state formula funds to 33 counties and transportation districts and 9 tribal governments, and \$20 million in combined discretionary grants. Grant projects are selected through a community involvement process and advisory committee recommendations.

<sup>1</sup> A small percentage of a 60-cent cigarette tax increase approved by voters in 2002 is dedicated to this program. The increase does not raise additional revenue for the program, but will keep it from losing revenue if the tax increase leads to reduced consumption as anticipated.

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 demand management strategies.

### 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 Legislature appropriated \$16.1 million to a Light Rail Construction Fund. This fund gained interest over the life of the construction project to amount to a \$25 million state contribution. For the west side, the 1991 Legislature dedicated up to \$20 million a 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, or for the Interstate Avenue extension that opened May 1, 2004, or for Portland's \$53 million streetcar project.

### Bus Rapid Transit

A number of local transit systems in the country, 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 downtowns of Eugene and Springfield.

### Rail Initiatives

**Commuter Rail:** A number of communities are showing interest in commuter rail. Washington

County is in the process of designing a system linking Wilsonville to Beaverton through Tualatin and Tigard (see Rail Background Brief).

**Trolleys and Streetcars:** Trolleys and streetcars are making a comeback. Portland and Tri-Met 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 downtown into Portland.

### Recent Legislation

SB 180 (2003) allows distribution of Elderly and Disabled Special Transportation Funds directly to qualifying tribes.

HB 3183 (2003) increases the maximum payroll tax rate that can be levied by transit districts (applies to TriMet and Lane Transit). The bill does not allow current rates to be increased until the district economy has recovered and requires an increase to be phased in over a ten-year period.

HB 3231 (2003) transfers revenue from a \$3 increase in the fee for state identification cards, as well as any revenue from the existing fee not needed for administration, to the Elderly and Disabled Special Transportation Fund.

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