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Legislative Committee Services
State Capitol Building
Salem, Oregon 97301
(503) 986-1813

Background Brief on ...

Public Transit

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 provided a total of 101.5 million boardings in 2009, an average of 324,080 per day. It operates 81 bus lines with a total of 7,155 stops, four light rail lines with 84 stations, a commuter rail line with five stations, and maintains additional vehicles for special transportation of 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 three revenue sources: a dedicated two cents of the state's \$1.18 cigarette tax, non-vehicle fuel taxes, and a portion of state identification card fees. For the 2007-2009 biennium, the state distributed nearly \$8.3 million in cigarette tax revenues, \$6.0 million in non-vehicle fuel taxes, and \$2.8 million in state identification card fees to help local providers provide these trips. An outcome of House Bill 2001 (2009) provided a dedicated \$10 million per year in federal flexible funding for senior and disabled transportation services. The 2009 Legislative Assembly also appropriated \$10 million in General Fund money for senior and disabled transportation

services, although the amount has been reduced to re-balance the state budget.

The state also supports some transit districts through state general funds "in lieu of payroll tax" for state employees in those districts. In the 2007-2009 biennium, about \$18 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 2007-2009 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 \$1.7 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 provided approximately \$158.3 million in formulated 2007-2009 biennial support for Oregon. Amounts received by Oregon providers included Elderly and Disabled Capital Assistance (\$3.2 million), Jobs Access program (\$1.1 million), Urban Area Assistance (\$135.3 million), Small City and Rural Areas programs (\$16.2 million), Metropolitan Planning Assistance (\$1.8 million), and New Freedom program (\$0.5 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. Larger transit providers compete for federal discretionary dollars to help complete larger capital improvement projects. In

2007-2009 urban systems received \$268 million in federal earmarks of discretionary capital. The majority of funds assisted expansion of the Portland area light rail system.

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

ODOT's Public 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.

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 2007-2009 biennium, the division allocated \$14.1 million in state funds to 33 counties and transportation districts and nine tribal governments based on populations.

The division also allocated \$11 million in federal formula funds to assist rural communities that offer general public transit service.

A total of \$3.2 million in state funds was combined with \$17 million federal funds to offer \$21.6 million in discretionary grants. During the 2007-2009 biennium discretionary grant projects were targeted to providing mobility options for low income, seniors, and individuals with disabilities. The grants help offset the impact of high fuel costs, poor local economies, and the growing numbers of older adults in Oregon communities. Projects are selected by merit and need, with public and stakeholder input through the Public Transportation Advisory Committee.

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 lottery-backed bonds to extend light rail south into Clackamas County. The Green Line into Clackamas Town Center opened September 2009 and plans are to open an Orange Line into Milwaukie by 2015. In the 2007-2009 biennium TriMet received \$239.3 million in federal capital discretionary funds and \$268.2 million in local funds to advance area projects.

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 connected the downtown areas of Eugene and Springfield. Construction is underway on the \$41 million Gateway expansion north into Springfield, which is scheduled to open in 2011, and analysis is underway on a possible expansion into West Eugene. The 2009 Legislature provided \$1.9 million to support the expansion. In the 2007-2009 biennium Lane Transit District expended \$20.4 million federal funds and \$8.4 local funds on Eugene area transit improvements.

Rail Initiatives

Commuter Rail: TriMet inaugurated its commuter rail connection between Beaverton and Wilsonville, known as the Westside Express Service (**WES**), in February 2009. The train provides service during morning and afternoon commute hours, serving stops in Tigard and Tualatin (see *Freight and Passenger Rail Background Brief* for more information).

Trolleys and Streetcars: Portland and TriMet operate an eight mile streetcar loop between Legacy Good Samaritan Hospital to the South Waterfront District. Streetcars serve 46 stations and run approximately every 12 minutes. Construction is underway on an expansion that will extend the Streetcar east across the Willamette River to create a loop connecting both ends of the system. The 2007 Legislative Assembly provided \$20 million in lottery-back bonds to support the manufacture of streetcars in Oregon. Additionally, four vintage trolleys operate Sundays only on light rail track between Union Station and Portland State University. Astoria operates a riverfront trolley between Memorial Day and Labor Day. Lake Oswego operates the *Willamette Shore Trolley* on a six-mile historic rail line from the city's downtown area into Portland.

ConnectOregon

The Legislative Assembly created the multimodal *ConnectOregon* program in 2005, authorizing \$100 million in lottery-backed bonds during each of the 2005, 2007 and 2009 sessions. *ConnectOregon* provides grants and loans for non-highway transportation projects, including aviation, marine, rail passenger and rail freight, and public transportation projects. ODOT administers a competitive application process for *ConnectOregon*. The Oregon Transportation Commission selects projects for funding.

The Oregon Transportation Commission approved \$13.7 million in grants for six transit projects from the 2005 *ConnectOregon* I program. The Commission selected an additional five transit projects totaling \$10.5 million from the *ConnectOregon* II program.

Applications are currently being considered for *ConnectOregon* III.

Staff and Agency Contacts

Michael Ward

[Public Transit Administrator](#)

503-986-3413

[Oregon Transit Association](#)

503-636-8188

Patrick Brennan

[Legislative Committee Services](#)

503-986-1674