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Background Brief on ...

Public Transit

Background

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 the people who use the service; reductions in congestion, pollution, fuel consumption, economic competitiveness and improved community health are direct benefits of an efficient and well-used transit system. Today, policy makers also know that many transit users lack alternatives, due either to economic or physical constraints. 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 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. Recent rulings have increased ADA requirements to improve equipment in order to serve those who need larger equipment and can handle heavier loads.

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 senior centers and other 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. It operates 79 bus lines, four light rail lines with 85 stations, a commuter rail line with five stations, and LIFT special transportation for people with disabilities. TriMet provided 101 million passenger trips in Fiscal Year (FY) 11, an average of 322,000 per day. LIFT provided 1.1 million trips in FY 11.

There are six transit systems in areas of 50,000 population and above: South Metro Area Regional Transit (**SMART**), operated by the City of Wilsonville; Salem Area Mass Transit District (**SAMTD**), serving the urban area of Marion and Polk Counties; Lane Transit District (**LTD**), serving the urban area of Eugene/Springfield; Rogue Valley Transportation District, serving the urban area of Medford; City of Corvallis; and Central Oregon Intergovernmental Council (**COIC**), serving the Bend area. Collectively, these urban agencies provided approximately 18 million bus trips in FY 10, of which nearly one million were for older adults and people with disabilities using demand-responsive services.

Rural transit districts include Sunset Empire Transportation District, serving Clatsop County; Hood River County Transportation District; Tillamook County Transportation District; South Clackamas Transportation District, serving the Molalla area; Basin Transit Service Transportation District, serving Klamath Falls;

Grant County Transportation District; and county transportation service districts in four counties: Lincoln, Yamhill, Coos and Curry. SAMTD, LTD and COIC also provide rural service.

Cities and counties also operate transit services open to the general public, including the cities of Albany, Sweet Home, Lebanon, Grants Pass, Pendleton, Milton-Freewater, Florence, and Benton, Linn, Coos, Curry, Sherman, Gilliam, Wheeler, Lake and Harney counties.

In some rural areas of the state, a regional agency operates the service on behalf of the area, including: Community Connection of Northeast Oregon, on behalf of Wallowa, Union and Baker Counties; Mid Columbia Council of Governments on behalf of Wasco County; and Malheur Council on Aging and Disabilities on behalf of Malheur County and in coordination with Payette County, Idaho.

The nine Indian Tribal governments in Oregon are also developing transit services, frequently in coordination with other local transit agencies. For example, Confederated Tribes of the Umatilla Indian Reservation offers regional service linking Mission and Pendleton to Walla Walla, La Grande, and the Tri-Cities in Washington. The Klamath Tribes operate transit services in the Chiloquin area, linking to Basin Transit Service in Klamath Falls. The other tribes are in the process of developing transit services to meet the needs of the Native American communities and their needs for access to work, medical care and other individual needs.

In many areas of Oregon, public transit services are supplemented by the efforts of non-profit and human service agencies offering volunteer driver programs, such as to enable veterans to get to health care. Ride Connection, Inc., a non-profit agency operating in Washington, Clackamas and Multnomah Counties operates a regional network of volunteer driver programs, in coordination with the Oregon and federal Veterans agencies, also local hospitals, American Red Cross, Multnomah County Aging

and Disability Services, City of Forest Grove, and many other partners. In rural areas, the Oregon Department of Human Services and regional hospitals operate volunteer programs that offer a critical link to health care for many people.

Rural providers and non-profit agencies collectively provided about 5.3 million rides in FY 10, including those for older adults and people with disabilities.

Local Financing

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. Revenue sources commonly used to fund transit service in other states, such as gas and sales tax in Washington State, cannot be used in Oregon. The Oregon Constitution prevents funding transit with fuel tax or vehicle fee revenue, and Oregon lacks a state sales tax, although sales tax can be used as a local option.

Oregon's larger transit providers rely primarily on local and federal 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 2010 urban systems spent \$39.4 million in federal capital assistance.

The average cost per trip on fixed route service ranges from about \$3 on high-frequency routes to \$10 in rural areas. Special transportation cost is much higher, due to the one-to-one nature of the service. The cost per trip ranges from \$15 to \$35 per trip. Hourly operating costs range from \$60 per hour to \$130 per hour. Labor is one of the largest costs to transit. A portion of most fixed route providers' special transportation services are contracted out to either for-profit or not-for-profit companies.

Of the nearly 40 agencies providing general public transit services, 12 collect local taxes dedicated to public transit services. Of the 13 transportation districts, only six collect taxes that are more than 50 percent of their annual budget. The Public Transit Division (**PTD**) of the Oregon Department of Transportation (**ODOT**) estimates that the grant funds allocated to the transit operators form about 20-50 percent of their operations budgets. The majority of vehicles and other capital items purchased to support public transit services are obtained from federal and state-source grants.

State and Federal Funding

During the 2011-13 biennium, ODOT will have allocated \$19.3 million in state funds to 33 counties and transportation districts and nine tribal governments. State dollars support local transportation services for older adults and people with disabilities and are distributed through both a formula based on service-area population and a discretionary grant program.

State transit revenue is comprised of three sources: a dedicated two cents of the state's cigarette tax; non-vehicle fuel taxes; and a portion of state identification card fees. For the 2011-13 biennium, the state expects to distribute nearly \$8 million in cigarette tax revenues, \$6.6 million in non-vehicle fuel taxes, and \$4.6 million in state identification card fees. The funds are used primarily for transit operations, and are frequently used to match federal-source funds also contributing to transit for older adults and people with disabilities. The funds contributed to an estimated 6.4 million demand-responsive rides for older adults and people with disabilities in the 2009-11 biennium.

In addition to state revenue, in the 2011-13 biennium ODOT is distributing \$22 million in capital funding from the Surface Transportation Program to providers of transportation for older adults and people with disabilities. These funds are the result of legislative initiatives starting in 1999.

Funds, administered by the Federal Transit Administration are derived mainly from 2.86

cents of the 18.4 cent federal gas tax. Federal programs provided approximately \$158 million in formula assistance to Oregon transit providers during the 2009-11 biennium. Amounts received by Oregon providers included Elderly and Disabled Capital Assistance (\$3.2 million), Jobs Access program (\$4.1 million), Urban Area Assistance (\$126.2 million), Small City and Rural Areas programs (\$20 million), Planning Assistance (\$2 million), and New Freedom program (\$2.5 million for accessibility beyond the ADA).

The 2009 Legislative Assembly appropriated \$10 million in General Fund money for increased operations of transportation services for older adults and people with disabilities; the amount was reduced to \$2 million in the 2011-13 biennium to re-balance the state budget.

The state also supports some transit districts through General Fund moneys “in lieu of payroll tax” for state employees in those districts. In the 2009-11 biennium, about \$19.6 million in lieu of payroll tax was distributed to 10 taxing districts. This revenue represents a significant share of Salem Area Mass Transit District’s operating revenue due to the number of state employees based in Salem.

The state also uses \$1.7 million in these federal dollars to promote “Transportation Options” and to develop and provide on-line information about strategies that reduce drive-alone auto trips.

Other state-source funds available to support public transit services during past biennia include former Business Energy Tax Credit (BETC) Program. Use of BETC credits had previously contributed about \$10 million per biennium. The 2011 Legislative Assembly restructured the BETC program and phased out the tax credits for transportation projects over a three-year period.

Transit agencies also may coordinate funding from ODOT and Oregon Healthcare Administration to help provide transportation for

human service clients as necessary to meet their medical and other program needs.

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 distributes and administers grants and formula funds. The division also facilitates local development of ridesharing, telecommuting, and other strategies to reduce single occupancy car trips.

During the 2011-13 biennium, discretionary grant projects are targeted to provide 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 number 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 did not contribute toward construction of the Airport MAX line (opened in 2001) or the Interstate Avenue extension (opened May 2004), but did approve \$250 million in lottery-backed bonds to extend light rail south into Clackamas County.

The Green Line to Clackamas Town Center opened September 2009 and development is

underway on an Orange Line to Milwaukie by 2015.

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 2009 Legislative Assembly provided \$1.9 million to support the expansion. In 2009, Lane Transit District expended \$21.9 million in federal funds, \$2.1 million in state funds and \$5 million in local funds on Eugene-area transit improvements.

The community’s first EmX corridor, the Franklin line, was introduced in January 2007 and currently operates between downtown Eugene and downtown Springfield. In its first year of operation, the EmX service exceeded 20-year ridership projections and more than doubled the passenger boardings from the previous conventional bus service. The second EmX corridor, the Gateway line, began operating in January 2011, extending EmX service beyond the Franklin line. The line connects downtown Springfield with the new PeaceHealth medical complex and the Gateway area.

Planning is currently underway for a third corridor, the West Eugene expansion, with a planned implementation date of January 2017. The expansion will increase system-wide trips by an estimated 500,000 in the first year. The estimated project cost of \$95.4 million is to be provided for by the following sources:

- \$75 million Federal Small Starts Funding (requested)
- Up to \$30 million State Lottery Bonds:
 - \$1.6 million (approved in 2009)
 - \$4.2 million (approved in 2011)
 - \$4.2 million (to be requested 2012)
 - \$20 million (to be requested 2013)

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-backed bonds to support the manufacture of streetcars in Oregon. The Portland Streetcar Loop Project is a 3.3-mile, double-track extension of the existing Portland Streetcar. The Portland Streetcar Loop Project will extend tracks from the Pearl District, across the Broadway Bridge, connecting via Weidler Street to Lloyd Center at NE 7th Avenue, south on MLK Blvd. to OMSI and return north on Grand Avenue to Broadway and the Pearl District. The Loop Project will provide 28 new streetcar stop locations. The loop is scheduled to open in Fall 2012.

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. In 2011, \$40 million was authorized for *ConnectOregon IV*. *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, with input from modal and regional committees, and a Final Review Committee.

The Oregon Transportation Commission approved \$13.7 million in grants for six transit projects for *ConnectOregon* I, five transit projects totaling \$10.5 million for *ConnectOregon* II, and six projects totaling \$8.6 million for *ConnectOregon* III. Applications are currently being considered for seven *ConnectOregon* IV transit projects.

ODOT Flexible Funds Program

The 2009 Legislative Assembly directed ODOT to create a structure for investments in communities to assist in improving sustainable bicycle, pedestrian, transit and transportation demand management (TDM) projects, plans, programs and services through a competitive process. The Oregon Transportation Commission selects projects for funding.

In 2010, the Oregon Transportation Commission approved thirteen Transit and TDM Flexible Fund projects for \$8.5 million. The 2012 Flexible Funds Program approved 10 transit and TDM projects for \$7,015,000 in funds.

Looking Ahead

Recent years have been difficult for public transit agencies. Local funds are reduced or are flat, with demand for service and costs rising.

The impact of less revenue varies across the state. TriMet reduced the days and hours of selected bus routes and the light rail, and increased fares as a result of budget deficits. Lane Transit District has cut service; Salem Area Mass Transit District is responding to demand by reconfiguring routes - reducing service from low-use routes and increasing frequency and coverage in other areas. Most agencies in Oregon are making similar cuts in

service which result in less opportunity for mobility and increased crowding on buses. Some transit agencies are responding by purchasing larger vehicles; however the cost of larger vehicles is nearly \$350,000 for a bus with capacity of 36-50 people as compared to \$75,000 for a bus with capacity of up to 22 people. Smaller transit agencies, whose service is limited, do not have the revenue or capacity to increase service.

Other emerging needs include facilities to secure and maintain the transit assets; need for increased investment in technology – rural transit in particular does not have the revenue to invest in increasingly necessary technology to manage the operations and finances of the transit program, and to provide necessary communication technologies to meet customer needs. Regional transit networks are increasingly required to meet people’s travel needs, as jobs and medical care become more regionalized. Local communities have very limited ability to invest in service that meets people’s needs to access work and other daily travel needs.

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