

PUBLIC TRANSPORTATION FUNDING IN OREGON

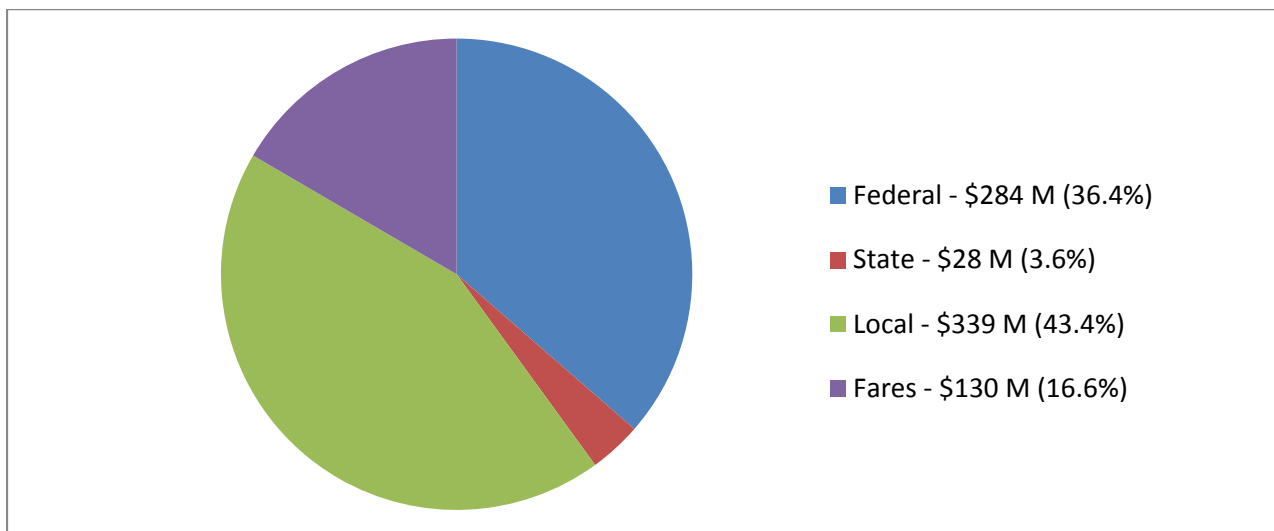
Public transportation in Oregon is funded through a mix of federal, state, and local funding sources. This document summarizes the major funding sources, trends, and eligibility. Major funding sources include:

- Federal Transit Administration (FTA)
- Federal Highway Administration (FHWA)
- ODOT—Special Transportation Fund (STF)
- Other State programs/sources—Mass Transit Payroll Tax
- Local sources, which vary by jurisdictional authority exercised

Public Transportation Funding by Fund Source

The table below shows how public transportation agencies are funded in Oregon. The proportion of funding received by individual agencies varies widely. For example, the majority of local funds are collected by the three largest transit agencies: TriMet, Lane Transit District and Salem-Keizer Transit. Many of the smallest agencies depend on state and federal funds as the majority of their budgets.

Figure 1: 2014 Estimated Oregon Public Transportation Funds by Source



Notes: This graphic includes local public transportation and intercity bus funds and an estimate of average FTA discretionary appropriations for the State of Oregon, but does not include intercity passenger rail funds and fares. The percentage of funding from fares does not reflect farebox recovery because this chart includes all revenues, not just operations funding. Farebox recovery ratios reflect the percentage of operations costs that are recovered through passenger fares.

Source: Estimates calculated by ODOT Planning from internal ODOT expenditure information, federal appropriations, and Secretary of State audits.

Federal Public Transportation Funding

Federal funds for public transportation are authorized and appropriated by Congress, primarily through the U.S. Department of Transportation (USDOT). The FTA and FHWA provide funding allocations to the states and reimburse for eligible expenses, including state administration of the FTA programs. Large urban providers also receive some funds directly from the FTA. Prior to 2008, Congress provided much of the funding necessary to operate the Amtrak Cascades service, but federal legislation has shifted the entire cost of this service to the states.

Many federal sources require local/state matching funds that vary from 10 percent to about 50 percent depending on the program. FTA does not allow fare revenue to be used for local match. Table 1 below summarizes the major sources of federal public transportation funding in Oregon and lists program/source, method of distribution, and a description of the fund purpose. The table does not include some one-time sources of federal funds that were allocated for passenger rail in 2014.

Table 1. Major Sources of Federal Public Transportation Funding in Oregon

Program/Source	Purpose	Allocation Method		Actual FY 2014 Funding
		USDOT	ODOT	
FTA §5310/ODOT E&D: Seniors and Individuals with Disabilities ¹	Seniors and individuals with disabilities; often limited to capital projects	Formula to urban areas and states	Formula and discretionary to STF agencies ²	\$ 3.6 M
FTA §5311: Formula Grants for Rural Areas	Rural populations less than 50,000	Formula to states	Formula to rural providers	\$10.1 M
Transit Network and Intercity³	Bus service over longer distances between cities and regions	Minimum 15 percent set-aside from 5311	Discretionary to intercity providers	\$1.2 M
FTA §5309: Fixed Guideway Capital	Major projects (New Starts, Small Starts)	Discretionary to urban areas		\$189.4 M (One-time allocation)
FTA §5339: Bus and Bus Facilities	Vehicles, facilities, equipment	Discretionary for urban, state	Discretionary rural and small urban via state	\$6.6 M
FTA §5303/4: Statewide and Non-Metropolitan Planning	Transportation planning	Formula to urban, states	Discretionary	\$1.3 M
FTA §5307: Urbanized Area	Any in urban areas	Formula to urban areas		\$52.3 M
FTA §5337: State of Good Repair	Fixed guideways	Discretionary and formula to urban areas		\$17.7 M
FTA §5311(c): Tribal Transit	Any	Formula to tribal transit providers		\$0.8 M

FTA 5329: Public Transportation Safety and Oversight	State safety oversight for passenger rail	Formula to states		\$0.7 M
FHWA CMAQ: Congestion Mitigation and Air Quality Improvement Program - 23 USC 149	Varies, includes public transportation that helps the area meet its air quality goals	Formula to states	Formula for local jurisdictions in air quality non-attainment or maintenance areas	\$12.7 M ⁴
FHWA STP: Surface Transportation Block Grant Program - 23 USC 133 <i>ODOT E&D Program/ FTA §5310</i> ¹	Primarily capital, some portion for Transportation Options program	Formula to states	ODOT flexes a portion of STP funds into the 5310 program. Distribution is by formula and/or discretionary	\$12.1 M
FHWA STP: Surface Transportation Block Grant Program - 23 USC 133 <i>STIP Enhance</i>	Capital, such as transit centers, buses,	Formula to states	ODOT flexes a portion of STP funds into STIP Enhance. Distribution is discretionary	\$3.9 M for FFY 2015, not funded in 2014
FHWA STP: Surface Transportation Block Grant Program - 23 USC 133 <i>Fix-it Non-highway Funds: Bus Replacements</i>	Capital, bus replacements	Formula to states	ODOT flexes a portion of STP funds into Fix-it Non-highway Funds: Bus Replacements. Distribution is discretionary	\$2 M/year for mass transit bus replacements Additional \$5 M/year for 2019-21
FHWA FLAP: Federal Lands Access Program - 23 U.S.C. 204	All transit purposes for services that access federal lands	Discretionary		Unknown, FHWA distributes directly to providers ⁵

¹ ODOT flexes FHWA STP funds into this program. The FTA funding portion is 12 percent and the FHWA STP is 88 percent of total 5310/E&D Program funding

² 42 STF Agencies (transit districts, counties where no transit districts exist and nine federally recognized tribes) conduct local processes to prioritize expenditure of STF funding that is allocated either by formula to STF Agencies. ODOT also conducts discretionary processes.

³ Majority of Intercity and Transit Network Program funding is FTA §5311(f): Rural Intercity

⁴ Only includes CMAQ funds transferred to FTA, not funds administered through FHWA that have secondary transit benefits

⁵ Fewer than 10 transit providers have received FHWA FLAP awards

State Public Transportation Funding

Public transportation funding in Oregon is limited to a few major sources, including the Special Transportation Fund (composed of cigarette gas tax, non-highway use gas tax, ID card revenues, and general fund), Mass Transit Payroll Tax (payment by state agencies to eligible transit districts allocated by the Department of Administrative Services based on salaries of state employees within the district), and a portion of DMV fees for custom vehicle license plates for passenger rail only.

State funding generally provides a lesser share of most transit agencies' revenues as compared to federal funding; however, smaller agencies are generally more dependent on state funds than are larger agencies. Figure 1, below, shows the relative amounts of STF revenue sources and how the cigarette tax, ID card funding, and non-highway use gas tax have been relatively stable in recent years while the general fund portion has been less stable.

Figure 2. STF Trends: 2007-2019

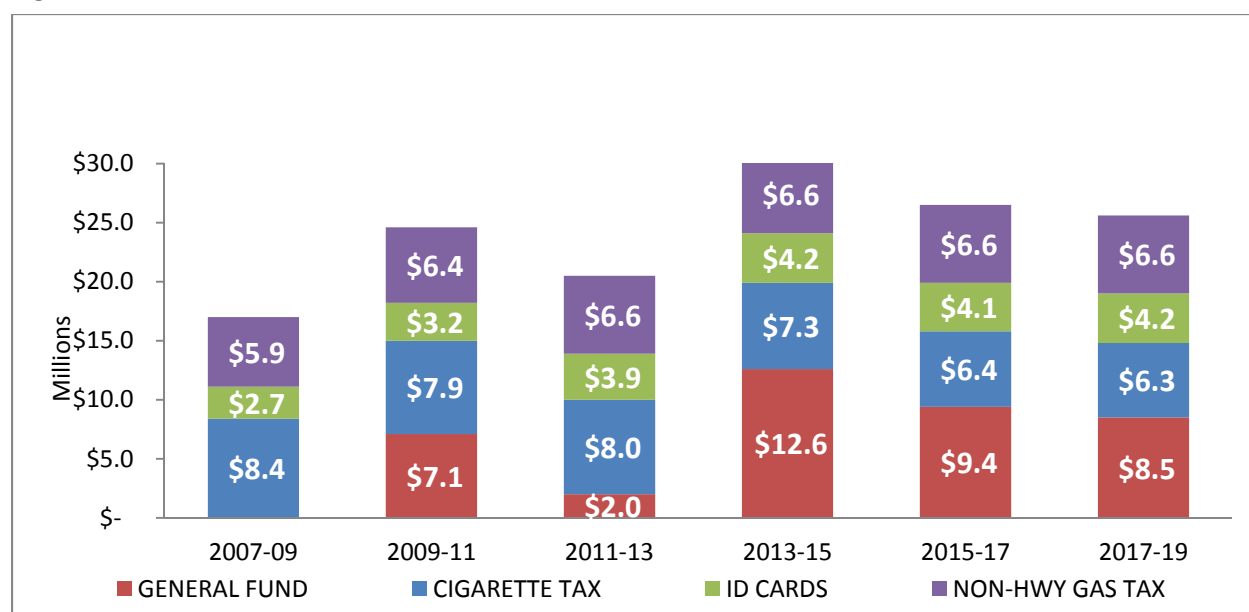


Table 2 below summarizes the major sources of Oregon state public transportation funding and lists program/source, method of distribution, and a description of the fund purpose. It excludes miscellaneous one-time funding sources for passenger rail, such as FHWA STP funds that were flexed into local funds with the assistance of local agency fund exchange.

Table 2. Major Sources of State Public Transportation Funding in Oregon

Program/Source	Purpose	Allocation Method	FY 2014 Funding
STF: Special Transportation Fund ORS 391.800 through 391.830	Seniors, people with disabilities	ODOT by formula and discretionary; STF agency discretionary local prioritization ¹	\$11.7 M
Mass Transit Payroll Assessment ² ORS 291.405 and 291.497	Any transit purpose	DAS formula	\$10 M
ConnectOregon Program Lottery backed bonds ³	Capital	ODOT discretionary	\$4.9 M
Direct Legislative Appropriation Generally lottery backed bonds	Any, typically large capital projects	Discretionary as directed by legislature	\$0 for FY14, \$5.7 M in FY15 ⁴
Non-highway Gas Tax	Passenger rail	ODOT discretionary	\$1.2 M
Custom License Plate fee	Passenger rail	ODOT discretionary	\$3.6 M

¹42 STF Agencies (transit districts, counties where no transit districts exist and nine federally recognized tribes) conduct local processes to prioritize expenditure of STF funding that is allocated by formula to STF Agencies. STF funds can be used for local match.

²Payroll tax fund collected and distributed by the Department of Administrative Services to public transportation districts that levy a public transportation tax and have state employees within their taxing district. This assessment is limited to not more than six-tenths of one percent (0.006) of each qualifying state employee's gross wages. Can be used for local match.

³Requires 30 percent local match

⁴\$3.5 million for Salem Area Mass Transit District and \$2.2 Million for Lane Transit District

Local Public Transportation Funding

There are three primary sources of local funding for public transportation in Oregon: payroll taxes, property taxes, and earned revenues such as those from fares and advertising. Some local governments may, at their discretion, also use such revenues as local general funds, transportation impact fees, system development charges, special assessments, and transportation utility fees. Local funds pay for most transit operations in the larger urban systems and often contribute to operations in the smaller urban, rural, and county systems. Of about 50 cities, counties, and transit districts offering public transportation services in Oregon, 15 collect revenue dedicated to public transportation. All forms of local funds, except passenger fares, are used to meet local match requirements and leverage federal funding.

Payroll Tax

Payroll tax is levied on employers based on a percentage of gross payroll for services performed by employees within the transit district boundary. Six transit providers in the state levy payroll tax: Lane Transit District, TriMet, City of Wilsonville, City of Sandy, South Clackamas Transportation District, and City of Canby.

Property Tax

Cities and counties may levy property taxes in support of transit. Seven transit districts in the state receive dedicated local revenue from a tax on real property including Salem-Keizer Transit, Sunset Empire Transportation District, Tillamook County Transportation District, Lincoln County Transportation Service District, Rogue Valley Transportation District, Hood River County Transportation District, and Basin Transit Service Transportation District.

Earned Revenues and Fares

Earned revenue is revenue generated by a transit provider through the provision of public transportation and related services, such as paid advertising on buses and shelters, service contracts with private facilities, fares, and donations. With the exception of passenger fares, earned revenue may be used to match federal and state funds.

In Oregon, approximately 16.6 percent of public transportation funding comes from fares. However, this figure can vary widely depending on factors such as whether the service is urban, rural, fixed-route, or demand response/paratransit.¹ Fare revenues are generally higher in urban systems with high ridership and lower in rural systems with lower ridership traveling long distances.

Some transit providers have chosen not to charge fares, but collect user funding through some other mechanism. This enables the provider to use this alternative funding source to meet federal local match requirements. For example, Ride Connection collects user donations that are roughly comparable to the fares they used to collect. The value of volunteer driver time is another source of local contribution. Approximately 20 agencies report donation income to the state.

General Fund

City and county general funds can be used to help fund transit service, which typically pays for only a small percentage of the service cost.

Transportation Operation Fees

The City of Corvallis collects a monthly utility fee that is indexed to the average price of a gallon of gas. The City pays this fee to the transit provider for the City, who does not collect passenger fares in the City.²

Public / Private Funding Partnerships

Several transit agencies receive local funding through public and private partnerships, such as Cascades East Transit,³ who receives funding from Mount Bachelor, Central Oregon Community College, and several cities and counties.

¹ Demand response service is typically found in areas of low ridership, limitations on user type may be established by local policy where demand outstrips funding. Paratransit service is limited to persons with disabilities. ADA requires fixed-route providers to offer complementary paratransit service (geography and hours).

² City of Corvallis. Undated. *Bus Fares/Fareless*. Available at <http://www.corvallisoregon.gov/index.aspx?page=175>.

³ <http://cascadebusnews.com/cascades-east-transit-launches-additional-transit-service-in-bend/>. Accessed June 27, 2016.