

## PUBLIC TRANSPORTATION FUNDING IN OREGON Updated August 14, 2017

Public transportation in Oregon is funded through a mix of federal, state, and local sources. This document summarizes the current and estimated future major funding sources, trends, and eligibility. It was updated August 14, 2017 to include estimated public transportation funding recently authorized under HB 2017 that will become available in 2019.

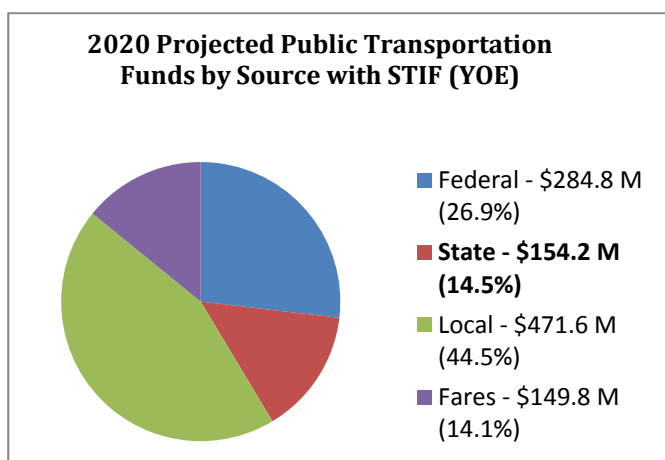
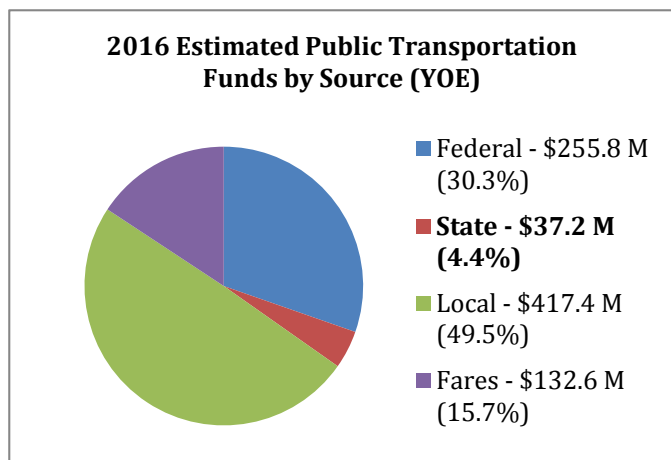
### Public Transportation Funding by Fund Source

There are four major funding sources including:

- Federal: Federal Transit Administration (FTA) and Federal Highway Administration (FHWA)
- State: ODOT Special Transportation Fund (STF) and State Transportation Improvement Fund (STIF) and other State programs/sources
- Local: vary by jurisdictional authority exercised
- Fares: paid by users

The charts below show how public transportation agencies in Oregon are currently funded (lower left) and the impact of the STIF authorized under HB 2017 (lower right). Employee payroll tax collection to fund STIF is anticipated to begin July 1, 2018 with the initial grant agreements effective by July 1, 2019.

In 2016, an estimated \$843 million was invested in public transportation with \$37.2 million from State sources. By 2020, that number is estimated to increase to just over \$1.1 billion in total annual investment with \$154.2 million from State sources.



Notes: The graphics include local public transportation and intercity passenger rail and bus funds and an estimate of average FTA discretionary appropriations for the State of Oregon.

The percentage of funding from fares does not reflect farebox recovery because the charts include all revenues, not just operations funding. Farebox recovery ratios reflect the percentage of operations costs that are recovered through passenger fares.

2020 projections assume that all FAST Act increases are funded and no major changes in distribution methodology for fund sources occurs between 2016 and 2020.

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 total federal funding (including FHWA transfers) for transit in Oregon in fiscal year 2016 was \$255.8 million. That funding can be summarized as follows:

- FTA one-time discretionary allocations: \$103.6 million
- FTA formula allocations to direct recipients: \$89.7 million
- FTA formula allocations passed through ODOT: \$18.5 million
- FHWA funds passed through ODOT: \$44 million (includes Congestion Mitigation and Air Quality Improvement funds, Metropolitan Planning Organization directed Surface Transportation Block Grant allocations, Elderly and Disabled transfers, Enhance, and Mass Transit Vehicle Replacement programs)
- Total budget for funds passed through ODOT (including one time passenger rail allocation): \$66.1 million

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

Program/Source	Purpose	Allocation Method		Actual FY 2016 Funding
		USDOT	ODOT	
FTA §5310/ODOT E&D: Seniors and Individuals with Disabilities <sup>1</sup>	Seniors and individuals with disabilities; often limited to capital projects	Formula to urban areas and states	Formula and discretionary to STF Agencies <sup>2</sup>	\$ 3.7 M

<b>FTA §5311:</b> Formula Grants for Rural Areas	Rural populations less than 50,000	Formula to states	Formula to rural providers	\$10.3 M
<b>Transit Network and Intercity<sup>3</sup></b>	Bus service over longer distances between cities and regions	Minimum 15 percent set-aside from 5311	Discretionary to intercity providers	\$1.8 M
<b>FTA §5309:</b> Fixed Guideway Capital	Major projects (New Starts, Small Starts)	Discretionary to urban areas		\$100 M (One-time allocation)
<b>FTA §5339:</b> Bus and Bus Facilities	Vehicles, facilities, equipment	Discretionary for urban areas, state	Discretionary rural and small urban via state	\$14.1 M
<b>FTA §5303/4:</b> Statewide and Non-Metropolitan Planning	Transportation planning	Formula to urban areas, states	Discretionary	\$1.4 M
<b>FTA §5307:</b> Urbanized Area	Any in urban areas	Formula to urban areas		\$54.7 M
<b>FTA §5307:</b> Special Allocation of old funds	Passenger rail	Discretionary	Discretionary	\$3.6 M (One-time allocation)
<b>FTA §5337:</b> State of Good Repair	Fixed guideways	Discretionary and formula to urban areas		\$20.5 M
<b>FTA §5311(c):</b> Tribal Transit	Any	Formula to tribal transit providers		\$1.0 M
<b>FTA §5329:</b> Public Transportation Safety and Oversight	State safety oversight for passenger rail	Formula to states		\$0.7 M
<b>FHWA CMAQ:</b> Congestion Mitigation and Air Quality Improvement Program - 23 USC 149	Varies, includes public transportation to help areas meet air quality and passenger rail goals	Formula to states	Formula for local jurisdictions in air quality non-attainment or maintenance areas	\$13.5 M <sup>4</sup>
<b>FHWA STP:</b> Surface Transportation Block Grant Program - 23 USC 133 <i>ODOT E&amp;D Program/ FTA §5310<sup>1</sup></i>	Primarily capital, some portion for Transportation Options program	Formula to states	ODOT flexes portion of STP funds into 5310 program. Distribution by formula and/or discretionary	\$12.1 M
<b>FHWA STP:</b> Surface Transportation Block Grant Program - 23 USC 133 <i>MPO Directed Allocations</i>	Capital, such as transit centers, buses	Formula to states	ODOT allocates STP funds to MPOs for local projects Distribution is	\$ 14.9 M <sup>4</sup>

			discretionary by MPOs	
<b>FHWA STP:</b> 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 Enhance. Distribution is discretionary	\$ 1.5 M
<b>FHWA STP:</b> 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
<b>FHWA FLAP:</b> 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 <sup>5</sup>

<sup>1</sup> 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

<sup>2</sup> 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.

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

<sup>4</sup> Only includes funds transferred to FTA, not funds administered through FHWA that have secondary transit benefits

<sup>5</sup> Fewer than 10 transit providers have received FHWA FLAP awards

## State Public Transportation Funding

State public transportation funding in Oregon is currently limited to a few major sources:

- Special Transportation Fund (cigarette 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)
- A portion of DMV fees for custom vehicle license plates for passenger rail

Beginning July 1, 2019, State Transportation Improvement Funds will become available through grant agreements with local transit providers

State funding has historically provided 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. The addition of the STIF, an ongoing dedicated source of public transportation funding, will be a nearly a ten-fold increase in State funding.

**Figure 1. STF Trends: 2007-2019**

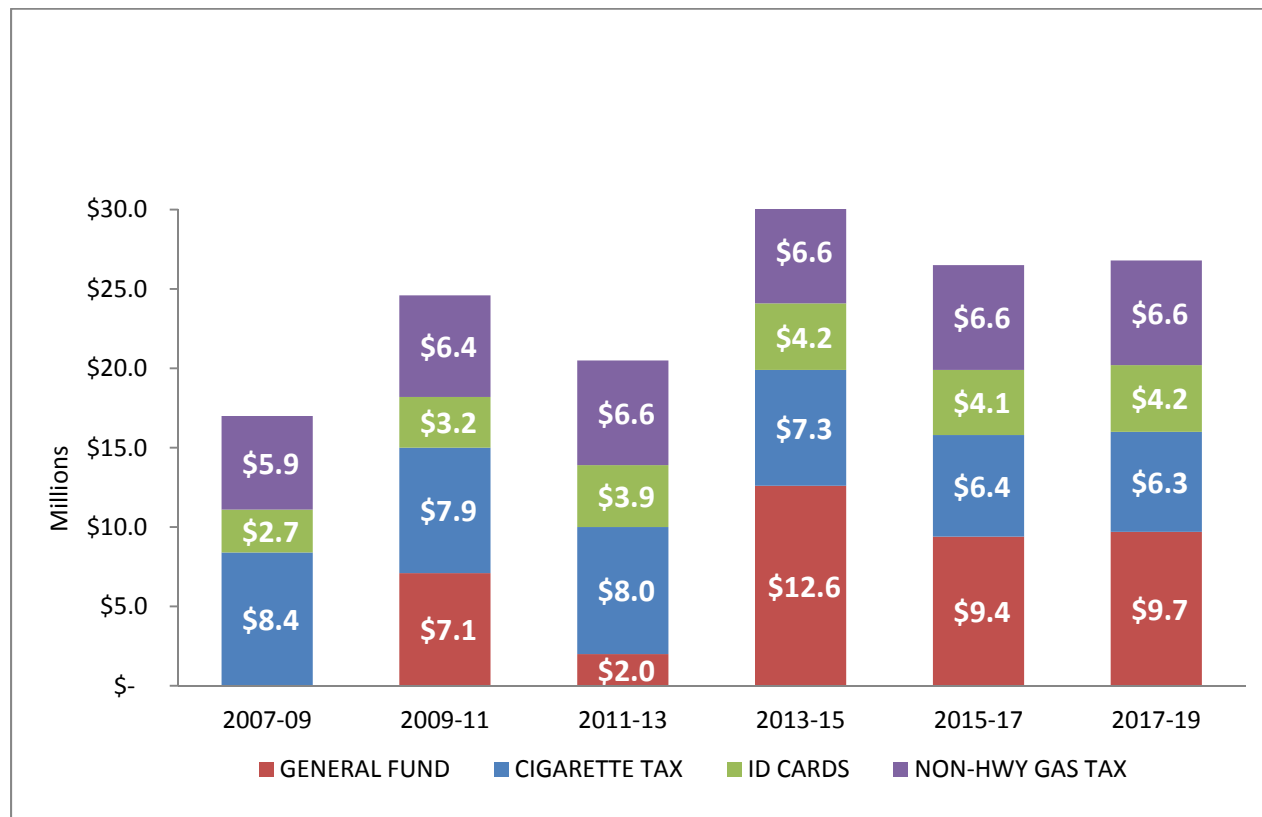


Table 2 below summarizes the major sources of Oregon state public transportation funding and lists program/source, method of distribution, and a description of the fund purpose. It excludes miscellaneous one-time funding sources for passenger rail, such as FHWA STP funds that were flexed into local funds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

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

Program/Source	Purpose	Allocation Method	FY 2016 Funding
<b>STF: Special Transportation Fund</b> ORS 391.800 through 391.830	Seniors, people with disabilities	ODOT by formula and discretionary; STF agency discretionary local prioritization <sup>1</sup>	\$13.3 M
<b>Mass Transit Payroll Assessment<sup>2</sup></b> ORS 291.405 and 291.497	Any transit purpose	DAS formula	\$9.0 M
<b>ConnectOregon Program</b> Lottery backed bonds <sup>3</sup>	Capital	ODOT discretionary	\$6.6 M

<b>Direct Legislative Appropriation</b> Generally lottery backed bonds	Any, typically large capital projects	Discretionary as directed by legislature	\$0 for FY16, \$5.7 M in FY15 <sup>4</sup>
<b>General Fund</b>	Passenger rail	Discretionary as directed by legislature	\$5.2 M
<b>Custom License Plate fee</b>	Passenger rail	ODOT discretionary	\$3.1 M

<sup>1</sup>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 by formula to STF Agencies. STF funds can be used for local match.

<sup>2</sup>Payroll 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.

<sup>3</sup>Requires 30 percent local match

<sup>4</sup>\$3.5 million for Salem Area Mass Transit District and \$2.2 Million for Lane Transit District

Table 3 below summarizes the Statewide Transportation Improvements Fund purpose, distribution percentages, method of distribution if known, and a description of the fund purpose. STIF revenues will be derived from the statewide collection of an employee payroll tax in the amount of 1/10 of one percent of wages.

**Table 3. Statewide Transportation Improvement Fund**

<b>STIF Distribution</b>	<b>Purpose</b>	<b>Allocation Method</b>	<b>FY 2020 Estimate</b>
90% to qualified entities: counties without a mass transit district or transportation district, mass transit districts, transportation districts, and federally-recognized tribes	Enhance public transportation. Qualified entities must complete a plan that specifies what percentage of their allocation will be spent on increased service and reduced fares for low-income households, service improvements between communities, and buses powered by natural gas or electricity in areas over 200,000 in population	Formula where amount distributed to qualified entities is proportionate to the amount collected in an area, with an annual base of at least \$100,000	\$103.4 M
5% to public transportation service providers*	Not stated in law	Competitive grant program to be adopted by OTC by rule	\$ 5.7 M
4% to public transportation service providers*	Improve public transportation between two or more communities	Competitive grant program to be adopted by OTC by rule	\$ 4.6 M
1% to ODOT	Statewide public transportation technical resource center to	ODOT Discretionary	\$ 1.1 M

	assist public transportation providers in rural areas with training, planning, and information technology		
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\*Public transportation service providers include qualified entities, and cities, counties, special districts, intergovernmental entities or any other political subdivision or municipal or public corporation that provides public transportation services

### **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 such 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.