



## OPTP Existing Conditions: Public Transportation Funding Overview

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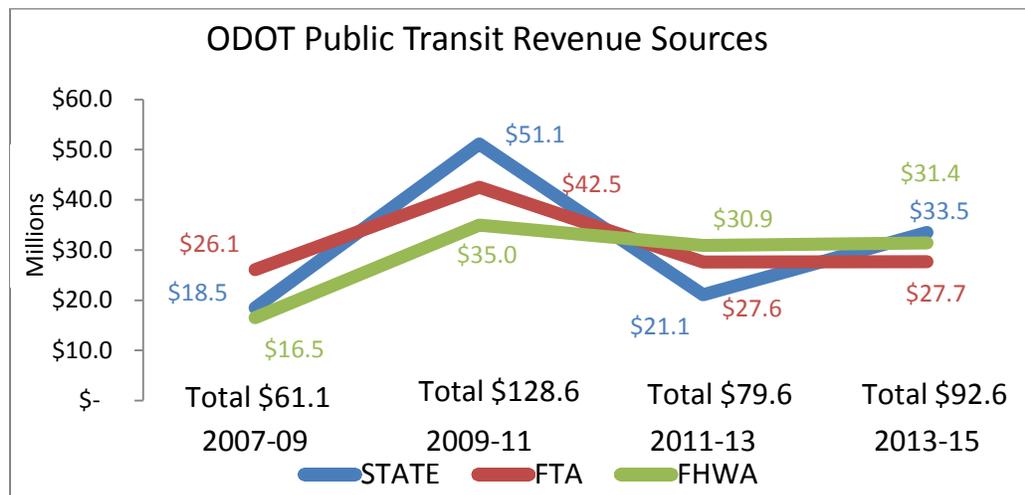
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# Introduction

The many diverse elements of Oregon’s public transportation system are funded through a complicated mix of local, state, and federal funding programs and by transit system-generated revenues such as passenger fares, advertising revenue and building leases. The specific mix used is different for each transit agency or service. Funding for public transportation in Oregon, like other modes, has been intermittent and suffers from the lack of adequate long term dedicated funding. In some instances, funding comes from one-time revenue sources. The public transportation system would benefit by having reliable, flexible, and sustainable funding as the foundation for an integrated and interconnected public transportation network that can grow with the increase of population and service demand. In the long term the condition and performance of the system will be diminished without a source of significant, sustainable revenue.<sup>1</sup>

The following chart provides a picture of the changes in public transportation resources managed by the Oregon Department of Transportation’s (ODOT) Rail and Public Transit Division. (ODOT is often the designated recipient of funds and then distributes the funds to local agencies.) The chart does not include local revenue, funds directly distributed by the Federal Transit Administration (FTA) to local recipients, or intercity rail funds. The majority of small urban and rural transit providers in Oregon are dependent upon these funds; while larger urban systems often receive FTA funds directly (excluded from the chart) and may receive more local funds and farebox receipts.

Figure 1: Public Transit Revenue Sources

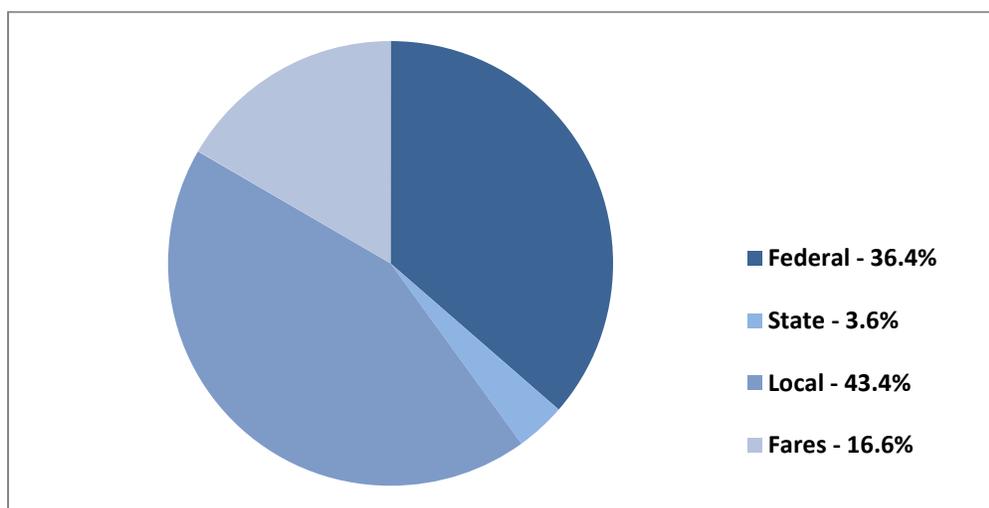


Source: ODOT Rail and Public Transit Division; in 2009-11, the State program included lottery funds for Oregon Streetcar and the FTA program includes one-time American Recovery and Reinvestment Act funds.

<sup>1</sup> State of the System, 2014. Oregon Department of Transportation.

Some of the state and federal funds are distributed based on formulas; other funds are in the form of discretionary or competitive grants, and periodically, the Oregon legislature makes direct legislative allocations on a one-time basis. The estimated 2014 intergovernmental funding resources for local public transportation and intercity bus are \$781 million; the breakdown of sources is shown in the following chart. 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 Cherriots (serving Salem-Keizer). Many of the smallest agencies depend on state and federal funds as the majority of their budgets.

Figure 2: 2014 Estimated Funds for Public Transit



Source: Estimates calculated by ODOT Planning from internal ODOT expenditure information and Secretary of State Audits. This graphic includes local public transportation and intercity bus funds, but does not include intercity passenger rail funds.

## Federal Funds

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Federal funds for public transportation are authorized and appropriated by Congress, usually to the U.S. Department of Transportation's (USDOT) budget. USDOT agencies, primarily the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA), provide funds to the states by reimbursing the states for eligible expenses. FHWA formula funds flow through The Oregon Department of Transportation (ODOT) which then grants or passes through funds to eligible entities throughout the state to use for qualified purposes. FTA directs appropriated federal funds for transit through various programs, most of which flow directly to transit providers.

Congress establishes the legal authority for FTA and FHWA programs through authorizing legislation that often covers several years; however, in recent years, authorization has been

short-term with some authorization periods being only a year or less. While currently authorized through 2020, federal surface funds are threatened due to declining federal gas tax receipts, political uncertainties, and potential shifts of priorities. The most recent authorizing legislation is called the Fixing America's Surface Transportation Act or FAST Act, continues and amends federal transit, rail, and highway funding programs and requirements.<sup>2</sup> The FAST Act is a five-year bill, which expires in 2020, and represents the first time in ten years that Congress has authorized a multi-year bill, providing a degree of certainty. However, in the long term there is continuing concern about the solvency of the Highway Trust Fund, which receives dollars from the federal gas tax, and funds both highway and transit programs.

## B.1 Federal Transit Administration Funds

FTA directs federal funds appropriated for transit through various programs.<sup>3,4</sup> Funds are allocated by FTA to recipients defined as eligible by each individual funding program; each program has an individual purpose and eligibility requirements (legislation typically defines a series of programs with different purposes, participants, and rules and often assigns funds to each). ODOT is the designated state recipient of programs' funds that are targeted to rural areas of less than 50,000 population or for special needs services (such as transit for persons with disabilities). ODOT manages grants and distributes the funds to eligible sub-recipients. Some entities, including large and small urban agencies, and Indian tribes, receive funds directly from FTA and also from ODOT. Urban agencies, large and small, receive most of their federal funds directly from FTA. Indian tribes may receive some of their funds directly from FTA via the Tribal Transit Program and are eligible for funds distributed by ODOT. Sometimes Oregon agencies receive funds from nationally competitive federal capital funding programs; these have been an important source of funds for some of the largest and most complex public transportation projects in the state.

Many federal sources require about 20 percent in matching funds (funds the state or local recipient(s) must put in to receive the federal funds), but this can vary from approximately 10 to about 50 percent depending on the individual program funding requirements. Raising the local revenue needed to meet match requirements was identified as a concern by transit agencies, especially as rules do not allow fare revenue to be used.

When local revenue is limited, transit agencies may not be able to raise enough matching funds. This also means that they are dependent on the state and federal grants that they can receive. ODOT estimates that the state and federal grant funds allocated to the eligible transit agencies typically compose about 20 to 50 percent of their annual budgets.

## B.2 Federal Highway Administration Funds

There are two FHWA programs managed by ODOT that are used to support transit projects in Oregon, the Surface Transportation Program and the Congestion Mitigation and Air Quality Program.

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<sup>2</sup> Federal Transit laws included in U.S. Code (USC), Title 49, Chapter 53.

<sup>3</sup> Federal Transit Administration (FTA). Undated. *Funding and Finance*. Available at <https://www.transit.dot.gov/funding>. U.S. Department of Transportation, Federal Transit Administration (FTA).

<sup>4</sup> Federal Transit Administration (FTA). Undated. *Funding by State, Fiscal Years 1998-2014*. Available at <https://www.transit.dot.gov/funding/apportionments/funding-state>.

U.S. Department of Transportation, Federal Transit Administration (FTA).

### B.2.1 Surface Transportation Block Grant Program

Formerly known as the Surface Transportation Program, FHWA's Surface Transportation Block Grant Program (STBGP) provides funding that may be used by states and localities for a wide range of transportation projects to preserve and improve the conditions and performance of surface transportation, including highway, transit, intercity bus, bicycle, and pedestrian projects. STBGP funds received by ODOT are allocated by the Oregon Transportation Commission through the Statewide Transportation Improvement Program (STIP). In fiscal year 2014, the STBGP funds used for transit totaled \$35.5 million, which represents about 29 percent of available STBGP funds. The amount of STBGP funding transferred to transit can vary, for instance in the most recent STIP (2018-2021), the OTC allocated an extra \$15 million for vehicle replacement.

### B.2.2 Congestion Mitigation and Air Quality Improvement

The Congestion Mitigation and Air Quality Improvement (CMAQ) Program is designed to improve air quality and mitigate congestion. The CMAQ program provides a flexible funding source to state and eligible local governments that can be used for transportation projects. CMAQ funds projects that provide a public benefit and help the area meet its air quality goals. Qualified projects are selected by the local areas in which the projects are implemented.

### B.2.3 Federal Funding Summary Table

The following table provides information about FTA and FHWA programs under the FAST Act. The current names of the programs are listed in the table as well as the approximate award and the method of distribution used in Oregon. Note that the programs are often known by their section number e.g. 5303 and 5304. The chart is generally arrayed by the section number, from small to large.

Table 1: Federal Fund Sources and Distribution for Public Transportation<sup>5,6</sup>

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
<a href="#">Metropolitan &amp; Statewide Planning and Non-Metropolitan Transportation Planning – 5303, 5304, 5305</a>	Provides funding and procedural requirements for multimodal transportation planning in metropolitan areas and states, including for public transportation. Planning needs to be cooperative, continuous, and comprehensive, resulting in long-range plans and short-range programs reflecting transportation investment priorities.	\$1.6 million for MPO planning; \$225,000 for state planning	ODOT Planning allocates urban funds to the MPOs to support MPO planning and project development.  ODOT Rail and Public Transit Division invest non-metropolitan funds for statewide/rural planning projects.
<a href="#">Urbanized Area Formula Grants – Section 5307</a> and Small Transit Intensive City Performance Award – 5340	Provides funding to public transit systems in Urbanized Areas for public transportation capital, planning, as well as operating expenses in certain circumstances.	Oregon urban transit agencies \$52.3 million; Tri-Met, Wilsonville SMART - \$33 million; LTD \$6.1 million; Salem – Keizer \$5.8; 6 small urban agencies \$7.3 million; Corvallis and the Rogue Valley shares include additional award from the Small Transit Intensive Cities Performance Program	FTA apportions funds directly to the designated urban recipients; ODOT does not have a direct role.

<sup>5</sup> Chart includes both Federal Transit Administration Funds and Federal Highway Administration Funds that are used for public transportation projects.

<sup>6</sup> <https://www.transit.dot.gov/funding/grants/fta-allocations-formula-and-discretionary-programs-state-fy-1998-2018-excel>.

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
<a href="#">Enhanced Mobility of Seniors &amp; Individuals with Disabilities - 5310</a>	<p>Formula funds apportioned to large urban direct recipients<sup>7</sup> and the state on behalf of the small urban and rural agencies. Program purpose is to assist in meeting the transportation needs of the elderly and persons with disabilities. Funds operations, vehicle maintenance, mobility management, vehicles and facilities.</p>	<p>Large urban areas -\$1.6 million per year; Small urban areas \$766,000; Rural areas, including Indian tribes \$910,000</p> <p>ODOT adds not less than \$10 million of STBGP to this program each year.</p>	<p>FTA apportions funds directly to the designated large urban recipients; ODOT does not have a direct role.</p> <p>ODOT conducts a biennial discretionary grant program. Eligible recipients include small urban and rural cities, counties, transit districts, non-profit agencies, Indian tribes and councils of governments; large urban agencies may also participate in this program due to the addition of STBGP funds to the program.</p>
<a href="#">Formula Grants for Rural Areas – 5311</a>	<p>Formula funds apportioned to the state for rural areas with population less than 50,000, where many residents often rely on public transit to reach their destinations. Program purpose is to support services open to the general public. Funds capital, planning, operations, mobility management, and administration.</p>	<p>Annual apportionment is about \$11.9 million of which 15% (\$1.8 million) is reserved for rural intercity bus support.</p>	<p>ODOT offers a biennial formula program to prequalified rural transit agencies, including cities, counties, transit districts, nonprofit agencies Indian tribes and councils of governments.</p> <p>ODOT offers a biennial</p>

<sup>7</sup> "Direct recipient" is an entity that receives funding directly from FTA. Direct recipients are defined by FTA in consultation with the state's Governor.

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
	At least 15% of the apportionment is for rural intercity bus support.		discretionary intercity bus grant program. In addition to those eligible for 5311 formula, private for profit intercity bus operators are eligible for the intercity bus support.
<a href="#">Rural Transportation Assistance Program – 5311(b)(3)</a>	Provides funding to states for developing training, technical assistance, research, and related support services in rural areas. The program also includes a national program that provides information and materials for use by local operators and state administering agencies, and supports research and technical assistance projects of national interest.	RTAP award is \$181,000.	ODOT offers RTAP funds to support scholarships to transit related educational events and an annual conference in cooperation with Oregon Transit Association and Transportation Options Group.
<a href="#">Public Transportation on Indian Reservations Program; Tribal Transit Program – 5311</a>	The Tribal Transit Program is a set-aside from the Formula Grants for Rural Areas program consisting of a formula program and a discretionary grant program, subject to appropriations. There is no local match required under the formula program; however, a 10-percent local match is required under the discretionary program.	Formula funds: \$667,000 Discretionary: varies; no Oregon projects in this year	Awarded directly by FTA to Indian tribes; ODOT does not have a direct role.

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
<p><a href="#">Capital Investment Grants (CIG) – 5309</a></p> <p>Note: Prior to FAST Act, Map-21 combined 5309 New Starts/Small Starts, and Bus and Bus Related Equipment and Facilities programs with 5339 State of Good Repair program. FTA created a series of discretionary grant programs targeted at a variety of purposes which were funded out of unobligated balances from prior years' 5309 appropriations.</p> <p>Currently, per FAST Act, three separate grant programs are created, targeted to more distinct purposes and eligibility.</p>	<p>FTA's primary grant program for funding major transit capital investments, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit; this discretionary grant program is unlike most others in government. Instead of an annual call for applications and selection of awardees, the law requires that projects seeking CIG funding complete a series of steps over several years to be eligible for funding.</p> <p>Eligible applicants for the CIG program are state or local governmental authorities.</p>	<p>5309 Fixed Guideway Investment: \$124.4 million for Portland metro area transit capital projects such as light rail.</p>	<p>Per changes in FAST Act, FTA is currently redefining the program.</p> <p>ODOT could apply for a qualified project; FTA awards funds directly to the qualified recipients.</p>
<p><a href="#">Mobility on Demand (MOD) Sandbox Demonstration Program - 5312</a></p>	<p>Funds projects that promote innovative business models to deliver high quality, seamless and equitable mobility options for all travelers.</p> <p>Competitive program, eligible</p>		<p>New Program; ODOT could apply for a qualified project; FTA awards funds directly to the qualified recipients.</p>

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
	<p>recipients are providers of public transportation including public transit agencies, non-profits, state and local departments of transportation and federally recognized Indian tribes.</p>		
<p><a href="#">Public Transportation Innovation - 5312</a></p>	<p>Provides funds to develop innovative products and services to assist transit agencies to better meet the needs of their customers.</p> <p>Eligible recipients are determined for each competition, and may include: universities, public transportation systems, state DOTs, non-profit and for-profit entities, amongst others.</p>		<p>New Program; ODOT could apply for a qualified project; FTA awards funds directly to qualified recipients.</p>
<p><a href="#">Transit Cooperative Research Program - 5312(i)</a></p>	<p>Research program that develops near-term, practical solutions such as best practices, transit security guidelines, tests prototypes, and new planning and management tools.</p> <p>Research problem statements are solicited annually from the transit community. Transportation Research Board publishes</p>		<p>ODOT and Oregon transit agencies participate in this program by submitting research requests for consideration.</p>

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
	competitive contracts for research and synthesis studies of current best practices. Funds for projects are allocated by transit industry consensus through TRB.		
<a href="#">Technical Assistance &amp; Standards Development - 5314(a)</a>	Provides funding for technical assistance programs and activities that improve the management and delivery of public transportation and development of the transit industry workforce.		New Program – details not yet available.
<a href="#">Human Resources &amp; Training - 5314 (b)</a>	Provides grants or contracts for human resource and workforce development programs as they apply to public transportation activities.		New Program – details not yet available.

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
<a href="#">Public Transportation Emergency Relief Program - 5324</a>	<p>Helps states and public transportation systems pay for protecting, repairing, and/or replacing equipment and facilities that may suffer or have suffered serious damage as a result of an emergency, including natural disasters such as floods, hurricanes, and tornadoes. It provides authorization for Section 5307 and 5311 funds to be used for disaster relief in response to a declared disaster.</p>		<p>New Program – details not yet available.</p>
<p>Public Transportation Safety and Oversight, Chapter 53 Section 5329<sup>8</sup></p>	<p>The program includes a national public transportation safety plan, a safety certification training program, a public transportation agency safety plan, and a state safety oversight program. Currently applies to passenger rail; new regulations for bus transit are being developed.</p>	<p>ODOT: \$700,000</p>	<p>Funds are apportioned to ODOT by FTA; ODOT currently uses the funds for passenger rail safety oversight.</p>

<sup>8</sup> [https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/5329\\_Safety\\_Program\\_Fact\\_Sheet.pdf](https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/5329_Safety_Program_Fact_Sheet.pdf)

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
<p><a href="#">State of Good Repair Grants (SGR) - 5337</a> includes High Intensity Fixed Guideway and High Intensity Motorbus factors.</p>	<p>Provides capital assistance for maintenance, replacement, and rehabilitation projects of existing high-intensity fixed guideway and high-intensity motorbus systems to maintain a state of good repair. Additionally, SGR grants are eligible for developing and implementing Transit Asset Management plans.</p> <p>Eligible recipients are state and local government authorities in urbanized areas with rail fixed guideway and high intensity motorbus systems that have been in operation for at least 7 years. In Oregon only the Portland urbanized area is eligible.</p>	<p>Portland urbanized area \$17.5 million for fixed guideway and \$91,000 for motorbus</p>	<p>FTA apportions funds directly to the designated urban recipients; ODOT does not have a direct role.</p>
<p><a href="#">Buses and Bus Facilities Grants Program - 5339</a></p>	<p>Under FAST Act, FTA offers both formula and discretionary programs. Program purpose is for purchase, replacement and rehabilitation of buses and related equipment and to construct bus-related facilities.</p> <p>Formula funds are apportioned to large urban direct recipients and the state on behalf of the small</p>	<p>Formula apportionments: TriMet, LTD and Salem-Keizer \$4.5 million; Small urban agencies \$718,000; Rural areas \$1.25 million</p> <p>Discretionary funds have yet to be awarded.</p>	<p>FTA apportions funds directly to the designated urban recipients; ODOT does not have a direct role.</p> <p>For formula funds apportioned to ODOT; ODOT offers a biennial competitive grant process for the small urban and rural transit agencies offering public</p>

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
	<p>urban and rural agencies. In addition to the formula allocation, this program includes two discretionary components: The Bus and Bus Facilities Discretionary Program and the Low or No Emissions Bus Discretionary Program.</p> <p>Competitive grant program provides funding for major improvements to bus transit systems that would not be achievable through formula allocations.</p>		<p>transportation. ODOT limits the fund purpose to vehicle replacement.</p> <p>FTA Discretionary program is available to large urban areas that apply directly to FTA; ODOT applies for small urban and rural agencies.</p>
<a href="#">Surface Transportation Block Grant Program - 23 USC 133</a>	<p>FHWA funds that may be used by states and localities for a wide range of projects to preserve and improve the conditions and performance of surface transportation, including highway, transit, intercity bus, bicycle and pedestrian projects.</p>	<p>In 2014, \$35.5 million (29%) of STBGP funds were flexed to transit by ODOT</p>	<p>ODOT established a flexible funds program in 2009 and in accordance with directions from the Oregon Transportation Commission committed to annual allocation of Surface Transportation Program funds no less than \$10 million annually to senior and special transportation needs. Additional OTC allocations of STBGP are used for Transportation</p>

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
			Options program (\$1 million) and Mass Transit Vehicles (\$2 million). STBGP funds may also be acquired by transit agencies and RPTD through discretionary programs (e.g., Enhance and, in some locations, CMAQ).
<a href="#">National Highway Performance Program - 23 USC 119</a>	FHWA funds that provides support for the condition and performance of the National Highway System (NHS), for the construction of new facilities on the NHS, and to ensure that investments of federal funds in highway construction are directed to support progress toward the achievement of performance targets established in a state's asset management plan for the NHS.		Program eligibility allows for transit features, such as bus pull-outs, included in highway construction.
<a href="#">Congestion Mitigation and Air Quality Improvement Program - 23 USC 149</a>	CMAQ provides funding to areas in non-attainment or maintenance for ozone, carbon monoxide, and/or particulate matter.	\$18 million per year	Local jurisdictions in non-attainment or maintenance areas qualify for CMAQ program funds. The funds may be used for a variety of projects, including public transit, as long as it helps the area meet its air quality goals.

Federal Program Name per the FAST Act and Reference	Federal Program Description	2014 Approximate Award in Oregon	Oregon Distribution Method
Transportation Investment Generating Economic Recovery Program <a href="#">TIGER (USDOT)</a> <sup>9</sup>	TIGER provides funding, on a competitive basis, for innovative, multimodal and multi-jurisdictional transportation projects that promise significant economic and environmental benefits to an entire metropolitan area, a region, or the nation.	No grants in Oregon related to public transit during this period.	
FHWA Federal Lands Access Program - 23 U.S.C. 204 <sup>10</sup>  (Formerly Transit in the Parks program)	Program funding to states to support, among other things, transit related access to federal lands. The program is managed by the Office of Federal Lands Highway, a division of FHWA. States are to establish committees composed of representatives from FHWA, the State DOT and local jurisdictions and award funding in partnership with federal land management agencies.	\$460,000 to ODOT for Mt. Hood Express	States, tribes, counties, cities, or local governments are eligible to receive program funds.

<sup>9</sup> <https://www.transportation.gov/BUILDgrants>

<sup>10</sup> <https://flh.fhwa.dot.gov/programs/flap/>

## State Funds

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The state has several important, though limited, funding sources for public transportation (Table 2). 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. Oregon lacks some of the funding sources available in other states for transportation, for example, two of the more common transit funding sources in other states are sales and fuel taxes. Oregon has no sales tax, and the state constitution does not allow fuel taxes to be used for transit, which also precludes a local fuel tax for transit funding. Previous efforts to revise the state constitution to allow gas tax revenue to be used for non-auto purposes (1980, 1990, 1991, and twice in 1992) have been unsuccessful.<sup>11</sup>

The two major state programs for public transportation are the Special Transportation Fund (STF) and the Mass Transit Payroll Assessment (also referred to as the "in lieu of taxes" program). Three additional programs are also available to provide funds for public transportation. The table below summarizes Oregon state funding sources for public transportation.

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<sup>11</sup> Association of Oregon Rail and Transit Advocates (AORTA). 2015. *Please Support SJR 16 to Provide Wise Use of Oregon's Motor Vehicle Revenue*. Available at [http://www.aortarail.org/images/uploads/SJR\\_16\\_for\\_Transportation\\_Choice.pdf](http://www.aortarail.org/images/uploads/SJR_16_for_Transportation_Choice.pdf). February.

Table 2: State Fund Sources and Distribution for Public Transportation

State Program	State Program Description	2014 Approximate Award in Oregon	Distribution Method
<p>Special Transportation Fund, (ORS) 391.800 through 391.830</p>	<p>Funds support public transportation services benefitting seniors and people with disabilities. Defined as an entitlement in the law.</p> <p>Funds may be used for transit operations, capital or planning, and are frequently used to match federal funds.</p>	<p>\$6.6 million total distributed: 22 agencies received the minimum allocation of \$40,000; 17 agencies received between \$40,000 and \$980,000; TriMet, SAMTD and LTD each received more than \$1 million.</p>	<p>Oregon distributes the funds, based on population, to 42 entities designated by law to receive the funds. These entities are transit districts, counties where there is no transit district, and the nine federally recognized Indian tribes in Oregon.</p> <p>Majority of funds are allocated by a population-based formula; remaining funds are used for projects of statewide significance or as discretionary awards.</p>
<p>Mass Transit Payroll Assessment, (ORS) 291.405 and 291.497</p>	<p>Special 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. The service districts collect a state-paid payroll assessment of not more than six-tenths of one percent (0.006) of</p>	<p>\$20.1 million distributed to 10 of 14 districts (four do not have a tax); SAMTD received the most - \$10.2 million; TriMet - \$5.9 million; the smallest South Clackamas (Molalla) - \$13,982</p>	<p>The amount of Mass Transit Payroll Assessment funds distributed to each eligible entity based on the number of state employees; may not exceed the tax collected by the district.</p>

State Program	State Program Description	2014 Approximate Award in Oregon	Distribution Method
	<p>each qualifying state employee's gross wages.</p> <p>Funds may be used for any purpose designated by the recipient agencies, and may be used to match federal funds.</p>		
<i>ConnectOregon</i>	Legislatively allocated competitive grant program for alternative modes, modes that are not eligible for highway fund, of transportation, including transit capital projects.	<p>Most recent project funding is not available.</p> <p>\$7.2 million in annualized debt service.</p>	The competitive applications go through an extensive review process including a statewide committee. The OTC approves the projects. From <i>ConnectOregon</i> I-V, transit has received between 10 and 12 percent; a total of \$41.6 million. <i>ConnectOregon</i> VI is currently under review.
Oregon Transportation Infrastructure Bank	Statewide revolving loan fund designed to promote innovative financing solutions for transportation needs. Eligible applicants include counties, cities, transit districts, port authorities, other special districts, tribal governments, state agencies, private for profit and not-for-profit entities. Public transportation capital projects are	\$247,000 to the Rogue Valley Transit District for the One Call One Click center.	A prescribed loan application is submitted to ODOT. The Chief Financial Officer can make decisions under \$1 million; over a million require OTC approval.

State Program	State Program Description	2014 Approximate Award in Oregon	Distribution Method
	eligible.		
Direct Legislative Appropriation	Each legislative session, the Oregon Legislature will consider, and fund, some special requests for public transportation funding; in this document, they are considered a direct legislative appropriation. The projects are generally larger scale in scope, where the funds will just be one portion of the total project cost. The funds provided by the legislature are generally lottery revenue.	LTD \$12 million for BRT; SAMTD \$3.5 million for transit center  \$30.5 million, annualized debt service on previous non-ConnectOregon funds	The bills are introduced by a legislator, a legislative committee or the Governor's Office. The funding is appropriated through a passed legislative bill.

## C.1 Special Transportation Fund

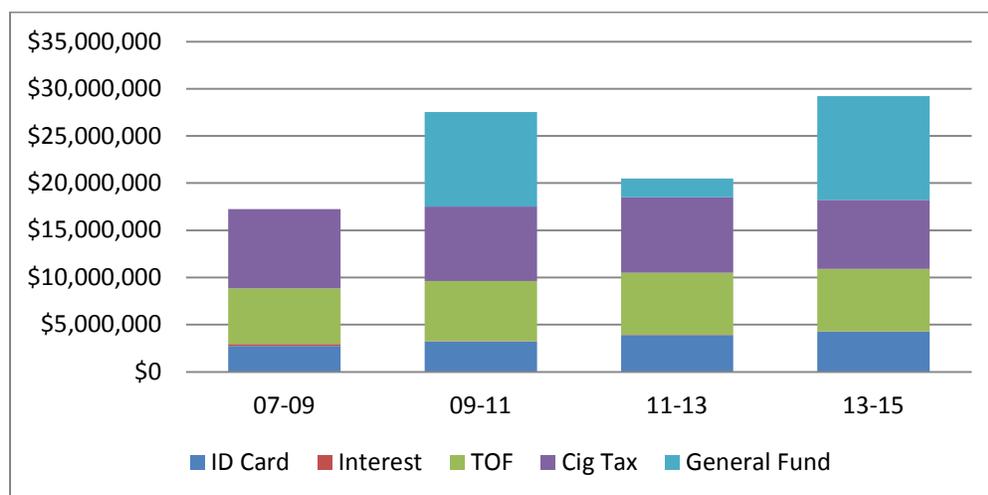
Created in 1985, the Special Transportation Fund (STF) program financially supports public transportation services benefitting seniors and people with disabilities. The STF program revenues derived from the dedicated funds sources (cigarette tax, transportation operating fund and photo identification cards) have generally been stable over time. The funds have been augmented in recent years by contributions of State General Funds. Contributions of State General Funds are specific appropriation decisions by the state legislature. STF funds are used primarily for transit operations and are frequently used to match federal funds also used for transit operations and capital. The following charts show the sources of funds included in the STF program and the variability of those funds.

The STF program for 2013 - 2015 is currently comprised of four primary sources as shown in the following table. Interest income also contributes to the funds.

Table 3: Special Transportation Funds, 2013-2015

STF Funding Source	Amount	Notes
State Cigarette Tax	\$7.1 million	About 2 cents a pack
Transportation Operating Fund	\$6.6 million	Non-road gas tax (e.g. gas purchased for lawn mower and off-road vehicles)
DMV Photo ID Cards	\$3.9 million	Excess revenue after program costs
State General Funds	\$12.1 million	Legislatively appropriated

Figure 4: Summary of STF Funds by Source



## C.2 Mass Transit Payroll Assessment

Oregon supports transit districts by distributing funds from the Mass Transit Payroll Assessment. To be eligible to receive these funds, a qualifying district must levy a tax in support of public transportation. The amount of Mass Transit Payroll Assessment funds distributed to each eligible entity may not exceed the tax collected by the district. In the 2011-2013 biennium, about \$20.5 million was distributed to 10 of 14 districts (four do not have a tax and therefore do not qualify). The share of the funds distributed to individual districts is primarily based on the number of state employees in the district. For example, in the 2011-2013 biennial distribution, Cherriots received \$9.5 million (the largest amount), TriMet received \$5.6 million, and South Clackamas Transportation District (in Molalla area) received \$12,502 (the smallest amount). Salem-Keizer Transit benefits from operating in the state capital where many state employees are based.

## C.3 ConnectOregon

*ConnectOregon* is a legislatively approved grant program funded by lottery-backed bonds and supports non-highway modes (that are ineligible for highway funds) including air, rail, marine, pedestrian, bicycle, and transit. The Oregon legislature has chosen to approve this program each biennium since 2005, with funding ranging from \$40 million to \$100 million with total funding over six allocations of \$427 million. Transit agencies may apply for competitive *ConnectOregon* funds for transit infrastructure projects such as buses, transit centers, or maintenance facilities. Several transit projects have been funded each biennium, amounting to about 10 to 12 percent of *ConnectOregon* funds supporting transit projects. For example, Yamhill County built a transit center in McMinnville and the Confederated Tribes of Umatilla Indian Reservation built a vehicle maintenance facility using these funds.

## C.4 Energy Incentives Program

The Oregon Department of Energy (DOE) created the Energy Incentives Program (EIP) in 2011. This program replaced the former Business Energy Tax Credit (BETC) Program. The elimination of the earlier BETC program had a negative effect on the ability of some local jurisdictions to meet federal match requirements for public transportation funds and had a large effect on the ability of TriMet, Cherriots, and Lane Transit Districts' student bus pass programs, which were largely financed by the sale of tax credits. EIP funds for transportation projects are capped at a total of \$20 million per biennium. There are two parts of the DOE incentives: the Transit Services portion which had a sunset date in 2015 and the Alternative Fuel Vehicle Infrastructure portion which sunsets in 2017. Bus pass programs are no longer eligible. There are many private and public entities potentially eligible to apply for these funds; it is unknown how many public transit providers have used them. The future of DOE Energy Incentive funds is unclear.

## C.5 Oregon Transportation Infrastructure Bank

Managed by ODOT, the Oregon Transportation Infrastructure Bank (OTIB) is a statewide revolving loan fund designed to promote innovative financing solutions for transportation needs. Oregon's OTIB program was started in 1996 as part of a federal pilot program. Eligible borrowers include cities, counties, transit districts, port authorities, other special service

districts, Tribal governments, state agencies, and private for-profit and not-for-profit entities. Eligible transit projects include capital projects such as buses, equipment, and maintenance or passenger facilities. OTIB loans may be used to cover up to 100 percent of the costs of a project. An example is the recent purchase of a bus fleet by Rogue Valley Transportation District where the OTIB funds are being used to match federal funds.

## C.6 Legislative Appropriations

The Oregon Legislature sometimes directly funds public transportation projects in its appropriations. For example, the legislature has made direct appropriations to Portland's light rail projects and chose to authorize lottery-backed bonds to fund the construction of Portland Streetcar vehicles.

## C.7 Intercity Rail Funding

Prior to 2008, USDOT Federal Rail Administration provided much of the funding necessary to operate the Amtrak Cascades service. Recent federal legislation changed state funding requirements for some passenger rail services including the Amtrak Cascades corridor that Oregon and Washington State DOTs work together to provide. The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) classifies intercity passenger rail services into two types: routes exceeding 750 miles in length are long distance, while those less than 750 miles in length are short distance corridors. For shorter corridor train services, including Amtrak Cascades, PRIIA shifted all financial responsibility to states as of October 2013. This requires Oregon and Washington to provide all operating and capital costs to maintain the Amtrak Cascades service. For the long distance services, Amtrak continues to bear full responsibility for their operation, with costs covered by a combination of fare revenues and federal support.

Oregon is in danger of losing the Amtrak Cascades route because the funding for intercity rail is fragmented and there are limited dedicated funds. This has been identified as a concern: "Oregon's lack of dedicated, sustainable funding for rail investments is one of the top challenges facing both the passenger and freight rail systems in the state. Without funding, Oregon does not have revenue available, or the required federal match (should grant funds be made available) to improve, maintain and operate passenger service."<sup>12</sup> Amtrak Cascades funding for the 2013-2015 biennium is shown below in Table 4; as noted, the majority of the funds are one-time sources.

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<sup>12</sup> Oregon State Rail Plan, Oregon Department of Transportation, September 2014; Page 125.

Table 4: 2013 – 2015 Intercity Passenger Rail Funding

Funding Type	Funding Source	Amount
Federal Transit Administration	FTA 5307*	\$5.1 million
State	DMV Custom Plates	\$7.0 million
	Transportation Operating Fund	\$3.2 million
Other	Miscellaneous*	\$12.7 million
	<b>TOTAL</b>	<b>\$28.0 million</b>

\*One time allocations.

## Local Funding

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There are three primary sources of local funding for public transportation in Oregon: earned revenues such as those from advertising or providing contracted transportation services, payroll taxes, and property taxes. Some local governments may, at their discretion, 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 fifty cities, counties, and transit districts offering public transportation services in Oregon, only fifteen collect revenue dedicated to public transportation.

Non-federal funding is required to match federal transit grants and some state programs too. Tracking the total amount needed for match statewide is complex. Federal funding is used routinely but different providers may use different amounts from different funding programs and amount an agency is eligible for may vary. The majority of federal funds for public transportation require a local match contribution. The amount of match varies from program to program and item to item within each program. For example, in the 5311 program, capital items require a 10.27% local match; in the 5310 program, the same item will have a 20% match. The largest item in any transit agency budget is the operating cost of public transportation. The match requirement for operations (when this expense is eligible) is 50%.

Local funds are a primary source of match to both state and federal grants, but only certain funds or revenue is eligible to be used for match. For example, farebox revenue is not allowed to be used as match, but income from providing contracted transportation services (such as for human service agencies), or from advertising and other revenue generating activities are allowed. In some programs, in-kind match is allowed, for example, the value of volunteer drivers may be used for match to an operations grant. Likewise, the value of donation piece of property will offset the matching requirement for a transit maintenance facility.

Local tax revenue is another important source of funds for providing public transportation service and meeting match requirement. However, in local government budget processes, public transportation services compete for funds with many other infrastructure and service needs. Local communities often cannot respond to increasing demand for service due to the volatility of local funding sources. It is difficult to increase revenues from existing resources or implement new ones. Many communities do not contribute any funds to the transit programs serving their citizens. A resulting issue in transit financing, particularly in smaller communities, is a lack of local revenue that can be used for match, leaving transit agencies dependent upon state funds and contract revenue and potentially unable to access all of the federal funds that may be available to them. Lack of local match also impacts the ability to apply for state sourced discretionary funds such as *ConnectOregon*.

## D.1 Payroll Tax

Six transit providers in the state levy payroll tax: LTD, TriMet, City of Wilsonville, City of Sandy, South Clackamas Transportation District, and City of Canby. The payroll tax is levied on employers based on a percentage of gross payroll for services employees performed within the transit district boundary. The payroll tax levied by TriMet and LTD was established by state statute. This legislative action was limited to the two agencies; their tax is administered by the Oregon Department of Revenue and must not exceed a maximum rate that is set by the Oregon State Legislature. The South Clackamas Transportation District and Cities of Wilsonville, Sandy, and Canby payroll taxes were established by city ordinance when these communities withdrew from the TriMet service area.

## D.2 Property Tax

Seven transit districts in the state receive dedicated local revenue from a tax on real property, which is allowed through ORS 198.010 and 198.335 (Cherriots, 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). The tax rate for transit varies from community to community. For instance, during the 2014-2015 fiscal year, Hood River County Transit assessed \$0.07 per \$1,000 of property value, and Salem-Keizer Transit assessed \$0.76 per \$1,000 of property value.<sup>13</sup> Cities and counties may choose to levy property taxes in support of transit; however, most do not currently do so.

## D.3 Earned Revenues

While there are many potential sources of earned revenue, such as rental of transit-owned facilities, the majority of earned revenues in Oregon derive from passenger fares, advertising, and service contracts. With the exception of passenger fares, earned revenues may be used to match federal and state funds.

- Passenger Fare Revenue: Passenger fare revenue is one component of transit revenue funds. Typically, passenger fare revenue covers between 10 to 25 percent of the

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<sup>13</sup> Oregon Department of Revenue. 2015. *Oregon Property Tax Statistics Fiscal Year 2014-15*. 150 -303 -405 (Rev. 9 -15). Available at [https://www.oregon.gov/DOR/programs/gov-research/Documents/property-tax-stats\\_303-405\\_2014-15.pdf](https://www.oregon.gov/DOR/programs/gov-research/Documents/property-tax-stats_303-405_2014-15.pdf). September.

operating cost of the transit service.<sup>14</sup> This percentage, known as the “farebox recovery ratio,” can be a very small percent in some smaller communities or county systems while it is often larger for urban systems with high ridership. A few transit agencies do not charge a fare, and are therefore dependent on other forms of local revenue.

- Advertising: LTD and TriMet, and other transit agencies, sell advertising on transit vehicles or shelters and benches to generate local revenue. Advertising may also be found on websites and in passenger information materials.
- Contract Revenue: Many transit agencies earn revenues derived from the operations of transit services for other agencies’ needs, and some transit systems have agreements with organizations to pay for the organization’s riders as a group rather than individually. For example, LTD has group-pass agreements with the University of Oregon, Lane Community College, several businesses, and public agencies. Contract revenue also includes the sale of transit services to human service agencies, such as Coordinated Care Organizations, to provide transportation for clients defined by the social service agencies.
- Donations: Although donations represent a small source of income for most agencies, they can be important for smaller agencies. More than 20 agencies reported donation income to the state in 2011 to 2013; for example, Douglas County reported over \$20,000 in donations during the period, largely through the value of donated driver time.<sup>15</sup>

## D.4 Other Funding Sources

In addition to the four sources described, several other local funding sources are used or could be used to fund transit:

- City and county general funds: Some communities allocate a portion of the city or county general fund to help finance transit service. This funding source typically pays for only a small percentage of the service cost. Property taxes fund many local government functions, meaning public transportation providers must compete directly with other needs.
- Transportation operation fees: A unique way of funding operations has been implemented by the City of Corvallis with Corvallis City Council approval, which offers “fareless” transit. More than 30 percent of their funding is provided through transit operations fees (TOFs). Established in 2010, TOFs are indexed to the average price of a gallon of regular grade gasoline and are collected monthly from all Corvallis utility customers.<sup>16</sup>
- Funding partnerships: Several transit agencies in the state supplement local funding through partnerships with public and private entities. A good example in Oregon is

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<sup>14</sup> American Public Transportation Association (APTA). 2015. *2013 NTD Data Tables*. Available at <https://www.apta.com/resources/statistics/Pages/NTDDataTables.aspx>.

<sup>15</sup> Oregon Department of Transportation. 2013. *OPTIS—Oregon Public Transit Information System*. Available at <https://www.oregon.gov/ODOT/RPTD/Pages/OPTIS.aspx>. Oregon Department of Transportation, Public Transit Division.

<sup>16</sup> City of Corvallis. Undated. *Bus Fares/Fareless*. Available at <https://www.corvallisoregon.gov/cts/page/bus-fares-fareless>.

Cascades East Transit.<sup>17</sup> Cascades East Transit obtains local funding through numerous funding partnerships, including Mount Bachelor, Central Oregon Community College, and several cities and counties.

- System development charges (SDCs): SDCs are charges paid by developers to local governments to fund public improvements that are needed to support the development. The use of the funds is restricted to infrastructure improvements, which for transit could include items such as bus shelters and bus pull-outs. Pedestrian and cycling facilities can also be funded by SDCs, supporting good connections to transit stations and stops. Sometimes, instead of a development fee, the developer may be required to construct the infrastructure improvement as a condition of development approval.
- Bonding: Significant capital expenditures can be funded through the sales of bonds, which are then repaid over a period of years. Few Oregon transit providers have used bonds to pay for capital projects, however bonding have been successfully used in the development of light rail and streetcars.
- Income Tax: Local government transit providers in Oregon may levy a local income tax by public vote to generate funding for transit service and capital expenditures. The tax would be in addition to the statewide rate. However, no transit providers in the state currently use this tax option.

## Conclusion

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Stakeholder interviews and the OPTP provider survey reveal that stable, adequate funding is one of the top concerns of all providers.<sup>18</sup> Providers face many funding challenges, including funding stability as funding sources can be legislatively redirected or eliminated when government priorities change; funds are vulnerable to changes in the economy; and there is a resistance to tax increases at all levels of government. Local operating budgets have not kept up with growing demand. For example, local payroll tax revenues go up and down based on how the local or regional economy performs. Local property tax revenues in Oregon, relied on by many providers, are growth-limited due to property tax limitation measures passed in the 1990s.

Low farebox revenues and varying levels of local funding mean that small county and rural providers, as well as large county and regional providers, often rely on state and federal dollars as their largest sources of funding. They tend to have extremely limited resources for new vehicles, services, and technologies and devote the great majority of their funds to operations. These providers are especially concerned about the long-term stability of state and federal funding, since they are so reliant on it for their operations. In addition, this reliance on specific funding programs can result in the transit service provided being more responsive to the requirements of the programs than to the unique needs and characteristics of the area.

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<sup>17</sup> <http://cascadebusnews.com/cascades-east-transit-launches-additional-transit-service-in-bend/>. Accessed June 27, 2016.

<sup>18</sup> Oregon Department of Transportation, 2015. Oregon Public Transportation Plan Provider Survey. October 2015.

Intercity public transportation funds are limited. Oregon uses federal funds to contract with both public and private transportation providers to provide bus routes between rural communities and other parts of the state that are not served by the private sector independently. As was mentioned above, with the loss of federal support for the Amtrak Cascades route, intercity passenger rail program funding is in critical condition. There are no dedicated federal and insufficient state funds to adequately retain the Amtrak Cascades route service.

Despite these challenges, recognizing that many states do not have any state level programs for funding public transportation is important. Oregon is fortunate to have the Mass Transit Payroll Assessment and the Special Transportation Fund as well as the ability to compete for special grant programs. However, Oregon public transportation funding would benefit by having additional reliable, flexible, sustainable funding as the foundation for an integrated and interconnected system.