

# Case Study

## OREGON SUSTAINABLE TRANSPORTATION INITIATIVE



### FARE FREE TRANSIT CORVALLIS TRANSIT SYSTEM

#### Featured Category

#### Increase Transit Use



#### Location

**Corvallis, Oregon**

2010 Population: 54,462

#### Milestones

- » Year Implemented 2011
- » 1,152,665 bus boardings in Fiscal Year 12/13
- » 37.9 percent increase in ridership in one year

#### Applicable GHG Reduction Strategies<sup>1</sup>

- » [Transit pricing](#)
- » [Transportation Demand Management](#)

### Free Transit & Stable Funding

The City of Corvallis created stability in their transit operations revenue, established a mechanism for building capital reserves for planned expansions and fleet replacement, and at the same time made the service free.

#### Key Facts:

- » Corvallis Transit System has operated fare free since 2011
- » The Transit Operations Fee (TOF) is collected as a utility fee, not a tax
- » The fee system, as opposed to a tax, is relatively insulated from economic downturns.
- » The money collected through the TOF covers not only operating costs, but provides a source for local matching fund requirements for purchase of new equipment.

*This case study is an illustration of strategies from the Transportation and Land Use Greenhouse Gas (GHG) Reduction Toolkit, and is intended to help local jurisdictions explore actions and programs that can reduce GHG emissions from transportation.*

<sup>1</sup> Transportation and Land Use Greenhouse Gas (GHG) Reduction Toolkit Database, ODOT, 2011.

## Challenges

At the time of adoption, public and political sentiment on the issue was mixed. The new fee system narrowly passed City Council in a 5 to 4 vote.

Concerns included having the buses become “mobile shelters” for the homeless or a haven for rowdy teens. The number of problem incidents has increased, but the percentage of problem incidents in relation to the number of passengers has remained constant. In other words, the free buses did not attract problem passengers.

Providing ADA Paratransit is a responsibility of all public transit providers. Federal rules stipulate that the fare charged for ADA Paratransit service may not be more than double that of the fare required for fixed route service. When there is no charge for fixed route service there is also no charge for ADA Paratransit service. CTS and the Benton County Special Transportation Fund (STF) share the same ADA Paratransit service provider. As the Benton County STF program remained a fare-based system, it was necessary to draw a distinction between CTS ADA rides and Benton County STF for those riders who were certified for both services.

## Beaver Bus

The Beaver Bus is late-night bus service available Thursday through Saturday during the Oregon State University (OSU) school year. It is targeted at OSU students but available to the public as well. It is funded separately from the TOF, with the Associated Students of Oregon State University paying 70 percent of the cost, and the City of Corvallis paying the remaining 30 percent.

## Background

The Corvallis Transit System (CTS) became fare free in February 2011, a change supported by a new Transit Operations Fee (TOF). It was anticipated that ridership would increase, but everyone was surprised when ridership jumped 37.9% in the first year.

CTS operations had been funded by a fairly typical mix of property tax revenue from the general fund, group pass sales, and fare box revenue, in addition to state and federal grants. Fare collection represented only 11% of the CTS budget: the revenue loss had to be made up somewhere. Corvallis' approach not only replaced the fare revenues, it also replaced general funds, freeing those funds for other uses.

## Strategies

In 2010, a Sustainability Initiatives Funding Briefing Paper was prepared for the City Council that introduced the concept of replacing fare box, group pass programs and property tax revenue with a fee system. The briefing paper identified that about \$745,000 a year would need to be replaced to maintain existing service levels. Additional funds would be required to implement service improvements and maintain a capitol reserve.

Corvallis City Councilor Hal Brauner sponsored the proposed change as a way to make the transit system independent of the general fund, thus freeing up general fund money for other uses such as the Library, Parks and Recreation, and the Police and Fire Departments. Additional benefits of the change of funding source include increasing ridership, which will in turn reduce greenhouse gas emissions and traffic congestion. Making CTS a fare free bus system was a politically acceptable trade-off for the new monthly fee.

The monthly fee for residential customers is set annually based on the 2011 floor rate of \$2.70 per single-family household or \$1.90 per multi-family unit. The fee is adjusted annually based on the average price for a gallon of gas in Oregon in the preceding year. The 2013 rate for single-family residential customers is \$3.80 per month and multi-family residential customers pay \$2.63 per housing unit per month. The amount that commercial and industrial customers pay is calculated using the Institute of Traffic Engineers trip generation model that is based on the type of business and the average number of vehicle 'trips' that property type generates. The fees generated provide sufficient funds to cover existing service levels and support planned service enhancements such as extended service hours and routes.

## Funding Mechanism

The TOF replaced the portion of the City's General Fund (property taxes) previously dedicated to Transit, making those funds available for other property tax dependent uses. It provides a stable source of local funding for matching State and federal funds.

The TOF is reviewed annually by the City Council and is indexed to the State of Oregon average price per gallon of gas. If gas prices increase, the City Council has the option of adjusting the fee.

The TOF appears as a surcharge on City of Corvallis customer water bills. By including the charge in customer utility bills, the City saved on administration costs.

Oregon State University continues to support transit, paying both a per-bed based utility fee and a long standing annual direct contribution of \$130,000.

## Special Considerations

When considering the cost of moving to fee supported, fare free transit system, there are several expenses and activities to account for in estimating the costs of implementation. For example:

- » Refunds to customers who had purchased bus passes with an expiration date later than the first day of fare free transit.
- » Refunds to customers who had purchased bus coupons with no expiration date.
- » Refunds to Transit Group Pass Members.
- » Advertising for fare free Transit.
- » Staff time for all items associated with transition.
- » Staff time, materials and postage to get letters to ADA Paratransit-certified passengers
- » Loss of fare recovery from Paratransit service.
- » Printing of new transit maps/schedules.
- » Labor cost for maintenance contractor to remove farebox receptacles from CTS buses.

## Conclusions

In addition to the benefits of creating a stable funding source for CTS, the implementation of the fare free system has had several ancillary benefits. The University promotes it when recruiting new students. It is also being used to recruit new businesses to locate in Corvallis. The school district has found the free service saves them money – where they once rented a bus for a field trip, they now ride the bus for free if the destination is within the service area.

Creating a fare free transit system through the use of a Transit Operation Fee requires a transit system that is already fairly robust (or a clear plan to get there) and the political will to implement it.



## Key Successes

- Ridership jumped considerably when bus service became free. It was anticipated that ridership would level off, but the service continues to see modest increases in ridership. Passengers and bus operators appreciate the simplicity of loading without fare collection slowing things down. CTS rolled out its first TOF-sponsored route enhancement on September 24, 2012; increased frequency of service (or “headways”) on over-crowded routes around the University.
- The most significant benefit of the program is the stability created by the new funding mechanism. CTS is insulated from the ups and downs of the general fund, and even from fluctuations in fuel prices. In addition to providing sufficient ongoing operating funds, the new funding structure also allows CTS to build up reserves to be used for local match when grants are received for capitol expenditures (such as new buses and transit facilities).

## Quantifying GHG Reduction

The Transportation and Land Use Greenhouse Gas Reduction Toolkit<sup>3</sup> estimates reduction ranges for several of the strategies mentioned in this case study. Those strategies with quantified reduction ranges are:

- » Eliminating or reducing transit fares (up to 0.3%)
- » Transportation Demand Management (up to 1.7%)

While strategies are often combined to maximize effectiveness, the reduction ranges are not necessarily additive.

*The Toolkit is a component of the Oregon Sustainable Transportation Initiative (OSTI), which was formed to address the requirements of Senate Bill 1059 (2010).*

*For more information, please visit:*

*<https://www.oregon.gov/ODOT/Planning/Pages/GHG-Toolkit.aspx>*

