Southwest Partnership for Mobility Calls on State & Local, Public & Private Leaders to Address Transportation Funding Challenges

In early 2018, the Port Authority of Allegheny County (PAAC), the Pennsylvania Turnpike Commission (PTC), and Allegheny County formed the Southwest Partnership for Mobility (Partnership) to address the challenges facing the region’s transportation system and the looming impacts of changes coming to Act 44 public transportation funding sources in 2022. Working together with the Pennsylvania Department of Transportation (PennDOT), the Partnership formed a cross-sector advisory council of regional stakeholders (Council) which included transportation agencies, local elected officials, major employers, and civic leaders.

The Partnership report highlights the challenges and opportunities identified by the Council, and also suggests a menu of state and local funding options (see pages 6 and 7) which could be used to meet the needs of the region. It is intended to be a resource for state elected officials as they address the need for dedicated, annual statewide funding to replace Act 44 of 2007 while also recommending the enactment of enabling legislation to provide local officials with additional revenue sources that can be used locally to fund projects that accommodate and accelerate economic growth.

Key Findings & Next Steps

Act 89 stipulates that in 2022, PTC’s annual payment to PennDOT will be reduced from $450 to $50 million; the burden for the difference will transfer to the state’s General Fund. The time to find a solution is now.

This region is growing, and we need to start investing more in our transportation infrastructure or that growth will end. It is vital to establish a reliable, stable and sustainable funding source. Doing nothing is the most expensive option for this community. To continue moving forward, we need statewide support.

Specifically, two actions are needed to address the region’s transportation funding challenges:

1. **Fix Pennsylvania Act 44.** Stabilize statewide public transportation funding without the current structure that relies on payments from PTC. This will ease PTC’s debt burden and need for future toll increases without adversely affecting the operational stability or progress provided by Act 89 of 2013, and also allow the PTC to continue expanding and maintaining its system.

2. **Fund projects to maintain the region’s competitiveness.** Pass enabling legislation to allow the region’s residents and local officials to explore locally-enacted revenue sources. This will allow local officials to make decisions about investments in additional projects to accommodate and accelerate regional growth.

To review the full report, please visit www.PaMobilityPartnerships.com

Message From the Chairs

For the economy to keep moving, we must connect people and goods to opportunities and services. Addressing this issue will be a challenge that requires the entire community to come together. We share this report with legislative leaders to provide options, and to demonstrate our commitment and willingness to help.

— Partnership Co-Chairs

The Honorable Rich Fitzgerald
Allegheny County Executive

The Honorable Leslie Richards
PA Turnpike Commission Chair and PA Department of Transportation Secretary

Katharine Kelleman
PAAC CEO

TRANSPORTATION IS THE KEY TO:

- Job Creation
- Accelerated Economic Growth
- Improved Quality of life
Advisory Council Recognizes the Need for Sustainable Solutions

Representing a diverse array of regional perspectives – reflecting geographic areas, industries, employment centers, and economic backgrounds – Council members shared unique insights into the transportation challenges and opportunities in the Pittsburgh region. The common message related to making “CONNECTIONS” for residents and employers in the region. They all agreed that doing nothing was the most expensive option and would likely stop the growth in these communities in its tracks.

Recognizing that public transit is central to providing those connections, the Partnership has identified a vision for regional mobility, transportation investment and financing opportunities, and a sustainable plan for growing its capacity, and strengthening connections to meet current and future needs. They also explored ways for the PTC to stabilize toll rates for customers while continuing to maintain and expand its system to encourage additional economic growth. Council members identified the guiding principles (shown at the bottom of the page) for the effort.

Guiding Principles

The Advisory Council concurs that:

- The funding of transportation is an investment that supports jobs, economic growth, and quality of life.
- Companies and employees view mass transit as a key when choosing where to locate their business or where to work.
- Competitors to the region are making higher levels of investment in mass transit.
- Turnpike toll rates necessitated by Act 44 adversely affect the economic competitiveness of southwest PA industry.
- New additional recurring revenue is needed to support PAAC and the broader 10-county Southwestern Pennsylvania Commission (SPC) region’s projects of significance, and for additional interchanges between the PA Turnpike and the local roadway network.
Setting the Stage

**COMPETING REGIONS ARE INVESTING MUCH MORE**

Growing urban centers around the nation are making strong investments in transit systems.

- **Phoenix** – Passed a 0.3% sales tax increase to support 35 years of planned transit projects.
- **Seattle** – Private sector-led advocacy groups are supporting major transportation initiatives through member outreach, public messaging, and financial contributions.
- **Jacksonville** – City council renewed its Local Option Gas Tax, with the majority of revenues dedicated to transit.
- **Houston** – Discarded its 80-route bus network and implemented a completely new system designed from scratch.

**PORT AUTHORITY’S ANNUAL IMPACT ON THE ECONOMY**

Proximity to transit service raises property values, which increases real estate tax collection, the primary revenue source for most municipalities and school districts throughout the region and state. The annual combined economic impact from PAAC’s capital investments and ongoing operations generate $929 million in Pennsylvania, supporting 6,240 jobs and more than $484 million in earnings. While the Council focused on PAAC as the transit provider for the region’s core, it’s not unlikely that this finding would also be replicated in other southwest PA transit agencies.

<table>
<thead>
<tr>
<th>Percent of Transit Funding</th>
<th>Local Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington, D.C.</td>
<td>42%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>43%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>46%</td>
</tr>
<tr>
<td>Dallas</td>
<td>61%</td>
</tr>
<tr>
<td>New York</td>
<td>61%</td>
</tr>
<tr>
<td>Houston</td>
<td>66%</td>
</tr>
<tr>
<td>Dallas</td>
<td>66%</td>
</tr>
<tr>
<td>Chicago</td>
<td>66%</td>
</tr>
<tr>
<td>Atlanta</td>
<td>67%</td>
</tr>
<tr>
<td>Denver</td>
<td>73%</td>
</tr>
</tbody>
</table>

The percentage of transit funding Southwest PA receives from local sources is WELL BELOW AVERAGE. Source: National Transit Database

**Annual Economic Impact of PAAC Operating and Capital Expenditures**

- **Output**: $929 million
- **Employment**: 6,240 FTE Jobs
- **Earnings**: $484 million

- **Operations**
  - Output: $726 million
  - Employment: 5,020 FTE Jobs
  - Earnings: $418 million

- **Capital Investments**
  - Output: $203 million
  - Employment: 1,220 FTE Jobs
  - Earnings: $66 million

**Total**

- Output: $929 million
- Employment: 6,240 FTE Jobs
- Earnings: $484 million

_Averaged impact FY 2015-2018 within Pennsylvania (in $2018)_

Source: Econsult Solutions, Inc.
PA TURNPIKE NEEDS RELIEF FROM ACT 44

In July 2007, the Pennsylvania General Assembly enacted Act 44, directing the PTC to provide annual funding contributions of $450 million to PennDOT for broader Commonwealth transportation needs. Act 89 of 2013 further directed that those payments be used to support transit capital, operating, multi-modal and other non-highway programs.

The PTC has provided more than $6 billion in funding support for state transportation needs. The PTC has primarily financed its Act 44 commitments through the issuance of bonds. This has led the PTC to increase debt at alarming rates; raise tolls for 11 straight years; and dramatically cut its capital plan. In addition, the PTC cannot consider any new access points for future development sites.

STATEWIDE TRANSPORTATION FUNDING IS FALLING SHORT

The Pennsylvania Transportation Advisory Committee identified a current $5.5 billion annual funding gap.

STATEWIDE TRANSPORTATION FUNDING IS FALLING SHORT

Since Act 44 of 2007...

- Debt ($6 billion related to Act 44 Payments)
- Toll Rates (Almost double)
- Bond ratings and capital investment continue to go down.

Act 44 impacts to PA Turnpike & its customers

Debt and toll rates continue to rise...

- Bond Rating (Downgraded by three rating agencies)
- Capital Plan -13% ($1 billion over 10 years cut from plan)

Two Separate Actions are Needed to Address Transportation Funding in Southwest PA

SOUTHWEST PA’S FUNDING

- Additional State and/or Local*
- Existing Local
- Existing State (Act 44)
- Existing Federal

COMPETITOR REGIONS’ TRANSPORTATION INVESTMENT

Projects of Significance:
Strategic projects to support new jobs, remain economically competitive and improve quality of life.

Act 44 Relief:
State funding must be stabilized to sustain existing programs.

NEEDED ACTION

$1.2 billion in unmet needs

Public Transportation

$2.5 billion in unmet needs

interstate Highways & Bridges

$1.8 billion in unmet needs

National Highway System
Highways & Bridges

*If the PA legislature cannot address the ADDITIONAL transportation funding need statewide, it should enable regions like Southwest PA to do so locally.
**Needed Action 1: Fixing Pennsylvania Act 44**

**CHALLENGE | THE PUBLIC TRANSIT FUNDING MECHANISM IS NOT SUSTAINABLE**

Current transportation funding is a combination of federal, state, and local sources. Act 44 created a dedicated funding source for transit systems, based in part on payments from the PTC. In 2022, to replace the reduction in PTC Payments, a minimum of $450 million will come from the General Fund without new revenue sources to replace those funds.

As of this report’s release, pending litigation has delayed PTC Act 44 Payments in FY2019. If litigation continues to prevent Act 44 payments, PAAC’s funding from PennDOT is at risk and will be reduced significantly starting July 1, 2019.

**SOLUTION | SECURE THE BASELINE PUBLIC TRANSPORTATION FUNDING**

In order to maintain the baseline of $450 million to support Pennsylvania’s public transportation systems, the legislature should consider both alternative funding sources and timing.

**FUNDING OPTIONS:**

1. **Stay the Course with No New Revenue** – Funds come from motor vehicle sales tax per Act 89.
2. **Establish New Revenue Sources** – A menu of potential options that have been successfully used to address transportation funding needs in competitor regions is below.

### Statewide Revenue Generation Options

<table>
<thead>
<tr>
<th>Option</th>
<th>Basis</th>
<th>Revenue Potential ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>Increase of 0.25%</td>
<td>$350 - $450</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>Increase of 0.10%</td>
<td>$350 - $450</td>
</tr>
<tr>
<td>Real Estate Transfer Tax</td>
<td>Increase of 0.50%</td>
<td>$215 - $265</td>
</tr>
<tr>
<td>Transportation Network Company (TNC) Fees</td>
<td>New fee of $1 per trip</td>
<td>$80 - $100</td>
</tr>
<tr>
<td>(Uber, Lyft, etc.)</td>
<td>Tolling of additional PA Interstates, congestion pricing, and other road pricing strategies</td>
<td>At least $200 depending on extent</td>
</tr>
<tr>
<td>Road Pricing Strategies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tire, Vehicle Lease, and Vehicle Rental Fees</td>
<td>Increase fees from $1 to $2 per tire, $2 to $4 per rental, and from 3% to 6% of lease payment</td>
<td>$125 - $150</td>
</tr>
</tbody>
</table>

### TIMING OPTIONS:

1. **Stay the Course** – Replace the PTC payments with General Fund dollars in 2022.
2. **Step Down the PTC Payments** – Beginning now, gradually transition the PTC payments.

**Benefits of a Gradual Act 44 Payment Transition**

- More manageable impact on General Fund ($100M per year vs. $450M all at once)
- Reduces Future Debt for PTC
- Provides Bondable Revenue to PA Transit Operators
- Provides for Quicker PA Turnpike Toll Rate Stabilization
Needed Action 2: Funding Projects to Maintain Region’s Competitiveness

CHALLENGE | HIGHER LEVELS OF TRANSPORTATION INVESTMENT ARE NEEDED IN SOUTHWEST PA

PAAC is embarking on a long-range planning process that is inclusive, transparent and forward-thinking. Listed below is a sampling of conceptual projects identified through earlier planning efforts that could be advanced with adequate funding. These high-profile initiatives and projects include:

- Improving Service Connections within Allegheny County
- Regional Connections with other Counties
- Light Rail Vehicle Fleet Replacement
- Bus Rapid Transit (BRT) to Oakland (in design)
- New Bus Maintenance Garage (needed to support BRT)
- Better Connections to Pittsburgh International Airport
- Rapid Transit extension to Pittsburgh’s eastern suburbs

With additional revenue, a number of multimodal capital projects around the region could also be advanced with leadership from their County. The PTC could also support new Turnpike access points – particularly in Allegheny and Westmoreland Counties. These projects would generate new development and growth.

SOLUTION | INVEST IN PROJECTS TO ACCOMMODATE AND ACCELERATE REGIONAL GROWTH

With $100 to $175 million in new annual bondable revenue, PAAC and the region can advance projects of significance. There are three ways to address the needs:

1 | Provide Local Control for Funding. Statewide enabling legislation allowing the 10-county region to generate $100-$175 million of new bondable revenue for PAAC and other regional projects of significance.

2 | Provide Additional State Funding. $650 million in additional statewide bondable revenue for transit, providing the region with the $100 to $175 million it needs by formula.

3 | A combination of new statewide bondable revenue and enabling legislation allowing the region to generate its own revenue.

The following table summarizes regional funding and financing options identified for consideration by state and local elected officials.

### Regional Funding and Financing Options

<table>
<thead>
<tr>
<th>TYPE OF FUNDING OPTION</th>
<th>REVENUE GENERATION POTENTIAL</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>REV &gt; $50M</td>
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<tr>
<td>TRADITIONAL</td>
<td>• Earned Income Tax</td>
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<tr>
<td></td>
<td>• Property Tax Surcharge</td>
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<tr>
<td></td>
<td>• Real Estate Transfer Tax</td>
</tr>
<tr>
<td></td>
<td>• Sales Tax</td>
</tr>
<tr>
<td>TRANSPORTATION-RELATED</td>
<td>• Mileage Based User Fee/</td>
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<tr>
<td></td>
<td>Road User Charge</td>
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<td></td>
<td>• Vehicle Property Tax</td>
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<tr>
<td>VALUE CAPTURE</td>
<td>• Rolling Property Tax</td>
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<td></td>
<td>Assessment</td>
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<td></td>
<td>• Surface Coverage Fee</td>
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<tr>
<td></td>
<td>• Tax Increment Financing (TIF)</td>
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</tbody>
</table>

Solutions in yellow text require legislative action • Revenue potential is based on the ten-county region.
Thank You to the Advisory Council

Rich Fitzgerald – Allegheny County
Leslie Richards – PA Dept. of Transportation
Katharine Kelleman – Port Authority of Allegheny County
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Mary Ann Bucci – Port of Pittsburgh Commission
Earl Buford – Partner4Work
Stanley Caldwell – Carnegie Mellon University
Dan Camp III – Beaver County
Christina Cassotis – Allegheny County Airport Authority
Gina Cerilli – Westmoreland County
Mark Compton – PA Turnpike Commission
Mary Conturo – Sports & Exhibition Authority
Dennis Davin – PA Dept. of Community & Economic Dev.
Craig Davis – VisitPITTSBURGH
Pat Fabian – Armstrong County
Dr. Patrick Gallagher – University of Pittsburgh
Jennie Granger – PA Dept. of Transportation
Dr. James Hassinger – Southwestern PA Commission
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Mavis Rainey – Oakland Transportation Management Assn.
Karina Ricks – City of Pittsburgh
Yesenia Rosado Bane – Office of the Governor
Shawna Russell – PA Public Transportation Assn.
Audrey Russo – Pittsburgh Technology Council
Peter Schenk – Port Authority of Allegheny County
Don Smith – Regional Industrial Development Corporation
Matt Smith – Greater Pittsburgh Chamber of Commerce
John Tague – Port Authority Board/JT Disability Consulting Svcs.
Vincent Vicites – Fayette County
Dan Vogler – Lawrence County
Jeremy Waldrup – Pittsburgh Downtown Partnership
Blair Zimmerman – Greene County