SOUTHWEST PARTNERSHIP FOR mobility

FINAL REPORT

June 2019

www.PaMobilityPartnerships.com

Dear Governor Wolf and Members of the Pennsylvania General Assembly:

On behalf of the Southwest Partnership for Mobility (Partnership), led by the Port Authority of Allegheny County (PAAC), the Pennsylvania Turnpike Commission (PTC), and Allegheny County, in coordination with the Pennsylvania Department of Transportation, we are pleased to present this Final Report, which identifies a vision for future mobility, encourages investment in our transportation infrstructure, and addresses Act 44 relief for the PTC, all supported by a range of stable and viable funding options.

The Partnership was guided by an Advisory Council of regional leaders representing transportation agencies, elected officials, major employers and civic associations. Council members identified "CONNECTIONS" as an overarching theme citing the need to improve mobility and equity by providing access to job opportunities, education centers, food and health care. The findings highlight their insight, direction and guidance.

This report comes on the heels of a related study released by a partnership in the southeastern part of the state. While there are similarities, the projects and initiatives that are required to connect and grow Pittsburgh and the southwest region's transportation system and economy are unique.

PAAC, under new leadership, is committed to modernization. The report outlines a tactical plan, already underway, that includes efficiencies in system and service improvements, cost-saving organizational initiatives and strategies to leverage new revenue streams. In the long-term, PAAC is embarking on a visioning process that will take shape with input from customers, communities and other key stakeholders throughout the region. This vision will help guide PAAC decisions as it strives to meet the challenges and opportunities of changing technologies, job centers, and demographics and will allow it to continue to be a key driver of regional growth. This report outlines projects that have been previously studied, or are currently in various stages of planning, to provide an example of what will be required to meet that vision.

Details on the significant role the PTC plays in transportation funding—and how Act 44 of 2007-related debt has constrained Turnpike system improvements, increased costs for customers and increased the cost of goods and services to the region—are included. In 2022, PTC payments to PennDOT will be reduced to $50 million and the burden for the difference will transfer to the state's General Fund. Revenue sources currently used to fund transit have placed the General Fund, the PTC, and statewide transit funding in an untenable situation.

The time to find a solution is now. This region is growing, and we need to do more. If we do not invest in our transportation infrastructure, that growth will end. It is vital to determine a reliable, stable and sustainable funding source. While PAAC continues its modernization efforts to serve its customers and ensure every dollar it spends can go further, statewide support is needed in two ways:

- Stabilizing statewide public transportation funding to 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

- Passing enabling legislation to allow the region to explore local revenue sources to make additional investment in unfunded projects to accommodate and accelerate regional growth.

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 to provide options, and to demonstrate our commitment and willingness to help.

Sincerely,

The Honorable Rich Fitzgerald
Allegheny County Executive
Co-Chair

The Honorable Leslie S. Richards
PA Turnpike Commission Chair and
PA Department of Transportation Secretary
Co-Chair

Katharine Kelleman
PAAC CEO
Co-Chair

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Introduction

City of Pittsburgh

Pittsburgh has undergone a remarkable transformation in recent decades—from an industrial powerhouse to a center of knowledge, finance, technological innovation and health care. Where industrial activity relied on infrastructure that could move large volumes of goods, modern knowledge activity relies on gathering large volumes of people and ideas to enhance productivity. Today, southwest Pennsylvania's economy remains focused on large employment hubs, recognizing that **efficient transportation systems allow people to reach their jobs, grow the economy, and live fulfilling lives.**

Despite the southwest PA region's ability to re-invent itself as a leader in an increasingly competitive 21st century economy, financial commitment to the region's transportation network lags behind that of its competitors. Without stabilization of the base of transportation investment and increased funding overall, there is a limit to what can be accomplished.

Allowing southwest Pennsylvania to reach its full potential requires unlocking the entire region's population—by connecting jobs, people, community resources and economic opportunities with a modern, comprehensive transportation network. The Port Authority has come a long way in the last few years, but there's potential to go even further.

> *It's about working with the community. It's a part of an economic development and community development strategy. It's about improving the quality of life. We want to connect people from different parts of the community, different parts of the county, to the jobs and the opportunities that are out there.*
>
> *— Rich Fitzgerald*
> *Allegheny County Executive*

ALLEGHENY COUNTY is an ECONOMIC ENGINE FOR PENNSYLVANIA

On just

1.6%
OF PENNSYLVANIA'S LAND MASS...

Allegheny County...

generates
13.3%
of PA'S GROSS PRODUCTS

employs
12.3%
of PA'S PRIVATE SECTOR

produces
11.2%
of PA'S GENERAL FUND REVENUE

represents
9.6%
of PA'S POPULATION

> *The economic development potential of the Pittsburgh Airport Innovation Campus is massive. It will help attract and retain talent and create a significant number of family-sustaining jobs for workers in the region.*
>
> *— Dennis Davin*
> *PA Secretary of Community and Economic Development*

The Allegheny County Airport Authority estimates that construction of the first building will begin sometime in the next two to three years. Full development of the site could take more than a decade. Photo courtesy of Allegheny County Airport Authority

Southwest Partnership for Mobility Advisory Council

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

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 from that group related to making "CONNECTIONS" for residents and employers in the region. They agreed that doing nothing was the most expensive option and would likely stop the growth in these communities in its tracks without action.

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. The Partnership has 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 MILESTONES

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.

The Advisory Council

Rich Fitzgerald – Allegheny County
Leslie Richards – PA Dept. of Transportation
Katharine Kelleman – Port Authority of Allegheny County
Leo Bagley – PA Dept. of Transportation
Mike Baker – Indiana County
Stephan Bontrager – Riverlife
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
Brad Heigel – PA Turnpike Commission
Dr. Paul Hennigan – Point Park University
David Holmberg – Highmark Inc.
Jennifer Liptak – Allegheny County
Sean Luther – Innovate Pittsburgh
Larry Maggi – Washington County
Brandon Mendoza – NAIOP
Cheryl Moon-Sirianni – PA Department of Transportation
Morgan O'Brien – People's Natural Gas
Leslie Osche – Butler County
Stefani Pashman – Allegheny Conference on Community Dev.
William Peduto – City of Pittsburgh
Georgia Petropoulos – Oakland Business Improvement District
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

Vision

WHAT KIND OF REGION DO WE WANT TO BE?

Vision

Connecting jobs, people, community resources and economic opportunities with a modern comprehensive transportation network

Solution

Act 44 Relief:
Sustainable transition
of existing Act 44 payments

Solution

Additional funding for PAAC
and other regional
projects of significance

Additional funding for PTC
projects of significance

Challenge

Act 44's public transportation
funding mechanism is
unsustainable for the state's
General Fund, the PTC, and
transit statewide.

Challenge

Higher levels
of transportation investment
are needed in Southwest PA.

Why is Southwest PA's Public Transportation Network Important?

Investing in a region's transportation system has far-reaching economic, social, mobility and health benefits. But why is funding transportation so important—and what, exactly, is the return on investment?

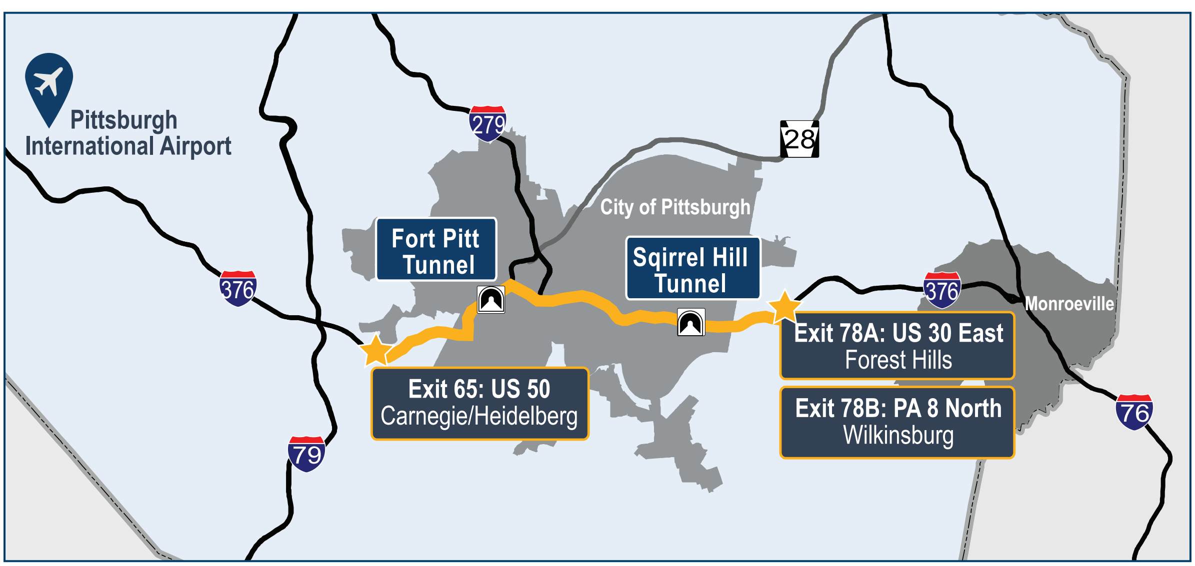
In the case of transit, it is a mobility service that is available regardless of age or income. A significant percentage of the population relies directly on transit for mobility, and those who do not ride indirectly benefit from public transit in the way its services alleviate congestion and vehicle emissions, support livable communities, and boost economies.

As those familiar with the highway network around Pittsburgh can attest, transit is also essential because it moves many people efficiently. A typical transit bus can accommodate dozens of people in the same amount of physical space as three people in single-occupant vehicles.

The transit service available in major employment districts such as Downtown and Oakland supports more employment and economic activity than would be expected for these relatively compact areas. PAAC's planned Downtown-Uptown-Oakland-East End Bus Rapid Transit (BRT) service will grow the linkages between these areas and to the rest of the system by increasing the speed and reliability of service. In addition to PAAC, nine additional transit operators offer fixed-route bus service in the region, further connecting people with jobs and opportunities essential to quality of life.

With the highway network surrounding Pittsburgh already saturated, transit expansion projects will provide immense mobility benefits to transit users and drivers in a region fragmented by tunnels, deep valleys and rivers. A recent study by INRIX identified the stretch of I-376 (Parkway East) encompassing the Fort Pitt and Squirrel Hill Tunnels as the fifth-most congested corridor in the entire country, alongside key arteries in larger cities infamous for congestion such as New York, Chicago, Los Angeles and Boston.

I-376 Eastbound (Exit 65 to Exit 78) is the 5TH MOST CONGESTED CORRIDOR IN THE U.S.



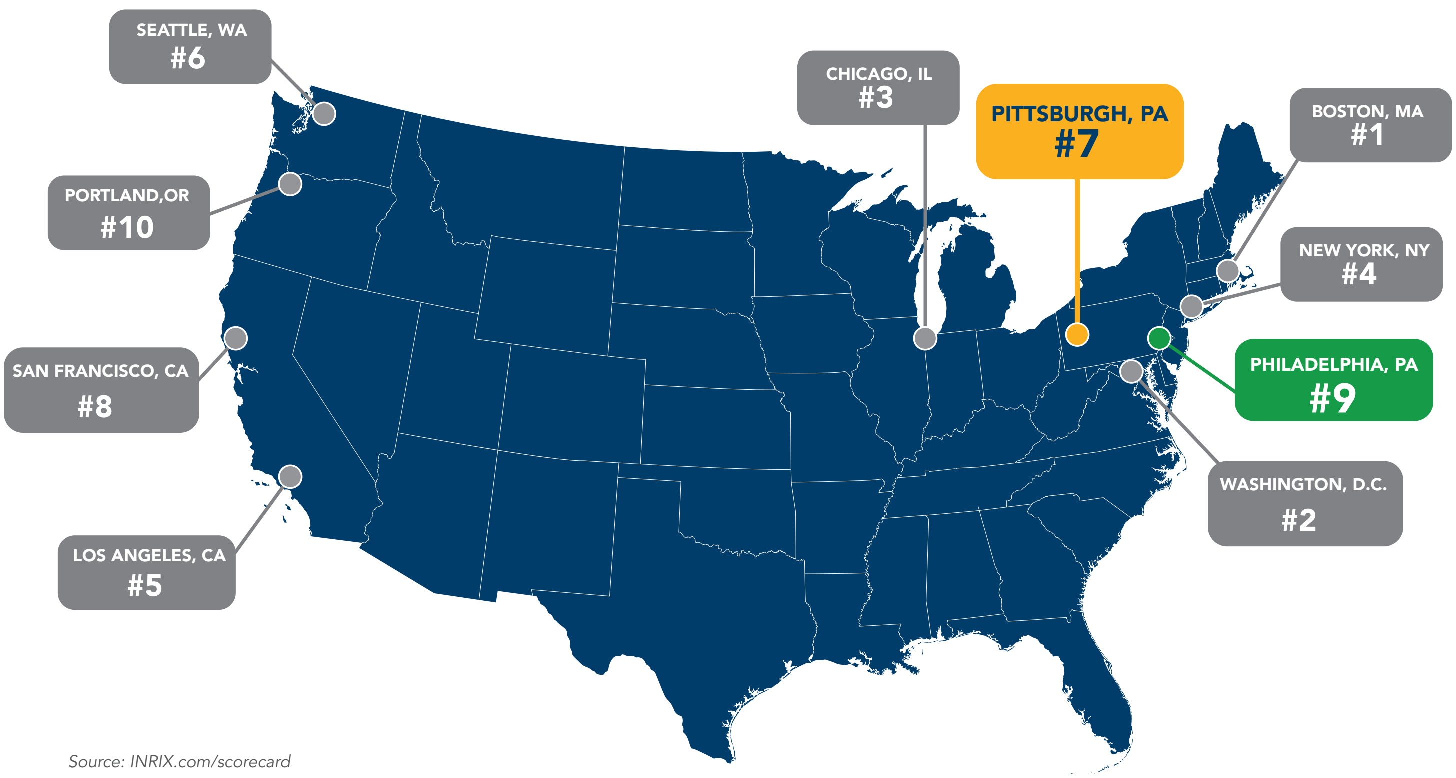
Drivers on I-376 east through Pittsburgh are delayed an average of 66 hours and drive an average of 30 mph during PM rush hour each year because of congestion.

Source: INRIX.com/scorecard

An improved transportation network also has measurable economic benefits. According to a 2018 economic impact analysis performed by Econsult Solutions Inc., the annual combined economic impact from PAAC's capital investments and ongoing operations generate $929 million in Pennsylvania, supporting 6,240 full-time equivalent (FTE) jobs and $484 million in earnings, while PAAC service adds $3.2 billion in residential property value across Allegheny County.

Connecting all corners of Pennsylvania, the PA Turnpike serves as an economic driver for the Commonwealth well beyond the areas immediately adjacent to it. According to a recent study of the new Route 29 interchange's economic impacts, the PTC's $60 million investment resulted in an increase of between 9,700 and 16,160 total new jobs, between $866 million and $1.4 billion total labor income, between $3.5 and $5.8 billion in total economic output, and between $28 and $58 million in state and local taxes within Chester County from 2010 to 2015 surrounding the opening of the interchange in December 2012. As similar projects are being conceptualized for the western part of the state, similar economic benefits are envisioned.

TWO of the Most Congested Cities in the U.S. ARE IN PENNSYLVANIA



Source: INRIX.com/scorecard

MOBILITY BENEFITS

PAAC and the PTC support the movement of people and goods.

PAAC provided 63 million trips across all modes in 2017. Without transit, these trips would be otherwise distributed across the regional highway network.

Between 1990 and 2017, the Pittsburgh Metropolitan Statistical Area added over 135,000 jobs. With the regional highway network already at capacity, this growth would not have been possible without PAAC.

PAAC and the PTC's potential projects of significance will deliver tangible mobility benefits for highway and transit users.

TAX REVENUE BENEFITS

PAAC and the PTC directly and indirectly contribute to the state's General Fund and local tax rolls.

Aggregate tax impacts from PAAC expenditures are estimated at $98.4 million annually ($42.7 million for school districts, $24.7 million for municipalities, $12.4 million for Allegheny County and $18.6 million for the Commonwealth).

11.2 percent of ALL General Fund revenues for Pennsylvania originate in Allegheny County (11.1 percent sales, 10.3 percent income, 13.3 percent corporation, 11.3 percent estate & realty transfer).

Enhanced economic activity and property values from the projects of significance will generate additional annual tax revenues for the Commonwealth, City of Pittsburgh and suburban jurisdictions throughout the region. By facilitating additional economic growth and increasing developable area by reducing the need for parking, potential for additional General Fund and local tax revenue increases.

The property value premium from proximity to PAAC service increases real estate tax collections, which serve as the primary revenue source for most municipalities and school districts throughout the region.

Annual Local and State Tax Revenue from PAAC of PAAC Expenditures and Residential Property Value Premiums

School District Revenues	$42.7 million		
Municipal Revenues	$24.7 million	$17.1 million	City of Pittsburgh
		$7.6 million	All Other County Municipalities
Allegheny County Tax Revenues	$12.4 million		
Commonwealth of PA Tax Revenues	$18.6 million		
Total Annual Tax Revenue	**$98.4 million**		

Source: Econsult Solutions, Inc.

ECONOMIC BENEFITS

The Pittsburgh region's economic health supports the economic health of the entire Commonwealth of Pennsylvania.

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.

PAAC service adds $3.2 billion in residential property value across southwest PA, meaning that if service was eliminated or reduced, property values could decrease.

13.3 percent of Pennsylvania's gross domestic product is produced in Allegheny County, on 1.6 percent of its land area and with 9.6 percent of its population.

Annual Economic Impact of PAAC Operating and Capital Expenditures

	Output	Employment	Earnings
Operations	$726 million	5,020 FTE Jobs	$418 million
Capital Investments	$203 million	1,220 FTE Jobs	$66 million
Total	$929 million	6,240 FTE Jobs	$484 million

Averaged impact FY 2015-2018 within Pennsylvania (in 2018)
Source: Econsult Solutions, Inc.

The Voting Public Supports Transit Investment

Pittsburgh is far from alone in its efforts to drive its economic competitiveness by improving mobility within its region. When given a chance for its voice to be heard, the public overwhelmingly supports transportation investments. As noted by the American Public Transportation Association (APTA), public transportation won 30 of 36 ballot measures in primary and general elections nationwide in 2018; a win percentage of 83 percent. Historically over the past two decades, public transportation measures have won more than 70 percent of the time.

Motivating Factors

The Partnership studied four U.S. metropolitan areas to identify challenges, best practices and paths forward. Phoenix, Houston, Seattle, and Jacksonville were identified as economically comparable with the Pittsburgh metropolitan region. All recently made major changes to the way they provide public transportation.

And all four competitor areas were motivated by similar challenges to those currently facing Pittsburgh, including:

- Enhancing service by connecting population and job clusters
- Maintaining the system despite funding challenges
- Facilitating inclusive economic growth
- Developing a sustainable financial model to meet future needs

Common Keys to Success

The competitor areas also followed imitable paths to reach solutions:

- Designed or modified service to address stakeholder needs
- Developed local or regional funding solutions
- Gained support from the business community, public advocacy groups, and elected officials
- Included tangible, quick-implementation service improvements as part of their long-term strategies

Case Studies

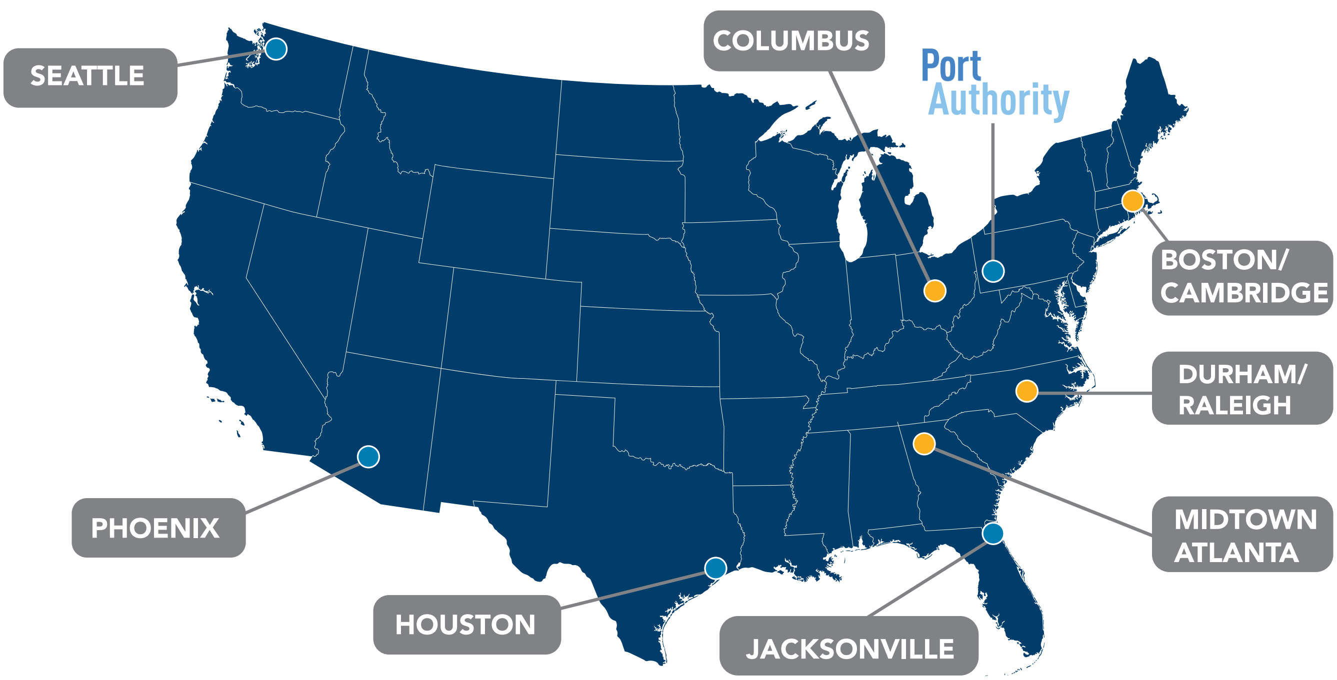
Specific examples from competitor regions include:

Jacksonville's city council renewed its set-to-expire Local Option Gas Tax, with the majority of revenues dedicated to transit.

Five cents of Jacksonville's six-cent local option gas tax is now given to the Jacksonville Transportation Authority (JTA), allowing it to expand and revamp its system to serve a city that grew by 17.8 percent from 2000 to 2015 and has the largest land mass of any city in the continental United States. JTA has optimized its routes, is constructing a multimodal mobility hub to serve the region, and has additional planned enhancements including BRT expansion and transit-oriented development. JTA has secured support for its initiatives through tailored outreach campaigns, functional relationships with partner organizations and both social and traditional media communication.

Phoenix's voters passed a 0.3 percent sales tax increase to support 35 years of planned transit projects.

After seeing transit ridership increase by 42 percent between 2001 and 2015, Phoenix's voters approved a boost to the city's existing 0.4 percent transit sales tax to support its $35.1 billion, 35-year plan to support public transportation. The plan includes expansion to light rail, high-capacity transit and BRT; broader service and improved accessibility; major technology upgrades including Wi-Fi, real-time trip planning, reloadable cards and security improvements; and major roadway improvements to serve all modes.



Cities studied for transportation funding challenges, best practices and paths forward (pages 14-16)

Cities competing with Pittsburgh in the emerging technology job market (page 17)

Private sector-led groups such as Challenge Seattle are supporting major transportation initiatives through member advocacy, public messaging, and financial contributions.

Challenge Seattle is a private sector advocacy group comprised of many of the region's CEOs and led by the State of Washington's former governor. Its goal is to address issues that impact the future of the region's economy and quality of life; member organizations include Amazon, the Bill & Melinda Gates Foundation, Microsoft, Starbucks, and Nordstrom. The group seeks to "bring stakeholders together to think creatively, take action, and create the transportation system for the future" as part of achieving that unified vision. It has announced its support for increased transportation funding and is using its membership to promote the message. The group also provided funding for a Mobility Innovation Center at the University of Washington, which develops technology and policy solutions for use around the globe.

Working within its existing budget, Houston discarded its 80-route bus network and implemented a completely new system designed from scratch.

In a region challenged by uncoordinated growth and property development, car-dependency, and non-resilient infrastructure, Houston needed to work within existing budget to modernize a transit system that had remained largely unchanged since the 1970s. Allocating a higher percentage of its budget to maximizing ridership, Houston created a new high-frequency 22-route system which allows 99 percent of pre-existing riders to walk less than a quarter of a mile to a station. The new bus network also forms a grid that minimizes the need for linked trips, and integrates tightly with the city's successful light rail line. Still, Uptown and Greenway—two dense areas of Houston with over 100,000 jobs—remain disconnected from two others, Downtown and the Texas Medical Center, because of a lack of funding for BRT or rail expansion.

Transportation is a key differentiator when competing for employers and employees.

The Houston Metro Downtown Transit Station

Winning the battle for talent through transit investment

The Pittsburgh region is on the forefront of the ongoing tech boom. Like other emerging hubs, the region is attractive to young employees and access to higher education and is vying for the same talent market as Midtown Atlanta, Raleigh/Durham, Columbus and Boston/Cambridge. For many prospective employers, entrepreneurs, students and employees, mobility can be what makes the difference. **In that category, our region is limited in the investment it can make in our transportation network.**

As recent reports issued by the Regional Transportation Alliance for southwestern Pennsylvania and the Allegheny Conference have pointed out, transit is a key differentiator when the region is competing for students, employees, and employers.

— Mariann Geyer
VP for External Affairs, Point Park University

View of University of Pittsburgh from Schenley Park

PAAC Modernization Continues

Under the direction of a new CEO, PAAC is advancing a tactical action plan focused on: delivering financial sustainability through organizational change, providing an enhanced customer experience, and improving customer and public communications through community engagement. The opportunity to improve its daily service while pursuing significant projects will improve the quality of life for residents and allow the region to remain economically competitive. PAAC is fully committed to maximizing every dollar it spends going forward.

System and Service Efficiencies

To deliver its tactical action plan goal of delivering an excellent customer experience, PAAC intends to deploy a system-wide service plan to maximize availability of public transit, as well as a maintenance plan to support the service plan. While some of those efficiencies can be realized by delivering its capital projects of significance—such as replacing light rail vehicles and constructing a much-needed maintenance garage—others revolve around strategically improving operations.

PAAC intends to overhaul its bus route and relief schedules to improve accessibility and on-time performance. It also is developing an IT strategic plan to integrate services, including mobile fare payment. With Pittsburgh emerging as a national tech leader, the region is ripe for technological innovation that can further aid in the modernization of PAAC's service.

Organizational Efficiencies

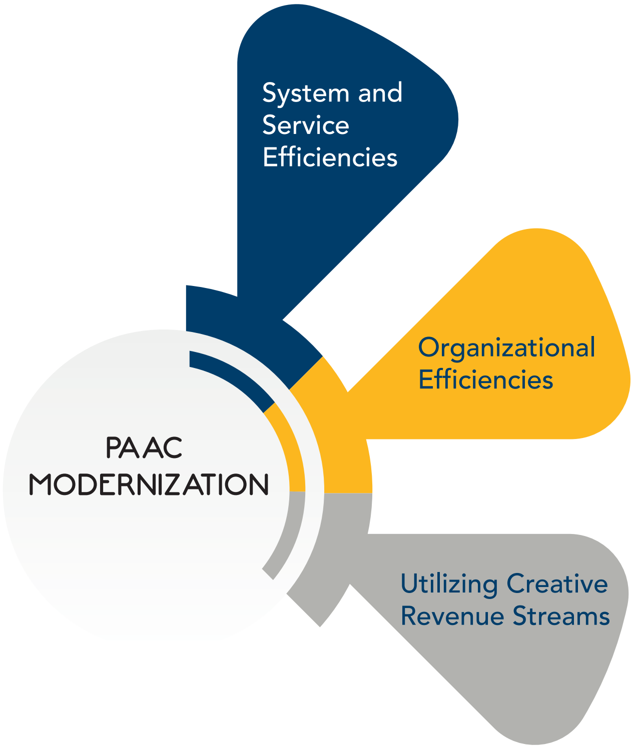
PAAC also seeks to improve its financial sustainability through needed cost-saving organizational initiatives. PAAC's 2012 and 2016 labor agreements provided considerable long-term containment of some legacy costs. While it does not produce immediate savings, there will be long-term cost savings.

Utilizing New Revenue Streams

Over the last decade, PAAC has tapped into several additional resources to improve its financial position. For example, PAAC's advertising revenue grew from roughly $837,000 in 2009 to nearly $3 million in 2018, representing an increase of 237 percent. The agency intends to continue seeking opportunities to increase advertising revenue, maximizing the use of stations, fixed route vehicles and digital opportunities.

PAAC has also leveraged its real estate interests to steadily increase non-recurring and recurring revenue streams from less than $300,000 in 2014 to over $500,000 in 2018. Over the past several years, PAAC has worked to complete legacy transit-oriented development (TOD) projects and has adopted guidelines and policies that will help encourage additional future opportunities.

In addition to TOD, PAAC is working to identify other creative means of generating recurring real estate revenue. For example, in 2018 PAAC entered into a lease agreement with Verizon Wireless that is generating revenue while also providing internet service to customers. The agreement allows Verizon and other cellular carriers to place, operate and maintain a fiber network within PAAC's subway tunnels.



East Liberty Transit Center Transit-Oriented Development (TOD) ©Econsult Solutions, Inc.

Making Connections

Addressing the transportation funding challenges facing Southwest PA will require extra nuance when compared against those of the Philadelphia region—and not simply because the 10-county SPC region covers a larger geographic area.

Prevailing sentiment among council members and regional leaders has coalesced around setting the stage for a more regionalized approach to transit, as well as ensuring regional equity when it comes to regional governance, revenue generation and transportation project prioritization. Case studies from a pair of U.S. regions demonstrate that these challenges are not insurmountable.

A Regional Approach to Transit

As populations have become more decentralized and job centers have relocated farther from city centers, reverse commuting from the City of Pittsburgh to other municipalities in Allegheny County and surrounding counties has also expanded. There is desire to better integrate PAAC's services with those of the broader region to eliminate redundant services and touch points on the system, and to improve trip reliability. How Southwest PA chooses to move forward remains to be seen, but illustrative examples from around the country demonstrate that regionalized transit is achievable—at smaller and larger scales.

The five-county corner of Pennsylvania served by DVRPC, the Philadelphia region's metropolitan planning organization, is contiguous with that of SEPTA, the region's primary public transit service provider—as well as PennDOT's regional District 6-0 office. As such, SEPTA's service enhancements and capital projects across the region are consistent with regional planning efforts—and by extension, equitable allocation of funds.

Southwest PA, by comparison, is served by three PennDOT District offices, and ten different fixed-route bus service providers—each with its own governance, funding allocation, and prioritized lists of projects. Transit users, meanwhile, navigate using systems of payment, transfer points and payment methods not designed to interact with one another.

One example of operating new transportation facilities at a regional level comes from Georgia's State Road and Tollway Authority (SRTA). Faced with a similarly disjointed region served by multiple transit systems, SRTA took a step towards regionalized transit by creating Xpress, a 27-route, 12-county commuter bus network providing service to and from major employment centers in and around Atlanta.

Xpress touts its service as affordable and reliable; safe and convenient, and; clean and comfortable—more critically, it provides free interface with the MARTA rail network and accepts Breeze, the same payment system used by all other regional transit providers.

While full consolidation of the 10-county Southwest region's transit services remains a step too far for the short term, Atlanta's Xpress demonstrates that steps can be taken along the way to strategically provide new, critical services without disrupting the autonomy of its component counties' systems.

WMATA Metro bus stop at Tysons Corner, Virginia

Transportation Funding for All Levels of Government

Because the City of Philadelphia's boundaries are coterminous with those of Philadelphia County, the consolidated city/county government holds an ability to generate revenue at a level of government beyond the municipal level—and allocate it as the governing body sees fit. Protecting the transportation investment interests of both Allegheny County and its municipalities presents a different challenge; municipal participation in a broader regional funding strategy will require enhanced coordination.

One illustrative example of how to achieve such equity is by following the example set by the Northern Virginia Transportation Authority (NVTA), which goes beyond the duties of a typical regional planning commission such as SPC by generating its own revenue in addition to planning and programming. NVTA's ability to raise its own funds was authorized by Virginia's General Assembly in 2013, recognizing that the market-driven need for transportation projects in the booming suburbs of Washington, DC went beyond those of the state as a whole.

Further, the Virginia General Assembly's enabling legislation separated NVTA's new revenue into both regional (70%) and local (30%) buckets, requiring that all money was to be used for transportation projects.

While this is only one option for setting up a regional governance structure, and it requires buy-in at the state legislature level, such an arrangement in Southwest PA would ensure that all represented municipalities—including the City of Pittsburgh—would be part of the collaborative effort to invest in transportation if additional funds are generated at a regional level.

Challenges
SUSTAINABLE, BONDABLE INVESTMENT

©PAAC

A safe and reliable multimodal transportation network requires stable, sufficient transportation funding. As reported in a February 2019 study by the Pennsylvania Transportation Advisory Committee (TAC), *Risks to Transportation Funding in Pennsylvania*, projected transportation funding is not adequate to meet statewide needs; cost pressures further strain existing resources. Additional risks include national policy changes, legal decisions, and reduced oil company franchise tax revenue. Pending litigation against the PTC has amplified and hastened the need for change.

Southwest PA's challenge is two-fold:

Challenge

Act 44's public transportation funding mechanism is unsustainable for the state's General Fund, the PTC, and transit statewide.

Challenge

Higher levels of transportation investment are needed in Southwest PA.

Challenge

Act 44's public transportation funding mechanism is unsustainable for the state's General Fund, the PTC, and transit statewide.

Even if current federal and state funding levels remain the same, the revenue sources currently used to fund PAAC and other transit agencies around the Commonwealth have placed the state's General Fund, the PTC, and statewide transit funding in an untenable long-term situation.

Funding Timeline

July 2007	April 2010	July 2012	November 2013	December 2015	September 2020	July 2022
Act 44 Passed	Request to toll I-80 denied by FHWA	MAP-21 Passed	Act 89 Passed	FAST Act replaced MAP 21	FAST Act Expires	PA Turnpike contribution will be reduced from \$450M to \$50M \$450M Motor Vehicle Sales Tax

Acts 44 and 89: Funding History

In July 2007, the Pennsylvania General Assembly enacted Act 44, which expanded the PTC mandate from one focused entirely on constructing, operating and improving the PA Turnpike to one that also provides annual funding contributions of \$450 million to PennDOT for broader Commonwealth transportation needs. Since Act 44's passage the PTC has provided more than \$6 billion in funding support for state transportation needs. The PTC has primarily financed its Act 44 commitments to the Commonwealth through the issuance of bonds.

To assist with the effort, Act 44 authorized PennDOT and the PTC to seek Federal Highway Administration (FHWA) approval to convert Interstate 80 to a toll facility. Act 44 also established the Public Transportation Trust Fund (PTTF), which restructured state funding for public transit and replaced previous General Fund sources with dedicated, predictable sources. As Pennsylvania's second-largest public transportation service provider, PAAC receives a substantial portion of state funding distributed from the PTTF.

In April 2010 FHWA, citing legal concerns, denied the approval to toll I-80. Because of the I-80 plan's denial, Act 44 funds delivered to PAAC and other Pennsylvania transit authorities were reduced by statutory formula. Already forced to cut service, increase fares and reduce complement prior to the I-80 decision, PAAC faced additional hardship. In 2012, PAAC and its labor union successfully negotiated a restructured collective bargaining agreement, while negotiations for a long-term funding solution continued at the state level.

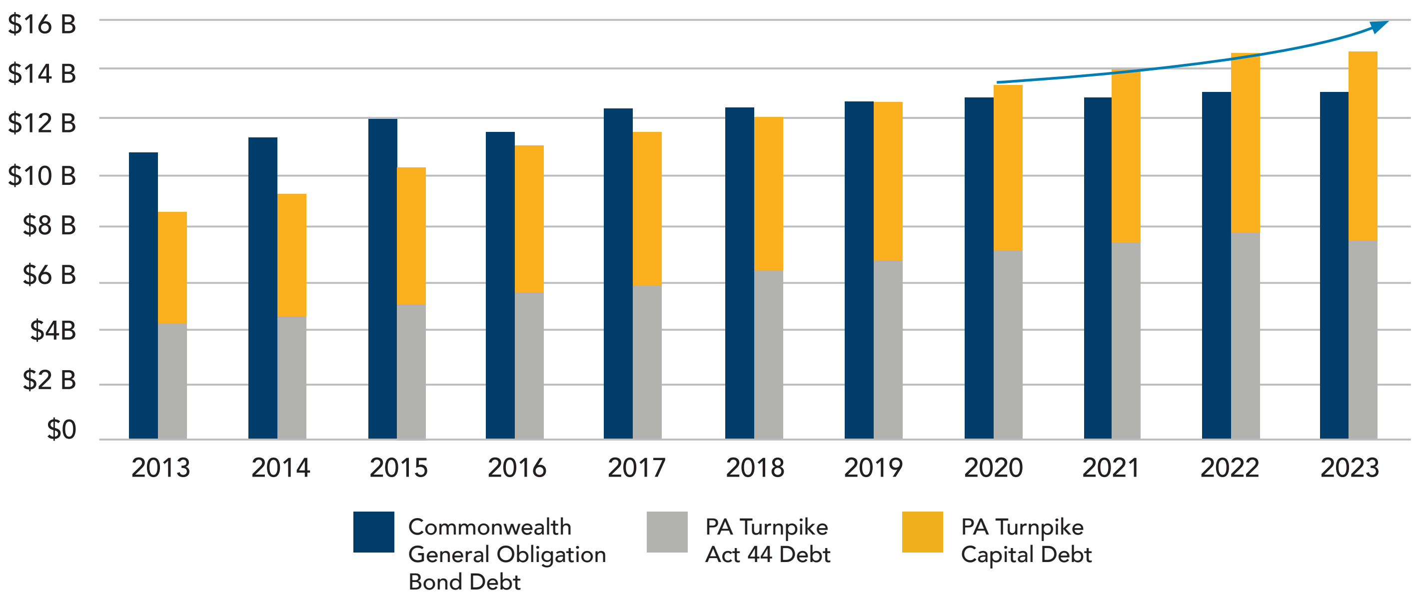
The passage of Act 89 in 2013 produced widespread changes for both PAAC and the PTC. While the PTC's aggregate payment obligation remained at $450 million annually, beginning July 1, 2014 all $450 million was allocated to support transit capital, operating, multi-modal and other non-highway programs. Stabilizing the sources of Act 44 payments and dedicating the Turnpike's contributions to transit, Act 89 ensured that PAAC and other transit providers around the state could count on steady revenue streams.

Act 89 also partially sunsets the PTC's annual payment to PennDOT. Beginning on July 1, 2022, the PTC's required annual contribution to PennDOT will be reduced from $450 million to $50 million, lessening the PTC's burden. Vehicle sales tax revenues are earmarked to replace that reduced funding with a floor of $450 million from the state General Fund. The PTC will continue to contribute $50 million per year through 2057.

PTC's Financial Impact

Act 44 has dramatically altered the PTC's fiscal picture by expanding its mandate to provide annual funding contributions for broader statewide transportation needs in highways, bridges, and public transportation. The PTC's outstanding debt has grown from less than $4 billion in 2008 to approximately $13 billion today and will continue to grow to nearly $15 billion by 2025 before the relief given by Act 89 will allow the PTC to methodically pay down its debt.

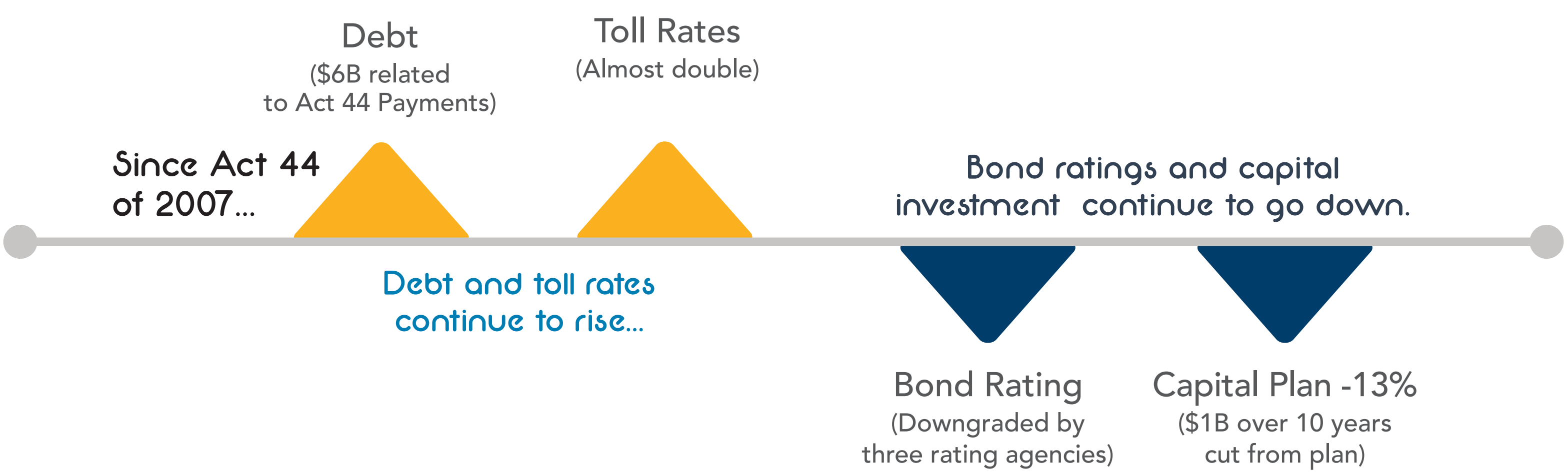
Debt: Commonwealth vs. PA Turnpike
Turnpike Debt Outpaces PA in 2020



While the PTC continues to meet its financial obligations each year, this increase in debt has caused all three major credit rating agencies to downgrade the agency's bond ratings in recent years, causing an increase in the cost of borrowing money. Because the PTC has been forced to finance its Act 44 payments, the PTC has had no choice but to raise its toll rates at a rate higher than that of inflation to offset its mounting debt obligations. PAAC is also not able to borrow against these payments—which make up a sizeable portion of its overall capital budget.

For consumers, the impacts have been twofold. Tolls for customers have almost doubled since 2008, and increases will continue to outpace inflation through 2026. This burden is paid by the PA Turnpike's travelers, and also increases the cost of delivering goods and services. There is a potential that continued increases in tolls will cause freight distributors to bypass the PA Turnpike for other corridors and points, increasing the cost of delivering goods and services to the region.

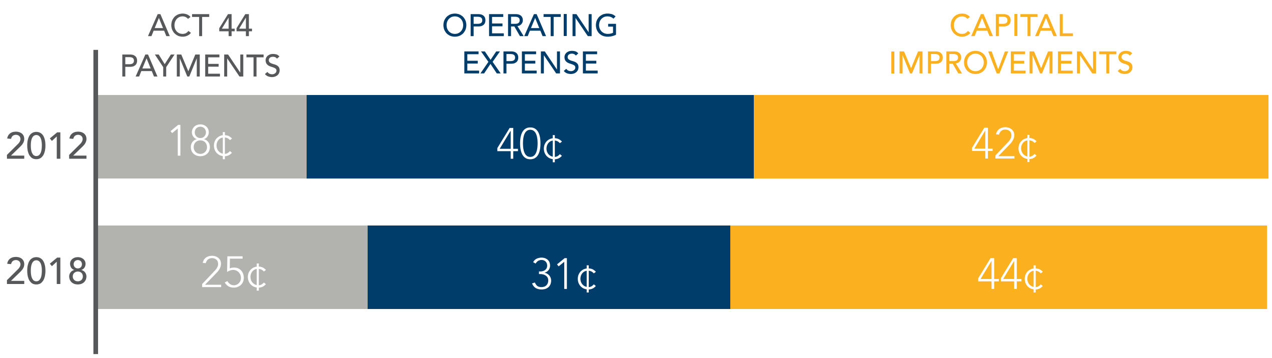
Act 44 IMPACTS to PA Turnpike and Its Customers




©PTC

Additionally, the PTC has been unable to significantly invest in capital projects in the region to relieve congestion and spur economic growth. Reductions in the capital program have shifted the PTC's focus toward preservation of its assets. Regional projects of significance, which would increase capacity of the roadway or add crucial new interchanges with local roadway networks, have been delayed or cancelled.

Where Does Your Toll Dollar Go?



In 2018, seven cents more of each toll dollar were being used for Act 44 payments than in 2012.

As part of its effort to assess current risks facing transportation funding in Pennsylvania, the TAC considered the effects of extending Act 89's mandate should the legislature elect to avoid placing additional pressure on the General Fund. If Act 89 is extended another five years, requiring the PTC to continue making payments of $450 million per year to the PTTF through FY 2026-27, then the Turnpike could incur more than $2 billion in new debt.

The effects of that additional debt burden would be widespread. Under this scenario, more than 60 percent of the PTC's revenue would be used solely for debt service; the PTC could expect further bond rating downgrades; capital projects would be limited, reducing expected economic growth; and annual toll rates could need to be increased even higher than the current 6 percent per year increase.

Challenges with the PTC's Act 44 obligations extend to transit agencies like PAAC, as well. Because the PTC must finance its obligations to PennDOT rather than pay outright until July 1, 2022, public transportation agencies like PAAC who depend on that revenue are not able to bond against it. As such, PAAC's ability to finance its own capital projects is limited.

PAAC and other statewide transit agencies have benefitted greatly from Act 89; capital assistance funding levels were increased immediately upon passage and have grown in the years since. Still, the annual unmet need for public transportation programs statewide remains approximately $1 billion beyond current funding levels.

Pending Litigation Jeopardizes Act 44 Payments

Challenging the constitutionality of transferring toll revenue to the PTTF to fund public transportation, a lawsuit filed against the PTC by the Owner Operator Independent Drivers' Association and National Motorists' Association has jeopardized the PTC's ability to make its mandated payments.

One implication of the litigation has already occurred—the PTC is unable to borrow money to make its Act 44 payments in FY2018-19. In the interim PennDOT has temporarily shifted funds to cover a portion of the shortfall. If litigation continues; wider cuts to transit capital and operating budgets across the state will occur in Fiscal Year 2019-20. All told, a $1.8 billion loss could affect both the PTTF and the Multimodal Transportation Fund (MTF).

A federal judge dismissed the lawsuit on April 4, 2019, but the decision was appealed. On May 20, 2019 the PTC approved pursuing bonding to make the delayed FY18-19 payments and the payments for FY19-20. As of the release of this report, both the payments and outcome of the litigation remain uncertain.

PAAC's Capital Projects at Risk

In November 2018, PAAC announced that it would be forced to delay 44 capital projects in 2018 and 2019 because of the ongoing lawsuit. Some of the major affected projects include:

- Light rail vehicle mid-life overhaul
- Mt. Lebanon tunnel fan replacement
- Dormont Park-and-Ride rehabilitation
- Monongahela Incline improvements – Structure rehabilitation and painting

In addition to the projects above, there are a number of basic state of good repair investments that are required to ensure continued safe access to the system as well as efficient operations. Some examples include:

- McKnight Road Park and Ride paving
- South Hills Junction M-Loop waterline replacement & parking area replacement
- Bridge preventative maintenance
- South Busway paving

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.

FY 2017-2018
$114M

FY 2018-2019
$39M

FY 2019-2020
$35M

Cost of Deferred Maintenance

A theme common to underfunded transportation agencies is rising costs due to deferred maintenance. When adequate revenue streams are in place, agencies are able to keep up with their routine cyclical maintenance needs to maximize their assets' lifespans, while minimizing overall life cycle costs by performing the appropriate treatments at the appropriate times. Unfortunately, this ideal scenario is uncommon in today's fiscally constrained environment.

In the American Society of Civil Engineers' (ASCE) 2016 report titled "Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future," a methodology was developed to estimate the true economic cost of deferring infrastructure maintenance into the future, answering the question "How does the nation's failure to act to improve the condition of U.S. infrastructure systems affect the nation's economic performance?"

The report's findings are sobering. Across all US infrastructure sectors including surface transportation, water/wastewater, electricity, airports, and inland waterways and marine ports, there was $3.32 trillion of investment need from 2016 to 2025. Of that, only $1.88 trillion was expected to be funded given current levels, leaving a $1.44 trillion funding shortfall over that 10-year period—including $1 trillion for surface transportation alone.

As costs rise, business productivity falls, causing GDP to drop, cutting employment, and ultimately reducing personal income. ASCE estimated that from 2016 to 2025, each American household would lose $3,400 each year in disposable income due to infrastructure deficiencies. Further, it found that if this investment gap is not addressed throughout the nation's infrastructure sectors by 2025, the economy is expected to lose almost $4 trillion in GDP, resulting in a loss of 2.5 million jobs in 2025.

When broken down to a small scale the additional required investment to reverse this trend is not insurmountable. ASCE identified the relative cost of deferring maintenance projects into the future. It found that the nation's overdue infrastructure maintenance bill is costing American families $9 per day; but an additional daily investment of just $3 per day per family could eliminate the gap by 2025.

IMPACTS ON BUSINESSES

- Increased cost of production (costs of electricity, water/wastewater, intermediate goods for production from surface transportation as well as costs associated with electricity, water and wastewater for these purchased products, and cost of imports)
- Declining exports (cost of production, increased surface transportation costs to reach seaports and airports, and inefficiencies at airports and marine ports)
- Increased cost of business travel (poor surface transportation, ineffeciencies at airports)
- Declining consumer spending (see "impacts on households")

IMPACTS ON HOUSEHOLDS

- Fewer jobs
- Lower income due to restructuring of economy from technology/export sectors to lower paying, less productive services needed to address problems caused by poor infrastructure (in addition to lower income due to less employment)
- More income diverted to transportation, electricity, water/wastewater, leaving less available for "lifestyle" purposes (entertainment, restaurants, and retail - including high-end consumer products)

Challenge

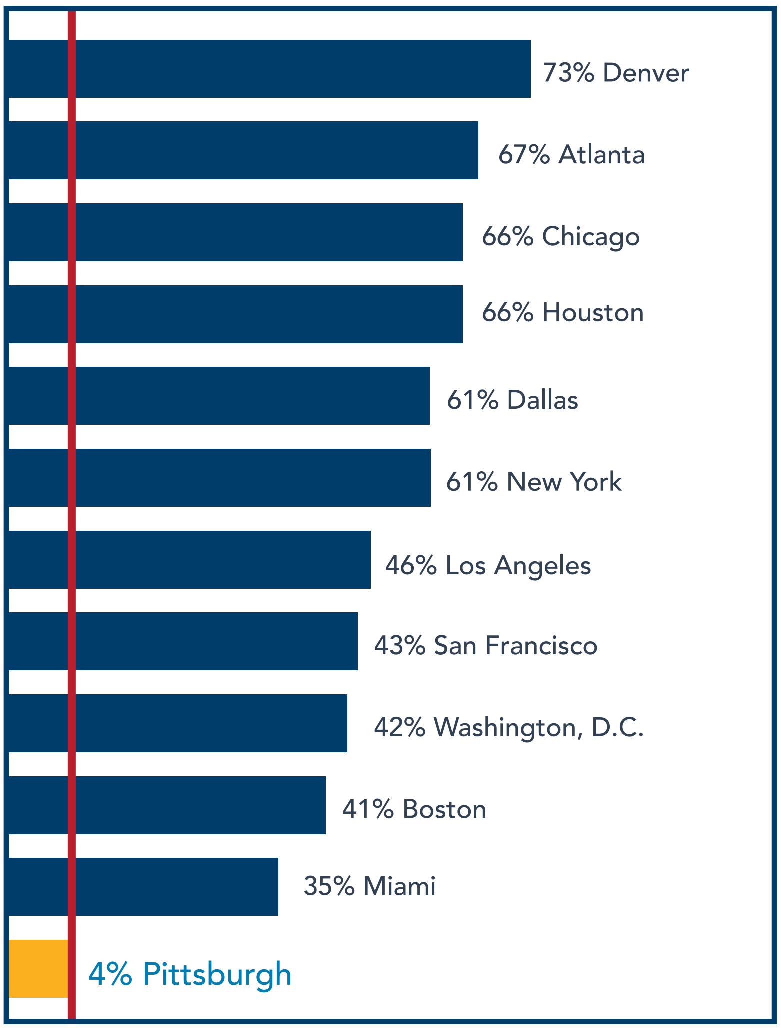
Higher levels of transportation investment are needed in Southwest PA.

Act 44 of 2007 created a dedicated funding source for transit systems statewide, based in part on payments from the PTC. **Even if current federal and state funding levels remain the same, there are not enough funds to deliver strategic projects of significance that would allow the region to thrive.** Locally, the southwest PA region has limited authority to generate its own revenue to invest in its transportation system, because **most local funding sources require statewide enabling legislation.**

Statewide Transportation Funding is FALLING SHORT...

The Pennsylvania TAC study identified a current $5.5 billion annual funding gap:

...the percentage of transit funding Southwest PA receives from local sources is WELL BELOW AVERAGE.



Percent of transit capital funding from local sources (2006-2015)
Source: National Transit Database

Regional Projects of Significance

Numerous plans have been developed for a transportation network to accommodate southwest PA's mobility challenges and growing economy. In addition to PAAC and the PTC, the broader 10-county SPC region has a collective slate of transportation projects viewed as key to making that vision a reality. The following projects are highlighted because of their ability to improve and create CONNECTIONS—not only locally, but region-wide.

Potential Transit Projects of Significance

Under new leadership, the PAAC is embarking on a long range planning process that is inclusive, transparent and forward-thinking. With a reinstated Planning Division at PAAC, a broader visioning process is scheduled for late 2019 or early 2020. The vision will take shape with input from customers, communities and other key stakeholders throughout the region. Numerous studies from past decades have identified potential regional transit investments, and some of those potential projects are highlighted here for illustration.

The list below is just a sampling of what might be identified through the PAAC's larger, inclusive planning process. These, however, are the caliber of projects that PAAC could plan and explore with adequate resources. The current PAAC planning and visioning work ultimately will result in a similar next-generation list of significant projects aimed at meeting regional capacity demands and connecting developing areas of the region, alleviating congestion, and meeting the diverse needs of current and future transit riders. A brief summary of the current projects follows.

©PAAC

IMPROVING SERVICE CONNECTIONS

The Partnership would like PAAC to assess opportunities to better serve communities and destinations within Allegheny County, considering equity, efficiency and growth. The ability of dependent riders to attend schools, shop for groceries, and have access to employment is vital for this region, as is the prominent role transit plays in developing areas. Service enhancements for commuters and their employers should be considered, along with the potential for other similar service enhancements.

McKeesport Transportation Center ©SPC

REGIONAL CONNECTIONS

To better integrate its own network and service with that of outlying counties, the Partnership would like PAAC to improve facilities at key transfer points, enabling more residents of southwest PA to benefit from the opportunities the City of Pittsburgh and other job centers provide. These facilities may include transit centers or park and ride facilities, such as the already underway McKeesport Transportation Center. New locations for connections should be pursued.


Bus Rapid Transit Mellon Terrace Rendering
©PAAC

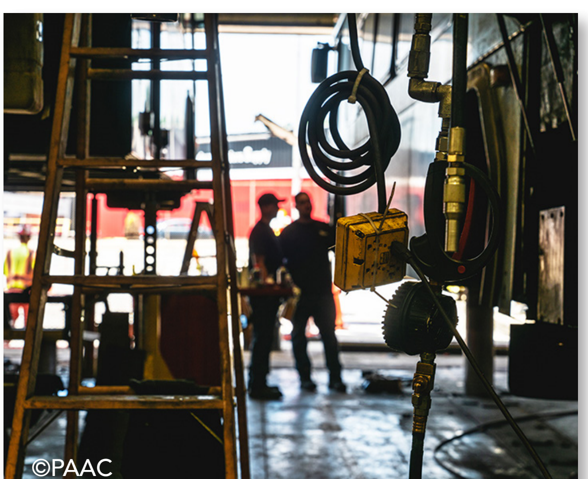
BUS RAPID TRANSIT TO OAKLAND (in design)

Providing higher quality, reliable transit service between the region's two major employment centers (downtown Pittsburgh and Oakland) and the residential communities to the east, the project will include changes to both physical infrastructure—including 80 new stops and dedicated transit lanes—and transit operations. The project is currently progressing through design, and is competing for Federal Small Starts grant money that could cover up to half of the project's construction cost.

©PAAC

LIGHT RAIL VEHICLE FLEET REPLACEMENT

PAAC's current light rail vehicle fleet has 55 vehicles dating to 1985 and an additional 28 dating to 2008; the original vehicles are already beyond their designed useful life. A recent study estimated the time needed to replace the 55 original vehicles as 7.4 years at a cost of $4.5-$5.5M per vehicle; the project would also require infrastructure improvements to accommodate the vehicles including signals and interlockings.


©PAAC

NEW BUS MAINTENANCE GARAGE

Despite ridership growth of 1.7 million on PAAC's bus system in 2018, the agency is unable to carry more riders because it doesn't have enough garage space. A new garage will not only increase capacity, but also offer flexibility in terms of fleet and fuel source. PAAC also recognizes that without garage expansion, its planned BRT project will not be able to operate. A new garage should be located close to Port Authority services or highways to prioritize efficient use of vehicle and staff time serving the community.

BETTER CONNECTIONS TO PITTSBURGH INTERNATIONAL AIRPORT

With long-standing interest in improved airport corridor service, and specifically, the potential for rapid transit and/or a light-rail connection, PAAC should pursue the potential for short-term and long-range multimodal enhancements. Discussed as part of PAAC's long-range plans for well over a decade, extending the West Busway's service beyond its current terminus in Carnegie to the Pittsburgh International Airport will offer a fast, reliable connection to downtown, serve additional local communities, relieve congestion on I-79 and I-376, and connect riders with major employment and retail activity in Robinson. This project should also include finalizing the connection between the inner terminus of the West Busway and Downtown Pittsburgh to create a fully rapid transit corridor linking the airport with the Central Business District.


East Busway Extension, Edgewood

RAPID TRANSIT TO EASTERN SUBURBS

As previously noted, I-376 East is the fifth most congested corridor in the U.S. As such, providing a transit connection to Pittsburgh's eastern suburbs should be prioritized by PAAC as an expansion project. This would serve locations further east including Braddock, East Pittsburgh, Turtle Creek and Monroeville. When fully built out, the project will connect underserved neighborhoods along the corridor with major job clusters including downtown Pittsburgh and Monroeville, while also alleviating traffic along I-376. This project could be an extension of the existing fixed busway that terminates in Swissvale or could utilize bus-on-highway-shoulder or other on-street options to provide dedicated, separated, rapid transit.

IMPORTANCE OF BONDABLE REVENUE

A point of emphasis for delivering the region's vision is to ensure bondable revenue streams. Many regional projects of significance, such as PAAC's light rail vehicle replacement project, require large amounts of upfront money for procurement. Without the ability to leverage bonding and financing, PAAC would be forced to stockpile funds over a decade or more to advance and complete projects considered essential to the region's vitality today.

PTC Projects of Significance

The PTC has planned projects which are currently unfunded, but would support reliability, improve access, and generate additional economic opportunity in the region and statewide.

NEW REGIONAL INTERCHANGES/ACCESS RAMPS – $115 MILLION

With the PTC's planned conversion to cashless tolling, the opportunity to add new interchanges is enhanced; new interchanges will not require toll plazas, therefore reducing capital, operational and right-of-way costs. SPC recently conducted its own study to investigate the potential impacts of cashless tolling within the region, including a specific look at new interchanges. The study recommended three new interchanges along the PA Turnpike for further consideration: SR 910 in Allegheny County, SR 130 in Westmoreland County and SR 981 in Westmoreland County. The study also recommended improvements to the existing Allegheny Valley, Pittsburgh and Irwin Interchanges.

Each interchange project would reduce congestion on local roadways, reduce travel times and improve reliability. New interchanges also spur economic growth, add jobs, and generate state and local tax revenue.

TOTAL RECONSTRUCTION/WIDENING, ALLEGHENY VALLEY TO IRWIN – $555 MILLION

Across three separate projects, the PTC plans to reconstruct and widen 19 miles of the PA Turnpike between the Allegheny, Pittsburgh and Irwin Interchanges in Allegheny and Westmoreland Counties. Upon completion, the existing four-lane roadway with a 10-foot median and 12-foot shoulder will be converted into a six-lane facility with three 12-foot travel lanes in each direction, a 26-foot median and 12-foot shoulders. The additional capacity will reduce congestion and improve travel times and safety through this busy section of the PA Turnpike.

Aeriel view of Irwin Interchange ©PTC

Aeriel view of Route 29 ©PTC

New Interchanges Stimulate the Local Economy

With the construction of new interchanges, southwest PA could expect economic growth similar to that seen in the eastern part of the state.

The PA Turnpike's $60 million Route 29 Interchange in Chester County opened to traffic in 2012. In order to better estimate the interchange's impact investment to the region, the PTC commissioned an economic impact analysis in 2018. Between 2010 and 2015, the interchange's total estimated economic impacts to Chester County were:

9,700 - 16,160
total new jobs

$866 million - $1.4 billion
total labor income

$3.5 billion - $5.8 billion
total economic output

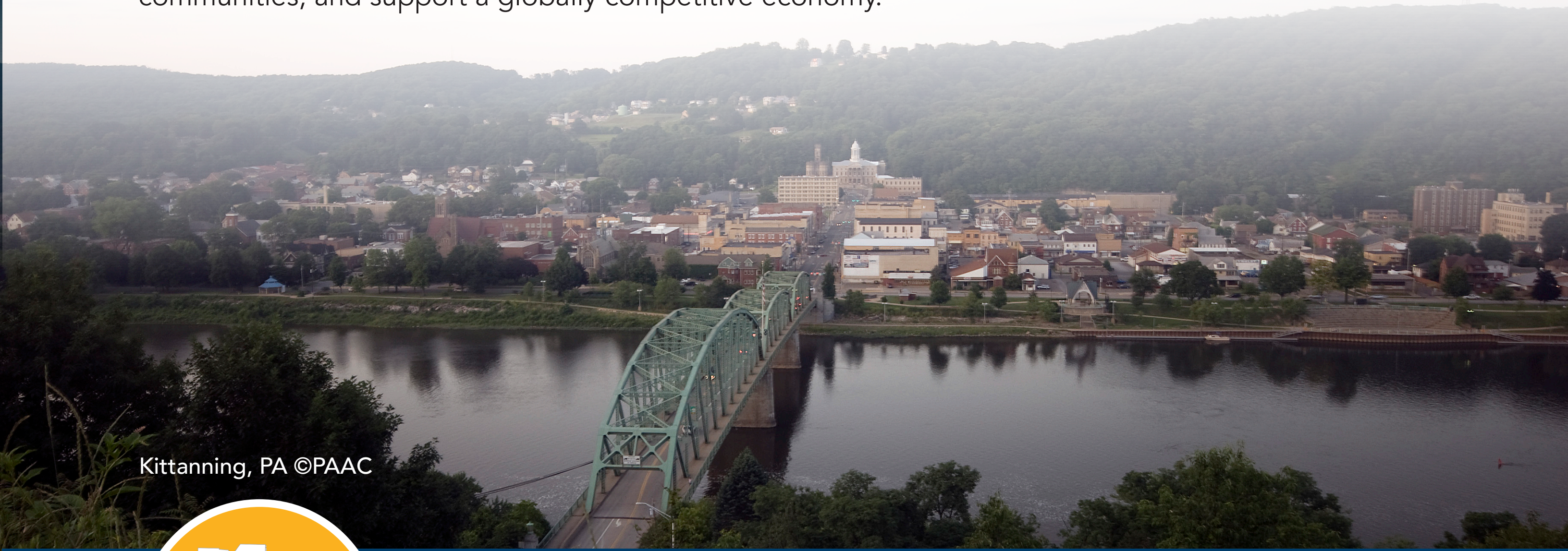
$28 million - $58 million
new state and local tax revenue within Chester County

Source: 4ward Planning

Other Regional Transportation Projects of Significance

In addition to PAAC and the PTC's slate of projects of significance, major regional transportation projects across the 10-county SPC region—including non-PAAC projects within Allegheny County—would further enhance mobility for all travel modes within the region and provide economic and quality-of-life benefits for a broad cross-section of population.

SPC's forthcoming long-range plan, *Smart Moves for a Changing Region*, has relied heavily on regional planning expertise and public involvement to advance the plan's vision: "a world-class, safe, and well-maintained integrated transportation system will provide mobility for all, enable resilient communities, and support a globally competitive economy."


Kittanning, PA ©PAAC

Regional Transportation Projects

With additional revenue, a number of potential capital projects around the 10-county SPC region could be advanced, including:

- Interchange Projects, such as I-376/PA 151 (Beaver), I-79/PA 528 (Butler), I-79/Mt. Morris/Ruff Creek (Greene), I-376/Pulaski Road (Lawrence), I-70/Lover/Speers (Washington), and I-70/PA 201 (Westmoreland);
- Capacity-adding Projects, including I-79 (Allegheny), US 422 (Armstrong) and Rochester Road (Butler) and PA 286 (Westmoreland);
- Corridor Enhancement and Safety Projects, such as the I-376 Parkway East Corridor Safety and Congestion improvements (Allegheny), US 40 (Fayette), US 422 (Indiana and Butler), Columbus Interbelt (Lawrence), Second Ave/885 Electric Avenue clean-energy corridor (City of Pittsburgh), and PA 51 (Westmoreland);
- Trail Connections or Enhancements, including the Three Rivers Heritage Trail (Allegheny), Freeport Regional Trailhead (Armstrong), Ohio River Trail (Beaver), Commodore Perry Trail (Butler), Sheepskin Trail (Fayette), Greene River Trail (Greene), Hoodlebug Trail (Indiana), North County and Neshannock Trails (Lawrence), Panhandle Trail (Washington), and the Five-Star and Westmoreland Heritage Trails (Westmoreland);
- Improved Multimodal Connections between neighborhoods and the many riverfronts of the region, and within pedestrian-heavy areas;
- Improved Transit Connections between population centers and regional job centers such as the Shell Cracker Plant (Beaver) and Cranberry Township (Butler), and new park-and-ride facilities at transfer points such as Ruff Creek (Greene) and Slippery Rock (Butler).

Solutions

ACT 44 RELIEF

ENABLING ADDITIONAL LOCAL INVESTMENT

View of the Harrisburg Capitol from State Street

In response to the two challenges facing transportation in southwest PA, the Partnership has identified two specific solutions to fully achieve its vision. They are:

- Stabilization of statewide transit funding through a sustainable transition of Act 44 payments
- Additional funding for projects of significance:
  - PAAC and other regional transportation projects
  - PTC interchanges and widening/reconstruction projects

Solution

Act 44 Relief:
Sustainable transition
of existing Act 44 payments

Solution

Additional funding for PAAC
and other regional
projects of significance

Additional funding for PTC
projects of significance

Solution

Act 44 Relief:
Sustainable transition of existing Act 44 payments

As currently stipulated by Act 89 of 2013, Act 44 relief for the PTC begins in 2022, when the PTC's annual payments will be replaced with at least $450 million of bondable General Fund revenue (using existing tax on the sales of motor vehicles). There are several options to mitigate impacts of the current law.

Options for Transition of Act 44 Payments

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 other states is shown below.

Statewide Revenue Generation Options

Option	Basis	Revenue Potential ($ millions)
Sales Tax	Increase of 0.25%	$350 - $450
Personal Income Tax	Increase of 0.10%	$350 - $450
Real Estate Transfer Tax	Increase of 0.50%	$215 - $265
Transportation Network Company (TNC) Fees (Uber, Lyft, etc.)	New fee of $1 per trip	$80 - $100
Road Pricing Strategies	Tolling of additional PA Interstates, congestion pricing, and other road pricing strategies such as high-occupancy vehicle (HOV) and high-occupancy toll (HOT) lanes	At least $200 depending on extent
Tire, Vehicle Lease, and Vehicle Rental Fees (Public Transportation Assistance Fund)	Increase fees from $1 to $2 per tire, $2 to $4 per rental, and from 3% to 6% of lease payment	$125 - $150

These options have been used in other states and in Pennsylvania to address transportation funding needs.
For additional information on the Partnership's evaluation of statewide funding and financing options, see Appendix B.

TIMING OPTIONS:

1. **Stay the Course** – Replace the PTC payments with General Fund dollars in 2022.
2. **Step Down the PTC Payments** – There are four key benefits to gradually transitioning the PTC payments beginning now:

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

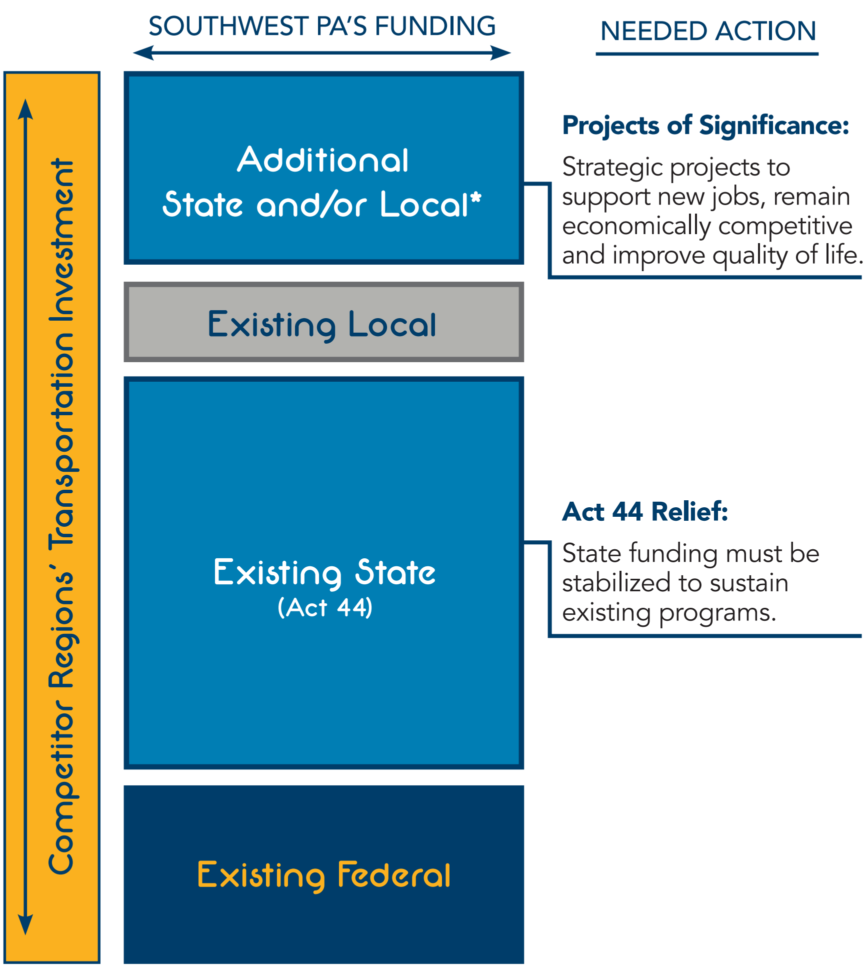
Solution

Additional funding for PAAC and other regional projects of significance

With $100 to $175 million in new annual bondable revenue, PAAC and the region can advance projects of significance. There are three options to generate those funds: enabling legislation allowing the region to generate its own funds; legislative action distributing revenue to transit, including PAAC, statewide; or a combination of the two.

With enabling legislation, jurisdictions within southwest PA could be more responsive, and would be better positioned to pursue sets of solutions tailored to their constituencies' wants and needs.

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



PAAC AND OTHER REGIONAL PROJECTS OF SIGNIFICANCE: FUNDING AND FINANCING OPTIONS

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

   As it did with statewide revenue generation options, the Partnership evaluated a wide-ranging suite of local revenue generation options as well. The options were categorized based on their revenue generation potential, while transportation-specific options were also identified. Value capture options such as Tax Increment Financing (TIF), which generate revenue by recovering value generated by new public and/or private investment rather than through broad-based tax increases, were also identified.

   The "Regional Funding and Financing Options" chart provides a number options which could be considered at the local level if enabled to do so. For additional information on the Partnership's evaluation of funding and financing options, see Appendix B.

***If the PA Legislature cannot address the ADDITIONAL transportation funding need statewide, it should enable regions like Southwest PA to do so locally.**

2. **$650 million in additional statewide bondable revenue for transit, providing the region with the $100 to $175 million it needs by formula.**
   This new revenue would be in addition to the $450 million already necessary to close the statewide General Fund gap being created by the change in revenue source from PTC payments to the sales tax of motor vehicles in 2022.

3. **A combination of new statewide bondable revenue and enabling legislation allowing the region to generate its own revenue.**
   This compromise option would lessen the relative financial burden for both the Commonwealth and region. A funding match program, incentivizing regions to raise new local funds in order to utilize new state funds through a mandatory match, could also be considered.

PAAC, Regional & PTC Projects of Significance

Need $100M-$175M/YR Bondable Revenue

Regional Funding and Financing Options

REVENUE GENERATION POTENTIAL

TYPE OF FUNDING OPTION	REV > $50M	$40M > REV > $10M	REV < $5M
TRADITIONAL	• Earned Income Tax • Property Tax Surcharge • Real Estate Transfer Tax • Sales Tax	• Sales Tax (Base Expansion) • Cigarette Tax • Hotel Occupancy Tax • Liquor/Malt Beverage Tax	
TRANSPORTATION-RELATED	• Mileage Based User Fee/ Road User Charge • Vehicle Property Tax	• Interstate Tolling • Congestion Pricing • Cordon Pricing • TNC Fees and Fees for Other Curbside Services • Transit Fare Surcharge	• Excise Tax on Adult Bicycles • Lead Acid Battery Tax • Vehicle Registration Fee
VALUE CAPTURE		• Rolling Property Tax Assessment • Surface Coverage Fee • Tax Increment Financing (TIF)	• Fee in Lieu of Parking • Fee in Lieu of Transportation Improvements • Rezoning for Private/Transit Development • Transportation Access Fee • Opportunity Zone Incentives • Telecom Surcharge

*Solutions in **yellow** text require legislative action • Revenue potential is based on the 10-county region.*

Solution

Additional funding for PTC projects of significance

To advance its projects of significance—particularly new interchanges in Allegheny and Westmoreland Counties—the PTC would need $50 million to $75 million in additional bondable revenue for its capital program. Assuming the relief of Act 44, there are two possible means by which to fund the PTC's significant projects.

PROJECTS OF SIGNIFICANCE: FUNDING AND FINANCING OPTIONS

1. Using a portion of the revenues raised by the options described above PAAC's projects of significance.
2. A $0.01 to $0.02 subsidy from the Oil Company Franchise Tax.

Conclusion

City of Pittsburgh

The Southwest Partnership for Mobility's objective is to solve the challenges facing the region's public transportation and PA Turnpike systems by delivering sustainable funding solutions that are equitable, affordable, achievable and competitive with peer regions; drive the regional and statewide economies; and support a healthy business climate.

Transportation is not a cost,
IT IS AN INVESTMENT –
one that creates jobs,
grows the economy, and
improves quality of life.

In summary...

The Partnership is pursuing its objective consistent with the following guiding principles:

Funding transportation is a required investment to create jobs, grow the economy and improve quality of life in the region. In turn, this raises property values and generates new tax revenues for local governments, school districts and the Commonwealth. Improved transit service reduces congestion on the regional highway network, improving mobility for all while also reducing environmental impacts and highway maintenance costs. Companies and employees view mass transit as a key differentiator in choosing where to locate their business or where to work. Growth opportunities exist adjacent to limited access highway access points.

Competitor cities to the Pittsburgh region are making a higher level of investment in mass transit. Capital projects that support the economy will be deferred if new investment options are not advanced. The rising cost of PA Turnpike tolls, necessitated by Act 44, is driving business away from Pennsylvania and the region.

Identifying transportation funding solutions is a responsibility shared by all levels of government. We concur with the need for new additional recurring revenue to support PAAC and the broader SPC region's projects of significance and for additional interchanges between the PA Turnpike and the local roadway network.

Appendices

©PAAC

APPENDIX A

Related Studies, Documents, and Works Cited

APPENDIX B

Menu of Options Summary Tables

Appendix A

Related Studies, Documents, and Works Cited

American Society of Civil Engineers (ASCE) – *Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future.* 2016.
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https://www.paturnpike.com/business/financial_planning.aspx

Pennsylvania Turnpike Commission (PTC) – *Major Design and Construction Projects.*
https://www.paturnpike.com/travel/major_design_construction_projects.aspx

Port Authority of Allegheny County (PAAC) – *Strategic business plan, revenue & ridership figures, annual reports, operating & capital budgets, other reference material.*
https://www.portauthority.org/inside-Port-Authority/Transparency/

Appendix B

Menu of Options Summary Tables

SOUTHWEST PA MOBILITY PARTNERSHIP - STATE TRANSPORTATION OPTIONS

Statewide Solution	Description	Potential Statewide Revenue	Basis	Peers	Stakeholders	Legislative action needed?
	Notes					
Cigarette Tax	Increase tax per pack of cigarettes purchased	$45M to $55M	Increase by 10% per pack $2.60 to $2.86	Per Pack: NJ: $2.70 NY: $4.35 DE: $2.10 OH: $1.60 MD:$2.00 WV: $1.20	Children's Health Insurance Program, Department of Agriculture, Department of Health, Retailers that sell Cigarettes	YES-modification of existing tax
	Pennsylvania currently has the 11th highest cigarette tax in the country, and was recently increased in 2016. Raising it to $2.86 a pack would make it the 10th highest tax in the country. These do not include any local taxes.					
Excise Tax on Adult Bicycles	Levy fee on all adult bicycles sold in Pennsylvania	$7M to $8M	$15 per adult bike	Oregon has $15 fee for all adult bikes sold at a price greater than $200. Projected to collect $1 million annually.	Bicycle ride shares, bicycle shops	YES-creation of new tax
	Assumes about 500,000 adult bikes are sold in the state. Applying a $15 fee to these sales comes out to about $7.5 million in state revenue annually. As cycling becomes a more viable mobility option in the state, revenue from this policy would will grow at the same rate.					
Gas Tax	Increase the state gas tax	$250M to $350M	Increase rate by 10 ¢/gallon (current rate 58.7 ¢/gallon)	Per Gallon: NJ: 37.10 ¢ NY: 45.76 ¢ DE: 23.00 ¢ OH: 28.01 ¢ MD: 35.30 ¢ WV: 35.70 ¢	Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, local chambers of commerce	YES-modification of existing tax
	Pennsylvania currently has the highest gas tax in the nation at 58.7 cents per gallon. This does not include the federal tax rate of 18.4 cents per gallon.					
Hotel Occupancy Tax	Increase on current rate of 6% statewide	$18M to $20M	Increase rate by 1% 6% to 7%	NJ: 12.0% NY: 4.0% DE: 8.0% OH: 5.75% MD: 6.0% WV: 6.0%	Convention Centers, Visitors Bureaus, Hotel Associations, State and Local Chambers of Commerce	YES-modification of existing tax
	Instituting a 5% statewide hotel tax in PA was proposed last year (2017) during the budget negotiations. Municipalities in peer agency WMATA's service area recently passed a special hotel fee earmarked solely for transit. Hawaii also passed similar policy raising the rate by 1%.					
Interstate Tolling	Institute tolling on Interstate highways in PA	Greater than $200M	~ $0.15 per mile	All neighboring states have tolling. Feds recently requested RFPs through the ISRRPP program pilot interstate tolling projects in three states. RI recently implemented tolling on bridges for trucks only. CT will be implementing some sort of tolling program.	Pennsylvania Turnpike Commission, Department of Transportation, Department of Revenue, Trucking Associations, AAA	YES-tolling authority not delegated by Federal government
	The authority to toll existing facilities in Pennsylvania is governed by both federal and state laws and regulations. Within the federal landscape, there are four programs that allow a state to toll existing facilities: Section 129 General Tolling Program, Section 166 HOV/HOT Lanes, Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP), and Value Pricing Pilot Program (VPPP). Depending on the program, toll revenues may be used on other transportation projects.					
Lead Acid Battery Tax	Fee on lead acid batteries sold	$15 to $20	$2 per battery sold ($1 consumer, $1 retailer)	California and Florida have similar policy but funding goes toward environmental/toxic waste cleanup	Department of Environmental Protection, PA Emergency Management Agency, county departments of emergency management	YES-amendment to Title 74 to use for transit
	Revenue estimate based on the number of registered vehicles in Pennsylvania. Important to consider growth of future sales, understanding all new/existing cars will still need this component for the foreseeable future					
Liquor/Malt Beverage Tax	Increase fee on liquor and beer sales	$40M to $50M	Increase revenue by 10% Liquor: 18% to 19% Beer: $0.08 to $0.16 / gallon	Per gallon: NJ: $0.12 NY: $0.14 DE: $0.16 OH: $0.18 MD: $0.49 WV: $0.18	PA Liquor Control Board, Beer Retailers, PA Restaurant and Lodging Association, PA Licensed Beverage / Tavern Association	YES-modification of existing tax
	Projected to bring in about $430 million in tax revenue collectively in 2019. The liquor tax collect via 18% sales tax and malt beverage tax collect via a fee per ounce.					

SOUTHWEST PA MOBILITY PARTNERSHIP - STATE TRANSPORTATION OPTIONS

<table>
<tr><th rowspan="2">Statewide Solution</th><th>Description</th><th>Potential Statewide Revenue</th><th>Basis</th><th rowspan="2">Peers</th><th rowspan="2">Stakeholders</th><th rowspan="2">Legislative action needed?</th></tr>
<tr><th colspan="3">Notes</th></tr>
<tr><td rowspan="2">Mileage Based User Fee</td><td>Charges vehicle users/owners a fee based on miles traveled annually</td><td>Greater than $200M (Low as replacement of gas tax)</td><td>1 cent per mile</td><td rowspan="2">Oregon has a volunteer program in place, to pay per mile fee. Additionally, other states and regions are heavily studying implementing similar policy, including the Delaware Valley.</td><td rowspan="2">Department of Transportation, Department of Revenue, PA Independent Oil and Gas Association, Office of Oil and Gas Management, PA Petroleum Association, AAA, I-95 Corridor Coalition, Delaware DOT</td><td rowspan="2">YES-creation of new program</td></tr>
<tr><td colspan="3">Directly tied to transportation and infrastructure consumption, many consider this funding policy equitable due to its connection to road use. While a gas tax is considered tied to transportation, vehicle owners/users purchase more or less based on fuel efficiency. Policy could also have an impact on congestion and transit use, encouraging commuters to utilize more cost effective modes. Likely a replacement to the gas tax.</td></tr>
<tr><td rowspan="2">Motor Vehicle Sales Tax</td><td>Increase the sales tax rate on motor vehicles</td><td>$100M to $125M</td><td>Increase rate by 0.50%
6% to 6.50%</td><td rowspan="2">NJ: 6.63% NY: 4.00%
DE: 0.00% OH: 5.75%
MD: 6.00% WV: 6.00%</td><td rowspan="2">Department of Revenue, Department of Environmental Protection, Auto Manufacture/Dealers, Department of Motor Vehicles, Low Income Vehicle Owners</td><td rowspan="2">YES-modification of existing tax</td></tr>
<tr><td colspan="3">Motor Vehicle Sales Tax revenues (at 6% sales tax rate) are already earmarked for use as replacement of Turnpike's Act 44 payments in 2022, with $450M floor.</td></tr>
<tr><td rowspan="2">Personal Income Tax</td><td>Implement a Personal Income Tax dedicated to transportation</td><td>$350M to $450M</td><td>Increase rate by 0.1%
3.07% to 3.17%</td><td rowspan="2">NJ: 5.5-9.0% NY: 6.7-8.8%
DE: 0.0-6.6% OH: 0.5-5.0%
MD: 2.0-5.8% WV: 4.5-6.5%</td><td rowspan="2">State and Local Chambers of Commerce</td><td rowspan="2">YES-modification of exist</td></tr>
<tr><td colspan="3">Assumes the tax is imposed on the employee. Could impose an employer tax as well to generate another $400M.</td></tr>
<tr><td rowspan="2">Public Transportation Assistance Fund (PTAF)</td><td>Increase the tire, vehicle lease, and vehicle rental fees</td><td>$125M to $140M</td><td>Double the current rates</td><td rowspan="2">Tire fees in other states vary from $0.50 per tire to $10 per tire. Rental and lease fees similarly range 2% to 12%.</td><td rowspan="2">Department of Transportation, Department of Revenue, Department of Environmental Protection, Auto Manufacture/Dealers</td><td rowspan="2">YES-modification of existing fees</td></tr>
<tr><td colspan="3">Current rates were implemented in 1991 as part of Act 26. Current tire fee is $1 per tire, rental fee is $2 per day, and lease fee is 3% of the lease payment.</td></tr>
<tr><td rowspan="2">Real Estate Transfer Tax</td><td>Increase Real Estate Transfer Tax</td><td>$215M to $265M</td><td>Increase rate by 0.5%
1% to 1.5%</td><td rowspan="2">NJ: .4% - 1.2% NY: 0.40%
DE: 4.00% OH: 0.10%
MD: 0.5% WV: 0.11%</td><td rowspan="2">Department of Revenue, PA Land Trust Association, PA Recreation and Park Society, Department of Conservation and Natural Resources, PA Farm Bureau, PA Farmers Union, PA State Council of Farm Organizations, PA Association of Realtors, Philadelphia School Board, County Commissioners Association</td><td rowspan="2">YES-modification of existing tax</td></tr>
<tr><td colspan="3">Increased tax could also only be assessed on transfers of a certain value; this model would follow other states such as New York and New Jersey.</td></tr>
<tr><td rowspan="2">Sales Tax</td><td>Increase the sales tax rate</td><td>$350M to $450M</td><td>Increase rate by 0.25%
6% to 6.25%</td><td rowspan="2">NJ: 6.63% NY: 4.00%
DE: 0.00% OH: 5.75%
MD: 6.00% WV: 6.00%</td><td rowspan="2">Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, State and Local Chambers of Commerce</td><td rowspan="2">YES-modification of existing tax</td></tr>
<tr><td colspan="3">A portion of sales and use tax revenues (4.4% of total revenues) is already set aside for PA Transit Trust Fund. General sales tax increase previously studied/proposed as part of budgeting process by this administration.</td></tr>
</table>

SOUTHWEST PA MOBILITY PARTNERSHIP - STATE TRANSPORTATION OPTIONS

Statewide Solution	Description	Potential Statewide Revenue	Basis	Notes	Peers	Stakeholders	Legislative action needed?
Sales Tax (Base Expansion)	Taxation of goods/services previously exempted in PA	$40M to $140M	Calculated at 6% of annual revenues for given good/service	*The PA Independent Fiscal Office analyzed various sales tax base expansion proposals for Governor's 2015-16 budget. Example candidates include: $147M Non-prescription Drugs; $86M Candy and Gum; Unknown (Luxury Clothing and Footwear; All clothing and footwear sales would generate $784M); $268M Amusement/Entertainment; $180M Real Estate Agent and Related; $150M Legal; $186M All other Recreation.*	NJ: 6.63% NY: 4.00% DE: 0.00% OH: 5.75% MD: 6.00% WV: 6.00%	Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, Chambers of Commerce, PA Association of Chain Drug Stores, PA Amusement Parks Association, PA Hospitality and Entertainment Association, PA Association of Realtors	YES-modification of tax code
TNC Fee	Additional fee per trip provided by Uber, Lyft, or other ride service	$80M to $100M	Add a fee of $1 per trip Current rate is 1.4%	*PA SB 984 of 2015 was adopted in late 2016 and legalized the use of TNCs in the state. The law provides the parking authority of a city of the first class to have jurisdiction over TNCs. TNCs pay the city's authority a one-time application fee of $50,000. TNCs will pay cities of the first class a fee of 1.4% from trips that originate in the city. 66.67% is allocated to the city's school district and 33.33% to the parking authority. The bill specifically states that it does not limit the ability of a city of the first class to imposing additional regulations, licenses, or contract requirements on airports and train stations (serviced by AMTRAK) owned by the city.*	Outside of permit fees, some jurisdictions charge by trip: NYC $2.75 in Manhattan Chicago $0.72 MD $0.25	Parking Authorities, School Districts, Taxi Associations, Uber, Lyft, State and Local Chambers of Commerce	YES-modification of existing tax
Vehicle Property Tax	Annual percentage fee on vehicle's assessed value	$450M to $550M	0.35% of annual value	*New collection mechanism would have to be established. Also, following peer models, counties would determine the rate charged.*	North Carolina and Virginia counties charge between 0.3% and 5% of assessed vehicle value	Department of Revenue, Department of Environmental Protection, Auto Manufacture/Dealers, Department of Motor Vehicles, Low Income Vehicle Owners	YES-creation of new tax
Vehicle Registration Fee	Increase the registration fee charged on vehicles	$50M to $70M	Increase registration fees by $5	*PA collected $775M in vehicle registration fees in FY2017.The current annual fee for a passenger vehicle is $37, with a $5 option for counties. Many states have variable fee structures based on age, weight, condition, etc.*	NJ-$33-84 variable NY- $26+ variable DE- $40 OH-$34.50 MD- $135-187 WV- $30	Department of Transportation, Department of Revenue, State and Local Chambers of Commerce	YES-modification of existing fee

SOUTHWEST PA MOBILITY PARTNERSHIP - LOCAL TRANSPORTATION OPTIONS

Local Solution	Description	Potential Local Revenue	Basis	Peers	Stakeholders	Legislative action needed?
	Notes					
Cigarette Tax	Increase tax per pack of cigarettes purchased	Allegheny: $4M to $6M Region: $8M to $12M	Increase by 10% per pack $2.60 to $2.86	Including their state tax, if any: DC: $4.94 NYC: $5.85 NJ: $2.70 DE: $2.10 WV: $1.20 OH: $1.60	Children's Health Insurance Program, Department of Agriculture, Department of Health, Retailers that sell Cigarettes	YES-enabling
	Only a few municipalities have local cigarette taxes in addition to state taxes. Major cities with similar fees include New York City, Chicago, and Philadelphia. Revenue estimate assumes rate will be increased and added to cigarette purchases in surrounding counties.					
Earned Income Tax	Implement a local income tax, complimentary to Earned Income Tax, dedicated to transportation	Allegheny: $40M to $50M Region: $75M to $95M	Increase by 0.1% (Typically maximum of 1%, split between municipality and school district)	$50,000 individual would pay: NJ: 2.54% DE: 4.78% SEA: 8.52%	State and Local Chambers of Commerce	YES-local authority granted up to 1%; most municipalities are already at this limit
	Earned Income Tax is assessed at the local level and is generally capped at 1% to be split between the municipality and school district.					
Excise Tax on Adult Bicycles	Levy fee on all bicycles sold in Pennsylvania	Region: $2M to $3M	$15 per adult bike	Oregon has $15 fee for all adult bikes sold at a price greater than $200. Projected to collect $1 million annually.	Pittsburgh Bike Share, Bicycle Shops	YES-enabling. Could be reworked as a local registration fee without need for statewide action.
	Assumes about 150,000 adult bikes are sold locally. Applying a $15 fee to these sales comes out to about $3 million in revenue annually. As cycling becomes a more viable mobility option in the state, revenue from this policy would will grow at the same rate.					
Fee in Lieu of Transportation Improvements	Charge fee for new land development in lieu of required highway improvements which are impractical/infeasible for a given site	Region: Less than $5M	Equal to cost of otherwise-required highway improvements	Done by PennDOT as part of "Alternative Transportation Plan" process. Used by some municipalities in PA, particularly Montgomery County.	Department of Transportation, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Department of Community and Economic Development	NO-local policy decision
	Used by PennDOT by policy in appropriate urban, exurban and suburban settings. Fees used by public agencies towards broader strategies to address the transportation network. PA Municipalities Planning Code authorizes municipalities to charge impact fees for this purpose; however, there is limited flexibility in what funds can be used for.					
Hotel Occupancy Tax	Add or increase the hotel occupancy tax in the region	Allegheny: $4M to $6M Region: $8M to $10M	Increase rate by 1% Currently 14% (AC) to 6% (Reg) Increase to 15% (AC) to 7% (Reg)	HOU: 17% ATL: 15% PHL: 15.50% CLE: 17.5% JAX: 13% DC: 14.95% SEA: 15.6% BAL:15.5%	Pittsburgh Convention Center, Pittsburgh Hotel Association	YES-authorized under Local Tax Enabling Act but funds must be used for tourism purposes.
	Allegheny County assesses an 8% tax in addition to the 6% state sales tax. Municipalities in peer agency WMATA's service area recently passed a special hotel fee earmarked solely for transit. Hawaii also passed similar policy raising the rate by 1%					
Interstate Tolling	Institute tolling on Interstate highways in PA	Region: $20M to $30M	~ $0.15 per mile	Miami Dade Expressway Harris County Toll Road Authority North Texas Tollway Authority Golden Gate Bridge Highway and Transportation District: 49% Transit Toll Subsidy	Pennsylvania Turnpike Commission, Department of Transportation, Department of Revenue, Trucking Associations, AAA	YES-tolling authority not delegated by Federal government
	The authority to toll existing facilities in Pennsylvania is governed by both federal and state laws and regulations. Within the federal landscape, there are four programs that allow a state to toll existing facilities: Section 129 General Tolling Program, Section 166 HOV/HOT Lanes, Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP), and Value Pricing Pilot Program (VPPP). Depending on the program, toll revenues may be used on other transportation projects.					

SOUTHWEST PA MOBILITY PARTNERSHIP - LOCAL TRANSPORTATION OPTIONS

Local Solution	Description	Potential Local Revenue	Basis	Peers	Stakeholders	Legislative action needed?
	Notes					
Lead Acid Battery Tax	Fee on lead acid batteries sold	Allegheny: $1.5M to $2.5M Region: $4M to $5M	$2 per battery sold ($1 consumer, $1 retailer)	California and Florida have similar policy but funding goes toward environmental/toxic waste cleanup	Department of Environmental Protection, PA Emergency Management Agency, county departments of emergency management	YES-enabling
	Revenue estimate based on the number of registered vehicles in Pennsylvania. Important to consider growth of future sales, understanding all new/existing cars will still need this component for the foreseeable future					
Liquor/Malt Beverage Tax	Increase fee on liquor and beer sales	Allegheny: $4M to $6M Region: $9M to $11M	Increase revenue by 10% Liquor: 28% to 29% Beer: $0.08 to $0.16 / gallon	DC: Lower NYC: Higher CHI: Higher SEA: Higher ATL: Lower BOS: Lower	PA Liquor Control Board, Beer Retailers, PA Restaurant and Lodging Association, PA Licensed Beverage / Tavern Association	YES-enabling
	Projected to bring in about $430 million in tax revenue collectively in 2019. The liquor tax collect via 18% sales tax and malt beverage tax collect via a fee per ounce.					
Local Gasoline Sales Tax	Levy a percentage-based tax on the sale of gasoline within the Southwest PA region	Allegheny: $16M to $20M Region: $34M to $42M	2% tax on fuel sales Currently $0.58/gal Increases to ~ $0.62/gal	Hampton Roads and Northern VA: 2.1% beyond state tax	Department of Transportation, Department of Revenue, Department of Environmental Protection, PA Motor Truck Association, AAA, Auto Manufacture/Dealers, Truckers	YES-enabling
	Add a 2% tax on fuel sales pre-state and federal taxes. This amounts to roughly $0.04 per gallon when gas is at $3/gallon. Act 89 increased state tax on gasoline in phases over last five years to roughly 58 cents per gallon. Some administrative concerns with collecting percentage-based tax on fluctuating price of gasoline locally.					
Property Tax Surcharge	Add percentage-based surcharge to existing property taxes to fund transportation	Allegheny: $35M to $43M Region: $63M to $77M	Add a 0.05% surcharge Current rate vary	PA statewide average: 1.51% Peers: DC: 0.572% NYC: 0.8% CHI: 1.38% SEA: 0.88% ATL: 1.03% BOS: 0.78%	Department of Revenue, PA Land Trust Association, PA Recreation and Park Society, Department of Conservation and Natural Resources, PA Farm Bureau, PA Farmers Union, PA State Council of Farm Organizations, PA Association of Realtors, County Commissioners Association of PA	NO-local authority granted, up to a maximum rate. Anything beyond maximum would require statewide approval
	Proposals have been floated to reduce or eliminate property taxes statewide and replace them with increased income and/or sales taxes. Most property tax revenue goes to school districts. Assumes counties will conduct a reassessment and adjust millage rates accordingly.					
Real Estate Transfer Tax	Increase Real Estate Transfer Tax within Southwest PA region	Allegheny: $24M to $30M Region: $47M to $57M	Increase rate by 0.5% region-wide (current rates vary)	PA statewide rate is 1%, municipalities can assess up to an additional 1%. DC: 2.20% NYC: 2.63% CHI: 0.90% SEA: 1.78% ATL: VARIES BOS: 0.90%	Department of Revenue, PA Land Trust Association, PA Recreation and Park Society, Department of Conservation and Natural Resources, PA Farm Bureau, PA Farmers Union, PA State Council of Farm Organizations, PA Association of Realtors, County Commissioners Association of PA	YES-most municipalities already at allowable local rate of up to 1%; anything beyond maximum would require statewide approval
	Increased tax could also only be assessed on transfers of a certain value; this model would follow other states such as New York and New Jersey.					
Rezoning Public Property for Private and/or Transit Development	Re-zone underutilized or non-needed public property for private and/or transit development	Region: Less than $5M (Can create new one-time or recurring revenue opportunities based on increased taxable base)	Property tax revenues for designated areas/projects		Department of Transportation, Department of Revenue, PA Land Trust Association, PA Association of Realtors, Department of Community and Economic Development, State and Local Chambers of Commerce	NO-local zoning decision
	Effectively converts public property into a TIF district, or transportation project outright.					

SOUTHWEST PA MOBILITY PARTNERSHIP - LOCAL TRANSPORTATION OPTIONS

Local Solution	Description	Potential Local Revenue	Basis	Peers	Stakeholders	Legislative action needed?
	Notes					
Rolling Property Tax Assessment	Require property tax reassessment at regular intervals, with revenue increases shared with transportation	Region: $10M to $15M (Depends on frequency of reassessments and changes in economic conditions)	No current standard for when properties are reassessed	At least 44 states require annual reassessments or on a fixed cycle of no more than six years. NJ- Annually	Department of Revenue, Department of Environmental Protection, Department of Conservation and Natural Resources, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Local Municipalities, County Commissioners Association	NO-local policy decision
	Several counties in the region have not had recent property tax reassessments.					
Sales Tax	Increase the sales tax rate	Allegheny: $40M to $50M Region: $80M to $99M	0.5% increase Local (Current State=6%, Allegheny=7%)	DC: 5.75% SEA: 10.10% NYC: 8.50% ATL: 8.90% CHI: 10.50% BOS: 6.25%	Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, Pittsburgh Chamber of Commerce	YES-enabling to increase rate
	A portion of sales and use tax revenues (4.4% of total revenues) is already set aside for PTAF. General sales tax increase previously studied/proposed as part of budgeting process by this administration.					
Sales Tax (Base Expansion)	Taxation of goods/services previously exempted in PA	Allegheny: $10M to $12M Region: $18M to $22M	Calculated at 6% of annual revenues for given good/service	DC: 5.75% SEA: 10.10% NYC: 8.50% ATL: 8.90% CHI: 10.50% BOS: 6.25%	Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, Pittsburgh Chamber of Commerce, PA Association of Chain Drug Stores, PA Amusement Parks Association, PA Hospitality and Entertainment Association, PA Association of Realtors	YES-enabling
	The PA Independent Fiscal Office analyzed various sales tax base expansion proposals for Governor's 2015-16 budget. Example candidates include: $147M Non-prescription Drugs; $86M Candy and Gum; Unknown (Luxury Clothing and Footwear; All clothing and footwear sales would generate $784M); $268M Amusement/ Entertainment; $180M Real Estate Agent and Related; $150M Legal; $186M All other Recreation.					
Surface Coverage Fee	Fee on impervious surface such as parking lots, sidewalks, private roadways, etc.	Region: $10M to $15M	$5 fee per 1000 square feet	Many municipalities large and small have fees and policies in order to fund water systems. Two common methods include charging residents flat fee or property owners by square feet. However, funding does not go to transportation	Department of Revenue, Department of Environmental Protection, Department of Conservation and Natural Resources, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Pittsburgh area developers, Local Municipalities	NO-municipalities granted authority
	Development can disrupt storm water management and exacerbate flooding, via replacing ground/soil which previously absorbed water. As a result municipalities/utilities need to construct storm water managements systems, basins, and other structures to avoid flooding and other issues. Parking and development are a piece of transportation demand. As a result, one can argue there is a link with transportation.					
Tax Increment Financing (TIF)	Set aside a portion new (property) tax revenue to fund public transportation improvements	Region: $10M to $15M (Depends on scale of districts created and nature of development projects)	Property tax revenues for designated areas/projects	Chicago - 131 TIF districts with tax receipts totaling $500M in 2006 Denver- Leveraged $5B in private investment by committing to $500M of TIF subsidies from 1995-2005.	Department of Revenue, Department of Environmental Protection, Department of Conservation and Natural Resources, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Pittsburgh area developers, Local Municipalities	NO-enabling legislation in place
	Pennsylvania's TRID (Transit Revitalization Investment District) program encourages private development at mass transit hubs. Foregone tax revenue can cause undue burden on other groups (school districts, fire/police services, etc.) that would otherwise benefit from revenue.					

SOUTHWEST PA MOBILITY PARTNERSHIP - LOCAL TRANSPORTATION OPTIONS

Local Solution	Description	Potential Local Revenue	Basis	Notes	Peers	Stakeholders	Legislative action needed?
Telecom Surcharge	Tax utility to support agency telecommunication infrastructure	Region: $4M to $6M	Add a $0.12 fee per account	*Could help offset PAAC/agency operation and maintenance cost associated with telecommunication systems.*	NYC MTA, Dallas Area Rapid Transit, and El Paso City Transit charge similar utility fees to recover expenses.	Public Utility Commission, PA Telephone Association, Broadband Cable Association of PA, PA Wireless Association, Amtrak	YES-local taxation of public utilities prohibited by Local Tax Enabling Act
TNC Fee	Additional fee per trip provided by uber, lyft, or other ride service	Region: $18M to $22M	Add a fee of $1 per trip	*Taxi license fees and other sources of revenue tied to this industry have declined since the introduction of this new ride services. Increasing the price of these services could reduce congestion by limiting car trips and support transit use.*	Outside of permit fees, some jurisdictions charge by trip: NYC $2.75 in Manhattan or $0.75 per customer for group trips in Manhattan, Chicago $0.72, and MD cities $0.25. DE requires each TNC driver to pay $5,000 annually.	Uber, Lyft, Pittsburgh Chamber o Commerce	YES-enabling
Transit Fare Surcharge	Increase price to use PAAC service	Region: $22M to $28M	20% increase	*Raising the price on transit service can improve total revenue, but can also decrease the number of unlinked passenger trips. This could have unintended consequences resulting increased congestion and decreased use, especially lower income riders.*	PAAC's current fare structure is consistent with peer agencies. The base fare of $2.50 coincides with: WMATA $2.00, CTA $2.50, and NYC MTA $2.75.	Pennsylvanians for Transit, Voices for Public Transit, Pittsburgh Chamber of Commerce, Transit riders	NO-PAAC policy decision
Transportation Access Fee (Commercial Rent Surcharge)	Assess a surcharge to commercial property rents for transportation (transit) purposes	Region: $4M to $6M	$0.25 per square foot of rented space	*If used for transit, only makes sense where improvements to transit network benefit the development.*		Department of Revenue, PA Land Trust Association, PA Association of Realtors, SPC, Department of Community and Economic Development, Commercial real estate property managers	NO-local zoning decision
Vehicle Property Tax	Annual percentage fee on vehicle's assessed value	Allegheny: $34M to $42M Region: $86M to $106M	0.35% of annual value	*New collection mechanism would have to be established. Also, following peer models, counties would determine the rate charged.*	North Carolina and Virginia counties charge between 0.3% and 5% of assessed vehicle value NY counties charge up to 4.5% of assessed behicle value	Department of Revenue, Department of Environmental Protection, Auto Manufacture/Dealers, Department of Motor, Vehicles Low Income Vehicle Owners	YES-enabling
Vehicle Registration Fee	Increase the registration fee charged on vehicles	Allegheny: $4M to $6M Region: $10M to $12M	Increase fee by $5 Currently $37 to $42 Increase from $42 to $47	*Act 89 allows counties to place a $5 annual surcharge on vehicle registration fees; the fees must be used for highway/bridge projects. Allegheny, Beaver, Butler, Greene, and Westmoreland have enacted this fee in the SPC region. Act 89 allows the $5 fee to be indexed to inflation.*	DC: $72 SEA: 1.1%*value NYC: $28-$85 ATL: $20 CHI: $101 BOS: $60	Department of Transportation, Department of Revenue, Pittsburgh Chamber of Commerce	YES-enabling to increase fee. Delaware County is only county in Philly region which has not enacted Act 89 fee.

SOUTHWEST PARTNERSHIP FOR mobility

FINAL REPORT

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