



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

The Partnership, launched by SEPTA and the PA Turnpike Commission (PTC) in coordination with the Pennsylvania Department of Transportation (PennDOT), has developed a vision to meet growing mobility challenges and to address the looming impacts of changes coming to Act 44 public transportation funding sources.

The Partnership has issued a report that identifies a menu of state and local funding options that can generate the needed revenues. The report may be found at: www.PaMobilityPartnerships.com.

This report provides lawmakers and elected officials with the resources needed to establish dedicated, annual funding and enact enabling legislation that will provide the five counties with flexibility to fund major expansion projects that benefit the region and keep pace with growing demand.

An Advisory Council comprised of leaders representing the region's major employers, civic associations, elected offices, and transportation agencies advised the Partnership with thoughtful guidance that is reflected throughout the report.

The PTC and Port Authority of Allegheny County are conducting a similar study in the southwest. It will be complete later in the spring. In addition, the Pennsylvania Transportation Advisory Committee (TAC) recently released a statewide study of the potential risks to transportation funding in the state that included the risks of Act 44 to the PTC and public transportation agencies statewide. The report can be found at www.TalkPATransportation.com.

Setting the Stage

TRANSPORTATION IS NOT A COST— IT IS AN INVESTMENT

The five-county southeast region has emerged as a critical driver of the statewide economy, adding more than 100,000 residents and jobs since just 2010. With 4.1 million people living in the region, southeastern Pennsylvania is one of the largest metro areas in the U.S. and a powerful economic engine. Efficient transportation systems fuel that engine, allowing people to reach their jobs, grow the economy, and live fulfilling lives. The system needs additional investment to accommodate and even accelerate economic growth.



www.PaMobilityPartnerships.com

The Philadelphia Region is an ECONOMIC ENGINE FOR PENNSYLVANIA

On just



5%
of PA's Land Mass...

Southeast PA...



generates **41%** of PA's Economic Output



produces **36%** of PA's General Fund Revenue



represents **32%** of PA's Population



If you have questions or would like to request a speaker, please email: southeast@pamobilitypartnerships.com.

Setting the Stage cont.

COMPETING REGIONS ARE INVESTING IN MASS TRANSIT AND WINNING BUSINESS

Other urban centers around the nation are making strong investments in transit systems and attracting new businesses – and workers. Their action, as outlined below, demonstrates a local commitment to transit as a vital consideration in choosing where to expand and grow.

- Georgia passed a local option sales tax to support Metro Atlanta Transit.
- Washington DC has a real estate, sales, ride-sharing, and gas taxes.
- Seattle relies on a sales tax and vehicle registration fees.
- Chicago has a sales tax, real estate transfer tax and ride-sharing tax.

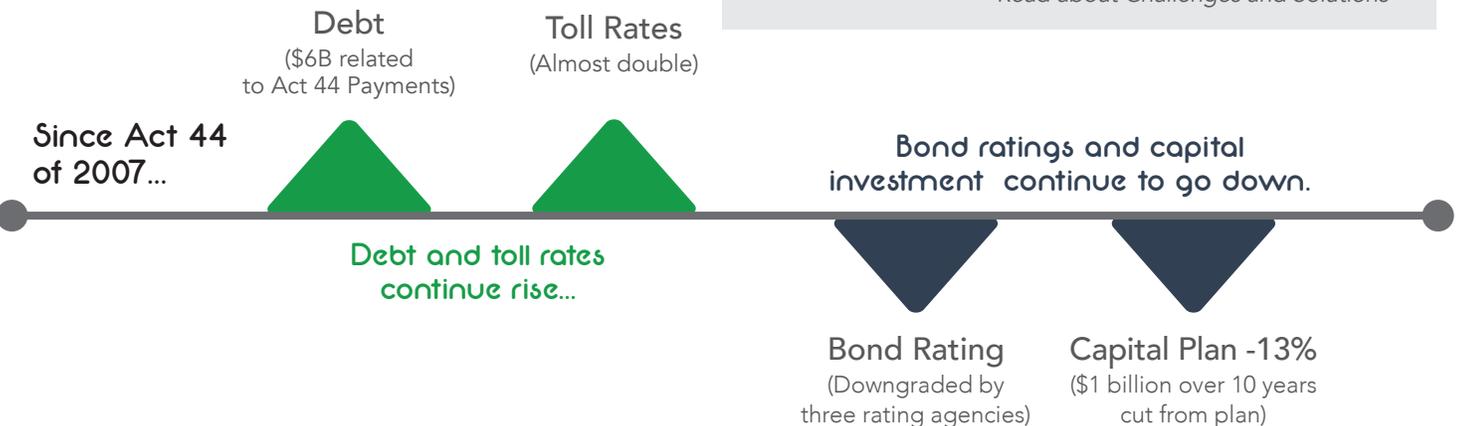
“Philadelphia’s traffic is one of the worst in the nation – coming in as the 9th most congested city in the United States.”

Source: INRIX.com/scorecard

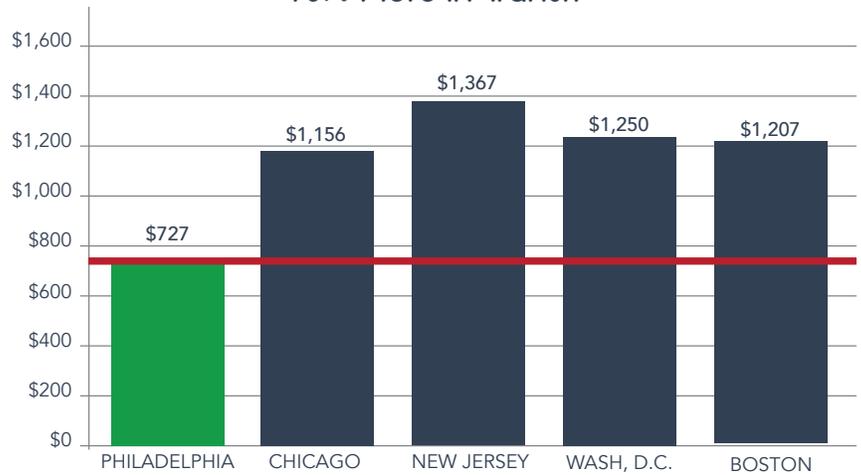
According to INRIX

PA TURNPIKE AND CUSTOMERS NEED RELIEF FROM ACT 44

Under current law (Act 44 of 2007), the PTC is required to provide PennDOT with \$450 million annually until 2022 for public transit funding. This led the PTC to raise tolls for 11 straight years; cut its capital plan; and increase debt. They can no longer consider new access points to spur development.



Competitor Regions are Investing 70% More in Transit



FY2017-2018 Capital Budgets (millions) Includes federal, state and local funding.

Call to Action

THE TIME TO ACT IS NOW -- ACT 44 IS NOT A SOLUTION

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 SEPTA and other transit agencies around the state have placed the General Fund, the PTC, and statewide transit funding in an untenable situation. Pending litigation has hastened the need to address this issue as soon as possible – even before 2022.

Legislative action is needed to solve the problem by:

- Securing statewide public transportation funding to ease PTC’s need for future toll increases and ensure stable funding for public transportation.
- Pass enabling legislation to allow the new local revenue sources to be invested in projects to accommodate and accelerate regional growth.

[Read about Challenges and Solutions](#)

Fixing Pennsylvania Act 44

CHALLENGE | ACT 44 PUBLIC TRANSIT FUNDING CREATES A GENERAL FUND GAP

In Southeast PA, transportation funding is a combination of federal, state, and local sources. In PA, Act 44 of 2007 created a dedicated funding source for transit systems, based in part on payments from the PTC. In 2022, to replace the reduction in PTC Payments, a minimum of \$450M will come from the General Fund without new revenue sources to replace those funds.

If litigation continues to prevent Act 44 payments, SEPTA's funding from PennDOT is at risk and will be reduced significantly starting July 1, 2019. The resulting state funding levels are:

- FY 2017-2018 – \$350 million
- FY 2018-2019 – \$288 million
- FY 2019-2020 – \$107 million

The pending litigation is preventing the PTC from making its Act 44 Payments in FY2019, which is a preview to the funding challenges that will continue to be faced by SEPTA without new revenue sources.

SOLUTION | SECURE THE BASELINE PUBLIC TRANSPORTATION FUNDING

In order to maintain the baseline of \$450M to support Pennsylvania's public transportation systems the legislature has three options.

OPTION 1

Stay the Course – Replace the PTC payments with General Fund dollars in 2022.

OPTION 2

Step Down the PTC Payments – Prior to 2022 step down the PTC payments.

OPTION 3

Close the Gap – Replace some or all of the \$450M from the General Fund with new revenue.

A menu of potential options that have been successfully used to address transportation funding needs in competitor regions follows.

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
Congestion Pricing	Tolling of additional PA Interstates, and other congestion pricing strategies	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.



Funding Projects to Maintain Region's Competitiveness

CHALLENGE | CURRENT FUNDING LEVELS ONLY ALLOW CURRENT SYSTEM MAINTENANCE

SEPTA has identified four game-changing projects - at a total cost of \$6.5 billion - that will help to transform the region. These projects include:

- Market-Frankford Line Capacity Improvements - \$1.3 billion
- Regional Rail Silverliner Car Fleet Replacement and Service Enhancement - \$2.4 billion
- Trolley Modernization - \$1.6 billion
- King of Prussia Rail - \$1.2 billion

These projects will change the economic trajectory of the region, increasing the growth path of southeastern PA by an estimated 50% over 30 years. At a total cost of \$6.5 billion, these projects are projected to generate \$17.1 billion in additional tax revenues (net present value) - a 12.3% internal rate of return, beating private sector benchmarks.

The PTC needs \$50 to \$75 million in additional annual revenue to fund the needed enhancements and new connections in the southeast region - particularly in Bucks, Chester and Montgomery County - to spur development and growth.

SOLUTION | INVEST IN PROJECTS TO ACCOMMODATE AND ACCELERATE REGIONAL GROWTH

The following menu of options were identified for consideration by state and local elected officials in the region. Combinations of the options should be considered.

OPTION 1

Provide Local Control for Funding - Statewide enabling legislation allowing the five-county southeast region to locally or regionally generate \$350-450 million of new annual bondable revenue in the way that best suits their communities.

OPTION 2

Provide Additional State Funding - \$650 million in additional statewide bondable revenue for transit, providing SEPTA with the \$350-450 million it needs by formula or a combination of local and state funding.

ADDITIONAL NEED

Support PTC Improvements and Connections

1. Use a portion of the revenues raised above.
2. Add \$0.01 to \$0.02 subsidy from the Oil Company Franchise Tax.

Regional Funding and Financing Options

SEPTA & PTC Projects of Significance Need \$350M-\$450M/YR Bondable Revenue		REVENUE GENERATION POTENTIAL		
		REV. > \$100M	\$50M > REV. > \$25M	REV. < \$15M
TYPE OF FUNDING OPTION	TRADITIONAL	<ul style="list-style-type: none"> • Earned Income Tax • Property Tax Surcharge • Real Estate Transfer Tax • Sales Tax 	<ul style="list-style-type: none"> • Sales Tax (Base Expansion) 	<ul style="list-style-type: none"> • Cigarette Tax • Hotel Occupancy Tax (excluding City of Philadelphia) • Liquor/Malt Beverage Tax
	TRANSPORTATION RELATED	<ul style="list-style-type: none"> • Mileage Based User Fee/ Road User Charge • Vehicle Property Tax 	<ul style="list-style-type: none"> • Interstate Tolling / Congestion Pricing • TNC Fee • Transit Fare Surcharge 	<ul style="list-style-type: none"> • Excise Tax on Adult Bicycles • Lead Acid Battery Tax • Vehicle Registration Fee
	VALUE CAPTURE		<ul style="list-style-type: none"> • Rolling Property Tax Assessment • Surface Coverage Fee • Tax Increment Financing (TIF) • Transportation Access Fee 	<ul style="list-style-type: none"> • Fee in Lieu of Parking • Fee in Lieu of Transportation Improvements • Rezoning for Private/Transit Development • Opportunity Zone Incentives • Telecom Surcharge

Solutions in GREEN text require legislative action.