



## PPTA FUNDING PRINCIPLES

In response to the funding crisis confronting the Commonwealth's Transportation System, the Pennsylvania Public Transportation Association recommends the following principles as the basis for a funding solution.

### The Pennsylvania Public Transportation Association supports:

1. A comprehensive, multi-modal transportation funding solution that provides an adequate, dedicated, predictable and growing source of funding. The dedicated funding source should be broad-based, and have an established track record for growth and performance. Among existing sources that meet these criteria, the State Sales and Use Tax is recommended due to its precedent as a dedicated transit funding source in Pennsylvania, its track record for reliability, and its overall dominance as a transit funding source across the nation.
2. Maintaining the public transportation program provided by ACT 44. This includes but is not limited to the resources of the Public Transportation Trust Fund distributed directly to recipients based on needs and performance factors, local match requirements, program structure, the simplified funding distribution formula (fund systems equally for each unit of each factor in the formula), and programs of state-wide significance.
3. \$484M annual asset improvement (capital) funding level with a growth factor as identified by the Transportation Advisory Committee Report.
4. \$92M operating funding level for stabilization of public transportation.
5. \$30M annual asset maintenance program to support the Shared-Ride Program.

04/26/11



## APPENDIX TO PPTA FUNDING PRINCIPLES

### **\$92M Operating Funding for Stabilization of Public Transportation**

- The existing distribution formula for operating funds contained in Act 44 of 2007 (P.L. 169), § 1513 Operating Program shall remain unchanged.
- Additional operating assistance or new funding above the Fiscal Year 2009 (\$796M) shall be allocated pursuant to the distribution formula under § 1513 of Act 44 for each year thereafter.
- No local transportation organization shall receive financial assistance in an amount less than the amount received in Fiscal Year 2009.<sup>1</sup>

### **Demonstration Projects**

- Penn DOT would give consideration every 2 years specifically for new services where the appropriate percentage of growth would be allocated to create a base for that system.

### **New Capital**

- The Penn DOT discretionary capital set aside should be 5% with the remaining distribution as follows:
  - SEPTA: 66.5%
  - Port Authority: 22.8%
  - Class 3's, 4's and 5's: 5.7%
- Flexibility in the use of capital funding for an expanded list of asset maintenance expenses.

### **System Performance Criteria**

- *All new funding will remain subject to the Performance Reviews and Criteria set forth in § 1513 (E) and (F) of Act 44.*

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<sup>1</sup> Fiscal Year 2009 was selected as the hold harmless base line because operating assistance for all systems was reduced in Fiscal Year 2010.



## Dedicated Source for Public Transportation Funding

### **Background**

The past shortcomings of transit funding initiatives have not been due to a lack of good intent. Governors and Legislators from both major parties have a record of supporting transportation funding generally, and funding for mass transit specifically. Past initiatives have fallen short or failed to keep up over time because of changing conditions associated with the funding source, resulting in actual receipts failing to rise to the expectations and projections that were identified when the original legislation was passed. Some examples:

1. As part of Act 26 of 1991, a 6% tax was placed on periodicals to fund public transit. Opposition forced this source to be replaced by a dedicated 0.44% of the Sales and Use Tax.
2. As part of Act 26 of 1991, a 3% lease tax on motor vehicles was instituted to fund public transit. Due to challenges from the trucking industry, this tax was amended to exclude Class 4 or larger trucks from the lease tax, and was replaced with an additional transfer of 0.09% of Sales and Use Tax revenues.
3. Act 26 of 1991 also instituted a 12 mill tax on the depreciated book value of public utility realty property. In later years, this “PURTA” tax was eliminated when public utility deregulation occurred in Pennsylvania, contributing to yet another transit funding crisis.
4. Overall, when enacted, Act 26 was expected to generate \$200 million annually for public transportation. In its first year, it generated only \$140 million (70% of legislated “need”), and has never achieved the full targeted number of \$200 million, now 20 years later.
5. Act 3 of 1997 dedicated 1.22% of Sales and Use Tax revenues to public transportation, but capped proceeds at \$75 million annually. Act 3 Sales and Use Tax funding reached its full projected level in the first year, but the hard cap precluded any further growth. In the 10 years between Act 3 and Act 44 in 2007, the overall consumer price index increased by 27%, while dedicated Act 3 funding grew by 0%, despite robust statewide growth in the overall Sales and Use Tax during this period.
6. Most recently, Act 44 tied 37.5% of a \$400 million transit funding package to the introduction of tolls to Interstate 80. In April 2010, after 2 years of funding based on this assumption, I80 tolling was not approved, thus eliminating this funding source.



### **History of Sales and Use Tax Dedicated to Public Transportation**

Pennsylvania has a long and established record of dedicating portions of the Sales and Use Tax to public transportation. In each case, dedicated percentages of the Sales and Use Tax came without an increase in the overall tax--simply a “takedown” from the existing 6% tax:

- Act 40-1991 dedicated 0.44% of Sales and Use Tax proceeds to transit to offset the failed tax on periodicals under Act 26.
- Act 48-1994 dedicated an additional 0.09% of Sales and Use Tax proceeds to transit to offset the exemption of Class 4 and larger trucks from the motor vehicle lease tax in Act 26 of 1991.
- Act 3 of 1997 dedicated 1.22% of the Sales and Use Tax to public transportation, capping proceeds at \$75 million annually.
- Act 44 of 2007 dedicated 4.4% of the Sales and Use Tax to public transportation in a revenue neutral swap of General Funds and the 1.22% of Sales and Use Tax proceeds already dedicated to transit in Act 3. Significantly, Act 44 also removed the cap on proceeds.

### **Transit Funding Trends**

Nationwide, Sales Taxes (including excise and use taxes) are dominant. According to research recently conducted by the Institute of Politics at the University of Pittsburgh on this topic:

*“Taxes with a broader base tend to be more firmly established as sources of revenue than user fees. Sales taxes, including excise taxes and use taxes, are the most widely used source of local and regional funding for transit. Yields from sales taxes tend to be the most stable, and are the most publicly acceptable sources for transit funding.”*