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## Act 89's Impact on the Port Authority

Last November, the long awaited and hotly debated transportation bill, now referred to as Act 89, was passed. There is enough information now available to lay out with some specificity what it will mean for the Port Authority (PAT).

In the current fiscal year that runs through the end of June, PAT has budgeted \$221 million in operating grants that, when combined with \$106 million in revenue from passengers, advertising, interest, etc. should be enough to cover \$327 million in expenses.

The operating grants are from the state (\$157.9 million plus \$30 million in additional state aid agreed to by the Governor when the 2012 ATU contract was ratified), Allegheny County (\$30 million from the transit support fund), and \$3 million from an annual grant awarded by the Regional Asset District (RAD).

Since the passage of Act 89 the state's Department of Transportation (PennDOT) has produced estimates of what they believe it will generate and how much PAT will receive. The table below shows those estimates for operating and capital amounts above base or "hold harmless" amounts currently received by PAT. These amounts can be interpreted as what PAT would have received absent the passage of Act 89.

Fiscal Year	Operating Support absent Act 89 (000s)	PennDOT Operating Estimate With Act 89 (000s)	<i>Net Operating Impact (000s)</i>	Capital Support absent Act 89 (000s)	PennDOT Capital Estimate with Act 89 (000s)	<i>Net Capital Impact (000s)</i>	<i>Total Net Impact (000s)</i>
2013-14	\$184,500	\$204,500	\$20,000	\$37,000	\$47,900	\$10,900	\$30,900
2014-15	\$184,500	\$212,900	\$28,400	\$37,000	\$102,300	\$65,300	\$93,700
2015-16	\$184,500	\$223,200	\$38,700	\$37,000	\$110,000	\$73,000	\$111,700
2016-17	\$184,500	\$226,200	\$41,700	\$37,000	\$110,000	\$73,000	\$114,700
2017-18	\$184,500	\$231,000	\$46,500	\$37,000	\$120,000	\$83,000	\$129,500
2018-19	\$184,500	\$233,700	\$49,200	\$37,000	N/A	N/A	N/A

Sources: PennDot Press Office, PennDot Bureau of Public Transportation, Port Authority staff

If the estimates hold, the six year cumulative net effect of Act 89 on PAT will be \$225 million on the operating side and a five year impact of \$305 million on the capital side. Bear in mind that money can be moved for the capital allocation to operating with a waiver from PennDOT. A capital estimate was not available for FY 18-19, but if it is at least \$70 million the six year total net Act 89 impact would be \$600 million.

How does the passage of the transportation bill, above and beyond the direct estimated fiscal impact above, affect three key aspects of PAT funding, namely the supplemental support of \$30 million a year for four years pledged by the Governor, the County match, and designation of funds from RAD?

The FY 2014 budget, as mentioned above, contains a separate line item of \$30 million in “additional state operating assistance”. So too does the FY 2013 budget. According to PennDOT, “Act 89 fulfills the Governor’s commitment based on growth in operating assistance and growth in capital funding which generate more than \$30 million in additional funding for [PAT] each year”. Recall that the \$30 million was contingent on savings the Governor wanted to see PAT make over the four year period covering the ATU contract (which expires June 30, 2016). This likely means PAT will have to get a waiver to shift capital funding to operations in order to cover the loss of the Governor’s special \$30 million allocation or PennDOT or the Legislature comes up with some other funding arrangement.

Second, the County is required to make a 15 percent match on state operating subsidies. County budgets from 2009 through 2013 show that the County’s operating support remained around \$27.6 million every year with the exception of 2013 when it rose to \$29.1 million. Capital support (the County is required to match capital funding at 3 1/3 percent) over the last few years has remained around \$8.8 million per year. Obviously, greater amounts for state operating assistance through Act 89 are going to necessitate greater matches from the County. The nearly \$28 million in operating support translates to roughly 15 percent of \$184 million, which is the hold harmless amount outlined in the table above. If operating assistance from the state rises to \$233 million as expected by 2019, the operating match from the County would rise to just over \$35 million. Currently, the County receives around \$40 million from the drink tax and car rental tax. Those revenues should be adequate to meet matching fund requirements for the next several years.

Third, PAT has received two years of funding from the asset portion of the RAD tax. The 2013 PAT audit states that \$1.3 million was put towards operations by RAD, which raised the local operating contribution to \$30.4 million. While some officials will certainly argue for a multi-year deal for PAT, there is this statement in the 2013 RAD budget that makes one wonder what the future holds for the arrangement: “PAT presents today as an eligible applicant with significant regional impact and an urgent and unmet need. Fortunately, revenue growth this year allows RAD to respond to this need on a one year basis without detriment to other program areas. Since this may not be the case next year, we urge state and county leaders to continue their efforts to find alternative, reliable, transit funding sources”.

That statement can be interpreted several ways: the RAD board could continue to view PAT as a regional asset and give it money (it did so this year); it could keep funding contingent on receipts and reserves annually with the caveat that if there was not sufficient money they would not be granted funding; or it could determine that Act 89 represents the alternative and reliable funding they cite in their statement above and say

that PAT is no longer in need of RAD funding. That's what happened with the convention center when it received support from RAD as it was waiting for funding from gaming dollars and has not received RAD money since.

The bottom line is that PAT will have hundreds of millions of dollars of additional revenue coming in over the next few years as a result of Act 89. The question is will it be used wisely in order to avoid returning to the financially stressed situation it faced over the last few years.

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