



### Will RAD Funds Be Tapped for PAT?

Call it a strange case of foreshadowing. When the Regional Asset District (RAD) became law under Act 77 of 1993, only a few people other than Legislators would have noticed the curious fact that the language establishing the District and the accompanying one percent sales tax was appended to an act that amended existing language dealing with investigations conducted by the coroner's office in Allegheny County.

The coroner tie-in is ironic now because the Port Authority (PAT) and RAD find themselves linked together in a major policy tussle and if there ever was an agency that has been pronounced dead in recent years it is PAT.

The latest plan to avoid huge layoffs and service cuts at the mass transit agency involves many moving parts: concessions in the newly approved four year drivers' contract that includes a wage freeze and higher pension contributions ( \$15 million a year); increases in PAT management pension contributions (\$10 million a year); a state infusion of cash (\$35 million); money from the taxes on alcoholic drinks and car rentals (\$1.5 million); and lastly designating PAT as qualified to receive a share of RAD money (\$3 million annually). We will focus on that last component in this *Brief*.

There are essentially three questions to be answered. First, is mass transit a regional asset? Second, if PAT is deemed an asset, will it crowd out other organizations that partake of the asset share of RAD funding? Third, if PAT is a regional asset, then what other major authorities can be lumped into that group and where will it end?

The act defines an asset eligible to receive RAD funding as a "civic, recreational, library, sports, or cultural facility or project designated as such by the district". Explicitly by reading the law transit is not a regional asset since it is not named. Later in the act it mentions under designation of assets that they could include "...other organizations and properties vital to the quality of life of the region". It could fit into the civic category, but ultimately if the RAD board votes to accept it into the list of recipients it would be deemed an asset.

The County Executive certainly believes it is, noting that he could not "think of a bigger regional asset that we have than transit" even though transit has never received a dime of RAD funding. We noted in 2007 and last year (*Policy Brief Volume 7, Number 15 and Volume 11, Number 26*) that if regional leaders in the early part of the 1990s thought that mass transit was more of a regional asset than sports and cultural attractions, history might have been a bit different. The act prohibits RAD funding for hospitals, schools, universities, and parks and libraries that are not part

of larger multi-town systems. If those assets do not statutorily qualify, what would make PAT eligible other than just an arbitrary ruling by the RAD board?

If mass transit is deemed a regional asset and gets a commitment from the RAD board for the \$3 million annual amount, what will that do to the organizations that currently receive a piece of RAD funding? Proponents of the PAT plan are bullish on forecasts of sales tax proceeds needed to provide funding for PAT and everything else, but they ought to pay attention to the years 2007-2010 when a couple of factors came into play.

First, due to economic conditions, sales tax collections—which stood at \$76.5 million in 2007—were sluggish and rose modestly to \$76.6 million by 2010. Second, at the behest of local officials, the Sports and Exhibition Authority (SEA) was added to the annual allocation pool because of the recurring deficits at the convention center and the late arrival of legalized gaming funds to help with the deficit. Up until that time only one other authority had received RAD funding, but that was for the operation of a multi-municipal park. Over those years the SEA (which did and still gets a multi-year allocation for debt service on the stadiums and the center) received supplemental operating amounts totaling \$5.5 million from the RAD annual asset pool.

An examination of annual operating grants shows that \$6.9 million was spread among 78 organizations in 2007. One of those was the SEA for the convention center deficit for \$2 million, leaving \$4.9 million for the other 77 recipients. In 2010 there was \$5.2 million awarded to 79 organizations. The SEA was by that time in its third year of receiving gaming payments of \$1.7 million annually. In that year the RAD operating allocation for the SEA was \$500,000, leaving \$4.7 million for the other 78 recipients. All told, the SEA absorbed over \$5 million of RAD funds to cover operating deficits; money that could have been put to use by other cultural assets. And it is worth noting that the bulk of the 1997 add on hotel tax collections in the County go to the convention center. Unfortunately, they are needed to cover bond payments due to massive cost overruns at the convention center, which ended up costing a hundred million or so over initial projections.

Whether the SEA took a cut or was weaned off of RAD money because of the availability of the gaming funds, it could be argued that its sizeable allocation decrease might have saved the pool for the other recipients. Had the SEA stayed on as a RAD recipient longer at its original amount, it might have fulfilled the concerns of one state legislator who said “if they go back there and get money, it is going to come at the expense of a lot of cultural and educational groups that are delineated in RAD funding”.

The difference with the PAT plan is that the \$3 million is supposed to be a fixed amount for ten years. And given the experience of the recent down years arts groups and some elected officials, including the Mayor, who makes appointments to the RAD board, are concerned about the plan and the Pandora’s box it may open. Stated one cultural leader “[RAD has not been the] go-to place to solve crises. ... Once you alter something, where does it stop?” Indeed, once the RAD funds are viewed as a piggy bank for any agency with problems to raid, how will lines be drawn to protect the purpose of the law creating RAD?

What about the wastewater treatment facility operated by the County Sanitary Authority? Ratepayers are staring at the prospect of massive rate hikes to comply with a consent decree and could use any possible help to soften the blow. How about the City’s Parking Authority? It serves people who park from various parts of the County and the region and is also facing capital upgrades and pressure to help the City with funds. The leaders of these and other agencies could make arguments similar to the one made by the County Executive in regards to PAT, or to the

one made by the director of the SEA at the time it received RAD funding: "...clearly [the convention center] meets the definition of a regional asset". Unless it is spelled out in the law, it is a matter of opinion and priorities.

The last five years have seen a shift in County funds for PAT away from property taxes to a drink and car rental tax and now, along with those latter two, comes the possibility that a piece of a sales tax will be conscripted. And this does not take into account the state and Federal sources that come into the agency, as well as the shifts and flexing of funds from highway or economic development uses over the years. Where does it stop and when does PAT's appetite get satisfied? Can its thirst for more money ever be quenched? Certainly it won't happen as long as elected officials keep finding ways to come up with more money.

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