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Raiding RAD to Fund Transit?

There are a slew of ideas floating around for funding the state's highways and mass transit needs, including higher taxes, shifting taxes, and even creating new taxes. The political problem is to devise a plan that satisfies the urban-rural divide in the state. Cities want to solve the mass transit issue while the rural areas want the highway and bridge problems taken care of.

Here's the issue with transit funding in Allegheny County. Each year, the County writes a \$25 million check out of its general fund to assist PAT, which, by the way, is a relatively small fraction of PAT's operating subsidy. The Executive says it is becoming increasingly hard to write that check and wants to accomplish two goals. First, to identify an alternative source of money and second, to increase the local contribution to \$35 million. One solution that has been mentioned is to tap the existing 1 percent sales tax levied by the County. Such an effort would create legal and political challenges.

The 1 percent levied by the County generated about \$153 million in 2006. That revenue is split into three pots. The Regional Asset District gets half (\$76.5 million) to allocate to "civic, recreational, library, sports, cultural, and other regional assets" like parks and libraries, annual discretionary grants, and to the Sports and Exhibition Authority for the regional destination plan and the Mellon Arena.

The remaining half is divided equally between Allegheny County (25%, or about \$38 million in 2006) and the county's municipalities (25%, or \$38 million in 2006) for general tax relief. The County was required to eliminate its personal property tax in 1995 and has provided senior citizen tax relief since then. Municipalities are required to use a portion of their disbursement to contribute to councils of government.

So where can the County turn if it works within the parameters of the 1 percent levy? Using its own share would result in a \$10 million decline in expendable funds by sending \$35 million from its share of the sales tax to PAT and retaining the \$25 million from property taxes currently allocated. That does not make a lot of sense in terms of solving the County's financial problems.

That leaves either an appeal to the Regional Asset District Board and the \$77 million they control, or the municipalities and their share. As for the first option, RAD funding is tight. Over \$53 million is committed to the contractual assets (parks, libraries, the zoo, etc.) and could not be moved without significant opposition. The \$13.4 million dedicated to the SEA is tied up in bond issues under Plan B. That leaves a small amount for annual grants—about \$5 million in 2006. Obviously that is not enough to achieve the Executive's goal of an increase and a dedicated source of revenue. Opposition to using RAD has already been voiced. "I think that RAD idea is a non-starter. I think we'd be asking for trouble", said one state representative. "Libraries and arts

groups need more support. They're not exactly swimming in money.” Moreover, it is not clear that money could be moved to transit without changing the state law that created the tax.

That leaves the municipal share. Can a reasonable argument be made that the municipalities' allocation should instead be shifted to PAT? It could be said that the transit system directly benefits a lot of these communities and that, on the whole, they would get more from transit than the services through councils of government. Of course, moving this money will affect general government operations and could lead to debilitating tax increases in some communities.

There is precedent for changing the statutory language or the District making decisions to move money to new beneficiaries in financial trouble. Recall that the RAD law originally required the City to take \$4 million of its annual allocation and send it to the School District to replace its personal property tax. As a result of the fiscal troubles of the City and its 2004 reform package, the City is no longer required to do this.

And this year marked the first year an allocation was made from the Regional Asset District to the convention center, a \$2 million award. This was done at the behest of the County Executive and has been characterized as “temporary” until money from legalized gaming could be realized. Could the Executive make such a request for the Port Authority, even if it was just a few million to relieve the County's share? It is possible.

One reason for the difficulty in the County cutting a check to PAT lies in the fact that the County has adopted a base year for property assessments and property tax revenue, the County's main source of funds, are growing very slowly. Add to that the fact that it would be politically unpalatable to enact a property tax increase for the purpose of assisting the Port Authority. Besides which, under the terms of the Home Rule Charter, it would take a two-thirds vote of the County Council to make it happen. What's worse, cost overruns on the North Shore Connector will fall heavily on the County. Where will that money come from? More borrowing?

Of course, if the region's leadership had felt that mass transit was more of a regional asset than cultural amenities and sports facilities, the issue of dedicated local funding might have been decided nearly fifteen years ago. As with so many other policy blunders, using the tax for its current beneficiaries seemed like a good idea at the time.

RAD's promises of faster regional growth and stronger tax base went on unbounded when the RAD tax was created. Still more empty promises.

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