



January 27, 2021

Policy Brief: Volume 21, Number 4

How did the RAD tax fare in 2020?

Summary: Allegheny County levies a 1 percent local option sales tax that is divided between the Regional Asset District (RAD), the county and its municipalities. The tax is levied on the same activity as the state's 6 percent sales tax. Data from RAD show its share (50 percent) of the tax revenue came in \$5.7 million (5.4 percent) below 2019's level.

RAD's portion of the sales tax is used to distribute grants to various entities designated as regional assets, including libraries, parks, the zoo and the aviary. It services a bond for the construction of Heinz Field, PNC Park and the David L. Lawrence Convention Center.

Sales tax data is reported on a two-month lag; in other words, when RAD reported December 2020 tax revenue, that reflected October 2020 sales. Each reference to a month in this *Brief* will be to the month revenue was reported.

Total sales tax revenue in 2020 was \$100.2 million—\$5.7 million—below that of 2019 revenue. In 2020, there were four months where revenue exceeded the same month in 2019 (March, April, August and November). May and June's year-over-year losses (reflecting the time period of the stay-at-home order and closure of businesses—particularly restaurants, bars, hotels, etc.—due to the coronavirus) were \$5.1 million combined. On a percentage basis, June's revenue was 33.4 percent lower than the previous June and represents the biggest year-over-year drop in 2020. The best month on a year-over-year basis was March when revenue was 27.8 percent greater than March 2019. Online shopping and prepared food takeout and delivery likely had some impact in 2020. Stimulus checks likely kept spending levels higher and aided sales tax collections.

RAD Sales Tax Revenue, 2019 and 2020 (\$000s)

Month	2019	2020	\$ Difference	% Difference
January	8,402	7,831	-571	-6.8
February	9,987	8,285	-1,702	-17.0
March	8,174	10,446	2,272	27.8
April	7,348	8,056	708	9.6
May	9,298	7,179	-2,119	-22.8
June	8,787	5,848	-2,939	-33.4
July	8,839	7,715	-1,124	-12.7
August	9,534	10,190	656	6.9
September	8,960	8,704	-256	-2.9
October	8,724	8,528	-196	-2.2
November	9,135	9,248	113	1.2
December	8,779	8,210	-569	-6.5
Annual	105,967	100,240	-5,727	-5.4

Based on historical data from RAD, previous year-over-year declines in sales tax revenue occurred from 2000 to 2001 (down \$1.7 million or 2.2 percent), 2002 to 2003 (down \$0.8 million or 1.1 percent) and 2008 to 2009 (down \$2.1 million or 2.6 percent). The 2019 to 2020 decline is the largest to date in both dollar and percentage terms.

Due to the decline in sales tax revenue from the coronavirus, the RAD board enacted a 20 percent reduction in operating grants and suspended capital grants in May. The reduction did not affect the debt service for the stadiums and the convention center (\$13.4 million) or debt service for a library bond (\$1 million). Allegheny County provided \$12 million as grants to 99 recipients that experienced a reduction in RAD grant amount. This came from the county’s CARES Act allocation.

In the 2021 budget adopted by the RAD board, sales tax is budgeted at \$100.4 million, which is down from the \$103.5 million originally budgeted for 2020. Investment earnings and reserves are to bring total revenue to \$101.4 million, which is the amount that will be spent as grants to regional assets. There is a 5 percent reduction in operating grants from 2020’s amount for most recipients. Funding for parks owned by the county, Pittsburgh, two municipalities and a municipal authority won’t see a reduction. Only county and Pittsburgh parks and grants for accessibility and opportunity will receive capital funding totaling \$2.3 million. Four grantees that were included in the 2020 budget do not appear in the 2021 budget.

Two special purpose authorities we have written about in recent years, as they were added to the list of RAD recipients, will see 5 percent reductions.

The Port Authority (PAAC) will receive \$2.85 million as part of the local match for state subsidies. Due to falling Turnpike traffic, which is primarily where state dollars for transit comes from, as well as the impact of the coronavirus on Allegheny County’s

alcoholic beverage and vehicle rental taxes, PAAC will have less from these sources in 2021. The Sports & Exhibition Authority (SEA) will receive \$760,000 for its multi-facility capital fund for repairs at the stadiums, convention center and PPG Paints Arena.

We have argued against RAD granting money to these authorities due to the existing county matches for mass transit as well as the ability for sports teams to handle repairs at the facilities. As 2021 indicates, these grants will continue despite that. As noted in *Policy Briefs* last year (*Vol. 20, Nos. 19 and 31*) both received or sought federal dollars from the CARES Act. PAAC directly received \$141 million and the county granted support to PAAC (\$23 million) and the SEA (\$1 million) from its CARES Act distribution. The SEA received support from the state's Redevelopment Assistance Capital Program (\$2 million) and applied for additional federal aid. Did the RAD board consider these dollars could have freed up sales tax money for other assets?

As noted earlier, Allegheny County and all the municipalities in the county receive distributions from the other half of sales tax revenue. The county gets 25 percent. Its 2021 budget for sales tax revenue is \$52.9 million, which is unchanged from last year.

Municipalities share the final 25 percent but each distribution is determined by a formula in the RAD law based on weighted tax revenue for the municipality and weighted tax revenues of all municipalities. Pittsburgh's 2021 budget expects revenue to fall from \$23.4 million to \$22.6 million. A sample of 2021 municipal budgets for 15 other municipalities in the county shows three expecting to receive more sales tax revenue, six to receive the same amount and six to receive less.

The Institute will continue to monitor the monthly collections and allocations from RAD as well as county and municipal reporting in 2021.

Eric Montarti, Research Director

Policy Briefs may be reprinted as long as proper attribution is given.

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)