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# Are new mass transit and infrastructure taxes on the horizon?

**Summary:** Proposed legislation would enable certain counties in Pennsylvania to enact new taxes, surtaxes and fees to subsidize mass transit and fund transportation infrastructure. This is the wrong approach given the need to align mass transit operations and costs with post-pandemic ridership.

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In 2019 two reports, one issued by the Pennsylvania Turnpike Commission (PTC), the Pennsylvania Department of Transportation (PennDOT) and the Southeastern Pennsylvania Transportation Authority (SEPTA) and the other by PTC, PennDOT and the Port Authority of Allegheny County (now Pittsburgh Regional Transit, PRT) advocated for expanded tax and fee options for local governments to support mass transit agencies.

The issue at the time was the change in 2022 when the payment from the PTC to the Public Transportation Trust Fund was to drop. That funding change has occurred; from fiscal year (FY) 2021-22 to 2022-23, the transfer of sales and use tax revenue rose from $649.2 million to $1.1 billion while the PTC's deposit fell from $420 million to $50 million.

With the coming expiration of federal COVID dollars for mass transit agencies, there should be no surprise that agencies are starting to look for new money. A Center Square news article from Apr. 18 notes that leadership at SEPTA is raising the possibility of fare hikes and service cuts once the federal money is gone.

*Legislative proposal*

The article describes a legislative proposal introduced in the House of Representatives that would expand county options for subsidizing mass transit and funding transportation infrastructure. Many of the options were included in the 2019 reports. The legislation intends to "enable new county-level investment options to advance transportation projects that drive local priorities" according to its findings. It would apply to counties of the first class (Philadelphia), second class (Allegheny), second class A (Bucks, Delaware, Lancaster and Montgomery) and third class in a specific population range (Chester).

If approved by the General Assembly, taxes, surtaxes and fees on deed transfers, motor vehicles, personal income, sales and use, local services and rides originating in a county from transportation network companies (arranged through an app) could become real if a county chose to enact any.

Some of these items are already taxed by the state, municipalities and/or school districts and would be collected under the same arrangements. The $5 fee on motor vehicle registrations that counties were permitted to levy by Act 89 of 2013 (25 counties have the fee, including six of the seven mentioned in the proposal) could double to $10. Counties could make annual grants to mass transit agencies for operations, maintenance and debt service or for a specific project or for purposes including roads, bridges, traffic signals and traffic signs.

*Effects on Allegheny County*

How would Allegheny County be affected by the legislation? It would be the only county able to continue to levy taxes on alcoholic beverages and car rentals as permitted by Act 44 of 2007. Those taxes are budgeted at a combined $49.5 million for this year. The county levies a sales and use tax of 1 percent, and a portion of the revenue received by the Regional Asset District is made as an annual grant to PRT, budgeted at $3 million this year. County revenue from the registration fee is budgeted at $5.5 million this year.

The bulk of the collections are for the tax on alcoholic beverages; collections have fluctuated through the pandemic and after. Inflation has also had an impact. The change in the Northeast Consumer Price Index from 2021 to 2022 was 6.9 percent, well above the previous three years. If county drink tax collections came in at the 2022 budget level ($42.2 million), the 14 percent growth from 2021 likely would have been impacted by inflation's effect on the price of alcoholic beverages.

**Transportation Revenue Collections in Allegheny County, 2017-2021 ($, millions)**

| Year | Alcoholic Beverage Tax | Vehicle Rental Tax | RAD Grant | Local Use Fee |
|---|---|---|---|---|
| 2017 | 40.6 | 7.1 | 3 | 4.8 |
| 2018 | 43.1 | 7.6 | 3 | 4.4 |
| 2019 | 45.5 | 7.8 | 3 | 4.9 |
| 2020 | 20.4 | 5 | 3 | 4.8 |
| 2021 | 36.7 | 5.7 | 2.9 | 5 |

There likely would be a negative impact if Allegheny County were to adopt any of these revenue options on individuals, businesses and on its position relative to border counties.

As mentioned, the proposed legislation would allow revenue to be utilized for "transportation infrastructure." In 2009, Allegheny County attempted to use drink and car rental tax revenues for debt service on roads and bridges, noting that the buses used this infrastructure. The county lost a lawsuit and abandoned the idea. Now, many years later, using drink and car rental taxes for infrastructure could happen.

To be sure, ridership has yet to return to pre-pandemic levels for many agencies. This includes PRT, where, as of February 2023, average bus and light-rail ridership are 31 percent and 63 percent, respectively, below where they stood in February 2020.

PRT has done very little in the way of layoffs (this year's budget added 49 employees), service reductions or utilizing smaller vehicles as a way to adjust to low ridership. PRT's FY 2021-22 Annual Service Report shows the cost per rider on bus was $11.94 and $33.64 for light-rail; both topped PRT's peer group of transit agencies in FY 2020-21. The same report notes "significant legacy costs, significant congestion, long-standing collective bargaining agreements that are difficult to change, and the region's unique topography" as prime factors of PRT's high costs.

*Conclusion*

So where is the insistence on cost reductions? How about eliminating the right of transit workers to strike and eliminating prevailing wage? Hopefully the General Assembly takes these into consideration before providing counties with a menu of new levies which would exacerbate issues with mass transit spending.

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**Eric Montarti, Research Director**

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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