

## **5 NEXT STEPS**

The following sections assume that the LPAs will be pursued as federally funded New Starts projects. The New Starts program, which is funded as part of the federal transportation bill (SAFETEA-LU), provides capital assistance to select transit investments throughout the country. To be eligible for this assistance, a project must follow the federal planning and project development process that was discussed in **Section 1.2** and meet certain performance measures defined by the FTA in competition with similar projects from throughout the country. Additionally, whether the New Starts funds are sought or not, since the Federal Railroad Administration (FRA) regulates freight railroads, any of the transit alternatives that assume use of a freight railroad right-of-way would also require close coordination with the FRA.

While it is not necessary to develop transit capital investment projects through the federal New Starts program, it is advisable for all projects that have not yet identified alternative funding; federal funds cannot be otherwise obtained for a new transit capital investment. If the Eastern Corridor area were to identify non-federal funds sufficient to construct the entirety of a major transit investment, the project timeline could potentially be shortened by one to two years; however, PennDOT also has a stringent review process that is closely tied to the federal process. Therefore significant time savings is not guaranteed in a non-federal process. Additionally, if the federal planning process is not followed and it is later determined that there are insufficient non-federal funds, the project would not be eligible for federal assistance without redoing the planning process as directed by the FTA. With this in mind, the next steps for any of the previously discussed transit investments to progress through the federal transit planning process are:

### **5.1 ENTRY INTO SPC LONG RANGE PLAN**

The next step to advance any of the LPAs is to enter them into SPC's Long Range Plan. The entry of a new item into the SPC Long Range Plan is considered a major action that requires the approval of the SPC board and solicitation of public input for a 30-day period. That process can commence with the submittal of this report, signifying the conclusion of the ECTS-TA and the selection of the region's LPAs. Once the LPAs are included in the region's Long Range Plan, the next study phases can be initiated for the corridors in which funding for the next studies is available. A significant local effort will be required to identify funding sources for the next studies in each LPA corridor.

### **5.2 NEXT STUDY PHASES – ADVANCED PLANNING AND DEIS OR EA**

The next study phase will be a combination of advanced planning and environmental review. Those analyses will be completed for individual LPA corridors, independent of the other LPA corridors, to further define the alternatives and review specific options within those corridors.

The advanced planning effort will be performed in cooperation with the environmental review so that any required modifications to an alternative for environmental reasons can be properly incorporated into the alternative. This will also be an opportunity to complete

the corridor-specific evaluation that is part of a full AA and is required for an alternative to progress to subsequent study phases of Preliminary and Final Engineering.

To begin the environmental process, the FTA will be notified of the intent to pursue a transit project for which federal capital funds will be sought. Once the FTA has received sufficient information about the project concept, it will determine what level of environmental review will be necessary. For the projects reviewed in the Eastern Corridor, the most likely levels of environmental review will be Environmental Analysis (EA) or Environmental Impact Statement (EIS). Both begin with a public scoping process, in which relevant state and federal agencies, stakeholders and the public identify what range of alternatives, likely environmental, social and economic impacts should, and possible mitigations should be reviewed in the EA or EIS.

An EA or EIS typically considers potential impacts in the following areas:

- Social and Economic Impacts
  - Property Acquisition/ Displacements
  - Community Impacts
  - Land Use
  - Economic Impacts
  - Safety and Security
  - Visual Impacts
- Air Quality
- Endangered Species
- Environmental Justice
- Energy
- Floodplains
- Geotechnical Resources/Soils
- Hazardous Materials and Brownfields
- Historic, Archaeological and Cultural Resources
- Navigable Waterways and Coastal Zones
- Noise and Vibrations
- Parklands
- Transportation Impacts
  - Traffic
  - Transit
  - Parking
  - Railroads
- Utilities
- Water Quality
- Wetlands

An EA is a lesser level of analysis than an EIS, and is allowable with projects for which significant environmental impacts are not anticipated. It should be noted, however, that if the EA uncovers significant environmental impacts, the project can be required to complete an entire EIS instead of an EA.

An EIS is an in-depth review of the impacts of a major transit investment to the area in which it is constructed. It is required on all projects for which similar projects have shown that there are likely to be major environmental impacts. This includes new construction or extension of fixed rail transit facilities or exclusive bus roadways. In some instances an EA can be acceptable for similar projects that are constructed entirely within an existing transportation right-of-way.

An EIS is generally performed in two phases, a Draft EIS (DEIS) and an Final EIS (FEIS). A DEIS is a collaborative process that solicits the input of relevant state and federal agencies, stakeholders and the public. During the DEIS the environmental impacts of proposed alternatives are considered. Where significant impacts are anticipated, methods of mitigation are developed, and the range of alternatives is narrowed down to finalize the LPA. Once approved by the FTA, the DEIS is circulated to elected officials, state and federal agencies, stakeholders and members of the public. A public hearing or notice of the report availability and a public comment period are

required during the circulation period. After sufficiently defining the finalized LPA, the project is eligible to be considered for entry into Preliminary Engineering (PE).

During PE along with the preliminary design of the system, the DEIS is revised to incorporate comments received, responses to those comments, a summary of the public involvement process and a description of the mitigations that will be incorporated into the LPA. This revised document is submitted as an FEIS and is required to obtain approval (called a Record of Decision, or ROD) prior to the project's entry into Final Engineering.

### 5.3 INCORPORATION OF OTHER STUDIES AND ALTERNATIVES

During the public scoping of the environmental review process, other options within the alternatives or recommended alternatives from other studies within the same corridor can be included in the list of options to review. Several such additions have been discussed throughout the ECTS-TA study and should be included, as appropriate, in the environmental scoping processes:

- **Allegheny Valley Commuter Rail Extension to Golden Triangle** – Options mentioned included: use of Allegheny Valley Railroad's easements to 11<sup>th</sup> Street in the Strip District, and routing of the commuter rail service to Pittsburgh's Penn Station via the Brilliant Branch (near Washington Boulevard) and NS's Pittsburgh Line (parallel to the East Busway) which would also allow service to Oakland and East Liberty.
- **Allegheny Valley Commuter Rail Spur to Oakland** – Another option for the Allegheny Valley Commuter rail was the addition of a spur to Oakland via the 33<sup>rd</sup> Street Bridge and CSX right-of-way.
- **Allegheny Valley Commuter Rail - Service Northeast of Arnold** – Service could be extended northeast of Arnold via a rail extension, a bus connection to Armstrong County or other options. There was interest in investigating this.
- **Norfolk Southern Commuter Rail Extension to Latrobe** – This extension would continue east along the same Norfolk Southern right-of-way to Latrobe, near the historic rail station.

Other alternatives that should be considered, if applicable, are those that result from the other study efforts and transit proposals that were discussed in **Section 2.4**:

- Oakland Transportation Study
- County Executive Onorato's Six-point Plan
- Michael Lamb Transit Alternatives
- Councilman Peduto: Transportation Priorities
- The Regional Transit Vision

### 5.4 IDENTIFICATION OF POTENTIAL FUNDING SOURCES

As the LPAs progress through the next stages of development it will become increasingly important to begin identifying sources of funding. There are several federal funding sources that are eligible to be used for transit investments such as those

reviewed in the ECTS and ECTS-TA, however they all require matching funds from local sources. If the Eastern Corridor area wishes to pursue a major transit investment such as those described in this study, matching state and local funds will have to be identified for both construction and ongoing operating and maintenance costs. Some potential sources of capital funds are:

- **Section 5307** - Section 5307 is a formula grant program for urbanized areas providing capital, and planning assistance for public transportation. For small systems it can also provide operating assistance. Funds are apportioned to urbanized areas utilizing a formula based on population, population density, and other factors associated with transit service and ridership. Section 5307 is funded from both General Revenues and Trust Funds and are available for transit improvements for 34 urbanized areas of over 1 million in population, 91 urbanized areas with populations of between 200,000 and 1 million, and 283 urbanized areas with populations of between 50,000 and 200,000. For urbanized areas with populations of over 200,000, funds flow directly to the designated recipient. For areas with populations of less than 200,000, the funds are apportioned to the Governor of the respective state for distribution. In 2006, \$31.7 million was allocated to the Pittsburgh Urbanized Area<sup>8</sup>.
  
- **Section 5309** - The Federal Section 5309 program, of which the New Starts program is a part, provides funding for:
  - new fixed guideway systems and extensions of existing fixed guideway systems (including real estate, rolling stock, real property)
  - capital projects to create an efficient and coordinated mass transportation system
  - coordination of mass transit with other transportation modes
  - introduction of new technology into mass transportation
  - modernization of existing fixed guideway systems (funding based on formula considering route miles and revenue vehicle miles in systems that are at least 7 years old)
  - replacement/rehabilitation of bus and bus facilities
  - mass transportation projects that meet the special needs of elderly individuals and individuals with disabilities
  - nonvehicular capital improvements that might increase mass transportation usage in the corridor (e.g. bus lanes, park-and-ride lots, preservation of rights-of-way, etc.)

Under SAFETEA-LU projects are eligible to be funded at a federal share of 80 percent; however, the amount of local matching funds that are designated for a project contribute to how well that project is rated. Therefore it is highly beneficial to secure local funds in excess of 20 percent of the total project costs. Recent experience has shown that projects that provide a local match of roughly 40 percent or greater are much more likely to receive a higher rating. Under SAFETEA-LU, a grantee will be allowed to keep a portion of the cost savings when projects are completed under budget. Additionally, a higher than requested federal share can be

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<sup>8</sup> As directed by SAFETEA-LU, this total is reported as a combined total of funds allocated under Section 5307 and any additional funds allocated under Section 5340, an apportionment for growing states and dense states.

provided for projects that keep cost and ridership estimates within ten percent of the forecasts used for entry into PE.

The SAFETEA-LU legislation includes a new “Small Starts” Program that was created for smaller projects with a federal share of less than \$75 million and total project cost under \$250 million. As stated in the SAFETEA-LU legislation, these investments can include corridor-based bus capital investments for which “a substantial portion of the project operates in a separate right-of-way dedicated for public transit use during peak hour operations,” or that represent “a substantial investment in a defined corridor”. The previous legislation allowed an exemption from much of the New Starts review process for projects with a total cost of less than \$25 million. This exemption has been eliminated in the SAFETEA-LU legislation.

There are currently (FY 2006) approximately 150 planning studies nationwide in the federal transit planning process. An additional 25 projects are in the Preliminary Engineering phase, five are in final design and four received new Full Funding Grant Agreements from the FTA in FY 2006.

- **Federal Highway Funding** – Certain categories of funding administered by FHWA may be transferred to transit capital projects through the State and the Metropolitan Planning Organization with the permission of both the Federal Highway Administration (FHWA) and FTA. SAFETEA-LU provides considerable flexibility in the use of FHWA and FTA funds for either highway or transit investments. The flexibility provisions of these transportation acts allow:
  - Broad highway, transit, and bicycle/pedestrian eligibility under major funding programs;
  - Transfer from one category of FHWA funds to another to capitalize on the new eligibility; and
  - Transfer of funds from FHWA to FTA and vice versa.

It is important to remember that the metropolitan and statewide transportation planning processes are the contexts for reconciling State and regional transportation needs with proposed transportation projects and activities. All projects must be included in the regional LRP, the short-term transportation improvement program (TIP), and the approved Statewide Transportation Improvement Program (STIP). The following procedures generally describe the process for flexing transportation revenues from FHWA to FTA:

- Funds that are transferred from FHWA to FTA are to be administered under the requirements of the Chapter 53 of Title 49, U.S.C. Funds transferred to or from FHWA or FTA can only be used for purposes eligible under the original program that the funds are transferred from.
- Some categories of FHWA funds that do not have transit eligible activities may be used for transit purposes if transferred to a FHWA funding category that has transit eligibilities (e.g., Interstate Maintenance transferred to the Surface Transportation Program).
- For a formal transfer from FHWA to FTA, the State Transportation Department requests the transfer of funds, with the concurrence of the MPO, in a letter to the FHWA Division Office.

- Funding transfers are permitted only for projects contained in the approved TIP/STIP.

Potential highway funding sources that can be flexed to transit projects include:

- **Surface Transportation Program (STP)** – Eligible for transit capital projects, vehicles, and facilities publicly or privately held, vanpool projects, fringe and corridor parking facilities, bicycle and pedestrian facilities, bus terminals, bus facilities and transit safety improvements. STP funds provide the greatest flexibility in use of funds.
- **Congestion Mitigation and Air Quality (CMAQ)** – Eligible for transit capital and operating expenses for new services in non-attainment areas only. Projects must demonstrate that benefits to air quality and operating uses are limited to three years.
- **National Highway System (NHS)** – Eligible for transit improvements within a National Highway System Corridor (may apply depending on interpretation).
- **Interstate Maintenance** – Eligible for transit purposes identical to NHS or STP funds, after transfer to these funds then to transit.
- **Highway Bridge Replacement and Rehabilitation** – Eligible for transit purposes identical to NHS or STP funds, after transfer to these funds and then to transit.
- **National Corridor Planning and Development Program** – Eligible for transit planning, coordination, design and locations studies, environmental review, and construction.

Although possible, significant amounts of flex funding may be difficult to obtain in Southwest Pennsylvania, as the unfunded highway need included in the SPC's Long Range Plan exceeds \$4 billion.

- **State Bond Funds** – Derived from state bond proceeds where the Commonwealth matches the FTA's allocation of Section 5307 and Section 5309 formula funds. Specifically, to match FTA funds, the Commonwealth would provide 5/6 of the non-federal amount with the remaining 1/6 provided by Allegheny County or other local sources. Although the actual allocations of these funds are determined each annually, the region's Transportation Improvement Plan (TIP) estimates that for fiscal years 2007 through 2010, the Port Authority of Allegheny County will have a total of \$61 million as matches for federal capital funding.
- **Act 3 Dedicated Sales Tax** – These are state funds derived from the Supplemental Public Transportation Assistance Account (Act 3 of 1997), which allocates revenues at a rate of 1.22% of the state sales tax (and is capped at \$75 million annually statewide). Beginning in 1998, the state also committed additional funding to the account in the form of additional state bond funds (\$50 million per year) and Federal Flexible Highway funding of \$25 million.
- **Act 26 Capital** – These are state funds from the Public Transportation Assistance Fund (Act 26 of 1991). Act 26 generates revenue from several sources including: a flat fee of \$1.00 per new highway motor vehicle tire sold, a 3.0 percent tax imposed on the total lease price of a motor vehicle in addition to the current tax imposed, a \$2.00 fee per day imposed on the rental of a motor vehicle, an additional 7.6 mills

per dollar to the Utility Realty Tax levied against public utility companies, 0.18 percent of the current utilities gross receipts tax, and 0.53 percent of the current sales tax. PTAF Funds used for capital assistance have a 3 $\frac{1}{3}$  percent local match requirement. In FY 2006 PAAC received a combined \$42.4 million for operating and capital costs from Act 26. Approximately \$24.4 million of those dollars were used for capital expenses.

The Commonwealth of Pennsylvania currently does not have a dedicated level of transit operating funds, which has led to operating shortfalls in recent years. The state legislature is currently reviewing methods for stabilizing the funding situation for Pennsylvania transit operators; a report is expected in late 2006. Since legislative action will be required before any of the report's recommendations can be implemented, it is uncertain if or when any improvements will be made with regard to state transit funding. Currently, potential sources of funds for operations and maintenance include:

- **Act 26 Operating** – The fund is comprised of revenues derived from several different sources and is referred to as the Public Transportation Assistance Fund (PTAF). PTAF revenues are derived from: a \$1.00 fee per tire sold; a 3% tax on motor vehicle leases; a \$2.00 per day fee on car rental transactions; 0.53% of the Commonwealth's sales and use tax and hotel tax revenue; an additional tax assessment on public utility realty; and a 0.18% gross receipts tax on electricity sales in the Commonwealth. These revenues are matched on a 1:29 basis by Allegheny and Westmoreland Counties for their respective transit authorities. PTAF operating funds can only be used for certain operating expenses relating to vehicle maintenance, non-vehicle maintenance and materials and supplies. PTAF Funds that are not used in the fiscal year in which they were received are not eligible to be used for operating expenses; they can only be used for capital assistance.

Impacts, such as the Commonwealth's deregulation of the electrical utility industry have affected the growth rate of some of these sources. While the overall outlook is positive for these funds to grow, PAAC and WCTA have been forced at times to constrain their operating budget to adjust for a shortfall in anticipated PTAF revenues. In FY 2006 PAAC received a combined \$42.4 million for operating and capital costs from Act 26. Approximately \$18 million of those dollars were used for asset maintenance expenses.

- **Pennsylvania Mass Transit Assistance** – State operating assistance is subject to annual appropriation by the Legislature and concurrence by the Governor. Historically, this revenue source has escalated about 3 percent every three years. This assistance has a local match requirement of 1:3 for each dollar received. In FY 2006 PAAC received approximately \$73.6 M in state operating assistance.
- **State Bond Funds, Vehicle Overhaul (VOH) and Infrastructure Renewal Program (ISRP)** – These programs are funded as part of a \$30 million per year allocation to the Port Authority of Allegheny County from an annual, \$125-million statewide pool for capital investment and depreciation-related rehabilitation. Although the actual allocations of these funds are determined each annually, the region's Transportation Improvement Plan (TIP) estimates that for fiscal years 2007 through 2010, the Port Authority of Allegheny County will have a total of \$9.5 million of those dollars in the VOH program, \$49.5 million in the ISRP program. These funds are 100 percent state dollars and require no local match.

In addition to the previously listed sources, there are possible new funding sources that could be implemented. Although none of these sources could fully replace the traditional sources, they could be used to supplement them. Potential sources include:

- **Benefits Assessment District** – Creation of a special district that taxes commercial property owners in partial compensation for the benefits from improved accessibility resulting from the project. Such a district could be considered for dense, commercialized areas surrounding station locations to help defray localized costs for maintenance and upkeep of facilities.
- **Joint Development** – Joint development involves a partnership or joint venture between a transit agency and a private developer to develop certain assets. Joint development is seen as a method by which private funds are used to develop transit property resulting in a profit for the private developer and a developed asset for the transit agency. Risks related to the development are either shared or borne by the transit agency or the private developer.
- **Certificates of Participation** – Certificates of Participation (COPs) are securities that represent interest in a stream of payments, typically a lease or installment sales agreement. A purpose-formed State entity issues tax-exempt bonds with maturities that match the lease term of assets (typically transit vehicles) that are purchased by the State entity with the proceeds from the bond issue. Assets are then leased back to transit agencies and the use of this financing mechanism versus up front payments, allows transit agencies to make larger purchases of vehicle assets sooner, thereby enhancing service.
- **Cross Border Lease** – Cross border leasing transactions are designed to enable a foreign entity to receive in its county the tax benefits associated with ownership of an item of equipment. These transactions are attractive to many transit agencies because the foreign entity, the “lessor” of the equipment, will pay the “lessee” (the transit agency) between approximately 3 percent and 7 percent of the cost of the equipment for entering into the transaction. These revenues are then available to the transit agency for any purpose.
- **State Infrastructure Bank** – Also referred to as State Revolving Loan Funds, this mechanism allows the State to use the initial capital, provided by federal transit allocations, to make loans, provide credit enhancement, serve as a capital reserve for bond or debt financing, subsidize interest rates, issue letters of credit, finance purchase and lease agreements, provide debt financing security, or provide other forms of financial assistance for construction of qualifying projects. Among other benefits, this provides an ongoing source of local capital in support of the State’s transit operators. This program is intended to serve small projects usually costing less than \$100 M. SAFETEA-LU makes all 50 states eligible for the establishment of SIBs.
- **TIFIA** – The Transportation Infrastructure Finance and Innovation Act (TIFIA) provides for a loan guarantee program through the USDOT. It enables the FTA to provide loans and loan guarantees for up to 33 percent of a major project’s construction costs. Loans are made at U.S. Treasury rates, and may be repaid over

as long as 40 years. Special eligibility requirements, selection criteria, and a favorable credit rating are used to determine projects to receive TIFIA funding. This instrument is targeted at projects generally costing more than \$50 M.

- **GARVEE Bonds** – Grant Anticipation Revenue Vehicles are grant anticipation notes (GANS) under which states pledge future federal aid funds to pay debt service on bonds issued for surface transportation projects. Advance FHWA/FTA approval is required and the proceeds are restricted to the approved projects with debt service payments made directly from federal funds.
- **FRAN** – Federal Reimbursement Anticipation Notes are “indirect” GANS which do not require advance federal approval of individual projects. Debt service is paid from the state’s overall federal aid reimbursement rather than through a specifically programmed project.
- **Tax Increment Financing** – The concept here is that new or improved infrastructure will result in increased economic activity and, therefore, increased tax receipts will be collected in the area of improvement. An existing level of a certain tax (often property tax) or taxes is established at a fixed point against which future tax receipts are measured. Thereafter, any growth in those receipts (the increment) is captured and some portion of it is dedicated to service the bonds sold to construct the project. One potential downside of this strategy is that the taxes dedicated to bond repayment are tax revenues foregone that could have been used for other local uses.