

Transit Funding Analysis

Washington County Transit Study

Transit Funding Analysis

Funding Background

State Act 44 of 2007

State funding for public transportation providers in Pennsylvania was significantly restructured as a result of State Act 44 of 2007. Act 44 altered the sources of state transit assistance, the levels of state funding expected to be available, and many of the requirements and conditions for receiving state funding. The overall intent of the changes enacted through Act 44 was to assure a sustainable program of transit services by providing a funding structure with the following characteristics:

- More predictable levels of funding
- Significant funding increase over historical levels
- Funding sources and levels that should generally track inflation trends
- Streamlined grant programs and grant contracting procedures, and
- Increased accountability through stronger ties between funding levels and transit system performance.

On a statewide basis, Act 44 dedicated funding for public transportation is estimated to be approximately \$300 million in 2007-08 (\$250 million for operating assistance and \$50 million for capital assistance), and forecast to escalate to \$400 million by FY 2009-10. An annual average of \$414 million is forecast over the next 10 years.

State Operating Assistance

Significant changes occurred in the transit operating assistance programs. By converting the General Fund portion of transit operating funding to a dedicated percent of the revenue realized from the State Sales and Use Tax, future state operating assistance has been effectively sheltered from unanticipated funding shifts that can occur due to shifts in politics, changing priorities across state departments and programs, and external factors such as reductions to federal funding for unrelated programs. While the State lottery funding that previously supported reimbursements to providers under the Free Transit Program for Senior Citizens (fixed route) will still

be available, those funds will be rolled into the general operating assistance funding category and distributed according to the operating assistance formula. In addition, a dedicated portion of the Act 44 revenue resulting from the proposed tolling of Interstate 80 will provide a significant new source of supplemental, dedicated funding for public transportation. PennDOT has estimated that this source will provide approximately \$250 million (statewide) in new funds for transit operations in FY 2007-08. The Public Transportation Assistance Fund (PTAF), which was previously is used by many providers to cover asset maintenance costs (expenses in the operating budget that support the state of good repair of capital assets), was retained as one of the sources of dedicated transit funding; however, the eligible uses of those funds and the allocation methodology has changed. Systems that borrowed against future PTAF payments will continue to receive funding until the outstanding debt is retired. The balance of future PTAF revenues will be distributed by formula and can only be used for operating expenses. The asset maintenance category of funding has been eliminated. Systems that had accumulated carryover PTAF balances will be permitted to retain those funds and use them to support operations.

State operating funds will be distributed using a formula based on passengers (25%), senior passenger premium (10%), revenue vehicle hours (35%), and revenue vehicle miles (30%). Also, Act 44 requires that grant recipients provide local matching funds equal to 15% of the state operating assistance grant amount. Act 44 operating assistance formula allocations will be adjusted, if necessary to satisfy the following criteria:

- No system will get more than a 50% increase over the previous year, for the first year of funding under Act 44, and no more than a 20% annual increase in subsequent years
- No system will get less funding than they received prior to Act 44, and
- Annual increases in local matching funds, otherwise required to meet the 15% local share requirement, will be capped at 5% per year.

As a general rule, the deficit remaining after federal funding is applied would be split 87% state - 13% local (since the local matching funds must equal 15% of the state funding).

State Capital Assistance

Capital funds historically available through bond-financed State Capital Budgets will still be available and will still be distributed on a discretionary, needs-based determination. Additional resources from ACT 44 will also be directed to capital projects, on a discretionary basis (estimated at \$50 million statewide for 2007-08).

The required local matching share for capital projects will change significantly as a result of 44. Under Act 44, State funding for capital projects can be up to 96 2/3% of the non-federal share of project costs. For a capital project with an 80% federal share, the cost sharing would be as follows:

- Federal 80 % of project costs
- State 19 1/3% of project costs
- Local 2/3% of total project costs

Prior to Act 44, the state share was generally capped at 16 2/3% of total project costs and the local share had to be a minimum of 3 1/3% of total project costs. The new percentage shares will apply to both the bond capital funding and the majority of new Act 44 generated revenues. A small amount of the new Act 44 capital funding will be distributed using a formula based on the number of passengers carried by each system. Those funds will not require a local match.

Federal Funding

Federal funding sources for transit improvements in Washington County remain the same as in previous years, with only the amounts changing based on future federal appropriations. Since Washington County is part of the Pittsburgh urbanized area, which has a population over 200,000, available federal formula funds cannot be used to finance general operating deficits. Certain operating budget expenses that qualify under FTA's preventative maintenance program are eligible costs under the federal section 5307 formula funding program. In FY 2007-08, \$150,602 is expected to be available from this source. The federal share of preventative maintenance costs is 80%, up to the maximum amount of funds available.

Federal capital assistance is generally available to support 80% of eligible capital costs such as the fleet additions, bus stop signs, etc. that are recommended as part of this plan.

In addition to the federal funding available to Washington County through the Pittsburgh Urbanized Area (UZA) FTA apportionments, the Monessen UZA is eligible for FTA Section 5307/5340 funding through the “Governors Apportionment” funds allocated annually to the State. Since a portion of the Monessen UZA is in Washington County, it is reasonable to expect that some of Monessen’s Governors Apportionment funding be made available for transit services in that portion of Washington County. As a point of reference, the total Governors Apportionment Section 5307/5340 funding for the Monessen UZA for federal fiscal year (FFY) 2007 was \$1,192,580. The MPO would have authority to determine how much of the annual FTA apportionments might be available for services in Washington County. These funds are available for capital assistance and, with some limitations, operating assistance.

(Similarly, a very small portion of Hanover Township in Washington County falls within the Steubenville-Weirton Urbanized Area. Its share of the FTA Section 5307/5340 funding has been set at 0.36% of the total allocation for the UZA, or just \$2,729 for FY 2007.)

Local Funding

As discussed above, local matching funds are required to qualify for federal funding and most categories of state funds. Local funding shares for capital and operating expenses are:

<i>Funding Category</i>	<i>Local Matching Share</i>
Capital	3 1/3 % of the non-federal share of capital costs, which translates into 2/3% of total project costs for an 80% federal project
Operating	15% of the state grant amount (which translates into a 13% share of the deficit after federal funds are applied) or 5% increase over the previous year local contribution, whichever is less

Funding for Improvements Recommended In This Plan

The various recommendations and associated incremental capital and operating costs presented in the recommendations chapter are summarized in Table F1. For purposes of this chapter, all estimated costs stated in the Recommended Transit Service Plan have been adjusted to a 2007-08 base

Table F-1 – Summary of Service Recommendations and Annual Costs

Service	Current Grantee/Provider	Primary Service Area	Recommendation	Capital Requirements	2007-08 Capital Cost	2007-08 Operating Costs	2007-08 Add'l Riders	2007-08 Add'l Oper. Revenue	2007-08 Add'l Oper. Deficit
Washington City Local service	Wash. City/GG&C	Washington City	Improved Public Information & Marketing	Bus stop signs & shelters	\$-	\$-	*	*	*
Washington City Local service	Wash. City/GG&C	Washington City	Alt 1 Route/Schedule Revisions	none	0	Same	\$4,000	\$4,600	\$(4,600)
New Wash. City Fixed Route with Deviation to Complement Paratransit Service	(choose one) Alt 1 a - new service	Washington City	Alt 1 a New Fixed Route with deviation to encourage shift from Paratransit to Fixed Route	One 30' Heavy Duty Bus-- 2-3 less Paratransit Vehs.	\$0	\$-	\$18,400	\$21,160	\$(21,160)
Washington City Local service	Alt 2 - Wash City/GG&C	Washington City	Alt 2 Route/Schedule Revisions	One 30' Heavy Duty Bus	\$0	\$-	\$40,000	\$44,200	\$(44,200)
Washington City Local service	Alt 3 - Wash. City/GG&C	Washington City	Alt 3 Route/Schedule Revisions	Two - 30' Heavy Duty Buses	\$-	\$-	\$70,000	\$77,200	\$(77,200)
Washington City Regional Service	Wash. City/GG&C	Wash. County - Pittsburgh	45/90 peak/off-peak headways	Two 40' buses	\$-	\$-	\$73,179	\$292,716	\$(292,716)
MMVTA Local service	MMVTA	Donora-Monesson-Charleoi-Belle Vernon-Rostraver	Green Line & Red Line service Changes	none	0	minor change	slight increase	minor change	cost neutral
MMVTA Regional Service	MMVTA		Route A - increase headways to 90 minutes	none	0	minor change	slight increase	minor change	cost neutral
MMVTA Regional Service	MMVTA		Route B - reduce headways to 90 minutes	none	0	minor change	slight increase	minor change	cost neutral
Intra-County Local and Commuter Service	New service (choose one)	Primarily Rt19/I-79 Corridor - Some service within Wash. City	Combine Local & Commuter Services (lower cost alternative)	Two 40' buses	\$-	\$-	\$56,160	\$84,240	\$(84,240)
Intra-County Local and Commuter Service	New service (choose one)	Primarily Rt19/I-79 Corridor - Some service within Wash. City	Combine Local & Commuter Services (higher cost alternative)	Four 40' buses	\$-	\$-	\$98,290	\$147,420	\$(147,420)
Paratransit Service	Washington County	Washington County	Information & Marketing to Encourage Shift from Paratransit to Fixed-Route Service	none	0	0	N/A	0	0
New Rural Services	TBD	Service Primarily for Residents of Rural Washington County	Institute "Rover Bus" Service	Two 25-30' Medium Duty Buses	\$-	\$-	\$30,000	\$45,000	\$(45,000)

Note: * Must be viewed in conjunction with service improvements

year using an inflation adjustment of 3% per year. Several recommendations are presented as alternative levels of service improvements with corresponding alternative levels of operating expense, capital requirements and capital costs. In those instances, the intent is that only one of the alternatives would be selected to provide the agreed-upon level of mobility enhancements.

Incremental Operating Deficits and Funding for Recommended Improvements

Potential funding for incremental operating deficits is presented in Table F2. The costs of the individual service recommendations are presented along with a rollup of total capital costs using low, high, and average scenarios, since it is not known at this time exactly which alternative improvements might be selected for implementation.

Federal, state, and local shares for the urban and regional services are calculated under an Act 44 scenario using the City of Washington's pending 2007-08 federal and state grant applications as a basis for calculating funding shares. The amounts and corresponding percentages are as follows:

Washington Urban Transit Funding 2007-08 Application Amounts

<i>Source</i>	<i>2007-08 Amount</i>	<i>Percent of Total</i>
Federal Section 5307 Preventative Maintenance Funding	\$150,602	12.8%
State Act 44	\$911,747	77.8%
Local	\$109,979	9.4%
Total Funding	\$1,172,328	100%

For rural service, it is assumed that the County or City could, with proper advance communication with PennDOT, apply for Federal Section 5311 funding (application is submitted to PennDOT) and State Act 44 matching funding for this service, and that the additional local matching funds will be available. Section 5311 funds will increase from \$380 million to \$465 million between 2006 and 2009. The federal share of operating deficits for rural services can be up to 50%, and the non-federal share is assumed to be split according to the standard requirements of Act 44. Although Washington County does not presently participate in the Rural Transit Assistance Program, there are precedents for a County to receive both urban and rural funding as long as the services meet the respective requirements of the individual programs. Examples where this presently occurs are Beaver County,

Westmoreland County, and Cambria County. (It should be noted, however, that obtaining these funds would be difficult, as the City or County would have to compete for these funds with communities that already are receiving them.)

Since the final regulations governing how the local match will be determined for new service have yet to be developed, the state and local share amounts shown in Table F2 are calculated according to the 15% requirement specified in Act 44 (i.e. the local funding must equal at least 15% of the state operating grant).

Using 2007-08 as the base year, five-year projections of annual operating expense, revenue and deficit for the service expansion are presented in Table F3. The average of the higher and lower cost set of alternatives is used for projection purposes. Expenses are assumed to increase by 3% per year, and revenue by 2% per year. Federal, State, and local funding shares are assumed to remain the same throughout the forecast period.

The 2007-2008 local match requirement for existing transit services in Washington County is \$142,836: \$109,979 for the City of Washington, and \$32,857 for the Mid Mon Valley Transit Authority (\$13,500 of which is provided by Washington County). Thus the total 2007-2008 local match requirement for existing and proposed service expansions in Washington County (using the same assumptions as in Table F3) would be \$294,437.

Recognizing that Act 44 specified that PennDOT should more closely oversee the performance of individual transit providers and more directly correlate funding to performance, Washington County should carefully monitor PennDOT guidance on that topic as it is issued to assess the potential impacts on the funding eligibility of the recommended services, and also the impact of the new services on overall system performance and funding.

Capital Costs and Funding for Recommended Improvements

Capital costs and funding necessary to support the operating improvements discussed above are presented in Table F4. The federal funding shares are calculated according to the prevailing federal shares for Sections 5307, 5309, and Section 5311 funding. State and Local shares are calculated according to Act 44. These percentages are specified in Table F4.

Transit Funding Analysis

Table F2 – Washington County Transit Study Summary of Service Recommendations and 2007-08 Incremental Deficits and Funding

<i>Service</i>	<i>Recommendation</i>	<i>2007-08 Add'l Oper. Deficit</i>	<i>2007-08 Federal (12.8% Urban) (50% Rural)</i>	<i>2007-08 State Operating (87% of non-federal) *</i>	<i>2007-08 Local (13% of non-federal) **</i>
Washington City Local service	Improved Public Information & Marketing (***)	\$42,436	\$5,432	\$32,178	\$4,827
Washington City Local service	Alt 1 Route/Schedule Revisions	\$(4,600)	\$(589)	\$(3,488)	\$(523)
New Wash. City Fixed Route with Deviation to Complement Paratransit Service	Alt 1a New Fixed Route with deviation to encourage shift from Paratransit to Fixed Route	\$106,148	\$13,587	\$80,488	\$12,073
Washington City Local service	Alt 2 Route/Schedule Revisions	\$184,954	\$23,674	\$140,244	\$21,037
Washington City Local service	Alt 3 Route/Schedule Revisions	\$381,109	\$48,782	\$288,980	\$43,347
Washington City Regional Service	45/90 peak/off-peak headways	\$242,841	\$31,084	\$184,137	\$27,621
MMVTA Local service	Green Line & Red Line service Changes	cost neutral	\$-	\$-	\$-
MMVTA Regional Service	Route A - increase headways to 90 minutes	cost neutral	\$-	\$-	\$-
	Route B - reduce headways to 90 minutes	cost neutral	\$-	\$-	\$-
Intra-County Local and Commuter Service	Combine Local & Commuter Services (lower cost alternative)	\$437,086	\$55,947	\$331,425	\$49,714
	Combine Local & Commuter Services (higher cost alternative)	\$895,233	\$114,590	\$678,820	\$101,823
Paratransit Service	Information & Marketing to Encourage Shift from Paratransit to Fixed-Route Service	\$-	\$-	\$-	\$-
New Rural Services	Institute "Rover Bus" Service	\$336,924	\$168,462	\$146,489	\$21,973
"Total of Lower Costs Alternatives (lines A,B, F,G,H,I,J,L,M)"	see above	\$1,054,687	\$260,336	\$690,741	\$103,611
"Total of Higher Costs Alternatives (lines A,E,F,G,H,I,K,L,M)"	see above	\$1,898,542	\$368,349	\$1,330,603	\$199,590
Average of Lower and Higher Cost Alternatives		\$1,476,615	\$314,342	\$1,010,672	\$151,601

Note:

*State funding column is derived based on the Act 44 cost sharing formula which says that the local share must be 15% of the state grant amount. i.e 13% local /87% state = 15%

** calculated according to Act 44 requirements

*** must be viewed in conjunction with service improvements"

Transit Funding Analysis

Table F3 – Operating Budget Projections for Recommended Service Improvements (1)

	Fiscal Year				
	Base 2007-08	1 2008-09	2 2009-10	3 2010-11	4 2011-12
Operating Expense (2)	\$1,970,861	\$2,029,987	\$2,090,886	\$2,153,613	\$2,218,221
Revenue (3)	\$494,446	\$504,335	\$514,422	\$524,710	\$535,204
Deficit	\$1,476,415	\$1,525,652	\$1,576,465	\$1,628,903	\$1,683,017
Federal	\$314,342	\$324,825	\$335,644	\$346,809	\$358,330
State	\$1,010,672	\$1,044,377	\$1,079,160	\$1,115,057	\$1,152,100
Local	\$151,601	\$156,656	\$161,874	\$167,258	\$172,815
Total Funding	\$1,476,615	\$1,525,859	\$1,576,678	\$1,629,124	\$1,683,245

Assumptions:

(1) Average of Higher and Lower Cost Alternatives

(2) annual expense inflation 3%

(3) annual revenue growth 2%

Conclusions

While Act 44 ushered in a new and more positive era for the funding of public transportation systems and services in Pennsylvania, the funding increases will occur over a period of time, and communities and their transit providers will still face financial constraints as they attempt to maintain and enhance transit service. The amounts presented in this chapter do not address the fact that certain categories of federal and state funding are distributed by formula and are constrained by the total funds available for distribution. The reality is that many more services are eligible for federal and state transit funding than can be supported within the available resources. It is possible that all available funding in some categories is currently being drawn down for existing services. In those instances, alternative sources of funding such as CMAQ demonstration funding, or PTAF carryover funding might be available. CMAQ funding can be used for operating assistance for the first three years of transit service expansion.

Capital funding is generally more likely to be attainable since those funds are distributed on a discretionary basis, they are basically one-time costs, and the local share is a much smaller percentage of total costs. Obviously, capital funds are of little benefit if a sustainable source of financing to operating the service is not available.

Since the costs of providing the service enhancements were only estimated at the total cost level, a number of assumptions had to be made to estimate funding. As the cost estimates are refined and line item budgets are devel-

Table F4 – Capital Costs and Funding

Service	Recommendation	Capital Requirements	2007-08 Capital Cost	Federal Sec 5307/5309 (80%)	Federal Section 5311 (80%)	State (19 2/3%)	Local (2/3%)
Washington City Local service	Improved Public Information & Marketing	Bus stop signs & shelters	\$45,000	\$36,000	\$-	\$8,852	\$149
New Wash. City Fixed Route with Deviation to Complement Paratransit Service	Alt 1a New Fixed Route with deviation to encourage shift from Paratransit to Fixed Route	“One 30’ Heavy Duty Bus-- 2-3 less Paratransit Vehs.”	\$345,000	\$276,000	\$-	\$67,862	\$1,139
Washington City Local service	Alt 2 Route/Schedule Revisions	One 30’ Heavy Duty Bus	\$345,000	\$276,000	\$-	\$67,862	\$1,139
Washington City Local service	Alt 3 Route/Schedule Revisions	Two - 30’ Heavy Duty Buses	\$690,000	\$552,000	\$-	\$135,723	\$2,277
Washington City Regional Service	45/90 peak/off-peak headways	Two 40’ buses	\$849,000	\$679,200	\$-	\$166,998	\$2,802
“Intra-County Local and Commuter Service (choose one)”	Combine Local & Commuter Services (lower cost alternative)	Two 40’ buses	\$849,000	\$679,200	\$-	\$166,998	\$2,802
	Combine Local & Commuter Services (higher cost alternative)	Four 40’ buses	\$1,697,000	\$1,357,600	\$-	\$333,800	\$5,600
New Rural Services	Institute “Rover Bus” Service	Two 25-30’ Medium Duty Buses	\$223,000	\$-	\$178,400	\$43,864	\$736
Total With Lower Cost Alternatives	Lines A,B,E,F,H	see above	\$2,311,000	\$1,670,400	\$178,400	\$454,574	\$7,626
Total With Higher Cost Alternatives	Lines A,D,E,G,H	see above	\$3,504,000	\$2,624,800	\$178,400	\$689,237	\$11,563
Average of Higher and Lower Alternatives			\$2,907,500	\$2,147,600	\$178,400	\$571,905	\$9,595

Transit Funding Analysis

oped, there may be opportunities to better match federal and state funding to specific cost categories to achieve lower local shares.

Even if the service expansion cannot be accomplished within 2007-08 funding levels, the increased funding expected to be generated by Act 44 may make implementation more feasible in 2008-09 and beyond.