Regional Transportation Financing: The Southwestern Pennsylvania Initiative

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Transportation planning is the primary objective of the Southwestern Pennsylvania Regional Planning Commission's (SPRPC) program. During its 29 years as the Metropolitan Planning Organization (MPO) for southwestern Pennsylvania, the commission has documented the region's transportation needs and available resources. Most recently, SPRPC accounted for $10.5-bil in highway, bridge, and transit needs and $4-bil in anticipated funds. In 1990, SPRPC's Transportation Strategy Policy Committee convened a working group to examine transportation financing options. This group's recommendation was deliberated by regional leaders at SPRPC's Fall Policy Conference in November 1990, and resulted in SPRPC's Regional Transportation Finance Initiative. The initiative proposes a multicounty Regional Transportation Finance Authority that would have the principle responsibility of allocating revenues from new, local-option taxes to a specific set of transportation improvements. The authority would work with SPRPC to produce a comprehensive regional transportation and development plan. The plan would identify and rank transportation improvements such as highways, transit, and any other types of improvements that are critical to regional development. After the priority transportation projects are identified, a package of taxes would be proposed for funding. The recommended local option taxes include gas, ad-valorem vehicle, and sales taxes. These taxes would be levied by the participating counties. A mixture of taxes is being proposed so no single tax is inordinately high, and so both user fees, which are perceived as fair, and broad-based taxes can be included.

The Southwestern Pennsylvania Regional Planning Commission (SPRPC) is southwestern Pennsylvania's designated Metropolitan Planning Organization (MPO), which has the responsibility for transportation planning and programming in the six-county region. More than 29 years of experience has given SPRPC a comprehensive understanding of the region's transportation system.

In recent years, SPRPC has developed a growing concern over the magnitude of the region's transportation needs and the limitation of existing federal, state, and local financing programs. SPRPC appointed a Transportation Strategy Policy (TSPC) Committee, comprised of public and private leaders, to assess these needs, to determine the level of available funding, and to develop a strategy for improving transportation.

The committee found that the established state and federal programs will not provide enough resources to significantly improve the region's transportation system. Current programs are also insufficient to maintain existing regional highways, local roads, bridges, and transit systems. The needs over 12 years exceed $10 bil and the funding shortfall is $6 bil.

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The transportation problem has serious economic consequences. There is a growing recognition that improved transportation and good mobility are essential to regional development opportunities. Southwestern Pennsylvania is likely to grow because of scheduled 1992 opening of the new airport, the strategic national location, the environment, and the revitalized economy. Conversely, a failure to provide improved mobility will result in lost economic opportunities, growing congestion, a poorer environment, and deteriorated quality-of-life.

With a predictable local source of funding, the region's leaders would be in a position to make strategic transportation investments that would leverage state and federal funds and support the region's development opportunities.

Accordingly, in the summer of 1990, the SPRPC Transportation Strategy Policy Committee formed a Transportation Finance Working Group (TFWG). The committee gave the group the task of recommending a new financing mechanism that would enable southwestern Pennsylvania to significantly improve its transportation system.

The deliberations and findings of the group may be of interest to other regions. For example, the group sought a financing solution for a sub-state, multi-county area, whereas other models for transportation financing have either been statewide or single-county. The group also proposed a mixture of taxes. While the taxes themselves are commonly found elsewhere, the proposal for enabling and levying them together as local-option taxes for transportation purposes is unique. Finally, southwestern Pennsylvania differs from other regions that have raised local transportation revenues because it is not a high-growth area. San Diego, Phoenix, Houston, and other areas that have provided local solutions to their transportation problems, are generally struggling to keep pace with high levels of growth. In contrast, southwestern Pennsylvania has recently experienced a decade of economic decline and restructuring. Capitalizing on future opportunities for growth depends largely on improving mobility in the region.

TRANSPORTATION FINANCE WORKING GROUP

Overview and Objectives

The group made a comprehensive evaluation of regional transportation financing mechanisms. The assessment included financing mechanisms used in other states and metropolitan areas, powers currently available to county and local governments in Pennsylvania, alternative mechanisms for southwestern Pennsylvania, and alternative organizational arrangements for administering regional transportation revenues. Descriptions of each part of the group's assessment follow.

The group concluded that the finance mechanism should broadly benefit surface transportation. Surface transportation is defined as local, regional, and interregional roadways, guideways, structures, vehicles, and other associated facilities and equipment for the movement of people and goods over land.

The recommended finance mechanism is intended to meet the following objectives:

1. To promote the safe and efficient mobility of people and goods through improved surface transportation and better intermodal linkages,
2. To accelerate the accomplishment of the region's priority transportation improvements in cooperation with the US Department of Transportation (DOT) and the Pennsylvania Department of Transportation (PennDOT),
3. To support the operation and maintenance of the region's surface transportation system,
4. To raise revenues for the improvement of the region's surface transportation system through member governments,
5. To promote the region's economy through strategic transportation investments, and
6. To promote the wise and efficient use of transportation resources.

The group prepared two alternative proposals. Each proposal enables the counties of southwestern Pennsylvania to levy taxes that are dedicated to the improvement, expansion, maintenance, and operation of surface transportation systems and services. The two proposals vary in the administration of the tax revenues and are summarized and compared below.

Examples of Innovative Transportation Finance Mechanisms

A number of counties, regions, and states have developed innovative transportation finance mechanisms to meet growing transportation needs. These mechanisms include user charges, special benefit fees (such as impact fees), non-user related fees (such as sales and property taxes), private financing, debt financing, and special revenues. The group decided to focus on user and non-user fees, specifically tolls and taxes. Specific examples of innovative toll roads, local-option taxes and state taxes for transportation have been identified and researched.

Toll Roads

Four examples of toll roads were researched: the Dulles Toll Road Extension in Northern Virginia; E-470 near Denver, Colorado; the Harris County toll roads near Houston, Texas; and the toll roads in Orange County, Florida. These projects and lessons learned from them are described below.

The Dulles Toll Road Extension is a completely private venture. It will be a 17-mi highway extending from Dulles Airport (the terminus of an existing toll road) to Leesburg, Virginia. The road will pass through mostly undeveloped land completely within Loudon County, Virginia. A small number of large land owners are found in the corridor and most are willing to cooperate with the developers because the road will increase the potential value of their property. In the fall of 1990 right-of-way acquisition and financing arrangements were being finalized.

E-470 is being advanced by a public authority established by the State of Colorado. It is a 48-mi highway that will form an outer, eastern beltway around Denver and will also provide direct access to the new Denver International Airport. The E-470 corridor is currently lightly developed, but it is expected to be actively developed in coming years. Construction of Phase I, a 5-mi segment, is currently underway and permanent financing for the remaining segments was expected by the end of 1990.

The Harris County Toll Roads are financed by the County and administered by a department of the County government. There are two roads totaling 50-mi: the Sam Houston Tollway and the Hardy Toll Road. The Sam Houston Tollway forms a western and northern outer beltway around Houston and the Hardy Toll Road is a north south radial highway that connects with the Sam Houston Tollway and connects with the Houston Intercontinental Airport. Construction of the final segments was completed in July, 1990.

The Orlando toll roads in Orange County, Florida are being advanced by the Orlando-Orange County Expressway Authority. This authority built two major toll roads in the 1960's and '70's and these roads have generated substantially more revenue than needed for debt service. Toll increases were implemented in 1987 and 1990 to raise enough additional revenue to fund construction of 32-mi of new toll roads and to perform major improvements to the existing toll roads. The new toll roads are short segments that extend and or connect the existing toll roads in and around Orlando, Florida. Four of the five new segments are complete. The fifth segment was in the design and right-of-way acquisition stage in the fall of 1990.

These projects demonstrate that publicly or privately financed toll roads are feasible. They have proceeded without federal funds. Importantly, each of these projects is located in a high growth area and coincidentally, each one partially involves airport access. These factors—high traffic volume potential and attractive development locations—are critical for securing financing and generating adequate toll revenues.

Several lessons can be learned from these toll road experiences. First, a totally private project is not advisable; cost savings in construction are outweighed by costs of liability coverage and the problems of securing financing. Second, a mutually beneficial give-and-take between the toll road authority, local land owners and local governments is likely to occur—interchange location, right-of-way donations, and local government concessions to developers are the bargaining chips. Third, accountability is a critical issue with a toll road, particularly with respect to design, safety, and toll rates. Most authorities self-impose established standards (such as state or federal) of design and or environmental protection to limit liability. Also, an authority can be made accountable to the public by creating a board made up of elected public officials. Finally, public support was a prerequisite for each of the toll road projects studied and extensive measures were taken to build and maintain that support.

Local-Option Taxes

Two regions with local-option taxes dedicated to transportation were studied, San Diego and Phoenix. In each case, a county sales tax is used to fund a specific set of transportation improvements. This requires enabling legislation from the state and a local referendum. These regions demonstrate that local citizens are willing to pay for an improved transportation system.

In the San Diego region, MPO both plans and allocates the revenues for approved transportation improvements. The Board of the MPO is the Regional Transportation Commission; the commission uses the MPO's staff. Tax revenues are split evenly between transit, highways and local roads. A referendum was passed for funding a specific set of highway and transit improvements and increasing funds for local roads. Local road projects that are advanced with the tax revenues must be approved by the commission.

In Phoenix, the MPO Maricopa Association of Governments (MAG) plans the projects and the State Department of Revenue distributes the funds. All highways are constructed by the Arizona Department of Transportation. State law requires the local option tax in Maricopa County to fund projects in the MAG Freeway/Expressway Plan. MAG has some flexibility in selecting the projects from the plan that are to be funded. Currently, tax revenues are inadequate to finance the entire plan. The local tax referendum set aside 3 percent of tax revenues for transit. In both regions, the inclusion of transit in the proposals was crucial to passing the referenda.

Targeted State Funding Models

A number of states have raised gas taxes in recent years and specified how those funds should be used. In California, in 1989, the gas tax was increased by 9 cents to finance a 10-year transportation plan. One component of the plan is a Partnership Program that will provide up to 50 percent state matching funds for local highway, road and transit projects. This program rewards counties such as San Diego that have levied special funds for transportation. It enables them to leverage additional state funds for their priority projects.

In Illinois, the state legislature passed a creative piece of legislation in 1989 to increase transportation funding. The legislative package raises the state gas tax by 6 cents, authorizes a local option gas tax in certain counties, and shifts some sales tax revenues from highways to transit. Another provision limits future uses of the gas tax revenues for the state police, thereby dedicating more of the future gas tax revenues to building and maintaining roads.

THE PENNSYLVANIA CONTEXT

Enabling legislation is required in Pennsylvania to raise new transportation revenues. Toll roads are currently the exclusive domain of the Pennsylvania Turnpike Commission. Local option sales, gas or other taxes for transportation, are not permitted at present.

If the legislature authorized local option taxes, these would have to be enacted by elected county commissioners or municipal councils. To raise taxes regionally, there are two basic options: have county and/or local governments act independently but cooperatively to raise the same rate of taxes to fund regional transportation projects; or create a new, elected regional taxing authority to levy the taxes. The group rejected the idea of creating a new, elected authority because there are a multitude of special purpose authorities in existence in the region, and there was mounting evidence that the public is dissatisfied with both the multiplicity and lack of accountability of such authorities. Thus, both alternatives proposed by the group require the counties to levy any taxes.

Pennsylvania's constitution prohibits any highway user fees, such as gas taxes and vehicle registration fees, from funding transit. This fact led the group to propose a mixture of taxes. This mixture includes both user fees, which are considered fair (i.e. those who use the transportation improvements pay for them), and other revenues that can be used for transit.

PROPOSED FINANCING MECHANISMS

The group considered local option taxes to be the best alternative for regional transportation financing. While toll roads might be used (and are included in the group's recommendation), they are feasible only in a few high growth corridors. Local option, rather than state, taxes were chosen to give regional leaders more control and flexibility. The group agreed that higher state transportation taxes should be encouraged in addition to the regional transportation finance proposal. Any opportunities for "piggy-back" taxes that arise in the legislature should be optimized.

The group sought a balance of taxes that would be perceived as fair, raise sufficient revenues, and support both highways and transit. Gas, sales, and personal property tax on vehicles were considered. Table 1 presents a tax evaluation matrix comparing these three taxes.

These three taxes were singled out for different reasons. The sales tax was chosen because of its revenue-generating potential, its ability to fund transit, and its political palatability (versus property or other general revenue taxes). One appealing aspect of the sales tax is that it is paid in part by travelers to and through the region who are using the transportation system. The gas tax was also selected for its political palatability, as well as its perceived fairness. In general, people who travel more in automobiles pay more gas tax. The gas tax, however, is considered regressive with respect to income, as poor people tend to pay a higher percentage of their incomes for the tax than do wealthier people. This is one reason for adding the third tax, the ad valorem vehicle tax. It is a user fee, but the amount paid is related to the number and value of one's vehicle(s). Also, while it functions as a user fee, it is proposed, technically, as a personal property tax. The revenues might be usable for transit (subject to legal opinion).

The local option gas, sales, and vehicle taxes would be authorized by state legislation and levied by the county com-

TABLE 1 Tax Evaluation Matrix

		Sales Tax	Gas Tax	Ad Valorem Tax
Overview		A "Sales and Use" tax enacted by county governments and collected by the Department of Revenue	A tax on the sale of gasoline enacted by county governments and collected by the Department of Revenue	A personal property tax on motor vehicles enacted by city and county governments, and collected by same
Annual Revenue Yield	Low	$ 94.6 Million per 1%	$10.1 Million per 1¢	$4.3 Million per mill
	Medium	$ 97.7 Million per 1%	$11.4 Million per 1¢	$5.4 Million per mill
	High	$101.0 Million per 1%	$12.3 Million per 1¢	$6.7 Million per mill
Legal/ Institutional Issues		• Can be used for transit • Likely to have legislative competition for non-transportation uses	• Cannot be used for transit without a constitutional amendment	• Completely new tax • Could be used for transit
Ease of Implementation		As already exists, it should be easy to collect and administer.	As already exists, it should be easy to collect and administer.	While the information to implement the tax exists in vehicle registration records, programs for computing the tax, billing and collecting would have to be established.
Fairness		Revenues bear no relationship to transportation use.	A user tax; regressive with respect to income; amount paid proportional to use.	A user tax; progressive with respect to income; amount paid not proportional to use.
Stability		Revenues are relatively stable, but fluctuate with the economic cycle (growth, recession, etc.)	Revenues are moderately stable, assuming continued availability of fuels. Erosion occurs with improvements in vehicle fuel efficiency.	Revenues are relatively stable but fluctuate with the economic cycle
Elasticity		• Revenues, based mainly on purchases of durable goods, would generally keep pace with inflation. • Many durable goods are price-elastic; purchases would be affected by high inflation.	• Tax Revenues will not increase with inflation. • Demand for motor fuels is relatively price-inelastic. Thus, consumption is not likely to change in the long term due to the tax.	• Changes in car values tend to keep pace with inflation. • Demand for vehicles is not inelastic; hence tax may influence buyers. (Most likely a one-time effect in the first year of the tax.)
Responsiveness		Source is responsive to economic growth	Source is responsive to fuel consumption, which reflects both vehicle miles travelled and fuel efficiency of vehicles. Historically, this type of tax has not kept pace with need.	Source is responsive to the number and value of registered vehicles (i.e. fluctuations in new car purchases affect revenues); will not necessarily keep pace with need.
Avoidance		An increased tax may result in some sales being exported out of the region ("at the fringes"), unless adjacent counties impose the tax.	An increased tax may result in some sales being exported out of the region ("at the fringes"), unless adjacent counties impose the tax.	Some loss of revenue may occur due to registrations out of the region/state.

TABLE 2 Revenues of Proposed Taxes and Value of 20-Year Bonds

	Tax Rate	Annual Revenues	Bonding Capacity
Sales Tax	1%	$100 Million	$1.1 Billion
Gas Tax	5¢	$ 50 Million	$0.6 Billion
Ad Valorem Tax	4 Mills	$ 27 Million	$0.3 Billion
TOTAL			$2.0 Billion

missioners. The third tax, an ad valorem tax on vehicles, would be an extension of current personal property taxes levied by counties and the City of Pittsburgh.

Gas and sales taxes already exist in Pennsylvania, so systems and procedures for collecting and administering them are in place. An ad valorem tax specifically on vehicles, however, would be new to Pennsylvania. The group did not recommend a particular method for implementing this tax, but models exist in several other states. For example, the tax could be based on the "blue book" or fair market value of all registered vehicles.

Based on revenue estimates and legal constraints, the group recommended the following tax rates: a 5 cent gas tax, a 1 percent sales tax, and a 4 mill ad valorem tax (i.e. $4 per $1000 of value). The latter is determined by an existing limit on personal property taxes in Pennsylvania of 4 mills. In fact, a much higher vehicle tax is levied in other states (for example, 12.5 mills in Minnesota, 20 mills in California, and 25 mills in Massachusetts). The potential to reasonably charge a much higher ad valorem tax, and the legal issues associated with doing so, are important subjects for further deliberation. Table 2 presents revenue projections of the proposed taxes and their potential bonding capacity. As proposed, the sales tax would account for more than half of the total revenues from the tax package. This percentage might be expected to rise over time as the gas tax is unresponsive to inflation.

The anticipated revenues from the proposed taxes would raise $2 billion in bonding capacity. While this is far short of the $6 billion shortfall in the region, it is the maximum amount considered reasonable in terms of taxation. San Diego and Phoenix have both had to make similar compromises between the total transportation need and the level of taxation that is acceptable to the public. This issue is even more compelling in southwestern Pennsylvania, where the reasons for building many of the transportation improvements are related to economic development (i.e. prompting more growth rather than accommodating expected growth).

ADMINISTRATION OF PROPOSED FINANCING MECHANISM

The group considered a number of issues relating to the administration of the regional transportation finance mechanism. First, who levies the tax? The group had already decided that the counties should levy the taxes. Second, who allocates the tax revenues to transportation projects? The group identified two alternatives which are discussed below. Third, who determines which projects will be funded? While those who allocate the revenues are assumed to play a role in selecting projects, this presents the question of transportation planning. This is also discussed below. Fourth, who builds the projects? The group determined that a (non-elected) regional authority, if formed, should not be allowed to construct transportation projects; instead it would allocate funds to other, existing entities (such as PennDOT, transit agencies or counties), who would construct the transportation improvements.

Selection of Projects for Funding

The working group agreed that the selection of projects to be funded with regional dollars should be coordinated with the planning and programming of state and federal transportation funds through SPRPC as the federally designated Metropolitan Planning Organization. The working group agreed that SPRPC's planning process and the planning for regionally-funded transportation improvements should be integrated. The working group recommended a requirement whereby regionally-funded transportation projects must be consistent with SPRPC's Regional Transportation Plan. The group further agreed that a specific set of priority transportation projects should be identified and slated for regional funding before the local option taxes are levied. These projects should be planned and identified by a broadly representative public/private policy committee, possibly a sub-committee of SPRPC's Transportation Strategy Policy Committee.

Allocation of Revenues

The major point of debate was whether a new, regional entity should be formed to allocate the regional transportation revenues. Alternatively, the counties could allocate the revenues. The group decided to bring both proposals before regional leaders at the SPRPC Fall Policy Conference.

Proposal 1 has two distinguishing components: it creates a Regional Transportation Finance Authority and gives the Authority responsibility to allocate the regional transportation revenues. (This would be a non-elected authority with no direct taxing powers.) Proposal 2 also has two distinguishing components: the governments which impose the regional transportation taxes allocate the resulting revenues. In addition, a "banking system" would be created whereby a county government could expend funds for the benefit of another, with or without a promise for future repayment. SPRPC would facilitate these intercounty agreements and maintain an accounting of them. Proposal 1 and Proposal 2 are outlined below.

The group rejected the idea that SPRPC should be the entity that allocates regional transportation revenues. If the revenues were to be allocated by a regional entity, the group favored a small decision-making body having fewer than 10 members. However, the entity's staff and SPRPC's staff should be one and the same to facilitate transportation planning.

The two proposals were fully evaluated by the region's public and private leaders who attended SPRPC's Fall Policy Conference. The participants recognized a number of advantages and disadvantages of both finance mechanisms, and recommended that the regional authority should be pursued.

They chose the authority as the preferred financing mechanism because of its high visibility and its ability to promote intermodal, regional transportation strategies, and to leverage greater funds. Further, the authority would be a strong voice to advocate the region's interest and advance the region's transportation objectives, would be able to allocate funds to projects that best serve the region's long-term interests, and with the financial and political participation of all the counties of southwestern Pennsylvania, would be better able to leverage state and federal grants than any one county acting alone.

PROPOSAL 1: REGIONAL TRANSPORTATION FINANCE AUTHORITY

1. The counties of southwestern Pennsylvania are authorized to create a Regional Transportation Finance Authority.
2. The governing body of the authority includes one member appointed by each board of county commissioners of the member government; one additional member nominated by the Mayor of the City of Pittsburgh and appointed by the Allegheny County Commissioners; and one member appointed by the Governor.
3. The primary purpose of the authority is to allocate locally-generated funds to improve, maintain, operate and expand surface transportation systems and services. Surface transportation includes highways, transit, rail, and new technologies.
4. The member counties of the authority may levy three taxes to specifically benefit surface transportation: a gas tax (up to 5 cents); a sales tax (up to 1 percent) and a personal property tax on vehicles (up to 4 mills). The City of Pittsburgh also may levy a personal property tax on vehicles for the specific benefit of surface transportation. If the City levies this tax, the residents are exempted from a like tax by Allegheny County.
5. The sales tax and gas tax revenues are collected by the commonwealth and remitted to the Regional Transportation Finance Authority; the vehicle tax is collected by the City and counties and also remitted to the authority.
6. The authority allocates the transportation revenues to surface transportation projects within southwestern Pennsylvania. These projects must conform with SPRPC's Regional Transportation Plan and Regional Transportation Improvement Program.
7. The regional transportation revenues will leverage greater federal and state assistance. The transportation revenues may also finance a project in its entirety.
8. The authority is permitted to issue bonds and pledge the regional transportation revenues for security.
9. The member governments are permitted to construct toll roads, and the authority may support such toll roads with the regional transportation revenues.
10. The authority may not construct projects; the authority will financially aid the construction of publicly-authorized transportation projects.
11. SPRPC will staff the Authority to promote conformity between transportation improvements and financing plans using federal, state and regional funds.

PROPOSAL 2: SOUTHWESTERN PENNSYLVANIA TRANSPORTATION FINANCE ACT

1. The SPRPC member governments are authorized to levy specified taxes to benefit surface transportation.
2. These revenues must be used to improve, maintain, operate, and/or expand surface transportation within southwestern Pennsylvania. Surface transportation includes highway, transit, rail, and new technologies.
3. The counties are authorized to impose (a) a gas tax (up to 5 cents); (b) a sales tax (up to 1 percent) and (c) a personal property tax on vehicles (up to 4 mills). The City of Pittsburgh may levy the personal property tax on vehicles for the specific benefit of surface transportation. If the city levies this tax, the residents are exempted from a like tax by Allegheny County.
4. The gas tax and sales tax are collected by the commonwealth and remitted to the county of origin; the city and counties collect the personal property taxes.
5. Each government allocates its transportation revenues for surface transportation projects and services, but must do so in conformance with SPRPC's Regional Transportation Plan and Regional Transportation Improvement Program.
6. The SPRPC member governments may use their transportation revenues for the direct or indirect benefit of another government. A member government may lend its revenues to another member government. SPRPC will develop such intercounty agreements and maintain a complete accounting of such transactions.
7. The transportation revenues will leverage state and federal assistance. The transportation revenues also may finance a project in its entirety.
8. The transportation revenues may be used to secure bonds and other debt instruments.
9. The SPRPC member governments may construct toll roads and use the local transportation revenues to finance such roads.

FINDINGS AND RECOMMENDATIONS

Transportation Financing Needs

Leaders of southwestern Pennsylvania have recognized the need for greater transportation financing. At SPRPC's 1990 Fall Policy Conference, they concluded that these funds must be raised on both the state and local levels. Enactment of a local funding mechanism presents a difficult challenge; it also provides a greater opportunity to accomplish the region's transportation and development objectives. With its own dedicated transportation resources, the region's leaders will be better able to meet the region's needs.

Southwestern Pennsylvania cannot afford not to have a local finance mechanism. In the nineties, those who pay more will get more. Local funding will be key to leveraging federal funds.

The state alone cannot be expected to meet the region's transportation needs. To accomplish our highest priorities, we must form a new partnership with the state. As a partner with independent resources, the region will be able to leverage more state and federal funds than they might otherwise secure. However, regional funding creates a risk of state funds being diverted away from this region, thereby negating the benefits of the regional funds. For example, the state might follow a statewide, priority-based plan for funding. If the highest priority projects in this region were funded locally, the state might ultimately spend more in other regions and less in this region. With safeguards enacted, local resources will not reduce federal and state investment in southwestern Pennsylvania. Rather, local funds will secure more federal and state funding. Safeguards for state funding might include a clause in the authorizing legislation that prohibits a reduction in state funds due to the regional levies, or a policy wherein the regional funds are "last in" on each project (i.e. not committed until after state funds are committed to the project).

Regional Transportation Finance Authority

Reaching broad-based agreement on a Regional Authority is a formidable job. The authority would effect many changes in governmental responsibility, and such changes are made slowly. The county commissioners, who enact the transportation taxes, have responsibility to see that the revenues are wisely used. Under Proposal 1, some of this responsibility would be delegated to the authority. The board composition of the authority must ensure that the county commissioners retain some purview over the use of the tax revenues.

Each county has its own, substantial transportation needs. Each one probably could use all of its tax revenues for its own needs, local roads, bridges, or transit. With pressing local needs, regional needs could become secondary. The authority would provide a forum where regional needs would be more likely to receive attention and emphasis.

The authority, and the related tax measures, are an innovative solution to a longstanding problem. County governments will have more responsibility for transportation than they have ever had. For the counties to assume that responsibility, the public must recognize that the state and federal governments cannot be expected to meet our full needs.

Taxes

The regional financing program should be modest enough to be politically palatable, yet large enough to make significant transportation improvements. A $2 billion regional financial program is appropriate, although it does not meet the entire shortfall.

The proposed 1 percent sales tax, 5 cent gasoline tax and 4 mill ad valorem vehicle tax may not ultimately be the most politically acceptable tax blend. The best tax proposal will evolve in subsequent discussions. A number of interest groups seek a sales tax for their purposes; perhaps, only a portion of the 1 percent tax should be designated for transportation. The ad valorem vehicle tax is strongly supported; it could bear a larger portion of the financing burden.

Ideally, each county should enact the same taxes at the same rate. A uniform level of effort will create an equitable basis for the regional authority. However, there is no mechanism to ensure that the counties do this. This is a potential source of controversy and weakness in the authority. The group recognized that, initially, different counties will have different levels of public support, dictating different tax rates. Some counties might wish to contribute more in order to "buy" more transportation improvements; others might not have as much public support for this type of taxation. The group believed, however, that through achieving results with the funds that are levied, and through a public education process, a satisfactory and workable taxation scheme would ultimately emerge among the member counties of the authority.

Work Program

While the policy conference reached consensus on a regional transportation finance mechanism, that is only a first step. A broader consensus-building process must follow. This process must be led by a coalition of public and private leaders. The private sector, working in cooperation with the public sector, is the most credible advocate of a regional finance mechanism. A public-private partnership is essential to achieve public credibility.

The transportation financing proposal needs to be fully explained and discussed with each board of county commissioners, the Pittsburgh Mayor and city council. Meetings with business and civic leaders are likewise essential. SPRPC should also pursue a public information program that will inform the public of the transportation issue, poll and measure public response, provide input to the planning process, and cultivate support for the finance mechanism.

While this effort proceeds, SPRPC should develop a comprehensive regional transportation plan. The plan will identify projects which the financing mechanism will advance as well as the associated economic benefits. A specific transportation improvement plan is essential to secure support for new tax levies.

STATUS OF THE PROJECT

The southwestern Pennsylvania Regional Transportation Financing Initiative is advancing on several fronts. Legislation based on Proposal 1 and following recommendations from the policy conference has been discussed among legislators and other regional leaders. SPRPC has also begun the public relations effort, introducing the initiative to public and private groups in a wide variety of forums.

SPRPC's objective is to implement the initiative through a two-year work program. In addition to the legislation and the public relations effort, the centerpiece of this work program is a comprehensive planning process. In this process, SPRPC and regional leaders will evaluate transportation options, considering their impacts on growth patterns and the environment. This process will produce a list of priority transportation projects and a specific proposal for financing them. Like a growing number of regions, SPRPC's final transportation plan will be based not on physical expansion of the transportation system to resolve relatively short-term congestion problems, but rather on making strategic, multimodal improvements that will foster a desired vision of regional growth.

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