SOUTHEAST PARTNERSHIP FOR MOBILITY

FINAL REPORT

May 2019 • Version 1.1

www.PaMobilityPartnerships.com

Dear Governor Wolf and Members of the Pennsylvania General Assembly:

On behalf of the Southeast Pennsylvania Partnership for Mobility (Partnership) – a collaboration between the Pennsylvania Turnpike Commission (PTC) and Southeastern Pennsylvania Transportation Authority (SEPTA), in coordination with the Pennsylvania Department of Transportation – we are pleased to present this vision for mobility in the five-county region and ways for the PTC to stabilize toll rates and expand its system to spur additional economic growth.

The enclosed report includes views shared by an Advisory Council comprised of leaders representing the region's major employers, civic associations, elected offices, and transportation agencies. The Council advised the Partnership with thoughtful guidance, and its wisdom is reflected throughout the report.

The report details the extent to which the five-county region has become a powerful economic engine for Pennsylvania, generating 41 percent of all economic activity in the Commonwealth with 32 percent of its population on just 5 percent of its land. It notes that this degree of density and economic productivity is not possible without a high-capacity, comprehensive transportation network to efficiently move people and goods throughout the region.

But it warns that the transportation network that is the backbone of this powerful economic engine cannot be taken for granted, and in fact is increasingly at risk. State legislation requiring the PTC to provide toll-backed funding to PennDOT to primarily fund transit operations has contributed to growing debt levels and 11 straight years of toll increases. Act 44-related debt has also constrained the PTC's ability to advance system improvement projects. The report describes in more detail the impact Act 44 continues to have on the PTC and its customers.

Meanwhile SEPTA, which in 2013 finally received dedicated funding to advance critical capital repair needs to begin rebuilding its aging infrastructure, now has a new challenge: increasing system capacity to keep pace with the region that has grown by more than 100,000 new residents since 2010. SEPTA has proposed a package of capacity-adding projects that would accommodate existing demand and unlock additional growth to keep the region's positive economic momentum going.

Addressing these two interrelated challenges – unsustainable funding sources and limited funding levels for transportation – are the focus of this report. Our hope is that it provides you with a clear understanding of these challenges and a useful menu of solutions to allow the region and the Commonwealth to thrive.

Sincerely,

Pasquale T. Deon, Sr.
Co-Chair

The Honorable Leslie S. Richards
Co-Chair

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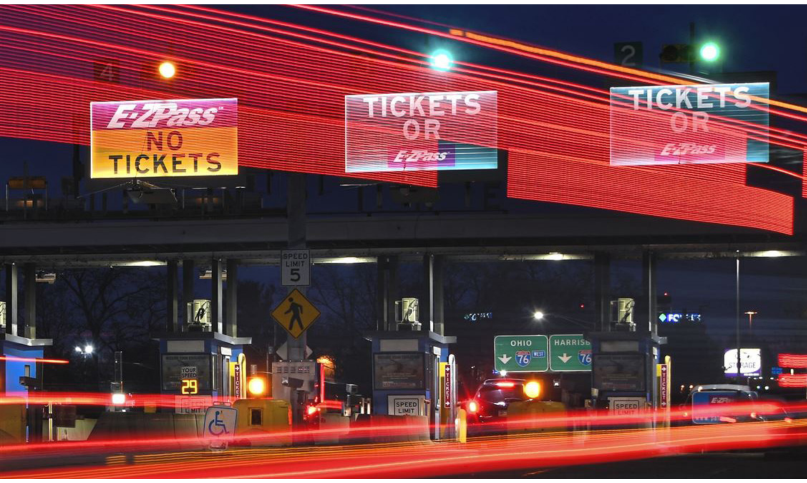
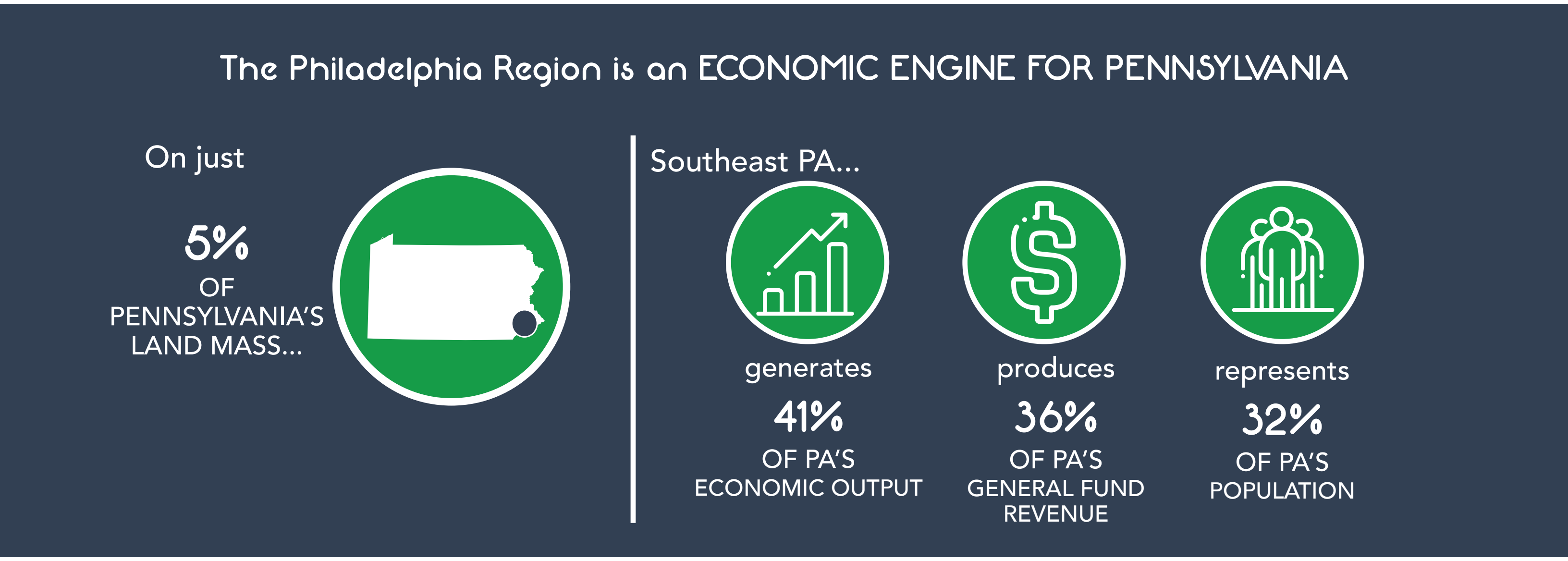


Introduction

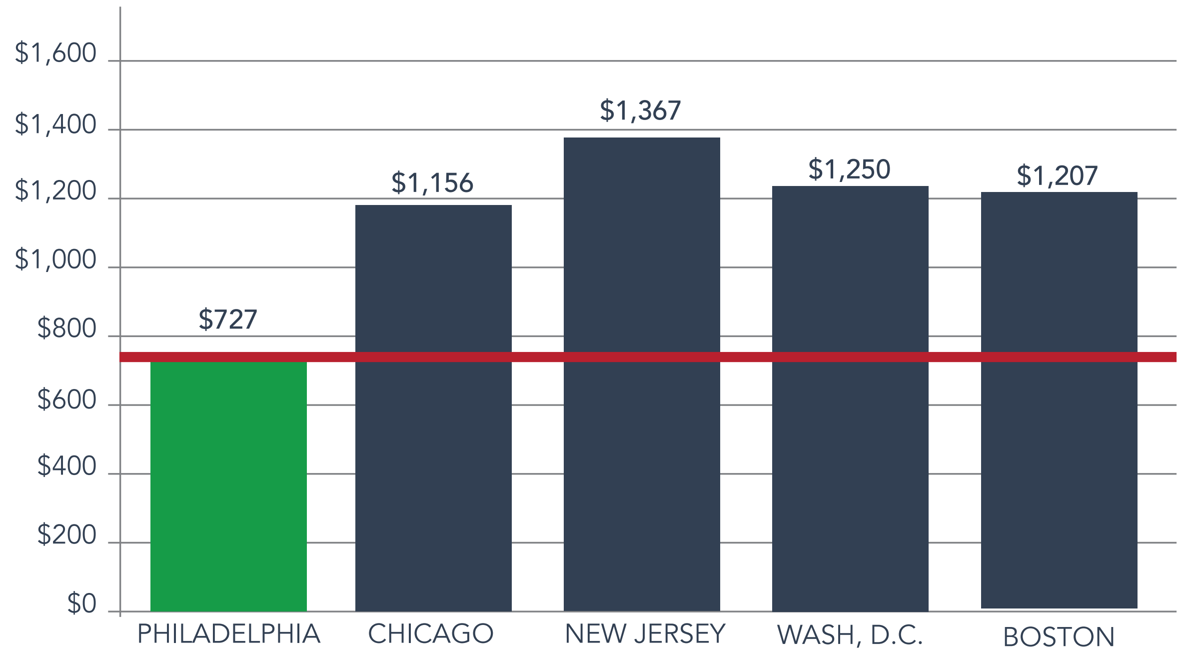
With 4.1 million people living in the region, southeastern Pennsylvania is a powerful economic engine. Efficient transportation systems fuel that engine, allowing people to reach their jobs, grow the economy, and live fulfilling lives.

However, financial commitment to the Philadelphia region's transportation network—at multiple levels of government—lags behind that of its competitors. Without increased investment, there is a limit to what can be accomplished. By pushing forward and doubling down on what allows the region to be great, southeastern Pennsylvania can: enhance quality of life locally and statewide; improve the reliability and sustainability of commutes; and generate new economic opportunities.

> *From Seattle to St. Louis and Minneapolis to Atlanta, studies show that companies are relocating to be near transit lines, as they seek to attract workers, especially millennials, who prefer living in more urban areas and increasingly don't want the long, driving commutes of their parents' generation.*
>
> *— David Schaper*
> *NPR*



Competitor Regions are Investing 70% More in Transit



FY2017-2018 Capital Budgets (millions) Includes federal, state and local funding.

Southeast PArtnership for Mobility Advisory Council

In early 2017, the Southeastern Pennsylvania Transportation Authority (SEPTA) and the Pennsylvania Turnpike Commission (PTC) formed the Southeast Partnership for Mobility (Partnership) to address the challenges facing the region's transportation system. Working together with the Pennsylvania Department of Transportation (PennDOT), the Partnership formed a cross-sector advisory council of regional stakeholders (Council) of major employers, civic leaders, local elected officials, and transportation agencies.

The Partnership has identified a vision for regional mobility, transportation investment and financing opportunities, and a sustainable plan for growing SEPTA's capacity to meet current and future needs. The Partnership has also explored ways for the PTC to stabilize toll rates for customers while continuing to maintain and expand its system to encourage additional economic growth. The Council convened four times over a 10-month period in 2018 and 2019.

Representing a diverse array of regional perspectives—reflecting geographic areas, industries, employment centers, and economic backgrounds—Council members shared unique insights into the transportation challenges facing the Philadelphia region, and how to best address them. Through collaborative group interaction, as well as one-on-one discussions, the Council reached consensus on a course of action.

Most importantly, Council members are unified on one front—meaningful action is needed now to preserve the health of southeastern Pennsylvania's transportation network, to provide access and mobility for the region's workers and families, and to allow Philadelphia to continue to compete and thrive as an economic engine.

Using the Council's input, the following report provides background and context on the current state of the Philadelphia region's transportation system, explains how the current unsustainable transportation funding situation came to be, and outlines the steps needed to place southeast Pennsylvania on a sustainable path forward toward its long-term visions and goals.

MEETING 1
Vision and Need
June 1, 2018

MEETING 2
Peer Benchmarking
October 5, 2018

MEETING 3
Funding and Financing Options
December 7, 2018

MEETING 4
Draft Report
March 22, 2019

Vision
WHAT KIND OF REGION DO WE WANT TO BE?

Vision

Job Creation • Accelerated Economic Growth • Quality of Life

Solution

Act 44 Relief: Sustainable transition of Act 44 payments

Solution

Funding for SEPTA projects of significance

Funding for PTC projects of significance

Challenge

Act 44's public transportation funding mechanism is unsustainable for the state's General Fund, the PTC, and transit statewide.

Challenge

To support new jobs, remain economically competitive and improve quality of life, higher levels of transportation investment are needed in Southeast PA.

Why is Southeast PA's Public Transportation Network Important?

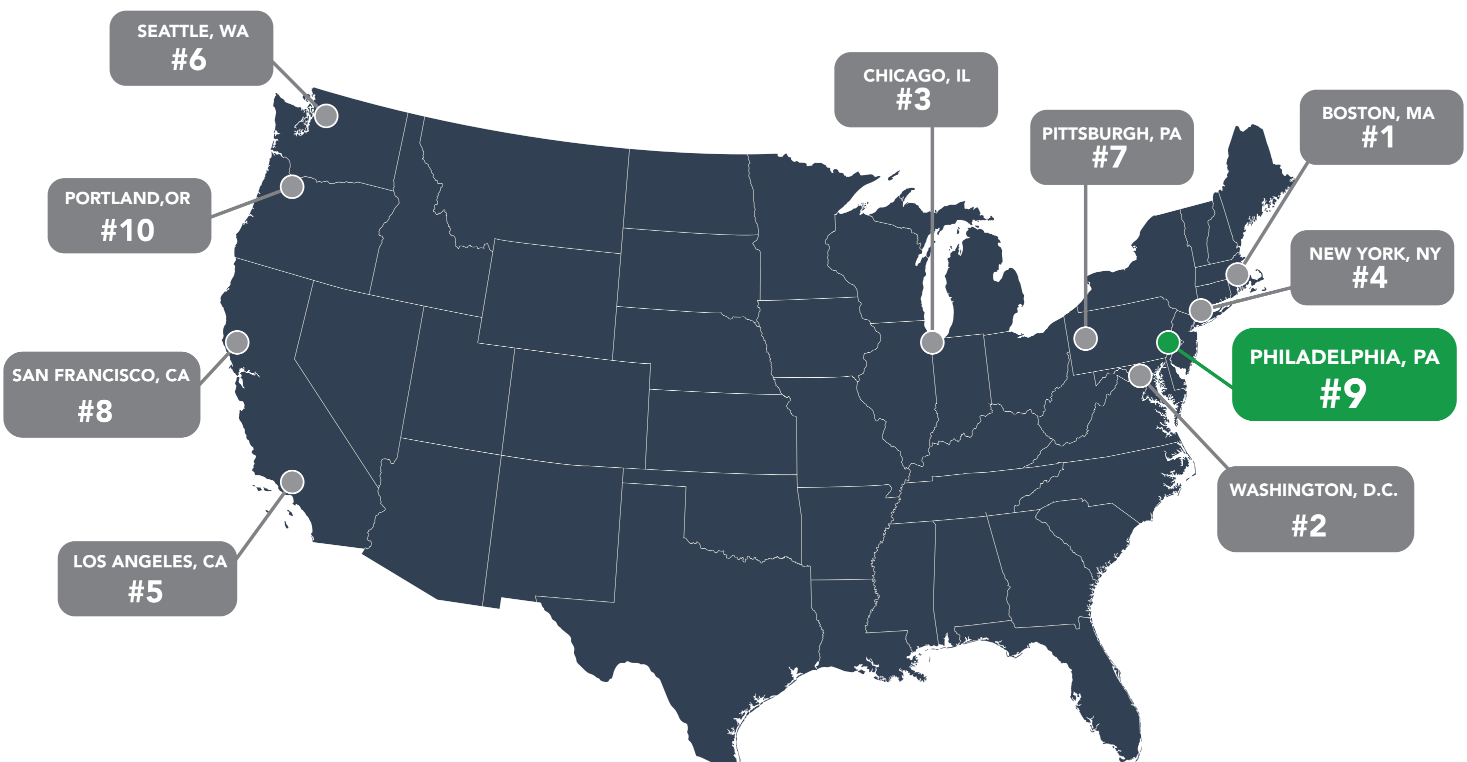
Transit is a mobility service. It is widely understood that investing in a region's transportation system has far-reaching economic, social, mobility and health benefits. But why, exactly, is funding transportation so important—and what, exactly, is the return on investment?

In the case of transit, it is a mobility service that is available to almost anyone, regardless of age or income. A significant percentage of the population relies on transit for mobility because they are under 16 years old, because they are physically unable to drive, or because they do not own a car.

As those familiar with the highway network around Philadelphia can attest, transit is also essential because it moves many people using a very small space. A typical transit bus can accommodate dozens of people in the same amount of physical space as three people in single-occupant vehicles. Transit also requires no parking at the destination—critical in the revitalized urban core of Philadelphia.

In the already-saturated highway network surrounding Philadelphia, transit expansion projects such as King of Prussia Rail are expected to provide immense mobility benefits to transit users and drivers alike.

#9 Of the 10 Most Congested Cities in the U.S., PHILADELPHIA IS 9TH



Drivers in SE PA lose approximately $1,568 and 112 hours each year because of congestion on the region's roads

(Based on Hours and Money Lost Due to Traffic Annually)
Source: INRIX.com/scorecard

An improved transportation network also has measurable economic benefits. According to a 2018 economic impact analysis performed by Econsult Solutions, the annual combined economic impact from SEPTA's capital investments and ongoing operations generate $3.05 billion in Pennsylvania, supporting 23,000 jobs and more than $1.7 billion in earnings, while SEPTA rail service adds $33 billion in residential property value across Bucks, Chester, Delaware, Montgomery and Philadelphia Counties.

The PA Turnpike serves as an economic driver for Pennsylvania well beyond the areas immediately adjacent to it. According to a recent study of the new Route 29 interchange's economic impacts performed by 4ward Planning, the PTC's $60 million investment resulted in an increase of between 9,700 and 16,160 total new jobs, between $866 million and $1.4 billion total labor income, between $3.5 and $5.8 billion in total economic output, and between $28 and $58 million in state and local taxes within Chester County from 2010 to 2015 surrounding the opening of the interchange in December 2012.

Regional Projects of Significance

Plans have been developed for a transportation network to accommodate southeast Pennsylvania's current congestion and growing economy. Both SEPTA and the PTC have a slate of "projects of significance," viewed as key to making that vision a reality. Without relief from Act 44 and additional bondable revenue, these projects cannot be advanced or delivered.

SEPTA Projects of Significance

SEPTA has identified four projects crucial to meeting capacity demands, connecting developing areas of the region, and meeting the diverse needs of its riders. A brief summary of the four projects follows.

Market-Frankford Line (MFL) Capacity Improvements - $1.3 billion

This project will extend station platforms along the line to accommodate eight-car trains instead of six-car trains, and include associated vehicle procurement and infrastructure improvements needed to operate the higher-capacity system. The MFL is the workhorse of the SEPTA system, connecting every other SEPTA rail line, all inter-city service, and nearly two-thirds of SEPTA's bus routes. Ridership has grown by 41 percent on the MFL since 2000, including a more than 200 percent spike at Berks Station, which serves Fishtown/ Kensington, termed one of the "hottest neighborhoods in America" by Forbes Magazine.

Regional Rail Silverliner Car Fleet Replacement - $2.4 billion

This project will provide for the purchase of new railcars to replace SEPTA's Silverliner IV railcar fleet, which were built between 1974 and 1977 and are beyond their useful life. Ridership on regional rail, meanwhile, has grown by 52 percent since 2000. The Silverliner IVs will be replaced with higher-capacity railcars; associated infrastructure investments such as new track and interlockings will also be made to support the higher-capacity system and allow for increased frequency of service.

Trolley Modernization - $1.6 billion

SEPTA's trolley system covers more than 90 route miles across the region—one of the largest streetcar networks in the United States. This project will provide for the purchase of modern low-floor articulated light rail vehicles to replace trolleys on six city routes (10, 11, 13, 15, 34, and 36) and two suburban routes (101 and 102). These lines currently operate with trolleys that are nearly 40 years old and beyond their useful life. Through a combination of vehicle and infrastructure investments, this project will accomplish three goals: create a fully accessible system compliant with ADA requirements; significantly improve the customer experience; and improve the cost-effectiveness of the system.

SEPTA's projects of significance will change the economic trajectory of the region, increasing the growth path of southeastern PA by an estimated 50% over 30 years. The four projects, at a total cost of $6.5 billion, are projected to generate $17.1 billion in additional tax revenues (net present value) - a 12.3% internal rate of return on investment.

11.4 million SF
additional commercial development in downtown Philadelphia and King of Prussia

149,900
additional jobs across the region

$10.1 billion
additional annual earnings across the region

$20.5 billion
total property value growth

$17.1 billion
net present value of expected increase in tax revenue

Source: Econsult Solutions Inc.

King of Prussia Rail - $1.2 billion

This project provides for a four-mile extension of the Norristown High Speed Line to King of Prussia (KOP). Growing congestion has resulted in longer and less reliable commutes for drivers and transit customers, limiting economic potential. KOP Rail will provide a high-quality transportation option to reinforce its competitiveness and allow for continued growth in an area already accommodating more than 65,000 employees. In so doing, the project will promote and strengthen growth across the region by connecting its three largest employment centers — Center City, University City and King of Prussia — with reliable rail transit.

Benefits of SEPTA's Projects of Significance

CAPACITY INCREASES

Grow the volume of riders to key employments nodes

SERVICE QUALITY IMPROVEMENTS

Benefit riders and housing values

Improved service

Improved destinations

Transportation Impacts by Project

	Capacity Change	Service Quality Change
MFL Capacity		
Increased number of cars	X	
Regional Rail Capacity		
Increased frequency	X	X
Increased speed		X
Increased capacity per car	X	
Trolley Modernization		
Increased speed	X	X
Increased capacity per car	X	
KOP Extension		
New destination served		X
Increased frequency	X	X
Increased capacity per car	X	

PTC Projects of Significance

The PA Turnpike has planned projects, which are currently unfunded, but would support reliability, improve access, and generate additional economic opportunity in the region and statewide.

I-95 Interchange, reconstruction/widening between Bensalem and Delaware River, and Delaware River Bridge - $1.1 billion

A massive undertaking that has been decades in the making, the PA Turnpike/I-95 Interchange project in Bucks County provides a direct connection between I-95 and the PA Turnpike, completes the "missing link" of I-95 by re-designating portions of the PA and NJ Turnpikes as I-95, reduces congestion on local roads, and improves travel times on I-95 and other roads in the area.
In September 2018 the direct connection between the two highways was completed, allowing I-95 to be re-designated along the Turnpike's length east of the existing I-95 interchange. Reconstruction and widening to six lanes between the Bensalem Interchange and Delaware River must still be completed, along with a new structure over the river into New Jersey.

Other than the I-95 Interchange, no specific interchanges have been planned or programmed at this time for Bucks County. However, improvements to the existing Bensalem, Street Road and Delaware Valley interchanges would improve access and help create and/or grow business development in the area.

Aerial view of PA Turnpike/I-95 Interchange, Bucks County

Total reconstruction/widening, SR 29 to Valley Forge - $325 million

This project involves the reconstruction and widening of six miles of the PA Turnpike between the Route 29 (Phoenixville/Malvern) and Valley Forge Interchanges in Chester and Montgomery Counties. Upon completion, the existing four-lane roadway with a 10-foot median and 12-foot shoulder will be converted into a six-lane facility with three 12-foot travel lanes in each direction, a 26-foot median and 12-foot shoulders. The additional capacity will reduce congestion and improve travel times through this busy section of the PA Turnpike.

Reconstruction/widening, Norristown to Bensalem - $2.0 billion

The 18-mile Norristown-Bensalem corridor of the PA Turnpike in Montgomery and Bucks Counties provides a vital transportation link to the region and functions as part of the de facto beltway around Philadelphia, connecting a number of suburban communities and major north-south routes such as I-95, I-476, PA 309, PA 611, and US 1.

Norristown to Bensalem includes the four highest-traveled segments along the entire Turnpike system, with an average of more than 105,000 vehicles per day and travel speeds dropping to between 30 and 50 MPH during peak hours. This project would reconstruct and widen the stretch of highway from six to eight lanes, except the section between Mid-County and Fort Washington (PA 309), which would be 10 lanes—providing adequate capacity, improving travel time reliability and increasing safety.

Montgomery County Interchanges - $245 million

In collaboration with the PTC, Montgomery County is actively engaged in the ongoing Pennsylvania Turnpike Corridor Reinvestment Project. As part of the project, a study recommended three new interchanges along the PA Turnpike: Henderson Road, Lafayette Street, and PA-63 (Welsh Road). The Lafayette Street Interchange is currently in design and is expected to open in 2022.
The study also recommended improvements to the existing Valley Forge, Fort Washington, Virginia Drive, and Willow Grove Interchanges. Altogether, the projects would encourage additional investment in the 10,500 acres of business park adjacent to the Turnpike in Montgomery County, creating jobs and spurring growth for the region.

The PA Turnpike's $60 million Route 29 Interchange in Chester County opened to traffic in 2012. In order to better estimate the interchange's impact investment to the region, the PTC commissioned an economic impact analysis in 2018. Between 2010 and 2015, the interchange's total estimated economic impacts to Chester County were:

9,700 - 16,160
total new jobs

$866 million - $1.4 billion
total labor income

$3.5 billion - $5.8 billion
total economic output

TAX

$28 million - $58 million
new state and local tax revenue within Chester County

Source: 4ward Planning

MOBILITY BENEFITS

SEPTA and the PTC support the movement of people and goods.

The Philadelphia region grew by 105,000 people from 2010-2017. With the regional highway network already at capacity, this growth would not have been possible without SEPTA.

SEPTA provided 302 million trips across all modes during FY 2017-18. Without transit, these trips would be otherwise distributed across the regional highway network.

Between 2010 and 2017, population in tracts adjacent to SEPTA's Broad Street and Market-Frankford Lines in Philadelphia grew by 32,000 while the rest of the city grew by only 20,000.

More than half of Philadelphia's primary jobs are located within a 4.5 square mile area encompassing Center City and University City. Sixty-two percent of all work trips into Center City are now taken on transit.

Skyscrapers are now being built with no parking, reflecting increased reliance on transit in urban cores.

SEPTA and the PTC's planned projects of significance will deliver tangible mobility benefits for highway and transit users.

ECONOMIC BENEFITS

The Philadelphia region's economic health supports the economic health of the entire Commonwealth of Pennsylvania.

The annual combined economic impact from SEPTA's capital investments and ongoing operations generate $3.05 billion in Pennsylvania, supporting 23,000 jobs and more than $1.7 billion in earnings.

41 percent of Pennsylvania's gross domestic product is produced in Southeastern PA, on 5 percent of its land area and with 32 percent of its population.

SEPTA rail service adds $33 billion in residential property value across southeastern PA, meaning that if service was eliminated or reduced, property values could decrease.

Future projects of significance will continue to create economic benefits.

Enhanced access to downtown Philadelphia and King of Prussia from the projects of significance are projected to stimulate an additional 11.4 million square feet of office development at those locations alone.

The region is projected to add nearly 150,000 additional jobs over a 30-year period.

TAX REVENUE BENEFITS

SEPTA and the PTC directly and indirectly contribute the state's General Fund and local tax rolls.

The combined direct annual tax revenue from SEPTA's capital investments and recurring operations is $68 million for the Commonwealth of PA ($39 million income, $22 million sales, $7 million business) and $37 million for Philadelphia ($29 million income, $3 million sales, $5 million business).

Thirty-six percent of ALL General Fund revenues originate in the five-county region (32 percent sales, 36 percent income, 41 percent corporation, 42 percent estate & realty transfer).

The property value premium from proximity to SEPTA service increases real estate tax collections, which serve as the primary revenue source for most municipalites and school districts throughout the region.

Future capital projects will generate additional tax revenue.

Enhanced economic activity and property values from the projects of significance are projected to generate a combined $1 billion in additional annual tax revenues for the Commonwealth, City of Philadelphia and suburban jurisdictions throughout the region.

By facilitating additional economic growth and increasing developable area by reducing the need for parking, potential for additional General Fund and local tax revenues increases.

The Voting Public Supports Transit Investment

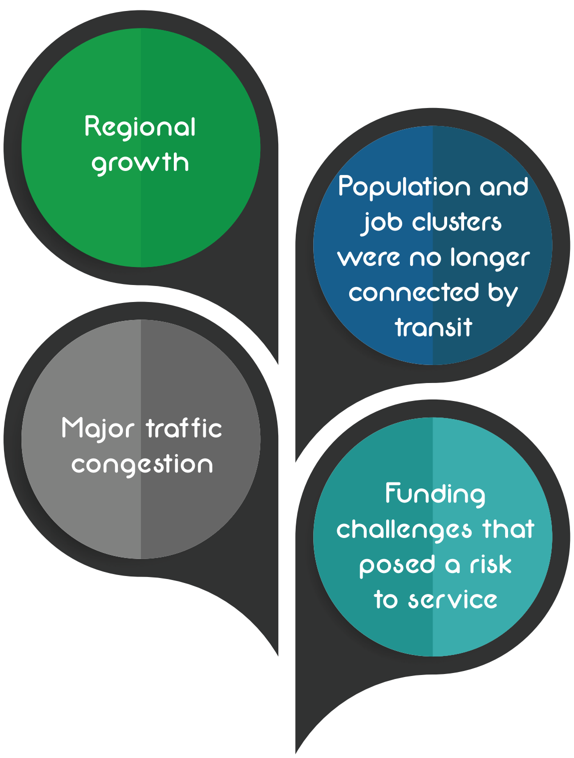
Philadelphia is far from alone in its efforts to drive its economic competitiveness by improving mobility within the region. As noted by the American Public Transportation Association (APTA), public transportation won 30 of 36 ballot measures in primary and general elections nationwide in 2018; a win percentage of 83 percent. Historically over the past two decades, public transportation measures have won more than 70 percent of the time.

When given a chance for its voice to be heard, the public overwhelmingly supports transportation investments.

Motivating Factors

The Partnership studied transportation challenges and solutions of four U.S. metropolitan areas to identify challenges, best practices and paths forward. Atlanta, Chicago, Seattle, and Washington, DC were identified as economic competitors with the Philadelphia metropolitan region—all made recent changes to the way they fund public transportation.

The four competitor areas were motivated by similar challenges to those currently facing Philadelphia, including:



The four competitor areas also followed imitable paths to reach solutions:

1. Developed local or regional funding solutions
2. Gained support from the business community, public advocacy groups, and elected officials
3. Included tangible, quick-implementation service improvements as part of their long-term strategies
4. Increased existing taxes to raise funds

Case Studies

Specific examples from competitor regions include:

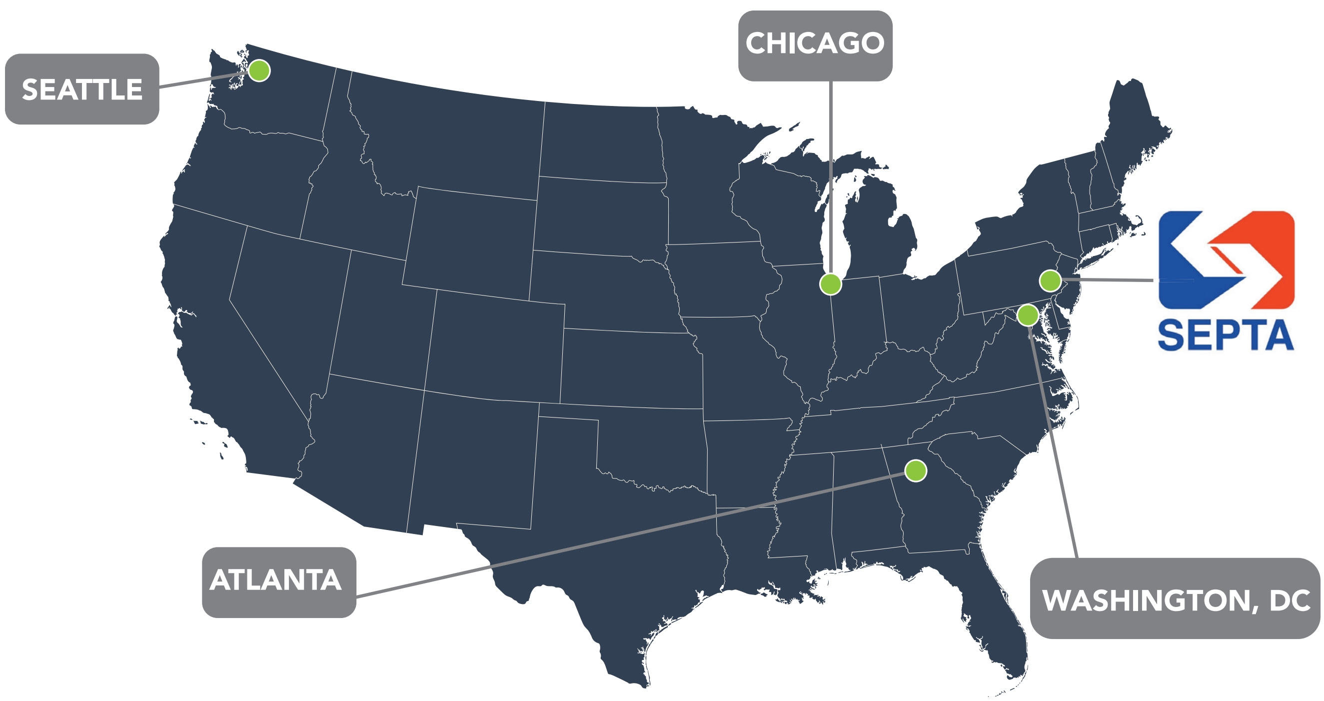
Georgia passed Transit Expansion Bills (Transportation Special Purpose Local Option Sales Tax) to support transit in Atlanta.

The bills allow the 13 counties around Atlanta to impose sales taxes of up to one percent for transit for 30 years. They also give each county the ability to pass the tax via referendum and limit the counties to a two percent sales tax on top of Georgia's sales tax. Three additional counties joined Atlanta's transit provider, MARTA as part of the effort.

Chicago instituted a new ride-hailing surcharge dedicated to transit in late 2017.

The new surcharge is $0.15 per ride on Transportation Network Companies (TNCs) such as Uber and Lyft in 2018; it increases to $0.20 in 2019. This surcharge is in addition to its existing $0.52 fee. The new surcharge is estimated to raise $16 million in 2018 and $21 million in 2019.

The City of Philadelphia currently collects taxes on TNCs, but their revenue is used to support the School District of Philadelphia and Philadelphia Parking Authority (PPA).



Local Funding Options Pursued by Competitors

REGION	FUNDING MECHANISMS FOR TRANSPORTATION
Washington, DC	Real estate tax, sales tax, ride-hailing tax, hotel tax, gas tax
Chicago	Sales tax, real estate transfer tax, ride-hailing tax
Seattle	Sales tax, vehicle registration fees
Atlanta	Sales tax

Challenge Seattle supported the funding initiatives through its employees, public messaging, and funding.

Challenge Seattle is a private sector advocacy group comprised of many of the region's CEOs and led by the State of Washington's former governor. Its goal is to address issues that impact the future of the region's economy and quality of life; member organizations include Amazon, the Bill & Melinda Gates Foundation, Microsoft, Starbucks, and Nordstrom. The group announced its support for increased transportation funding and used its membership to promote the message. The group also provided funding for a Mobility Innovation Center at the University of Washington.

The District of Columbia's transit provider, WMATA, determined the amount of funding it needed from each of the three jurisdictions which it services.

It then asked each of those jurisdictions to determine how to best reach that funding target. Each of the three jurisdictions agreed to dedicate funds to WMATA as long as the other two jurisdictions did the same. Each of the jurisdictions required WMATA to make changes to its complicated board structure and placed limits on its capital budget growth. Using this jurisdiction-based approach, the region was able to secure more than $500 million in new annual revenue for transit.

Transportation
is a differentiator
when competing for employers and employees.

Southeast Pennsylvania's Challenge

SUSTAINABLE, BONDABLE INVESTMENT

A safe and reliable multi-modal transportation network requires stable, sufficient transportation funding. As reported in a February 2019 study by the Pennsylvania Transportation Advisory Committee (TAC), ***Risks to Transportation Funding in Pennsylvania***, projected transportation funding is not adequate to meet statewide needs; cost pressures further strain existing resources. Additional risks include national policy changes, legal decisions, and reduced oil company franchise tax revenue. Pending litigation against the PTC has amplified and hastened the need for change.

Vision

Job Creation • Accelerated Economic Growth • Quality of Life

Solution

Act 44 Relief: Sustainable transition of Act 44 payments

Solution

Funding for SEPTA projects of significance

Funding for PTC projects of significance

Challenge

Act 44's public transportation funding mechanism is unsustainable for the state's General Fund, the PTC, and transit statewide.

Challenge

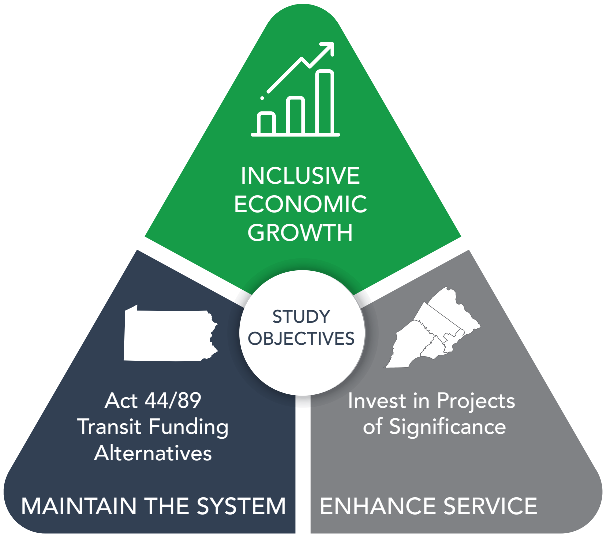
To support new jobs, remain economically competitive and improve quality of life, higher levels of transportation investment are needed in Southeast PA.

Southeast Pennsylvania's Challenge

The statewide risks and needs outlined within the TAC's study provides context for the biggest challenges within the Philadelphia region. The transportation challenge facing southeastern Pennsylvania is two-fold:

1. Act 44's public transportation funding mechanism is unsustainable for the state's General Fund, the PTC, and transit statewide.

2. To support new jobs, remain economically competitive and improve quality of life, higher levels of investment are needed in Southeast PA.



Importance of Bondable Revenue

A point of emphasis for delivering the region's vision is to ensure bondable revenue streams. Many regional projects of significance, such as SEPTA's $2.4 billion regional rail fleet replacement and service enhancement, require large amounts of upfront money for procurement. Without the ability to leverage bonding and financing, SEPTA would be forced to stockpile funds over a decade or more to advance and complete projects considered essential to the region's vitality today.

Challenge

Act 44's public transportation funding mechanism is unsustainable for the state's General Fund, the PTC, and transit statewide.

Even if current federal and state funding levels remain the same, the revenue sources currently used to fund SEPTA and other transit agencies around the Commonwealth have placed the state's General Fund, the PTC, and statewide transit funding in an untenable long-term situation.

Funding Timeline

July 2007	April 2010	July 2012	November 2013	December 2015	September 2020	July 2022
Act 44 Passed	Request to toll I-80 denied by FHWA	MAP-21 Passed	Act 89 Passed	FAST Act replaced MAP 21	FAST Act Expires	PA Turnpike contribution will be reduced from $450M to $50M $450M Motor Vehicle Sales Tax

Acts 44 and 89: Funding History

In July 2007, the Pennsylvania General Assembly enacted Act 44, which expanded the PTC mandate from one focused entirely on constructing, operating and improving the PA Turnpike to one that also provides annual funding contributions of $450 million to PennDOT for broader Commonwealth transportation needs. Since Act 44's passage the PTC has provided more than $6 billion in funding support for Commonwealth transportation needs. The PTC has primarily financed its Act 44 commitments to the Commonwealth through the issuance of bonds.

To assist with the effort, Act 44 authorized PennDOT and the PTC to seek Federal Highway Administration (FHWA) approval to convert Interstate 80 to a toll facility. Act 44 also established the Public Transportation Trust Fund (PTTF), which restructured state funding for public transit and replaced previous General Fund sources with dedicated, predictable sources. As Pennsylvania's largest public transportation service provider, SEPTA receives a substantial portion—roughly 70 percent—of state funding distributed from the PTTF.

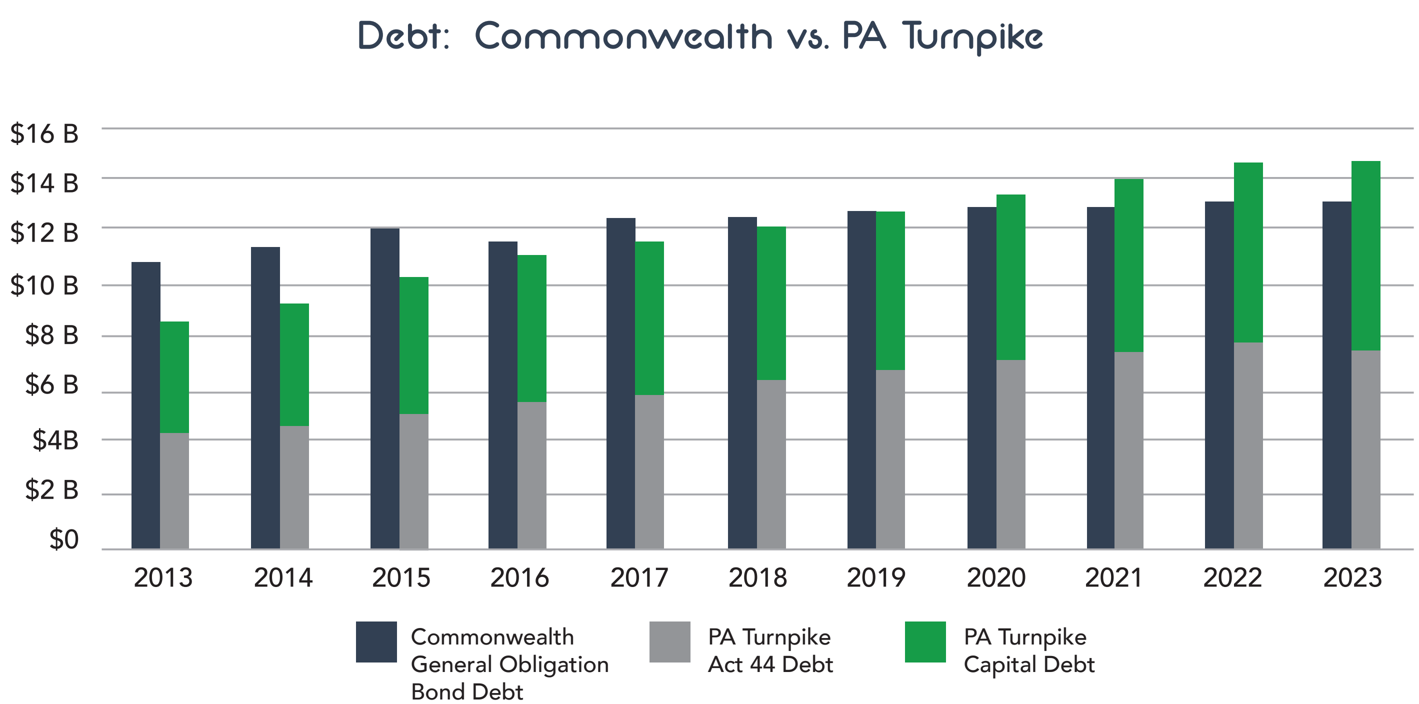
In April 2010 FHWA, citing legal concerns, ultimately denied the approval to toll I-80. Because of the I-80 plan's denial, Act 44 funds delivered to SEPTA and other Pennsylvania transit authorities were reduced by statutory formula. Between fiscal year 2011 and 2014, SEPTA's capital program budget was reduced to about $300 million annually—its lowest level since 1997. During this period, the backlog of capital repair needs increased to more than $5 billion.

The passage of Act 89 of 2013 produced widespread changes for both SEPTA and the PTC. While the PTC's aggregate payment obligation remained at $450 million annually, beginning July 1, 2014 all $450 million was allocated to support transit capital, operating, multi-modal and other non-highway programs. Stabilizing the sources of Act 44 payments and dedicating the Turnpike's Act 44 contributions to transit, Act 89 ensured that SEPTA and other transit providers around the state could count on steady revenue streams.

Beginning on July 1, 2022, the PTC's required annual contribution to PennDOT will be reduced from $450 million to $50 million, lessening the PTC's burden. Vehicle sales tax revenues are earmarked to replace that reduced funding with a floor of $450 million from the state General Fund. The PTC will continue to contribute $50 million per year through 2057.

PTC Financial Impact

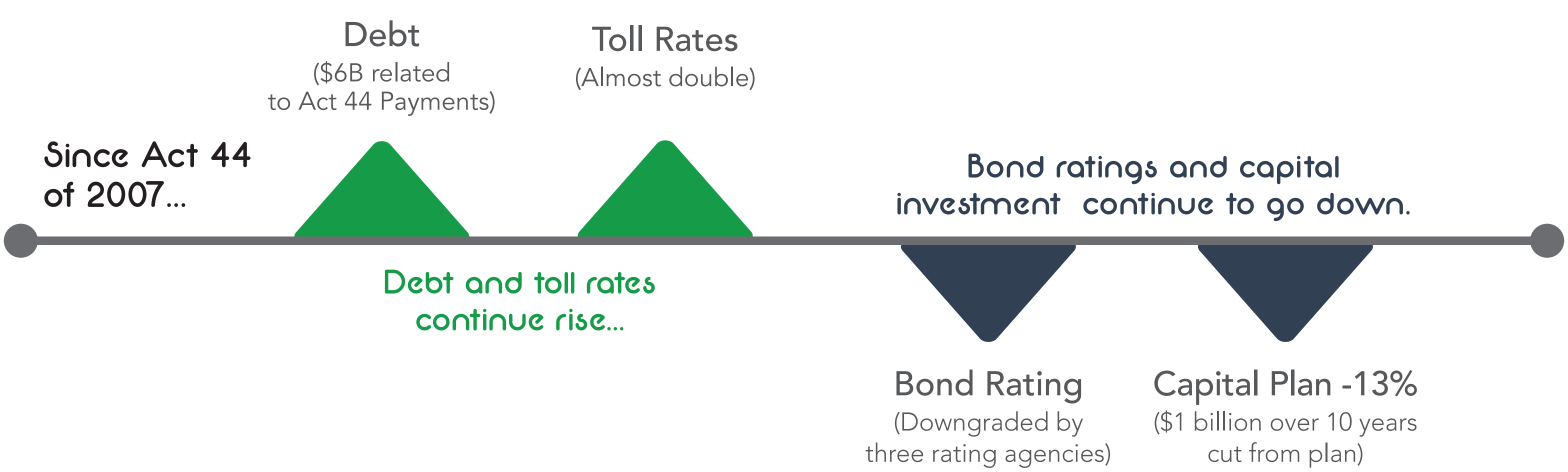
Act 44 has dramatically altered the PTC's fiscal picture by expanding its mandate to provide annual funding contributions for broader statewide transportation needs in highways, bridges, and public transportation. The PTC's outstanding debt has grown from less than $4 billion in 2008 to approximately $13 billion today and will continue to grow to nearly $15 billion by 2025 before the relief given by Act 89 will allow the PTC to methodically pay down its debt.



While the PTC continues to meet its financial obligations each year, this increase in debt has caused all three major credit rating agencies to downgrade the agency's bond ratings in recent years, causing an increase in the cost of borrowing money. Because the PTC has been forced to finance its Act 44 payments, the PTC has had no choice but to raise its toll rates at a rate higher than that of inflation to offset its mounting debt obligations. SEPTA is also not able to borrow against these payments—which make up a sizeable portion of its overall capital budget.

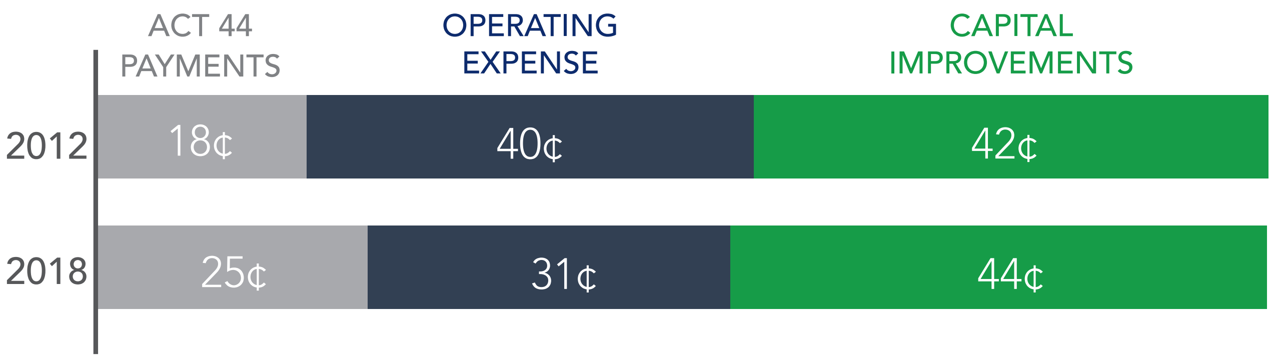
For consumers, the impacts have been twofold. Tolls for customers have almost doubled since 2008, and increases will continue to outpace inflation through 2026. This burden is paid by the PA Turnpike's travelers, and also increases the cost of delivering goods and services to the region. There is a potential that continued increases in tolls will cause freight distributors to bypass the PA Turnpike and the Port of Philadelphia for other points.

Act 44 IMPACTS to PA Turnpike and Its Customers, Since 2007



Additionally, the PTC has been unable to significantly invest in capital projects in the region to relieve congestion and spur economic growth. Reductions in the capital program have shifted the PTC's focus toward preservation of its assets. Regional projects of significance, which would increase capacity of the roadway or add crucial new interchanges with local roadway networks, have been delayed or cancelled.

Where Does Your Toll Dollar Go?



In 2018, seven more cents of each toll dollar were being used for Act 44 payments than in 2012, at the expense of the operating budget.

As part of its effort to assess current risks facing transportation funding in Pennsylvania, the TAC considered the effects of extending Act 89's mandate should the legislature elect to avoid placing additional pressure on the General Fund. If Act 89 is extended another five years, requiring the PTC to continue making payments of $450 million per year to the PTTF through FY 2026-27, then the Turnpike could incur more than $2 billion in new debt.

The effects of that additional debt burden would be widespread. Under this scenario, more than 60% of the PTC's revenue would be used solely for debt service; the PTC could expect further bond rating downgrades; capital projects would be limited, reducing expected economic growth; and annual toll rates could need to be increased even higher than the current 6% per year increase.

Challenges with the PTC's Act 44 obligations extend to transit agencies like SEPTA, as well. Because the PTC must finance its obligations to PennDOT rather than pay outright until July 1, 2022, public transportation agencies like SEPTA who depend on that revenue are not able to bond against it. As such, SEPTA's ability to finance its own capital projects is limited.

SEPTA and other statewide transit agencies have benefitted greatly from Act 89; capital assistance funding levels were increased immediately upon passage and have grown in the years since. Still, the annual unmet need for public transportation programs statewide remains approximately $1 billion beyond current funding levels.

Pending Litigation Jeopardizes Act 44 Payments

Challenging the constitutionality of transferring toll revenue to the Public Transportation Trust Fund (PTTF) to fund public transportation, a lawsuit filed against the PTC by the Owner Operator Independent Drivers' Association and National Motorists' Association has jeopardized the PTC's ability to make its mandated payments. If the lawsuit continues to delay PTC payments, the PTTF may not recover the $450 million per year through FY 2021-22.

One implication of the litigation has already occurred—the PTC is unable to borrow money to make its Act 44 payments in FY2019. In the interim PennDOT has temporarily shifted funds to cover a portion of the shortfall. That practice is temporary; wider cuts to transit capital and operating budgets across the state will occur in FY 2019-20. All told, a $1.8 billion loss could affect both the PTTF and the Multimodal Transportation Fund (MTF).

At this time, the outcome of the legal challenge is uncertain.

A number of SEPTA's programmed capital projects are in jeopardy...

SEPTA Capital Projects at Risk

A number of SEPTA's regional projects are in jeopardy of deferral because of the lawsuit. A sample of affected major projects include:

- City Hall Station Reconstruction and ADA improvements
- Station accessibility projects on Market Frankford Line and Broad Street Line
- Real-time service information
- City and Suburban Transit Trolley Modernization
- Elwyn to Wawa Rail Service Restoration
- Regional Rail Station Accessibility and Improvement Projects across the region
- Bridge and Substation Rehabilitation Projects across the system
- 69th Street Terminal Parking Garage

If litigation continues to prevent Act 44 payments, SEPTA's funding from PennDOT is at risk and will be reduced significantly starting July 1, 2019.

FY 2017-2018	FY 2018-2019	FY 2019-2020
$350M	$288M	$107M

Cost of Deferred Maintenance

A theme common to underfunded transportation agencies is rising costs due to deferred maintenance. When adequate revenue streams are in place, agencies are able to keep up with their routine cyclical maintenance needs to maximize their assets' lifespans, while minimizing overall life cycle costs by performing the appropriate treatments at the appropriate times. Unfortunately, this ideal scenario is uncommon in today's fiscally constrained environment.

In the American Society of Civil Engineers' (ASCE) 2016 report titled "Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future," a methodology was developed to estimate the true economic cost of deferring infrastructure maintenance into the future, answering the question "How does the nation's failure to act to improve the condition of U.S. infrastructure systems affect the nation's economic performance?"

The report's findings are sobering. Across all US infrastructure sectors including surface transportation, water/wastewater, electricity, airports, and inland waterways and marine ports, there was $3.32 trillion of investment need from 2016 to 2025. Of that, only $1.88 trillion was expected to be funded given current levels, leaving a $1.44 trillion funding shortfall over that 10-year period—including $1 trillion for surface transportation alone.

As costs rise, business productivity falls, causing GDP to drop, cutting employment, and ultimately reducing personal income. ASCE estimated that from 2016 to 2025, each American household would lose $3,400 each year in disposable income due to infrastructure deficiencies. Further, it found that if this investment gap is not addressed throughout the nation's infrastructure sectors by 2025, the economy is expected to lose almost $4 trillion in GDP, resulting in a loss of 2.5 million jobs in 2025.

When broken down to a small scale the additional required investment to reverse this trend is not insurmountable. ASCE identified the relative cost of deferring maintenance projects into the future. It found that the nation's overdue infrastructure maintenance bill is costing American families $9 per day; but an additional daily investment of just $3 per day per family could eliminate the gap by 2025.

Impacts on Businesses

- Increased cost of production (costs of electricity, water/wastewater, intermediate goods for production from surface transportation as well as costs associated with electricity, water and waste water for these purchased products, and cost of imports)
- Declining exports (cost of production, increased surface transportation costs to reach seaports and airports, and inefficiencies at airports and marine ports)
- Increased cost of business travel (poor surface transportation, ineffeciencies at airports)
- Declining consumer spending (see impacts on households, right)

Impacts on Households

- Fewer jobs
- Lower income due to restructuring of economy from technology/export sectors to lower paying, less productive services needed to address problems caused by poor infrastructure (in addition to lower income due to less employment)
- More income diverted to transportation, electricity, water/wastewater, leaving less available for "lifestyle" purposes (entertainment, restaurants, and retail - including high-end consumer products)

Challenge

To support new jobs, remain economically competitive and improve quality of life, higher levels of transportation investment are needed in Southeast PA.

In Southeast PA, transportation funding is a combination of federal, state, and local sources. In PA, Act 44 of 2007 created a dedicated funding source for transit systems, based in part on payments from the PTC. Even if current federal and state funding levels remain the same, there are not enough funds for SEPTA and the PA Turnpike to deliver the strategic projects of significance that would allow the region to thrive. Locally, the Philadelphia region has limited authority to generate its own revenue to invest in its own transportation system, because most local funding sources require statewide enabling legislation.

Statewide Funding for Transportation is Also FALLING SHORT...

The Pennsylvania TAC study identified a current $5.5 billion annual funding gap:

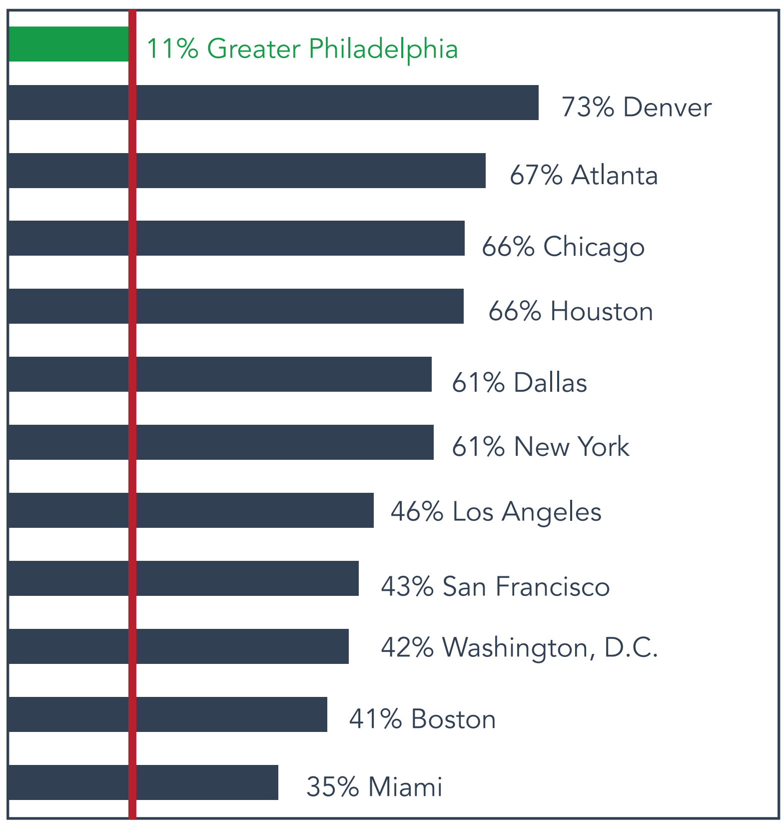
Public transportation:
$1.2 billion in unmet needs

Interstate highways and bridges:
$2.5 billion in unmet needs

National Highway System highways and bridges:
$1.8 billion in unmet needs

The study also identified several significant risks that jeopardize federal and state funding, as well as the Act 44 payments.

...the percentage of funding Southeast PA receives from local sources is also WELL BELOW AVERAGE



Percent of transit capital funding from local sources (2006-2015)
Source: National Transit Database

Funding and Financing - Menu of Options

ACT 44 RELIEF AND ENABLING ADDITIONAL LOCAL INVESTMENT

PA Turnpike/I-95 Interchange, Bucks County

As part of its effort, the Partnership has identified three specific needs which must be addressed to fully achieve its vision. They are:

- ◊ Sustainable transition of Act 44 payments,
- ◊ Funding for SEPTA projects of significance, and
- ◊ Funding for PTC projects of significance.

Vision

Job Creation • Accelerated Economic Growth • Quality of Life

Solution

Act 44 Relief: Sustainable transition of Act 44 payments

Solution

Funding for SEPTA projects of significance

Funding for PTC projects of significance

Challenge

Act 44's public transportation funding mechanism is unsustainable for the state's General Fund, the PTC, and transit statewide.

Challenge

To support new jobs, remain economically competitive and improve quality of life, higher levels of transportation investment are needed in Southeast PA.

Solution

Act 44 Relief:
Sustainable transition
of Act 44 payments

ACT 44 Relief

As currently stipulated by Act 89 of 2013, Act 44 relief for the PTC begins in 2022, when the PTC's annual payments will be replaced with at least $450 million of bondable General Fund revenue (using existing tax on the sales of motor vehicles). There are several options to mitigate impacts of the current law.

ACT 44 RELIEF: FUNDING AND FINANCING OPTIONS

1. Stay the course as legislated in Act 89 of 2013 — replacement of the PTC's payments with $450 million of General Fund dollars starting in 2022.
2. Provide relief to the PTC prior to 2022, either at one time or gradually at a $100 million per year over a four-year period starting in 2019 and ending in 2022. There are a number of benefits of a gradual stepdown outlined below.
3. Replace some or all of the currently earmarked $450 million of existing General Fund revenues with new General Fund revenues. For illustrative purposes, options for new General Fund revenues are shown in the chart at the bottom of the page.

The Benefits of a Gradual Stepdown

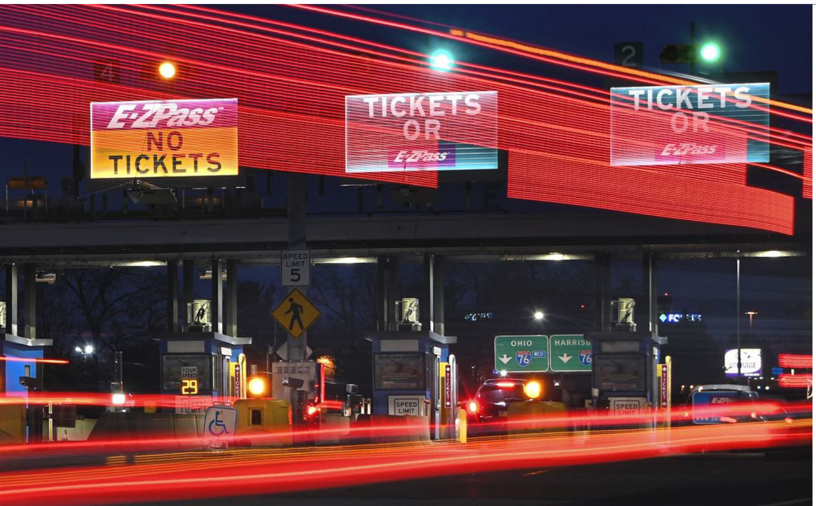
Gradual transition to General Fund	Additional relief to PA Turnpike	Additional bondable revenue to PA transit operators	Quicker toll rate stabilization

Statewide Revenue Generation Options

Option	Basis	Revenue Potential ($ millions)
Sales Tax	Increase of 0.25%	$350 - $450
Personal Income Tax	Increase of 0.10%	$350 - $450
Real Estate Transfer Tax	Increase of 0.50%	$215 - $265
Transportation Network Company (TNC) Fees (Uber, Lyft, etc.)	New fee of $1 per trip	$80 - $100
Congestion Pricing	Tolling of additional PA Interstates, and other congestion pricing strategies	At least $200 depending on extent
Tire, Vehicle Lease, and Vehicle Rental Fees (Public Transportation Assistance Fund)	Increase fees from $1 to $2 per tire, $2 to $4 per rental, and from 3% to 6% of lease payment	$125 - $150

These options have been used in other states and in Pennsylvania to address transportation funding needs.

For additional information on the Partnership's evaluation of statewide funding and financing options, see Appendix B.



Solution

Funding for SEPTA projects of significance

SEPTA Projects of Significance

With $350 to $450 million in new annual bondable revenue, SEPTA can leverage debt service to advance delivery of its $6.5 billion projects of significance. There are three options to generate those funds: enabling legislation allowing the region to generate its own funds; statewide action distributing revenue to transit, including SEPTA, statewide; or a combination of the two.

With enabling legislation, jurisdictions within Southeast PA could be more responsive, and would be better positioned to pursue sets of solutions tailored to their constituencies' wants and needs. This locally driven model has gained public support nationwide, and has been successfully implemented by competitor regions around the country. Any regional and local funding alternatives should be in addition to current levels of state and federal funding and targeted specifically at transportation improvements.

PROJECTS OF SIGNIFICANCE: FUNDING AND FINANCING OPTIONS

1. Statewide enabling legislation allowing the five-county Philadelphia region to generate $350-450 million of new annual bondable revenue.
   The Partnership agrees that the ability to pursue regional and local funding options to fill that need and fund SEPTA's projects of significance should be an alternative in the future and that a mechanism to advance local options is a priority.

   As it did with statewide revenue generation options, the Partnership evaluated a wide-ranging suite of local revenue generation options as well. The options were categorized based on their revenue generation potential, while transportation-specific options were also identified. Value capture options such as Tax Increment Financing (TIF), which generate revenue by recovering value generated by new public and/or private investment rather than through broad-based tax increases, were also identified.

   The following chart provides a number of funding and financing options which could be considered at the local level if enabled to do so. For additional information on the Partnership's evaluation of funding and financing options, see Appendix B.

Regional Funding and Financing Options

SEPTA & PTC Projects of Significance

Need $350M-$450M/YR Bondable Revenue

REVENUE GENERATION POTENTIAL

TYPE OF FUNDING OPTION	REV. > $100M	$50M > REV. > $25M	REV. < $15M
TRADITIONAL	• Earned Income Tax • Property Tax Surcharge • Real Estate Transfer Tax • Sales Tax	• Sales Tax (Base Expansion)	• Cigarette Tax • Hotel Occupancy Tax (excluding City of Philadelphia) • Liquor/Malt Beverage Tax
TRANSPORTATION RELATED	• Mileage Based User Fee/ Road User Charge • Vehicle Property Tax	• Interstate Tolling / Congestion Pricing • TNC Fee • Transit Fare Surcharge	• Excise Tax on Adult Bicycles • Lead Acid Battery Tax • Vehicle Registration Fee
VALUE CAPTURE		• Rolling Property Tax Assessment • Surface Coverage Fee • Tax Increment Financing (TIF) • Transportation Access Fee	• Fee in Lieu of Parking • Fee in Lieu of Transportation Improvements • Rezoning for Private/Transit Development • Opportunity Zone Incentives • Telecom Surcharge

Solutions in **GREEN** *text require legislative action.*

2. $650 million in additional statewide bondable revenue for transit, providing SEPTA with the $350-450 million it needs by formula.
   This new revenue would be in addition to the $450 million already necessary to close the General Fund gap being created by the change in revenue source from PTC payments to the sales tax of motor vehicles in 2022.

3. A combination of new statewide bondable revenue and enabling legislation allowing the region to generate its own revenue.
   This compromise option would lessen the relative financial burden for both the Commonwealth and region served by SEPTA. A funding match program, incentivizing regions to raise new local funds in order to utilize new state funds through a mandatory match, could also be considered.

Solution

Funding for PTC projects of significance

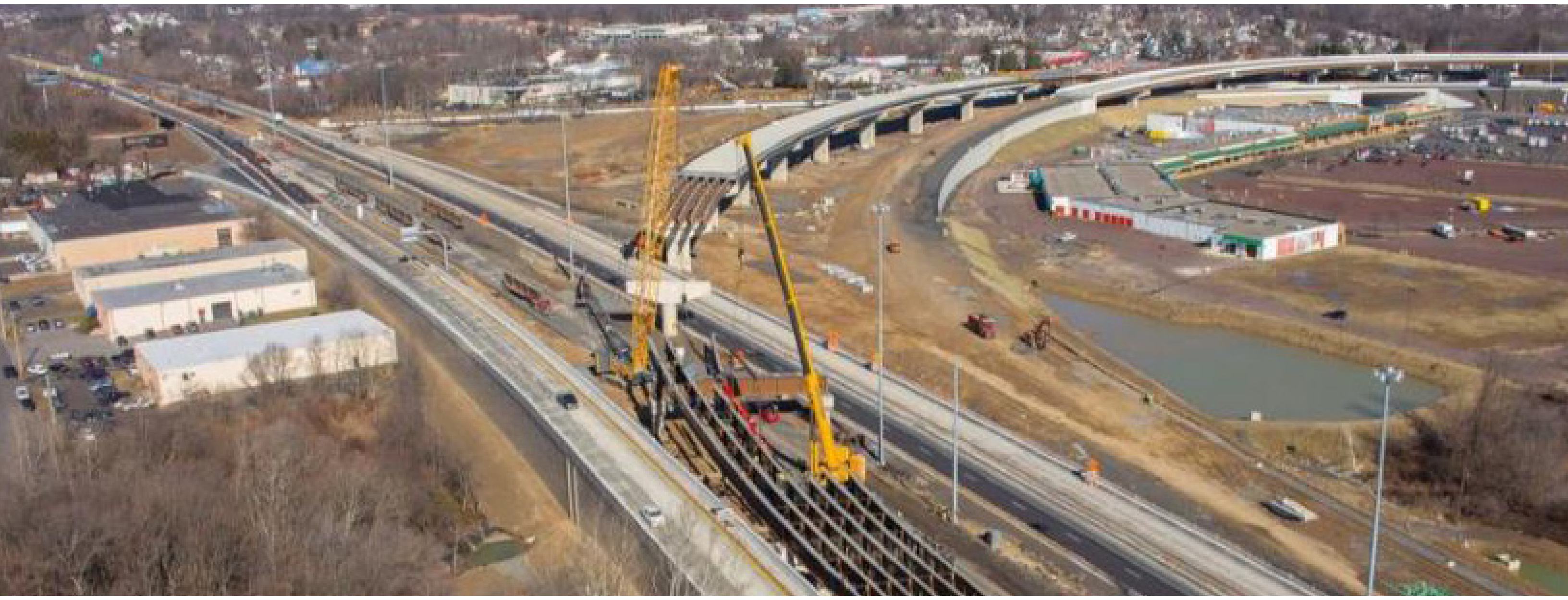
PTC Projects of Significance

To advance its projects of significance—particularly new interchanges in Bucks and Montgomery counties—the PTC would need $50 million to $75 million in additional bondable revenue for its capital program. Assuming the relief of Act 44, there are two possible means by which to fund the PTC's significant projects.

PROJECTS OF SIGNIFICANCE: FUNDING AND FINANCING OPTIONS

1. Using a portion of the revenues raised by the options described above SEPTA's projects of significance.
2. A $0.01 to $0.02 subsidy from the Oil Company Franchise Tax.

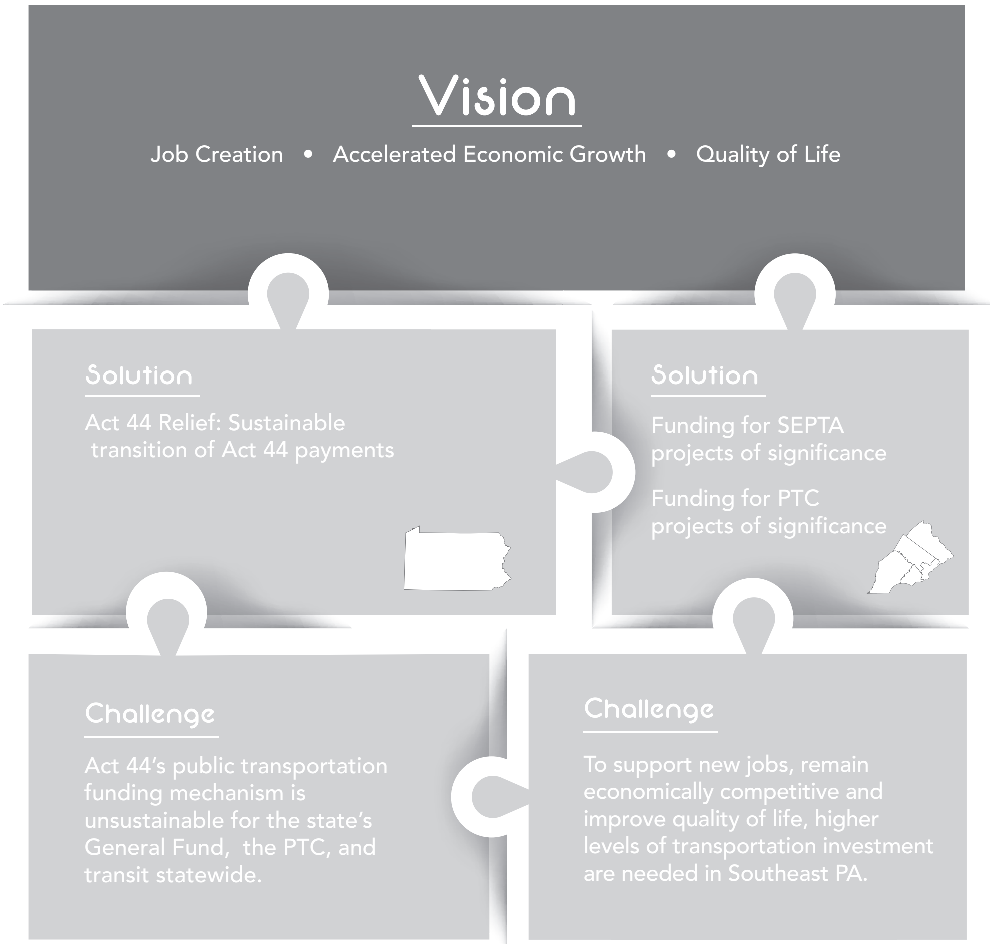
Conclusion



Construction of the PA Turnpike/I-95 Interchange, Bucks County

The Southeast Partnership for Mobility's objective is to solve the challenges facing the region's public transportation and PA Turnpike systems by delivering sustainable funding solutions that are equitable, affordable, achievable and competitive with peer regions; drive the regional and statewide economies; and support a healthy business climate.

Transportation is not a cost,
IT IS AN INVESTMENT – one that
creates jobs,
grows the economy, and
improves quality of life.



The Partnership is pursuing its objective consistent with the following guiding principles:

Funding transportation is a required investment to create jobs, grow the economy and improve quality of life in the region. In turn, this raises property values and generates new tax revenues for local governments, school districts and the Commonwealth. Improved transit service reduces congestion on the regional highway network, improving mobility for all while also reducing environmental impacts and highway maintenance costs. Companies and employees view mass transit as a key differentiator in choosing where to locate their business or where to work. Growth opportunities exist adjacent to limited access highway access points.

Competitor cities to the Philadelphia region are making a higher level of investment in mass transit. Capital projects that support the economy will be deferred if new investment options are not advanced. The rising cost of PA Turnpike tolls, necessitated by inadequate funding, is driving business away from Pennsylvania and the region.

Identifying transportation funding solutions is a responsibility shared by all levels of government. We concur with the need for new additional recurring revenue to support SEPTA's projects of significance and for additional interchanges between the PA Turnpike and the local roadway network.

Transportation is critically important when it comes to delivering patient care. Traffic on the Schuylkill Expressway is unpredictable and public transportation is sometimes overcrowded – causing patients to be late for appointments and severely delaying employees who are coming to and going home from work. But CHOP is still growing to meet the region's needs. We're building a new hospital in King of Prussia and new facilities on our University City campus. We employ 16,000 people now and we will be adding thousands more over time. Addressing transportation is integral to our growth strategy. All four of SEPTA's projects of significance would help us overcome the challenges we face.

— Madeline Bell
President and Chief Executive Officer
The Children's Hospital of Philadelphia

Advisory Council Recognizes the Need for Sustainable Solutions

Over the course of the year-long study process, the Partnership met with the Advisory Council to gain their advice and insight on the key elements of a viable, stable and sustainable regional transportation network and its importance in supporting and growing a vibrant economy through new investment. They brought diverse perspectives as leaders from the region's major employers, businesses, civic organizations and transportation agencies. This led the study team to establish the following guiding principles for the initiative that reflect the direction and advice of the Council.

The Guiding Principles

The Advisory Council concurs that:

- Transportation is not a cost—it is an investment that supports jobs, economic growth, and quality of life.
- Companies and employees view mass transit as a key differentiator in choosing where to locate their business or where to work.
- Competitors to the Philadelphia region are making higher levels of investment in mass transit.
- Turnpike toll rates legislated by Act 44 adversely affect the economic competitiveness of Philadelphia industry.
- New additional recurring revenue is needed to support SEPTA's projects of significance and for additional interchanges between the PA Turnpike and the local roadway network.

The Advisory Council

Pasquale Deon, Sr.	Southeastern PA Transportation Authority
Leslie Richards	PA Department of Transportation
Valerie Arkoosh	Montgomery County Board of Commissioners
Leo Bagley	PA Department of Transportation
Madeline Bell	Children's Hospital of Philadelphia
Matt Bergheiser	University City District
Chellie Cameron	Philadelphia International Airport
Michael Carroll	City of Philadelphia – Trans. and Infrastructure Systems
Mark Compton	PA Turnpike Commission
Vikram Dewan	Philadelphia Zoo
Harold Epps	City of Philadelphia - Dept. of Commerce
Joe Forkin	Delaware River Waterfront Corporation
Chris Franklin	Aqua America
John Fry	Drexel University
Jennie Granger	PA Department of Transportation
Peter Grollman	Children's Hospital of Philadelphia
William Hankowsky	Liberty Property Trust
Brad Heigel	PA Turnpike Commission
Daniel Hilferty	Independence Blue Cross
Rudy Husband	Norfolk Southern Corporation
Jim Kenney	City of Philadelphia
Michelle Kichline	Chester County Board of Commissioners
Jeff Knueppel	Southeastern PA Transportation Authority
Paul Levy	Center City District
Robert Loughery	Bucks County Commissioners
John McBlain	Delaware County Council
Trayce Parker	UPS – Chesapeake District
Denise Remillard	PA Department of Community & Economic Development
Yesenia Rosado Bane	Office of the Governor
Barry Seymour	Delaware Valley Regional Planning Commission
Jerry Sweeney	Brandywine Realty Trust
Jeff Theobald	Philadelphia Regional Port Authority
Paul Tufano	AmeriHealth Caritas
Angela Val	Philadelphia Convention & Visitors Bureau

Appendices

Appendix A
Related Studies, Documents, and Works Cited

Appendix B
Funding Option Evaluation and Menu of Options Summary Table

Appendix A

Related Studies, Documents, and Works Cited

American Society of Civil Engineers (ASCE) – *Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future*. 2016. https://www.asce.org/failuretoact/

Delaware Valley Regional Planning Commission (DVRPC) – *Connections 2045 Long-Range Plan for Greater Philadelphia*. https://www.dvrpc.org/connections2045/

Econsult Solutions Inc. (ESI) – *SEPTA drives the Economy of Pennsylvania*. April 13, 2018. https://econsultsolutions.com/septa-drives-the-economy-of-pennsylvania/

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INRIX – *2018 Global Traffic Scorecard*. http://inrix.com/scorecard/

Pennsylvania Department of Transportation (PennDOT) – *Act 89 Transportation Plan*. https://www.penndot.gov/about-us/Pages/Act-89-Funding-Plan.aspx

Pennsylvania Department of Transportation (PennDOT) – *Public Transit overview, information and reports, funding and legislation, procurement information*. https://www.penndot.gov/Doing-Business/Transit/Pages/default.aspx

Pennsylvania Transportation Advisory Committee (TAC) – *2019 Transportation Performance Report*. February 2019. http://talkpatransportation.com/2019TPR/

Pennsylvania Transportation Advisory Committee (TAC) – *Risks to Transportation Funding in Pennsylvania*. February 21, 2019. http://www.talkpatransportation.com/perch/resources/tac-2019-transportation-funding-risks-report.pdf

Pennsylvania Turnpike Commission (PTC) – *Capital plan, Act 44 background, operating budget, financial reports and policies, other reference material*. https://www.paturnpike.com/business/financial_planning.aspx

Pennsylvania Turnpike Commission (PTC) – *Major Design and Construction Projects*. https://www.paturnpike.com/travel/major_design_construction_projects.aspx

Southeastern Pennsylvania Transportation Authority (SEPTA) – *Strategic business plan, revenue & ridership figures, annual reports, operating & capital budgets, other reference material*. http://septa.org/strategic-plan/reports.html

Appendix B

Funding Option Evaluation and Menu of Options Summary Table

Solution List

Below, please find an alphabetical list of potential solutions to be considered as the funding study progresses. This list is conceptual, and is not indicative of solutions that will be advanced for more detailed analysis.

1. Access to Transit Fee
2. Advertising/naming rights
3. Cigarette Tax
4. Commuter Tax
   a. Delay, reduce or eliminate currently proposed drawdown for non-Philadelphia residents commuting into city
5. EB-5 Investor Program
6. Electric Charging Fee
7. Excise Tax on Adult Bicycles
8. Fare Surcharge/Collection
9. Fee-in-lieu of Parking
10. Fee-in-lieu of required highway improvements *(PennDOT uses an "Alternative Transportation Plan" as part of TIS/HOP process)*
11. Gas Tax
12. Highway Congestion Pricing
13. Hotel/Motel Tax
14. Lead Acid Battery Tax
15. Lease or sale of SEPTA property, air rights, etc.
16. Liquor Tax/Wine Tax/Malt Beverage Tax
17. Parking Tax
18. Payroll/Income Tax
19. Property Tax Surcharge
20. Real Estate Transfer Tax
21. Regional Sales Tax
22. Removing state/local tax exemptions
23. Rolling Property Tax Reassessment
24. Sell surplus energy back to grid
25. Surface Coverage Fee
26. Telecommunications Surcharge
27. Tire Tax
28. TNC Mobility Fees
29. Toll Existing Highways
30. Transit Fare Increases
31. Value Capture
    a. Tax Increment Financing (TIF)
    b. Transit Revitalization Investment District (TRID)
    c. Incentive zoning
    d. Rezoning public property for transit development

e. Rezoning public property for private development

32. Vehicle Lease Tax
33. Vehicle Property Tax
34. Vehicle Registration Fee
35. Vehicle Rental Fee
36. Vehicle Sales Tax
37. Vehicle Miles Traveled (VMT)

SOUTHEAST PA MOBILITY PARTNERSHIP - STATE TRANSPORTATION OPTIONS

Statewide Solution	Description	Potential Statewide Revenue	Basis	Peers	Stakeholders	Legislative action needed?
	Notes					
Cigarette Tax	Increase tax per pack of cigarettes purchased	$45M to $55M	Increase by 10% per pack $2.60 to $2.86	Per Pack: NJ: $2.70 NY: $4.35 DE: $2.10 OH: $1.60 MD:$2.00 WV: $1.20	Children's Health Insurance Program, Department of Agriculture, Department of Health, Retailers that sell Cigarettes	YES-modification of existing tax
	Pennsylvania currently has the 11th highest cigarette tax in the country, and was recently increased in 2016. Raising it to $2.86 a pack would make it the 10th highest tax in the country. These do not include any local taxes.					
Electric Vehicle Fee	Issue flat-rate fee during registration renewal to owners of electric/hybrid electric vehicles	$1M to $2M	$200 (fully electric vehicles) $100 (plug-in hybrid)	17 states levy this tax NY, NJ, DE, MD- None WV- $100/200 VA- $64 CA- $100 (beginning in 2020) GA- $300 (commercial), $200 (noncommercial)	Department of Transportation, Department of Revenue, Department of Environmental Protection, Electric vehicle dealers, Electric vehicle manufacturers, Electric vehicle owners, Electric Utilities	YES-creation of new fee
	The average Pennsylvanian pays nearly $400/year in liquid fuels tax. PA currently collects alternative fuels tax for all types of non-gasoline fuels; collection on electric vehicles is negligibly small due to low collection rate and inability to tax vehicles recharged at non-public stations. Market share for electric vehicles is expected to grow considerably over the next decade. At same levels, PennDOT estimates tax could yield anywhere from $65M to $316M in 2033 depending on level of policy and technology support.					
Excise Tax on Adult Bicycles	Levy fee on all adult bicycles sold in Pennsylvania	$7M to $8M	$15 per adult bike	Oregon has $15 fee for all adult bikes sold at a price greater than $200. Projected to collect $1 million annually.	Bicycle ride shares, bicycle shops	YES-creation of new tax
	Assumes about 500,000 adult bikes are sold in the state. Applying a $15 fee to these sales comes out to about $7.5 million in state revenue annually. As cycling becomes a more viable mobility option in the state, revenue from this policy would will grow at the same rate.					
Gas Tax	Increase the state gas tax	$250M to $350M	Increase rate by 10 ¢/gallon (current rate 58.7 ¢/gallon)	Per Gallon: NJ: 37.10 ¢ NY: 45.76 ¢ DE: 23.00 ¢ OH: 28.01 ¢ MD: 35.30 ¢ WV: 35.70 ¢	Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, local chambers of commerce	YES-modification of existing tax
	Pennsylvania currently has the highest gas tax in the nation at 58.7 cents per gallon. This does not include the federal tax rate of 18.4 cents per gallon.					
Hotel Occupancy Tax	Increase on current rate of 6% statewide	$18M to $20M	Increase rate by 1% 6% to 7%	NJ: 12.0% NY: 4.0% DE: 8.0% OH: 5.75% MD: 6.0% WV: 6.0%	Convention Centers, Visitors Bureaus, Hotel Associations, State and Local Chambers of Commerce	YES-modification of existing tax
	Instituting a 5% statewide hotel tax in PA was proposed last year (2017) during the budget negotiations. Municipalities in peer agency WMATA's service area recently passed a special hotel fee earmarked solely for transit. Hawaii also passed similar policy raising the rate by 1%.					
Interstate Tolling	Institute tolling on Interstate highways in PA	Greater than $200M	~ $0.15 per mile	All neighboring states have tolling. Feds recently requested RFPs through the ISRRPP program pilot interstate tolling projects in three states. RI recently implemented tolling on bridges for trucks only. CT will be implementing some sort of tolling program.	Pennsylvania Turnpike Commission, Department of Transportation, Department of Revenue, Trucking Associations, AAA	YES-tolling authority not delegated by Federal government
	The authority to toll existing facilities in Pennsylvania is governed by both federal and state laws and regulations. Within the federal landscape, there are four programs that allow a state to toll existing facilities: Section 129 General Tolling Program, Section 166 HOV/HOT Lanes, Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP), and Value Pricing Pilot Program (VPPP). Depending on the program, toll revenues may be used on other transportation projects.					

Statewide Solution	Description	Potential Statewide Revenue	Basis	Peers	Stakeholders	Legislative action needed?
	Notes					
Lead Acid Battery Tax	Fee on lead acid batteries sold	$15 to $20 ($16.5)	$2 per battery sold ($1 consumer, $1 retailer)	California and Florida have similar policy but funding goes toward environmental/toxic waste cleanup	Department of Environmental Protection, PA Emergency Management Agency, county departments of emergency management	YES-amendment to Title 74 to use for transit
	Revenue estimate based on the number of registered vehicles in Pennsylvania. Important to consider growth of future sales, understanding all new/existing cars will still need this component for the foreseeable future					
Liquor/Malt Beverage Tax	Increase fee on liquor and beer sales	$40M to $50M	Increase revenue by 10% Liquor: 18% to 19% Beer: $0.08 to $0.16 / gallon	Per gallon: NJ: $0.12 NY: $0.14 DE: $0.16 OH: $0.18 MD: $0.49 WV: $0.18	PA Liquor Control Board, Beer Retailers, PA Restaurant and Lodging Association, PA Licensed Beverage / Tavern Association	YES-modification of existing tax
	Projected to bring in about $430 million in tax revenue collectively in 2019. The liquor tax collect via 18% sales tax and malt beverage tax collect via a fee per ounce.					
Mileage Based User Fee	Charges vehicle users/owners a fee based on miles traveled annually	Greater than $200M (Low as replacement of gas tax)	1 cent per mile	Oregon has a volunteer program in place, to pay per mile fee. Additionally, other states and regions are heavily studying implementing similar policy, including the Delaware Valley.	Department of Transportation, Department of Revenue, PA Independent Oil and Gas Association, Office of Oil and Gas Management, PA Petroleum Association, AAA, I-95 Corridor Coalition, Delaware DOT	YES-creation of new program
	Directly tied to transportation and infrastructure consumption, many consider this funding policy equitable due to its connection to road use. While a gas tax is considered tied to transportation, vehicle owners/users purchase more or less based on fuel efficiency. Policy could also have an impact on congestion and transit use, encouraging commuters to utilize more cost effective modes. Likely a replacement to the gas tax.					
Motor Vehicle Sales Tax	Increase the sales tax rate on motor vehicles	$100M to $125M	Increase rate by 0.50% 6% to 6.50%	NJ: 6.63% NY: 4.00% DE: 0.00% OH: 5.75% MD: 6.00% WV: 6.00%	Department of Revenue, Department of Environmental Protection, Auto Manufacture/Dealers, Department of Motor Vehicles, Low Income Vehicle Owners	YES-modification of existing tax
	Motor Vehicle Sales Tax revenues (at 6% sales tax rate) are already earmarked for use as replacement of Turnpike's Act 44 payments in 2022, with $450M floor.					
Personal Income Tax	Implement a Personal Income Tax dedicated to transportation	$350M to $450M	Increase rate by 0.1% 3.07% to 3.17%	NJ: 5.5-9.0% NY: 6.7-8.8% DE: 0.0-6.6% OH: 0.5-5.0% MD: 2.0-5.8% WV: 4.5-6.5%	State and Local Chambers of Commerce	YES-modification of exist
	Assumes the tax is imposed on the employee. Could impose an employer tax as well to generate another $400M.					
Public Transportation Assistance Fund (PTAF)	Increase the tire, vehicle lease, and vehicle rental fees	$125M to $140M	Double the current rates	Tire fees in other states vary from $0.50 per tire to $10 per tire. Rental and lease fees similarly range 2% to 12%.	Department of Transportation, Department of Revenue, Department of Environmental Protection, Auto Manufacture/Dealers	YES-modification of existing fees
	Current rates were implemented in 1991 as part of Act 26. Current tire fee is $1 per tire, rental fee is $2 per day, and lease fee is 3% of the lease payment.					
Real Estate Transfer Tax	Increase Real Estate Transfer Tax	$215M to $265M	Increase rate by 0.5% 1% to 1.5%	NJ: 1.00% NY: 0.40% DE: 4.00% OH: 0.10% MD: 0.25% WV: 0.33%	Department of Revenue, PA Land Trust Association, PA Recreation and Park Society, Department of Conservation and Natural Resources, PA Farm Bureau, PA Farmers Union, PA State Council of Farm Organizations, PA Association of Realtors, Philadelphia School Board, County Commissioners Association	YES-modification of existing tax
	Increased tax could also only be assessed on transfers of a certain value; this model would follow other states such as New York and New Jersey.					

Statewide Solution	Description	Potential Statewide Revenue	Basis	*Notes*	Peers	Stakeholders	Legislative action needed?
Sales Tax	Increase the sales tax rate	$350M to $450M	Increase rate by 0.25% 6% to 6.25%	*A portion of sales and use tax revenues (4.4% of total revenues) is already set aside for PA Transit Trust Fund. General sales tax increase previously studied/proposed as part of budgeting process by this administration.*	NJ: 6.63% NY: 4.00% DE: 0.00% OH: 5.75% MD: 6.00% WV: 6.00%	Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, State and Local Chambers of Commerce	YES-modification of existing tax
Sales Tax (Base Expansion)	Taxation of goods/services previously exempted in PA	$40M to $140M	Calculated at 6% of annual revenues for given good/service	*The PA Independent Fiscal Office analyzed various sales tax base expansion proposals for Governor's 2015 16 budget. Example candidates include: $147M Non-prescription Drugs; $86M Candy and Gum; Unknown (Luxury Clothing and Footwear; All clothing and footwear sales would generate $784M); $268M Amusement/Entertainment; $180M Real Estate Agent and Related; $150M Legal; $186M All other Recreation.*	NJ: 6.63% NY: 4.00% DE: 0.00% OH: 5.75% MD: 6.00% WV: 6.00%	Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, Chambers of Commerce, PA Association of Chain Drug Stores, PA Amusement Parks Association, PA Hospitality and Entertainment Association, PA Association of Realtors	YES-modification of tax code
TNC Fee	Additional fee per trip provided by Uber, Lyft, or other ride service	$80M to $100M	Add a fee of $1 per trip Current rate is 1.4%	*PA SB 984 of 2015 was adopted in late 2016 and legalized the use of TNCs in the state. The law provides the parking authority of a city of the first class to have jurisdiction over TNCs. TNCs pay the city's authority a one-time application fee of $50,000. TNCs will pay cities of the first class a fee of 1.4% from trips that originate in the city. 66.67% is allocated to the city's school district and 33.33% to the parking authority. The bill specifically states that it does not limit the ability of a city of the first class to imposing additional regulations, licenses, or contract requirements on airports and train stations (serviced by AMTRAK) owned by the city.*	Outside of permit fees, some jurisdictions charge by trip: NYC $2.75 in Manhattan Chicago $0.72 MD $0.25	Parking Authorities, School Districts, Taxi Associations, Uber, Lyft, State and Local Chambers of Commerce	YES-modification of existing tax
Vehicle Property Tax	Annual percentage fee on vehicle's assessed value	$450M to $550M	0.35% of annual value	*New collection mechanism would have to be established. Also, following peer models, counties would determine the rate charged.*	North Carolina and Virginia counties charge between 0.3% and 5% of assessed vehicle value	Department of Revenue, Department of Environmental Protection, Auto Manufacture/Dealers, Department of Motor Vehicles, Low Income Vehicle Owners	YES-creation of new tax
Vehicle Registration Fee	Increase the registration fee charged on vehicles	$50M to $70M	Increase registration fees by $5	*PA collected $775M in vehicle registration fees in FY2017.The current annual fee for a passenger vehicle is $37, with a $5 option for counties. Many states have variable fee structures based on age, weight, condition, etc.*	NJ-$33-84 variable NY- $26+ variable DE- $40 OH-$34.50 MD- $135-187 WV- $30	Department of Transportation, Department of Revenue, State and Local Chambers of Commerce	YES-modification of existing fee

<table>
<tr><th rowspan="2">Local Solution</th><th>Description</th><th>Potential Local Revenue</th><th>Basis</th><th rowspan="2">Peers</th><th rowspan="2">Stakeholders</th><th rowspan="2">Legislative action needed?</th></tr>
<tr><th colspan="3">Notes</th></tr>
<tr><td rowspan="2">Cigarette Tax</td><td>Increase tax per pack of cigarettes purchased</td><td>$13M to $15M</td><td>Increase by 10% per pack
$4.60 to $4.86 (Philadelphia)
$2.60 to $2.86 (Elsewhere)</td><td rowspan="2">Including their state tax, if any:
DC: $2.50 NYC: $5.85
CHI: $3.16 SEA: $3.03
ATL: $0.37 BOS: $3.51</td><td rowspan="2">Children's Health Insurance Program, Department of Agriculture, Department of Health, Philadelphia School District, Get Healthy Philly Tobacco Control Program, Retailers that sell Cigarettes</td><td rowspan="2">YES-enabling</td></tr>
<tr><td colspan="3">Only a few municipalities have local cigarette taxes in addition to state taxes. Major cities with similar fees include New York City, Chicago, and Philadelphia. Revenue estimate assumes rate will be increased and added to cigarette purchases in surrounding counties.</td></tr>
<tr><td rowspan="2">Delay Wage Tax Reductions</td><td>Eliminate proposed reduction of Philadelphia wage tax rate; designate those marginal funds to transportation</td><td>$65M to $75M</td><td>Delay proposed ~0.2% reduction over next 5 years. Current wage tax rates are 3.88% (residents) and 3.46% (non-residents)</td><td rowspan="2">Fourteen states allow local governments to levy individual income taxes, including PA.
PA statewide: limited to maximum 2% rate in non-home rule municipalities.
PIT: 3% WIL, DE: 1.25%
DC: 4 to 8.5% NYC: 2.9% to 3.6%</td><td rowspan="2">The Chamber of Commerce for Greater Philadelphia, Department of Community and Economic Development, Center City District, large employers in the greater Philadelphia area, real estate community.</td><td rowspan="2">NO-local policy decision</td></tr>
<tr><td colspan="3">Philadelphia's stated goal is to reduce its wage tax to 3.6997% (residents) and 3.2953% (non-residents) by 2022. Philadelphia generated $1.45B in wage tax revenues in FY17 and expects $1.5B in FY18 despite a rate cut; conservatively assuming continued $1.5B revenues, eliminating the planned 0.2% rate reduction would capture approximately $70M annually that would otherwise be lost.</td></tr>
<tr><td rowspan="2">Earned Income Tax</td><td>Implement a local income tax, complimentary to Earned Income Tax, dedicated to transportation</td><td>$150M to $180M</td><td>Increase by 0.1%
(Typically maximum of 1%, split between municipality and school district)</td><td rowspan="2">$50,000 individual would pay:
NJ: 2.54% DE: 4.78%
SEA: 8.52%</td><td rowspan="2">State and Local Chambers of Commerce</td><td rowspan="2">YES-local authority granted up to 1%; most municipalities are already at this limit</td></tr>
<tr><td colspan="3">Earned Income Tax is assessed at the local level and is generally capped at 1% to be split between the municipality and school district.</td></tr>
<tr><td rowspan="2">Excise Tax on Adult Bicycles</td><td>Levy fee on all bicycles sold in Pennsylvania</td><td>$2M to $4M</td><td>$15 per adult bike</td><td rowspan="2">Oregon has $15 fee for all adult bikes sold at a price greater than $200. Projected to collect $1 million annually.</td><td rowspan="2">The Philadelphia Bicycle Club, Indego, The Bicycle Coalition of Greater Philadelphia, Bilenky Cycle Works, Elite Bicycles, bicycle shops</td><td rowspan="2">YES-enabling. Could be reworked as a local registration fee without need for statewide action.</td></tr>
<tr><td colspan="3">Assumes about 200,000 adult bikes are sold locally. Applying a $15 fee to these sales comes out to about $3 million in revenue annually. As cycling becomes a more viable mobility option in the state, revenue from this policy would will grow at the same rate.</td></tr>
<tr><td rowspan="2">Fee in Lieu of Parking</td><td>Create new fee for Center City commercial office space</td><td>$13M to $15M</td><td>$1 per square foot of commercial office space</td><td rowspan="2">Miami Beach charges a onetime fee of $35,000 per space under the parking requirement. City of Santa Monica allows businesses in designated area the ability to pay $1.50 per square foot.</td><td rowspan="2">Philadelphia Parking Authority, Philadelphia Parking Association, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Philadelphia area developers, DVRPC, Department of Community and Economic Development</td><td rowspan="2">YES-established by local ordinance</td></tr>
<tr><td colspan="3">Currently, Center City has over 41 million square feet of office space and continues to expand. Due to the density of this development and business/travel activity at peak times, congestion and other negative impacts occur. Charging this fee could fund traffic mitigation strategies as well as incentivize commuters to travel via transit.</td></tr>
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Local Solution	Description	Potential Local Revenue	Basis	*Notes*	Peers	Stakeholders	Legislative action needed?
Fee in Lieu of Transportation Improvements	Charge fee for new land development in lieu of required highway improvements which are impractical/infeasible for a given site	Less than $15M	Equal to cost of otherwise-required highway improvements	*Used by PennDOT by policy in appropriate urban, exurban and suburban settings. Fees used by public agencies towards broader strategies to address the transportation network. PA Municipalities Planning Code authorizes municipalities to charge impact fees for this purpose; however, there is limited flexibility in what funds can be used for.*	Done by PennDOT as part of "Alternative Transportation Plan" process. Used by some municipalities in Philadelphia region, particularly Montgomery County.	Department of Transportation, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Philadelphia area developers, DVRPC, Department of Community and Economic Development	NO-local policy decision
Hotel Occupancy Tax	Increase on current 8.5% occupancy tax in Philadelphia	$4M to $6M	Increase rate by 1% Currently 14.5%(P) to 9%(D) Increase to 15.5%(P) to 10%(D)	*Philadelphia assesses an 8.5% tax in addition to the 6% state sales tax; Bucks/Chester County 5%, Delaware County 3%,Montgomery County 4%. Municipalities in peer agency WMATA's service area recently passed a special hotel fee earmarked solely for transit. Hawaii also passed similar policy raising the rate by 1%*	HOU: 17% ATL: 15% CHI: 16.39% NYC: 14.75% SEA: 16.6% DC: 14.5%	Philadelphia Convention & Visitors Bureau, Greater Philadelphia Hotel Association	YES-authorized under Local Tax Enabling Act but funds outside of Philadelphia must be used for tourism purposes.
Interstate Tolling	Institute tolling on Interstate highways in PA	$25M to $50M	~ $0.15 per mile	*The authority to toll existing facilities in Pennsylvania is governed by both federal and state laws and regulations. Within the federal landscape, there are four programs that allow a state to toll existing facilities: Section 129 General Tolling Program, Section 166 HOV/HOT Lanes, Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP), and Value Pricing Pilot Program (VPPP). Depending on the program, toll revenues may be used on other transportation projects.*	Miami Dade Expressway Harris County Toll Road Authority North Texas Tollway Authority Golden Gate Bridge Highway and Transportation District: 49% Transit Toll Subsidy	Pennsylvania Turnpike Commission, Department of Transportation, Department of Revenue, Trucking Associations, AAA	YES-tolling authority not delegated by Federal government
Lead Acid Battery Tax	Fee on lead acid batteries sold	$3M to $5M	$2 per battery sold ($1 consumer, $1 retailer)	*Revenue estimate based on the number of registered vehicles in Pennsylvania. Important to consider growth of future sales, understanding all new/existing cars will still need this component for the foreseeable future*	California and Florida have similar policy but funding goes toward environmental/toxic waste cleanup	Department of Environmental Protection, PA Emergency Management Agency, county departments of emergency management	YES-enabling
Liquor/Malt Beverage Tax	Increase fee on liquor and beer sales	$13M to $15M	Increase revenue by 10% Liquor: 28% to 29% Beer: $0.08 to $0.16 / gallon	*Projected to bring in about $430 million in tax revenue collectively in 2019. The liquor tax collect via 18% sales tax and malt beverage tax collect via a fee per ounce. Philadelphia imposes an additional 10% tax a liquor and beer sold outside of beer distributors.*	DC: Lower NYC: Higher CHI: Higher SEA: Higher ATL: Lower BOS: Lower	PA Liquor Control Board, Beer Retailers, PA Restaurant and Lodging Association, PA Licensed Beverage / Tavern Association	YES-enabling
Local Gasoline Sales Tax	Levy a percentage-based tax on the sale of gasoline within the Philadelphia region	$35M to $45M	2% tax on fuel sales Currently $0.58/gal Increases to ~ $0.62/gal	*Add a 2% tax on fuel sales pre-state and federal taxes. This amounts to roughly $0.04 per gallon when gas is at $3/gallon. Act 89 increased state tax on gasoline in phases over last five years to roughly 58 cents per gallon. Some administrative concerns with collecting percentage-based tax on fluctuating price of gasoline locally.*	Hampton Roads and Northern VA: 2.1% beyond state tax	Department of Transportation, Department of Revenue, Department of Environmental Protection, PA Motor Truck Association, AAA, Auto Manufacture/Dealers, Truckers	YES-enabling

<table>
<tr><th rowspan="2">Local Solution</th><th>Description</th><th>Potential Local Revenue</th><th>Basis</th><th rowspan="2">Peers</th><th rowspan="2">Stakeholders</th><th rowspan="2">Legislative action needed?</th></tr>
<tr><th colspan="3">Notes</th></tr>
<tr><td rowspan="2">Property Tax Surcharge</td><td>Add percentage-based surcharge to existing property taxes to fund transportation</td><td>$140M to $170M</td><td>Add a 0.05% surcharge
Current rates vary</td><td rowspan="2">PA statewide average: 1.51%
Peers:
DC: 0.572% NYC: 0.8%
CHI: 1.38% SEA: 0.88%
ATL: 1.03% BOS: 0.78%</td><td rowspan="2">Department of Revenue, PA Land Trust Association, PA Recreation and Park Society, Department of Conservation and Natural Resources, PA Farm Bureau, PA Farmers Union, PA State Council of Farm Organizations, PA Association of Realtors, Philadelphia School District, County Commissioners Association of PA</td><td rowspan="2">NO-local authority granted, up to a maximum rate. Anything beyond maximum would require statewide approval</td></tr>
<tr><td colspan="3">Proposals have been floated to reduce or eliminate property taxes statewide and replace them with increased income and/or sales taxes. Most property tax revenue goes to school districts. Assumes counties will conduct a reassessment and adjust millage rates accordingly.</td></tr>
<tr><td rowspan="2">Real Estate Transfer Tax</td><td>Increase Real Estate Transfer Tax within Philadelphia region</td><td>$115M to $145M</td><td>Increase rate by 0.5% region-wide (current rates vary)</td><td rowspan="2">PA statewide rate is 1%, municipalities can assess up to an additional 1%.
DC: 2.20% NYC: 2.63%
CHI: 0.90% SEA: 1.78%
ATL: VARIES BOS: 0.90%</td><td rowspan="2">Department of Revenue, PA Land Trust Association, PA Recreation and Park Society, Department of Conservation and Natural Resources, PA Farm Bureau, PA Farmers Union, PA State Council of Farm Organizations, PA Association of Realtors, Philadelphia School Board, County Commissioners Association,</td><td rowspan="2">YES-most municipalities already at allowable local rate of up to 1%; anything beyond maximum would require statewide approval</td></tr>
<tr><td colspan="3">Increased tax could also only be assessed on transfers of a certain value; this model would follow other states such as New York and New Jersey.</td></tr>
<tr><td rowspan="2">Rezoning Public Property for Private and/or Transit Development</td><td>Re-zone underutilized or non-needed public property for private and/or transit development</td><td>Less than $15M
(Can create new one-time or recurring revenue opportunities based on increased taxable base)</td><td>Property tax revenues for designated areas/projects</td><td rowspan="2"></td><td rowspan="2">Department of Transportation, Department of Revenue, PA Land Trust Association, PA Association of Realtors, Philadelphia area developers, DVRPC, Department of Community and Economic Development, State and Local Chambers of Commerce</td><td rowspan="2">NO-local zoning decision</td></tr>
<tr><td colspan="3">Effectively converts public property into a TIF district, or transportation project outright.</td></tr>
<tr><td rowspan="2">Rolling Property Tax Assessment</td><td>Require property tax reassessment at regular intervals, with revenue increases shared with transportation</td><td>$25M to $50M
(Depends on frequency of reassessments and changes in economic conditions)</td><td>No current standard for when properties are reassessed</td><td rowspan="2">At least 44 states require annual reassessments or on a fixed cycle of no more than six years.
NJ- Annually</td><td rowspan="2">Department of Revenue, Department of Environmental Protection, Department of Conservation and Natural Resources, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Philadelphia area developers, Local Municipalities, County Commissioners Association</td><td rowspan="2">NO-local policy decision</td></tr>
<tr><td colspan="3">Philadelphia County's recent reassessment yielded a 10.5% increase in median property values; the City's Office of Property Assessment aims to reassess annually. Delaware County's 200,000+ properties are currently being re-assessed per a court order; due in 2021.</td></tr>
<tr><td rowspan="2">Sales Tax</td><td>Increase the sales tax rate</td><td>$115M to $145M</td><td>0.5% increase Local
(Current State=6%, Philadelphia=8%)</td><td rowspan="2">DC: 5.75% SEA: 10.10%
NYC: 8.50% ATL: 8.90%
CHI: 10.50% BOS: 6.25%</td><td rowspan="2">Philadelphia School District, Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, The Chamber of Commerce for Greater Philadelphia</td><td rowspan="2">YES-enabling to increase rate</td></tr>
<tr><td colspan="3">A portion of sales and use tax revenues (4.4% of total revenues) is already set aside for PTAF. General sales tax increase previously studied/proposed as part of budgeting process by this administration.</td></tr>
</table>

Local Solution	Description	Potential Local Revenue	Basis	*Notes*	Peers	Stakeholders	Legislative action needed?
Sales Tax (Base Expansion)	Taxation of goods/services previously exempted in PA	$25M to $50M	Calculated at 6% of annual revenues for given good/service	*The PA Independent Fiscal Office analyzed various sales tax base expansion proposals for Governor's 2015-16 budget. Example candidates include: $147M Non-prescription Drugs; $86M Candy and Gum; Unknown (Luxury Clothing and Footwear; All clothing and footwear sales would generate $784M); $268M Amusement/ Entertainment; $180M Real Estate Agent and Related; $150M Legal; $186M All other Recreation.*	DC: 5.75% SEA: 10.10% NYC: 8.50% ATL: 8.90% CHI: 10.50% BOS: 6.25%	Philadelphia School District, Department of Revenue, PA Retailers' Association, PA Petroleum Marketers Convenience Store Association, The Chamber of Commerce for Greater Philadelphia, PA Association of Chain Drug Stores, PA Amusement Parks Association, PA Hospitality and Entertainment Association, PA Association of Realtors	YES-enabling
Surface Coverage Fee	Fee on impervious surface such as parking lots, sidewalks, private roadways, etc.	$18M to $22M	$5 fee per 1,000 square feet	*Development can disrupt storm water management and exacerbate flooding, via replacing ground/soil which previously absorbed water. As a result municipalities/utilities need to construct storm water managements systems, basins, and other structures to avoid flooding and other issues. Parking and development are a piece of transportation demand. As a result, one can argue there is a link with transportation.*	Many municipalities large and small have fees and policies in order to fund water systems. Two common methods include charging residents flat fee or property owners by square feet. However, funding does not go to transportation	Department of Revenue, Department of Environmental Protection, Department of Conservation and Natural Resources, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Philadelphia area developers, Local Municipalities	NO-municipalities granted authority
Tax Increment Financing (TIF)	Set aside a portion new (property) tax revenue to fund public transportation improvements	$25M to $50M (Depends on scale of districts created and nature of development projects)	Property tax revenues for designated areas/projects	*Pennsylvania's TRID (Transit Revitalization Investment District) program encourages private development at mass transit hubs. Foregone tax revenue can cause undue burden on other groups (school districts, fire/police services, etc.) that would otherwise benefit from revenue.*	Chicago - 131 TIF districts with tax receipts totaling $500M in 2006 Denver- Leveraged $5B in private investment by committing to $500M of TIF subsidies from 1995-2005.	Department of Revenue, Department of Environmental Protection, Department of Conservation and Natural Resources, PA Builders Association, Associated PA Constructors, Keystone Contractors Association, Philadelphia area developers, Local Municipalities	NO-enabling legislation in place
Telecom Surcharge	Tax utility to support agency telecommunication infrastructure	$6M to $7M	Add a $0.12 fee per account	*Could help offset SEPTA/agency operation and maintenance cost associated with telecommunication systems.*	NYC MTA, Dallas Area Rapid Transit, and El Paso City Transit charge similar utility fees to recover expenses.	Public Utility Commission, PA Telephone Association, Broadband Cable Association of PA, PA Wireless Association, Amtrak	YES-local taxation of public utilities prohibited by Local Tax Enabling Act
TNC Fee	Additional fee per trip provided by uber, lyft, or other ride service	$45M to $55M	Add a fee of $1 per trip Current rate is 1.4%	*Taxi license fees and other sources of revenue tied to this industry have declined since the introduction of this new ride services. Increasing the price of these services could reduce congestion by limiting car trips and support transit use.*	Current rate is 1.4% - goes to PPA and PSD. Outside of permit fees, some jurisdictions charge by trip: NYC $2.75 in Manhattan, Chicago $0.72, and MD $0.25	Philadelphia Parking Authority, Philadelphia School District, Greater Philadelphia Taxi Association, Uber, Lyft, The Chamber of Commerce for Greater Philadelphia	YES-enabling
Transit Fare Surcharge	Increase price to use SEPTA service	$65M to $80M	20% increase	*Raising the price on transit service can improve total revenue, but can also decrease the number of unlinked passenger trips. This could have unintended consequences resulting increased congestion and decreased use, especially lower income riders.*	SEPTA's current fare structure is consistent with peer agencies. The base fare of $2.50 coincides with: WMATA $2.00, CTA $2.50, and NYC MTA $2.75.	Philadelphia Convention & Visitors Bureau, Pennsylvanians for Transit, 5th Square, SEPTA Citizen Advisory Committee, Voices for Public Transit, The Chamber of Commerce for Greater Philadelphia, Transit riders	NO-SEPTA policy decision

Local Solution	Description	Potential Local Revenue	Basis	Peers	Stakeholders	Legislative action needed?
	Notes					
Transportation Access Fee (Commercial Rent Surcharge)	Assess a surcharge to commercial property rents for transportation (transit) purposes	$35M to $45M	$0.25 per square foot of rented space		Department of Revenue, PA Land Trust Association, PA Association of Realtors, Philadelphia area developers, DVRPC, Department of Community and Economic Development, Commercial real estate property managers	NO-local zoning decision
	If used for transit, only makes sense where improvements to transit network benefit the development					
Vehicle Property Tax	Annual percentage fee on vehicle's assessed value	$110M to $130M	0.35% of annual value	North Carolina and Virginia counties charge between 0.3% and 5% of assessed vehicle value	Department of Revenue, Department of Environmental Protection, Auto Manufacture/Dealers, Department of Motor, Vehicles Low Income Vehicle Owners	YES-enabling
	New collection mechanism would have to be established. Also, following peer models, counties would determine the rate charged.					
Vehicle Registration Fee	Increase the registration fee charged on vehicles	$12M to $16M	Increase fee by $5 Currently $37 to $42 Increase from $42 to $47	DC: $72 NYC: $28-$85 CHI: $101 SEA: 1.1% of value ATL: $20 BOS: $60	Department of Transportation, Department of Revenue, The Chamber of Commerce for Greater Philadelphia	YES-enabling to increase fee. Delaware County is only county in Philly region which has not enacted Act 89 fee.
	Act 89 allows counties to place a $5 annual surcharge on vehicle registration fees; the fees must be used for highway/bridge projects. Bucks, Chester, Montgomery and Philadelphia have enacted this fee in the Philadelphia region. Act 89 allows the $5 fee to be indexed to inflation.					

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FINAL REPORT

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