

The difficulty of funding Pennsylvania's transportation system is a growing concern for PennDOT, local governments, and transit agencies. The ability to maintain, improve, and provide the infrastructure and services needed to meet Pennsylvania's mobility needs is growing, and the commonwealth continues to focus on developing solutions to bridge the gap between transportation revenue and needed transportation infrastructure and services. Municipalities often do not have adequate resources to address local highway, bridge, and transit needs. While no single tool is likely to generate all of the necessary revenue, combinations of these tools may help supplement more traditional funding mechanisms. Many of the tools that are available to Pennsylvania counties and municipalities are described in this tech sheet.



Capital Improvement Programming (CIP)

A capital improvement plan is a schedule or list of projects for which public funds are to be used. The CIP should include all proposed public improvements in the comprehensive plan for which there is an identifiable cost. Inflationary factors should be used for those improvements not planned to be implemented until the later years of the plan. Anticipated sources of funding should also be identified for each improvement. The primary advantage of developing and maintaining a CIP is that it enables municipalities to better prioritize projects and to program their available funds over periods greater than one year.

ADVANTAGES

A CIP brings together a full range of funding options for evaluation, going beyond what is eligible for federal funding through the MPO/RPO TIP and the STIP. These funding options include:

- Private contributions or funding
- Transportation impact fees levied in accordance with the Transportation Impact Fee Handbook
- Bond issuance
- Transit revitalization investment districts (TRID)
- Borrowing through the Pennsylvania Infrastructure Bank (PIB) or other entities
- Funding reimbursement programs such as the Multimodal Fund
- Tax increment financing (TIF)
- Other funding tools applicable to the municipality



Cumberland County owns and maintains 19 bridges and shares joint ownership and maintenance responsibilities with York County for an additional nine bridges of varying type, size, and age. To date, 17 of these bridges are structurally deficient. The capital improvement program (CIP) outlines nearly \$15 million of bridge maintenance and replacement projects over the next six years. Federal and state funds are an important part of the county's bridge program, accounting for as much as 95 percent of an approved project's costs.



Developer Negotiations

Many municipalities find that negotiating with developers over the cost of off-site improvement — the need for which is generated, at least in part, by the proposed development — can be a very effective means of implementing improvements to the transportation system and other infrastructure. Municipalities should always seek to tie any developer negotiation to identifiable public needs and costs. Such negotiations are acceptable if conducted in accordance with the Municipalities Planning Code (MPC) and current case law. A general rule is that municipalities cannot predicate approval of a subdivision or land development proposal on the developer’s willingness to pay for off-site improvements, thus making joint acceptance of any negotiations necessary. Municipalities should conduct all developer negotiations under the advice of their solicitor to ensure that all applicable guidelines are followed.

ADVANTAGES

- Encourages private investment in transportation infrastructure.
- Links development with municipal and MPO/RPO plans.



Lower Paxton Township, Dauphin County, negotiated with the developer of a local shopping center for transportation improvements at several new intersections on US 22 as well as a land swap that allowed the developer to consolidate its lands and enhance the design of a shopping center. The township gained lands for construction of its indoor recreational Friendship Center.



Loan and Reimbursement Programs

There are several funding reimbursement programs and a state loan program available to help fund transportation projects in Pennsylvania. Examples include the Multimodal Fund, Transportation Alternatives Set-Aside (TA Set-Aside), and Pennsylvania Infrastructure Bank (PIB).

The Multimodal Fund is available for projects that coordinate local land use with transportation assets to enhance existing communities; projects related to streetscapes, lighting, sidewalk enhancement, and pedestrian safety; and projects improving connectivity or utilization of existing transportation assets. The TA Set-Aside encompasses a variety of smaller-scale transportation projects, such as pedestrian and bicycle facilities, recreational trails, Safe Routes to School projects, community improvements, and environmental mitigation related to stormwater and habitat connectivity. The goal of the PIB is to leverage state and federal funds, accelerate priority transportation projects, spur economic development, and assist local governments with their transportation needs. Loans are available at half of the federal prime rate.

bond revenue can be used to complete the transportation system improvement, with the bond repaid through tax or other municipal revenues.

ADVANTAGES

- Borrowing may allow for advancing of projects that would otherwise take longer to fund through traditional methods.
- PIB is established, successful, and supported by local elected officials.
- The Multimodal Fund and TA Set-Aside are funds available to municipalities to implement a community vision and local transportation projects.



Solebury Township, Bucks County, through the TA Set-Aside leveraged a \$1.8 million total investment to connect multi-use trails and implement a road diet project. The 202 Gateway Trail project was awarded \$792,634.





Tax Increment Financing (TIF) & Transit Revitalization Investment Districts (TRID)

Tax increment financing (TIF) allows for municipalities to borrow against anticipated property value increases that are in part due to the transportation improvements being completed in a designated area. To calculate the possible revenue increase that may occur after completion of a project, current property tax revenues within the TIF boundaries are used as a baseline. A percentage of future increases in tax ratables are dedicated to the TIF and used to pay the project costs or repay the bonds or other obligations that helped finance the project. Transit revitalization investment districts (TRIDs) are authorized through Act 238 of 2004 for the financing of public improvements within one-half mile of a transit stop or station. TRID boundaries coincide with a designated value capture area and operate similarly to a TIF to allow local jurisdictions and the transit agency to share the tax revenues generated by real estate investment for the needed infrastructure improvements. The creation of a TRID requires the formation of a partnership among local governments, transit agencies, and the private sector to manage and implement TRID-related improvements.

ADVANTAGES

- Tax increases with rising property values help to keep pace with inflation.
- Projects may help to stimulate economy in a blighted area.
- TRID locations, with close proximity to transit stations, are intended to support ridership and encourage denser and more walkable communities.
- TIF and TRIDs can support investment in underutilized areas with transit access.



The city of Bethlehem, Northampton County, established a TIF district that encompasses “Bethlehem Works,” a 120-acre redevelopment

area that was the former site of Bethlehem Steel. Most improvements have come as a result of the TIF arrangement, which required any new tax revenue generated by the site be dedicated to the costs of its redevelopment.



Transportation Impact Fees

Act 209 of 1990 enables municipalities to impose a fee on developers for the provision of transportation infrastructure improvements. This law attempts to distribute some of the cost of off-site, development-related transportation improvements to those who are responsible for and profiting from the development. Local governments can charge a one-time fee to cover some of the cost of transportation system improvements made necessary by the development. The fee is assessed based on the number of additional trips generated by the proposed development. PennDOT Publication 639 provides detailed guidance on transportation impact fees.

ADVANTAGES

- Revenues from impact fees are typically dedicated to a certain road or transit improvement that would serve the new development.
- Revenues can be used for off-site improvements that otherwise could not be mandated by a municipality.



Manheim Township, Lancaster County, has been administering impact fees since 1989. The township has developed a modified process where a land developer can receive a 20 percent reduction in the amount of the impact fee. In exchange for this, the township can then use the funds to improve any roadway within the township, regardless of the impact area of the development.

