

December 2023



Addressing Municipal Challenges to Participating in Competitive Transportation Grant Programs



A study by the Pennsylvania Transportation Advisory Committee

Contents

	Executive Summary 4
	Introduction 9
	Current Situation 17
	Findings 44
	Recommendations 66
	Conclusion 90
	Acknowledgements 93
	Appendix: Case Studies. 98



Acronyms

ANF.....	Allegheny National Forest	MTF.....	Multimodal Transportation Fund
ARC.....	Appalachian Regional Commission	NACo.....	National Association of Counties
BIL.....	Bipartisan Infrastructure Law	NADO.....	National Association of Development Organizations
CAGE.....	Commercial and Government Entity (code)	NCPRPDC...	North Central Pennsylvania Regional Planning and Development Commission
CCAM.....	Coordinating Council on Access and Mobility	NLC.....	National League of Cities
CCAP.....	County Commissioners Association of Pennsylvania	NTIA.....	National Telecommunications and Information Administration
CEDA.....	Chester Economic Development Authority	NTRPDC....	Northern Tier Regional Planning and Development Commission
CFA.....	Commonwealth Financing Authority	PDA.....	Pennsylvania Department of Agriculture
CIP.....	Capital Improvement Plan	PennDOT....	Pennsylvania Department of Transportation
DCED.....	Pennsylvania Department of Community and Economic Development	PFBC.....	Pennsylvania Fish and Boat Commission
DOI.....	U.S. Department of the Interior	PGC.....	Pennsylvania Game Commission
DVRPC.....	Delaware Valley Regional Planning Commission	PIB.....	Pennsylvania Infrastructure Bank
ECMS.....	PennDOT's Engineering and Construction Management System	PILOT.....	Payment in Lieu of Taxes (local)
EDA.....	U.S. Economic Development Administration	PILT.....	Payment in Lieu of Taxes (state or federal)
EIN.....	Employer Identification Number	PML.....	Pennsylvania Municipal League
FFY.....	Federal Fiscal Year	PSAB.....	Pennsylvania State Association of Boroughs
FTA.....	Federal Transit Administration	PSATS.....	Pennsylvania State Association of Township Supervisors
FY.....	State Fiscal Year	RPO.....	Rural Planning Organization
GCLGS.....	Governor's Center for Local Government Services	SB.....	Senate Bill
HB.....	House Bill	SPC.....	Southwestern Pennsylvania Commission
HRIS.....	Human Resources Information System	SRS.....	Secure Rural Schools
IJA.....	Infrastructure Investment and Jobs Act	TAC.....	Pennsylvania Transportation Advisory Committee
LDD.....	Local Development District	TASA.....	PennDOT Transportation Alternatives Set-Aside (grant program)
LTAP.....	PennDOT Local Technical Assistance Program	TIP.....	Transportation Improvement Program
MAP.....	DCED Municipal Assistance Program	U.S. DOT....	United States Department of Transportation
MOU.....	Memorandum of Understanding	USFS.....	United States Forest Service
MPC.....	Municipalities Planning Code		
MPO.....	Metropolitan Planning Organization		
MRI.....	Municipal Revitalization Index		



PA TAC
Local Match Study
December 2023



Executive Summary

The increase in federal and state transportation funding through competitive grants poses significant challenges for Pennsylvania local governments—particularly for the municipalities most urgently in need of funding.

Study Purpose

The federal [Infrastructure Investment and Jobs Act](#) (IIJA), also known as the Bipartisan Infrastructure Law (BIL), makes available billions of dollars in much-needed new funding for U.S. transportation infrastructure. Approximately 40% of the IIJA/BIL funding is in the form of competitive discretionary grants. Similarly, the Commonwealth of Pennsylvania administers several competitive grant programs.

Many of Pennsylvania's 2,560 municipalities are at a disadvantage when competing for grant funding because they cannot afford matching funds. Further, preparing grant applications and administering grant funds requires specific technical expertise and significant staff time—many municipalities have neither.

The Pennsylvania Transportation Advisory Committee (TAC) conducted this study to examine the challenges associated with discretionary grants from both a local government and state government perspective, and to identify best practices and recommendations. The aim is to strengthen the competitive position of Pennsylvania's municipalities as they work to secure a share of federal and state grant funding to make vital transportation investments in our communities.

TAC attempted to strike a balance between local challenges and considerations and those of state government.

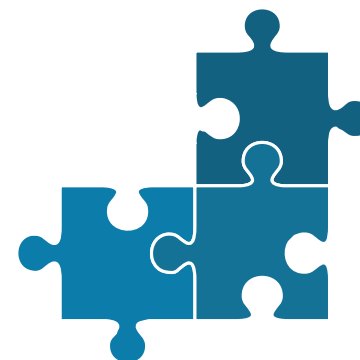


Methodology

The study was guided by TAC's Local Match Task Force, which provided direction and input at key milestones and through two task force workshops. Members are listed in the Acknowledgements section.

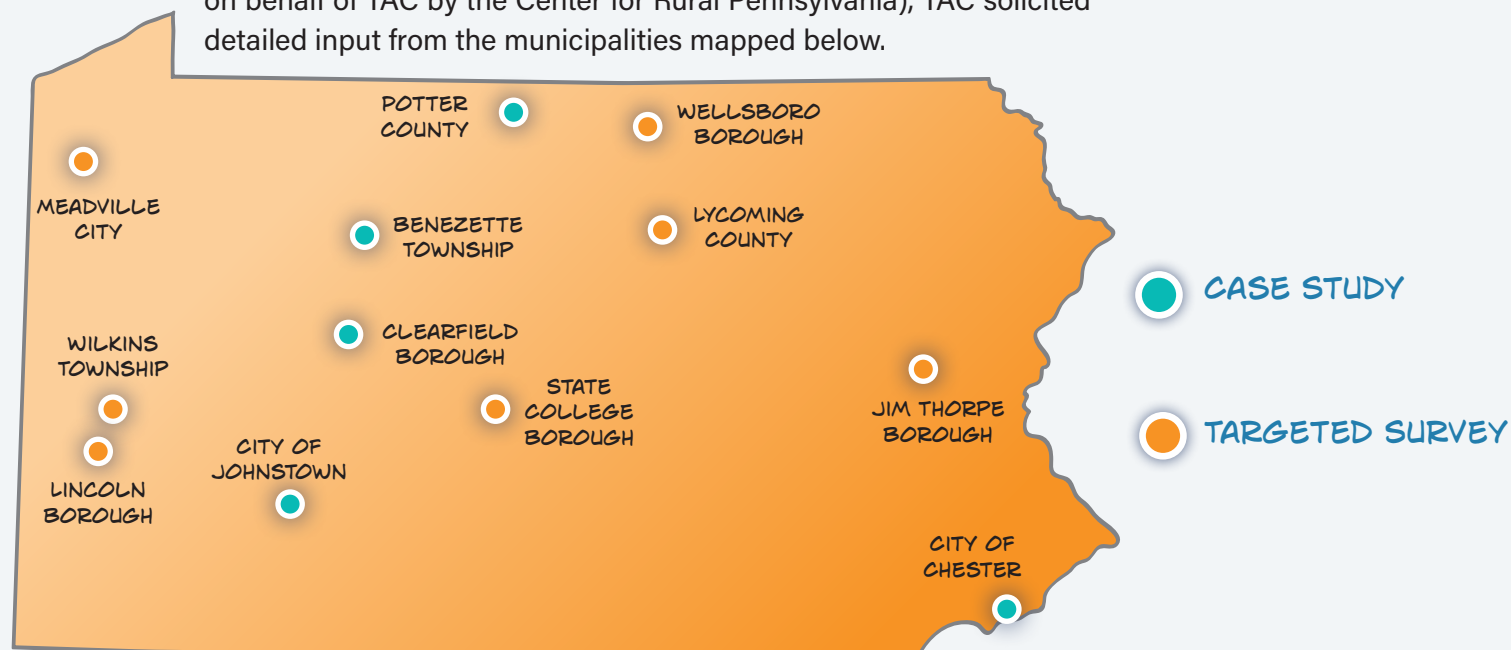
The data collection and analysis elements of the study included:

- Municipal outreach
 - › Statewide survey
 - › Case studies
 - › Targeted surveys
- Stakeholder interviews with grant program administrators
- National research



A BALANCED, STATEWIDE APPROACH

In addition to a statewide survey with 718 respondents (administered on behalf of TAC by the Center for Rural Pennsylvania), TAC solicited detailed input from the municipalities mapped below.



Findings

- A. Match requirements are stringent.
- B. Application processes are complex.
- C. Grant application windows are short.
- D. Grant notices are easy to miss.

GRANT REQUIREMENTS

- E. Many municipalities have large amounts of tax-exempt or tax-discounted real estate.
- F. Many county tax assessments are outdated.
- G. Revenue from some funding sources is limited by population density.
- H. The industrial and commercial tax base is declining in many areas of the state.
- I. Socioeconomic trends diminish the fiscal capacity of local governments.
- J. Municipal expenses are increasing.

MUNICIPAL FINANCIAL CONSTRAINTS

- K. Lack of in-house technical capacity is common and multi-municipal cooperation must be strengthened.
- L. Local governments often lack capital improvements planning.

MUNICIPAL CAPACITY CONSTRAINTS



Recommendations

1. Adopt flexible match policy for state grants and modify program guidelines.
2. Consider local match waiver options.
3. Establish a state program to match federal grants.
4. Seek private-sector and non-profit match support.
5. Establish a local match revolving loan fund.

MATCH

6. Promote and incentivize multi-municipal cooperation.
7. Build local capacity through technical assistance.

CAPACITY

8. Consider property tax modifications.
9. Adopt additional municipal taxes or fees.
10. Encourage county-implemented transportation funding initiatives.

BUDGET

Implementing the proposed recommendations would require a concerted, accelerated effort to maximize opportunities for municipal success in applying for and receiving IJA/BIL funding, which is only available through FFY 2026.

TAC recommends that a Local Match Task Force be established to develop an Action Plan based on this study.



PA TAC
Local Match Study
December 2023



Introduction

Approximately 40% of the federal IIJA/BIL transportation funding is in the form of competitive discretionary grants.

Many of PA's municipalities are at a disadvantage when competing for grant funding.

Background

The federal [Infrastructure Investment and Jobs Act](#) (IIJA), also known as the Bipartisan Infrastructure Law (BIL), makes available billions of dollars in much-needed new funding for transportation infrastructure for all modes, including roads and bridges. This is especially opportune for Pennsylvania with its vast and aging transportation system.

Approximately 40% of the IIJA/BIL funding is in the form of competitive discretionary grants (the remainder is provided on a formula basis). Similarly, the Commonwealth of Pennsylvania administers several competitive grant programs. Many of Pennsylvania's 2,560 municipalities are at a disadvantage when competing for grant funding because they cannot afford matching funds. Further, preparing grant applications and administering awarded grant funds is labor-intensive—an especially onerous hurdle for smaller and rural municipalities. Grants are highly competitive and require technical expertise and grant-writing capabilities that many communities do not have in-house—nor can they afford to hire consultants for such services.

In short, the increase in federal and state transportation funding through competitive grants poses significant challenges for Pennsylvania local governments—including the municipalities most in need of funding. The challenge is also felt at the state level. To compete for federal funding, PennDOT must invest heavily in grant preparation and management and must provide non-federal matching funds.

Recognizing the pressures on both state and local government, TAC pursued a balanced approach in conducting this study to consider both the needs of municipalities and the constraints of state government.



Study Objectives

This study on transportation discretionary grant challenges was guided by the following objectives:



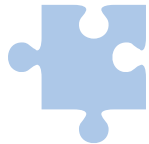
To identify **state constraints** limiting flexibility in waiving or reducing local match.



To understand the challenge that municipalities with an inordinate share of **tax-exempt real estate** face and how that challenge relates to local match.



To understand how **municipal capacity** affects the ability to apply for and manage grant funding.



To identify **best practices** nationally—as well as those in place in Pennsylvania—for consideration or adaptation to Pennsylvania’s local government needs.



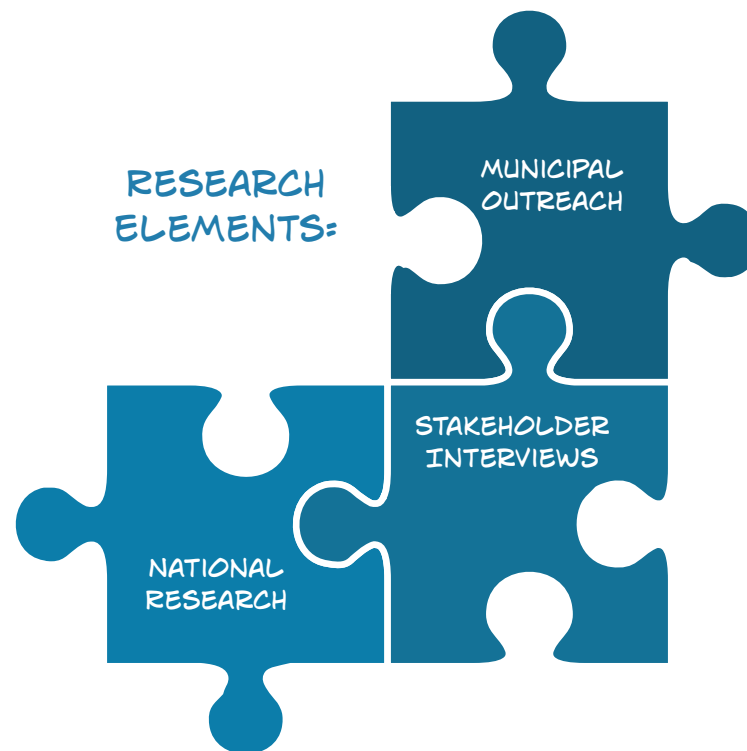
To develop **recommendations** for assisting municipalities in meeting local match requirements for transportation projects.



Methodology

The study was directed by TAC's Local Match Task Force (members are listed in the Acknowledgements section). The Task Force helped define the problem and provided input on study tasks. The Task Force participated in two major workshops. At the first workshop, the Task Force discussed the wide range of issues and challenges associated with grant funding and local match. The second workshop solicited Task Force input on draft findings and potential recommendations.

The data collection and analysis elements of the study included municipal outreach, stakeholder interviews, and national research. Each is described on the following pages.



Municipal Outreach

To ensure broad input from local governments, municipal outreach followed a three-pronged approach by conducting a **statewide survey, case studies, and targeted surveys**. Pennsylvania's myriad units of local government vary greatly in terms of population, geography (urban, rural, suburban), financial capacity, and other factors that bear on their ability to match federal and state grants.

Municipalities were selected for case studies and targeted surveys based on suggestions from Task Force members and local government associations, including:

- Center for Rural Pennsylvania
- North Central Pennsylvania Regional Planning & Development Commission
- Pennsylvania Department of Community and Economic Development (DCED)
- Governor's Center for Local Government Services (GCLGS)
- Pennsylvania Municipal League (PML)
- Pennsylvania State Association of Boroughs (PSAB)
- Pennsylvania State Association of Township Supervisors (PSATS)

The following factors were also considered:

- Known or anticipated local funding match challenges or best practices;
- Local government class;
- Geographic distribution across Pennsylvania; and
- The potential for best practices that could be applied to similar Pennsylvania municipalities.

The intent was to include a cross-section of municipalities. TAC sought to learn directly from the varied experiences of local and state government as the foundation for its findings and recommendations.



Statewide Survey

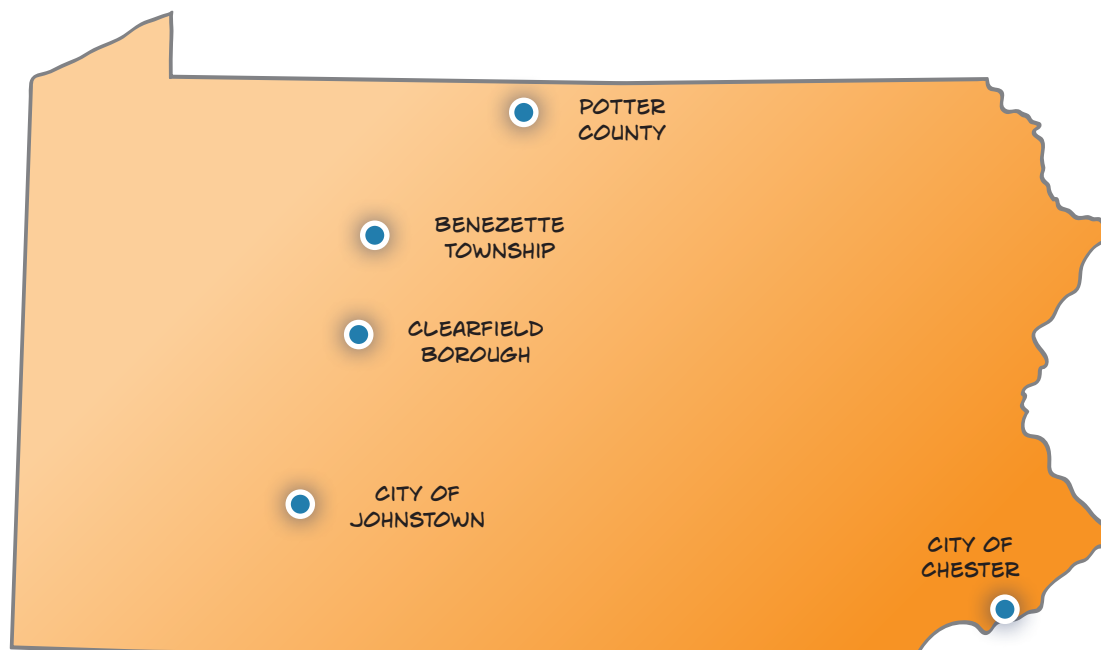
The Center for Rural Pennsylvania, on behalf of and in cooperation with TAC, administered a statewide survey sent to all Pennsylvania local governments.¹ Feedback from 718 respondents provided data about municipal challenges related to transportation funding programs.

Case Studies

The case studies included an analysis of a municipality's capacity to fund transportation infrastructure and services as well as the existing demographic, land use, and fiscal conditions that affect the ability to apply for and secure local funding match. Participants included:

- Benezette Township, Elk County
- City of Chester, Delaware County
- Clearfield Borough, Clearfield County
- City of Johnstown, Cambria County
- Potter County

Information from each of these municipalities is referenced throughout the study and individual case studies are included in the Appendix.



The Center for Rural Pennsylvania administered a statewide survey of local governments. A total of 718, or 28%, of Pennsylvania local governments representing 66 counties responded.

CASE STUDY MUNICIPALITIES



¹ The municipalities selected for a case study or targeted survey were not included in the statewide survey.

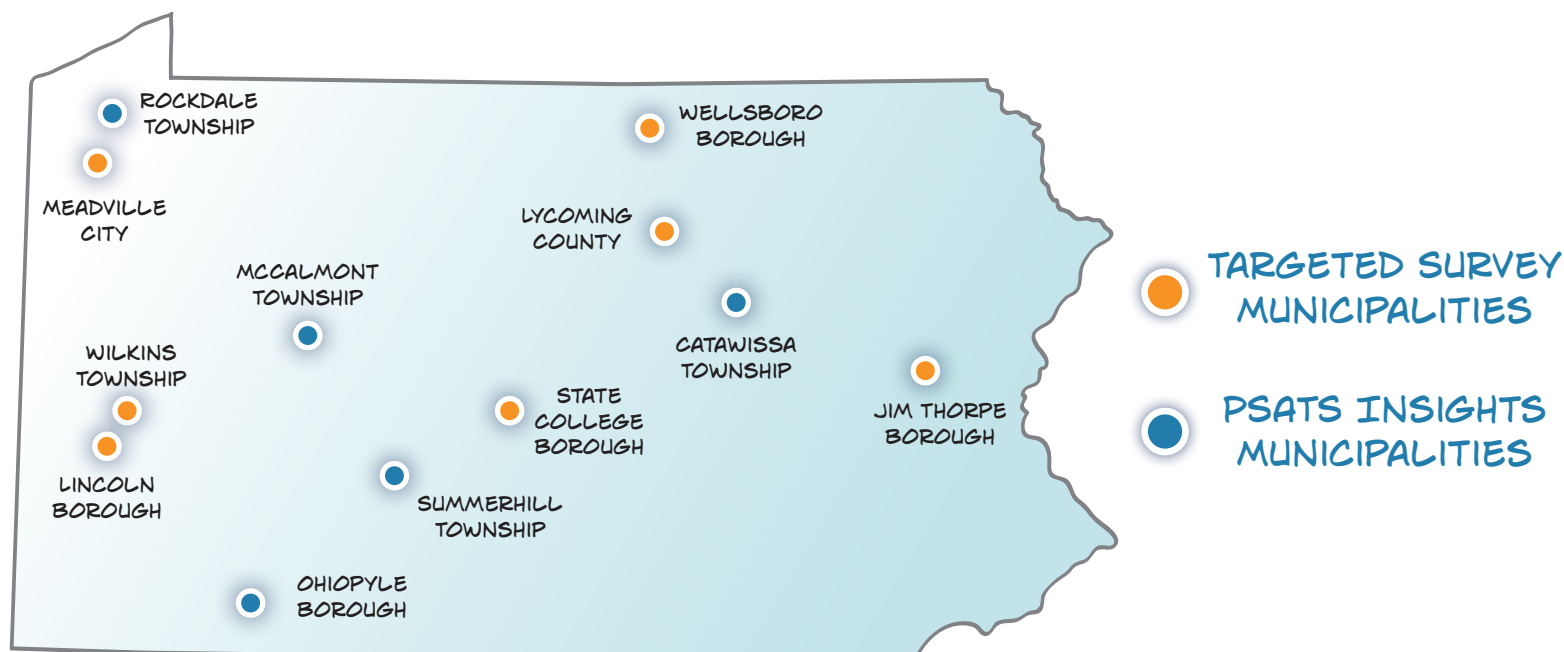
Targeted Survey

The targeted survey collected detailed information on municipal transportation funding challenges, particularly in applying for and matching funding. Targeted surveys also solicited best practices used to fund transportation improvements. The following municipalities participated:

- Jim Thorpe Borough, Carbon County
- Lincoln Borough, Allegheny County
- Lycoming County
- Meadville City, Crawford County
- State College Borough, Centre County
- Wellsboro Borough, Tioga County
- Wilkins Township, Allegheny County

In addition, PSATS provided insights on the transportation challenges of five municipalities:

- Catawissa Township, Columbia County
- McCalmont Township, Jefferson County
- Ohiopyle Borough, Fayette County
- Rockdale Township, Crawford County
- Summerhill Township, Cambria County



The TAC aimed to analyze this subject in a balanced way that considered both the needs of local government and the constraints and responsibilities of state government.

Stakeholder Interviews

The administrators of the transportation grant programs listed below were interviewed to capture the state-level perspective. The TAC deemed it important to analyze this subject in a balanced way that considered both the needs of local government and the constraints and responsibilities of state government.

- PennDOT Green Light-Go
- PennDOT Multimodal Transportation Fund
- PennDOT Transportation Alternatives Set-Aside (TASA)
- Commonwealth Financing Authority (CFA) Multimodal Transportation Fund
- DCED Appalachian Regional Commission (ARC) Allocation

National Research

Information on national-level trends and issues pertaining to local match and capacity was obtained from the National Association of Counties (NACo), the National Association of Development Organizations (NADO), and the ARC. Both NACo and NADO provided insights on organizations and agencies addressing local match and capacity and specific states that are effectively addressing the challenge.



PA TAC
Local Match Study
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Current Situation

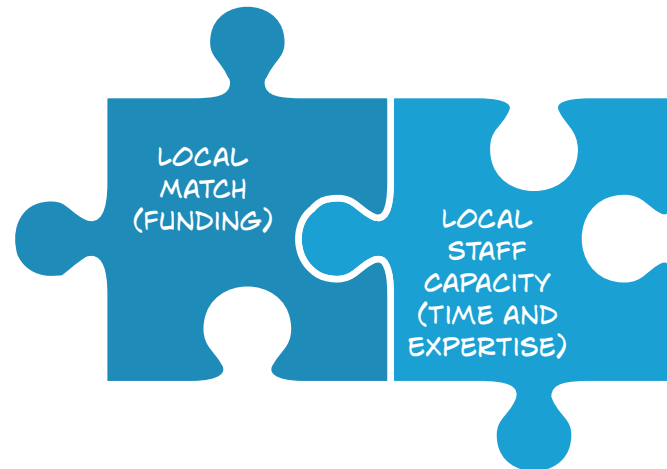
What is Local Match?

Local match for the purposes of this study can be understood as a cash or in-kind contribution a grant applicant is required to contribute toward a project funded by a state or federal grant.

For public transportation projects in Pennsylvania, local match is usually provided by a municipality (either a county, city, borough, township, municipal authority, or school district), a council of government, non-profit economic development organization, or a public transportation agency.

This study analyzes local match required by municipalities (defined as counties, cities, boroughs, and townships) to compete for transportation funding. It also addresses local capacity, which is linked to local match. Beyond having cash or in-kind contributions in place, applicants need available staff (or financial resources to contract for services) to assess funding opportunities, develop and submit grant applications, and manage any grant awards in compliance with program requirements.

TO COMPETE FOR A GRANT, A
MUNICIPALITY NEEDS:



Local match is a cash or in-kind contribution a grant applicant is required to contribute toward a project funded by a state or federal grant.



National Observations

Nationally, several organizations have indicated that lack of local match and limited local government capacity thwart applications for needed funding. This section outlines the programs, initiatives, and legislation that are underway at the national and state levels to address the challenges local governments face in matching and applying for federal funding. It is worth noting that many of these efforts across the nation are a recent response to local concerns.

Local Match and Capacity are a Challenge Nationally

The passage of IIJA/BIL with its competitive grant funding has shed light on the challenges many local governments face in securing local match and applying for funding. Bruce Katz of Drexel University's Nowak Metro Finance Lab underscores local concerns that federal funding will be unevenly awarded because smaller communities or communities lacking financial resources do not have the capacity to prepare winning grant applications. He states, "There's a complete mismatch between the capacity that the federal government assumes and what actually exists." Katz notes that entities with the professional infrastructure in place—such as experienced local government officials, planners, engineers, business leaders, community organizations, and foundations—can prepare winning applications. "However, the unintended consequence is that those communities with low capacity will not be competitive and will fall further behind their counterparts with more capacity."

A coalition including NACo, the National League of Cities (NLC), and others representing the nation's counties, cities, and government finance officers sent [correspondence to the White House Office of Management and Budget](#) in March 2023. The correspondence requested reducing local government administrative burdens through policy and procedure reforms associated with federal agency grants and agreements. Recommendations suggested by the coalition included:

- Simplifying requirements based on entity size.
- Reducing local government confusion by simplifying the codes required by federal agencies (e.g., CAGE Code, Unique Entity ID, Federal EIN numbers).
- Using plain-language instruction for the layman whenever possible.
- Extending timelines to accommodate local governments' due process.
- Streamlining application processes.

"...communities with low capacity will not be competitive and will fall further behind their counterparts with more capacity."

~ Bruce Katz
Drexel University
Nowak Metro Finance Lab



National organizations have supplied data verifying that a capacity problem exists, particularly for rural² communities. Headwaters Economics, an independent, non-profit research organization that works to improve community development and land management decisions, developed the [Rural Capacity Index](#) and accompanying map to identify communities across the U.S. with limited capacity to access climate resilience funding. The index quantifies the capacity of communities on a scale ranging from 0 (low capacity) to 100 (high capacity) by analyzing indicators such as location in a metropolitan area, local planning and educational capacity, broadband access, and socioeconomic conditions.

Headwaters Economics suggests improving local capacity by:

- **Providing direct funding.** Eliminate competitive grants and provide formula funding for lower-capacity communities that lack the resources and expertise to apply for and administer grant funds.
- **Improving access to competitive grants.** Allow funding to be used for staff capacity by hiring new staff and technical assistance, eliminate or reduce match requirements, and revise requirements for benefit-cost analyses, which are expensive and can often undervalue the benefits of projects in lower-capacity and lower-income communities.
- **Funding technical assistance.** Technical assistance programs provide expertise to identify, design, and implement projects and develop grant proposals.
- **Increasing funding for multi-jurisdictional projects.** Reward regional projects that leverage urban-rural partnerships and those benefiting low-capacity communities. This may require investment in regional institutions and organizations that can help coordinate resources and prioritize projects.
- **Addressing root problems.** Strengthen policies that encourage economic diversification to help communities generate predictable local revenue needed for infrastructure and adaptation.

Another national non-profit, the Aspen Institute Community Strategies Group, developed a [Thrive Rural Framework](#) aimed at attaining equitable rural prosperity. A foundational element of the framework is to identify and eliminate ongoing practices that have disadvantaged rural communities based on place, race, and class.

²A municipality is considered "rural" when its population density is less than the statewide density of 284 persons per square mile, or the total population is less than 2,500, unless more than 50 percent of the population lives in an urbanized area as defined by the U.S. Census Bureau. All other municipalities are considered "urban."



Significant Technical Assistance Exists

Varied technical assistance, information, and resources have been developed for communities by federal and state agencies and national advocacy organizations since IIJA/BIL was signed into law in November 2021. The level of effort and amount of available technical assistance indicates some understanding of the capacity challenges discussed above.

Table 1: Existing IIJA/BIL Grant Application Resources

Organization/Agency	Technical Assistance
The White House	<ul style="list-style-type: none"> Developed the White House Guidebook to provide cost-share information for programs under BIL for applicants and partners. Developed the Bipartisan Infrastructure Law Rural Playbook to help rural communities understand available BIL funding, including rural set-asides and flexibility and other benefits for rural communities.
U.S. DOT	<ul style="list-style-type: none"> Prepared the Justice 40 Non-Federal Match Flexibility website identifying U.S. DOT funding programs with non-federal match flexibility.
Federal Transit Administration (FTA)/ Coordinating Council on Access and Mobility (CCAM)	<ul style="list-style-type: none"> Prepared the Federal Fund Braiding Guide which defines how funds from one federal program can be used to match another.
PennDOT	<ul style="list-style-type: none"> Developed an IIJA Grant Funding website including funding opportunities and a Guide for Developing Grant Proposals. Through PennDOT Connects, conducted 2023 Municipal Outreach Sessions (in-person and online meetings) that included an overview of IIJA grant opportunities and available support.
National League of Cities (NLC), U.S. Conference of Mayors, and others	<ul style="list-style-type: none"> Developed a Local Infrastructure Hub providing technical assistance, including Grant Application Bootcamps. Posted articles and online content providing advice on securing local match.
National Association of Counties (NACo)	<ul style="list-style-type: none"> Published a catalog of funding opportunities and summaries of open and upcoming funding opportunities.
National Association of Development Organizations (NADO)	<ul style="list-style-type: none"> Developed Funding Mechanisms for Public Transportation: A Review of Local Match Practices and Public-Private Partnerships to assess local match for transit projects.



States are Providing Local Match Dollars for Federal Grants

To assist with the challenges their local governments are facing in meeting federal match requirements, a few states have passed legislation and developed policy and programs providing the needed cash match for local governments to apply for federal funding.

Arizona

The Arizona Commerce Authority will administer the \$23 million [Rural Broadband Accelerated Match Fund](#) enacted in May 2023. Rural communities will apply for the funding to match the U.S. Department of Commerce's National Telecommunications and Information Administration (NTIA) Broadband Equity, Access, and Deployment Program.



Colorado

The Colorado General Assembly passed the Infrastructure Investment and Jobs Act Cash Fund in June 2022, allocating \$80 million in state general funds for the local match support required by IIJA. Of that amount, \$60 million was appropriated in state Fiscal Year (FY) 2022-23. A total of \$6 million (10%) was allocated to the [IIJA Local Match Program](#) to be used by local governments to meet the non-federal match requirement when applying for an IIJA grant program. The state local match program is open to counties, municipalities, Special Districts, and federally recognized tribes.



The program's application [scoring matrix](#) assesses criteria such as alignment with state-level priorities, need, equitable impacts, workforce/job creation, and shovel-ready status to help state officials rank applications.

Minnesota

In April 2023 the Minnesota State Legislature enacted the [Minnesota State Competitiveness Fund](#) which will provide non-federal matching funds for local governments applying for energy-related IIJA and federal Inflation Reduction Act grant opportunities. The \$156 million Minnesota State Competitiveness Fund includes:

- \$140 million for matching federal funds.
- \$13.75 million for grant development assistance through the state's Regional Development Commissions.
- \$1.5 million for information system development to support the fund program.
- \$750,000 for required reports and audits through 2035.



Table 2: Top Five States in Number of Municipalities

State	Number of Municipalities	Rank in U.S.
Illinois	2,726	1
Minnesota	2,633	2
Pennsylvania	2,560	3
Ohio	2,239	4
Kansas	1,890	5

The program will help the large number of Minnesota local governments. Minnesota is second to Illinois in having the most local governments in the nation. Pennsylvania is number three³ (Table 2).

State Programs are Adopting Flexible Match Policies

State programs are responding to local government match challenges by adopting flexible local match policies to help rural and lower-income communities compete for much-needed grant funds. Two examples follow, one from Pennsylvania and the other from New Jersey.

Pennsylvania

Under the Commonwealth Financing Authority Multimodal Transportation Fund administered by DCED ([CFA MTF](#)), municipalities are not required to provide the program's 30% match per a provision in Pennsylvania's 2017 fiscal code (Act 44 of 2017) and enacted each year since through the state's fiscal code. In addition, the state's fiscal code allows PennDOT's Secretary to waive local match for the PennDOT MTF for good cause⁴ for municipal applicants. SB 760, referred to the Senate Appropriations Committee in June 2023, would extend the municipal match waiver requirement until December 31, 2024.



³U.S. Census Bureau, 2017 Census of Governments. Released October 29, 2019. Accessed June 12, 2023, at: <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>.

⁴The state fiscal code allows a local match waiver at the Secretary's discretion for good cause if the applicant for assistance is a municipality, but does not specify what "good cause" is.



PA DCED's Single Application for Assistance and the reimbursement process have each been streamlined.

The CFA MTF program does not require a match waiver process and less than 5% of municipal applicants provide a 30% match. Projects are evaluated on factors such as community economic conditions, public safety, and job creation potential.

DCED's Single Application for Assistance, the online application tool used by the CFA, has been streamlined, as has the reimbursement process. The improvements help grantees with funding administration. Several smaller municipalities use PennDOT's Municipal Service Specialists to help with the application.

New Jersey

The [Boardwalk Preservation Fund](#) is a new \$100 million program of the New Jersey Department of Community Affairs, established for repairing and rebuilding boardwalks along the New Jersey shore.

Local match is 5% and some municipalities are exempt from the local match requirement based on their [Municipal Revitalization Index](#) (MRI) ranking. The MRI is New Jersey's official measure and ranking of municipal distress using eight indicators measuring diverse aspects of social, economic, physical, and fiscal conditions. The MRI is a factor in distributing certain need-based funds. This example underscores a low matching requirement and an objective basis for match waiver.



Community Capacity-Building is a Priority

Several federal agencies have established programs that complement IJJA/BIL by improving community capacity—making technical expertise and qualified personnel available to strengthen the ability of local governments to apply for and manage grant awards. States like Pennsylvania are also working on solutions to address capacity.

Table 3: Existing Capacity-Building Programs

Agency/Program	Description
U.S. DOT/ Thriving Communities Program	<ul style="list-style-type: none"> ▪ The Thriving Communities program funds Cooperative Agreements with Capacity Builders to provide planning, technical assistance, and capacity-building support to disadvantaged and under-resourced communities. ▪ The program will facilitate infrastructure projects to increase mobility, reduce pollution, and expand affordable transportation options. ▪ The program requires no local match. U.S. DOT funds up to 100% of the eligible project costs provided by Capacity Builders. ▪ Capacity Builders were selected to provide support in three Communities of Practice: Main Streets, Complete Neighborhoods, and Networked Communities. ▪ Chester Economic Development Authority and the Borough of Pottstown were selected as FFY 2022 program community recipients under Networked Communities. Networked communities are located near ports, airports, freight, and rail facilities. Capacity Builders will focus on addressing mobility, access, housing, environmental justice, and economic issues to improve wealth-building and economic development opportunities. ▪ Twelve additional Pennsylvania communities were identified as Runners Up in FFY 2022—communities that submitted eligible Letters of Interest but were not selected to receive support due to a high level of program interest. The 2023 program round closed in November 2023.
U.S. DOT/ Rural and Tribal Assistance Pilot Program	<ul style="list-style-type: none"> ▪ Prepared the Justice 40 Non-Federal Match Flexibility website identifying U.S. DOT funding programs with non-federal match flexibility.

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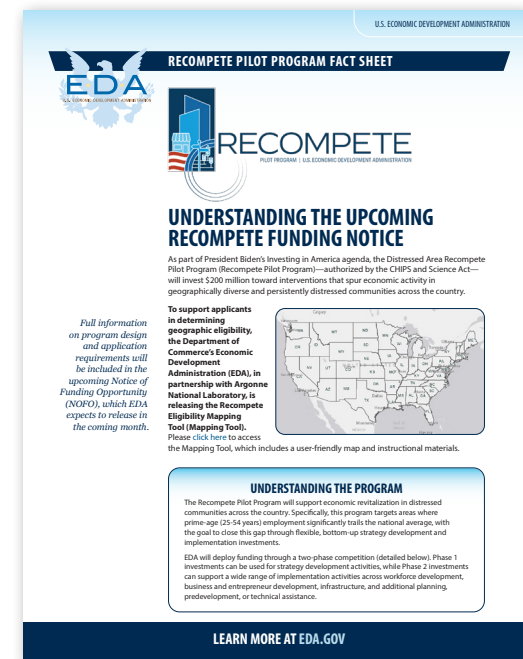


Agency/Program	Description
<p>Appalachian Regional Commission (ARC)/ READY Appalachia</p>	<ul style="list-style-type: none"> ▪ READY Appalachia is a community capacity-building initiative providing funding to prepare Appalachia communities for economic growth and identifying, accessing, and implementing federal funding through IJJA and other funding sources. ▪ Funding is available to four types of organizations: READY Local Development Districts (LDDs), READY Non-profits, READY Local Governments, and READY Foundations. ▪ According to DCED, Pennsylvania LDDs did not apply for READY LDDs funding because DCED through its ARC allocation provided \$200,000 in PA Area Development funding to assist each LDD with capacity-building. ▪ Funding was distributed in state fiscal years 2022-23 and 2023-24 for LDDs to provide increased technical assistance to municipalities and other eligible entities in applying for state and federal funds. ▪ LDDs have been encouraged to develop a sustainable model to continue the provision of municipal technical assistance. ▪ In August 2023, The Learning Lamp in Johnstown received a READY Non-profit award to purchase and implement a new Human Resources Information System (HRIS).
<p>Pennsylvania General Assembly/ DCED Municipal Grant Assistance Program</p>	<ul style="list-style-type: none"> ▪ A bill introduced in Pennsylvania's 2023-24 legislative session would create a Municipal Grant Assistance Program within DCED. ▪ The program outlined under HB 1216 would provide municipal grant-writing training, connect professional grant writers with municipalities to provide services, and provide funding for municipalities to secure professional grant-writing assistance. ▪ The proposed legislation responds to the challenges many municipalities face due to lack of expertise and resources to prepare effective grant applications. ▪ The bill was referred to the Senate Community, Economic, and Recreational Development Committee for consideration in July 2023.

Beyond capacity-building, the U.S. Economic Development Administration's (EDA's) Recompete Pilot Program seeks to promote economic development and increase population in "geographically diverse and persistently distressed communities across the country." The pilot program targets areas where "prime age" (25–54 years) employment lags behind the national average.⁵ Several Pennsylvania communities were eligible to apply per the [Recompete Eligibility Mapping Tool](#) developed for the pilot program.

According to the Brookings Institution the pilot program needs to effectively leverage both place-based and people-based strategies, which is challenging in the targeted areas with limited local government staff and financial resources.⁶

Applications have been prepared and submitted for several eligible areas in Pennsylvania, including in the Northwest, Southwest, and North Central areas of the state. Awards will be announced in early 2024.



⁵ U.S. Economic Development Administration Recompete Pilot Program Fact Sheet. Accessed 10/20/23 at: https://www.eda.gov/sites/default/files/2023-06/EDA_Recompete_Pilot_Program_Fact_Sheet.pdf

⁶ Brookings Institution, Will EDA's Recompete Pilot Program reach rural America?, October 4, 2023. Accessed: 10/20/23 at: <https://www.brookings.edu/articles/will-edas-recompete-pilot-program-reach-rural-america/>



State Stakeholder Interviews

Program administrators for several Pennsylvania transportation funding programs were contacted to discuss local match requirements, constraints, and potential considerations for program improvement. The interviews confirmed that several Pennsylvania transportation grant programs have been modified in recent years to address local government match and to improve the application process.

Pennsylvania Green Light-Go

Pennsylvania Green Light-Go provides grant funding to improve municipal traffic signals. In general, municipalities with greater financial capacity have more resources to maintain traffic signals. The total statewide Green Light-Go allocation varies annually.

- **Match Reduction** – Act 101 of 2016 reduced the program's local match from 50% to 20%. Future legislation would be required for further match modifications.
- **Timelines and Lapsing Funds** – The program's annual calendar and the need to sync with the state fiscal year has resulted in extra complexity for grant recipients and program staff to ensure funds do not lapse.
- **Scaling Match Requirements** – Consideration could be given to modifying the program's guidelines to grade or scale municipal matching requirements based on financial, location, or capacity factors.
 - › Larger municipalities have the capacity to manage larger signal projects and tend to be awarded \$1 million or more in funds.
 - › Smaller municipalities do not have as many signals but replacing one signal may cost \$400,000 or more, and they are unable to provide the local match.
- **Municipal Official Turnover** – Smaller municipalities experience more frequent turnover, which hinders project completion. One group of supervisors may have had a vision for a project; however, a new group of elected officials may not see the project as a priority.

Several Pennsylvania transportation grant programs have been modified in recent years to address local government match challenges and simplify the application process.



PennDOT Multimodal Transportation Fund

PennDOT's Multimodal Transportation Fund (MTF) was enabled through Act 89 of 2013. Funding for improvements for any mode of transportation require a local match and is reimbursement-based. Investments are made to improve transportation assets to enhance communities, pedestrian safety, and transit revitalization. As noted above and per the annually adopted State Fiscal Code, PennDOT's Secretary may waive the 30% local match for good cause for municipal applicants.

Program guidelines could potentially be modified to:

- Address distressed communities.
- Reduce local match or provide a sliding scale for local match.

Commonwealth Financing Authority Multimodal Transportation Fund

The Pennsylvania Commonwealth Financing Authority (CFA) Multimodal Transportation Fund (MTF) is administered by DCED. Each year since 2017, the state's fiscal code has allowed the program's 30% local match to be waived for municipal applicants.

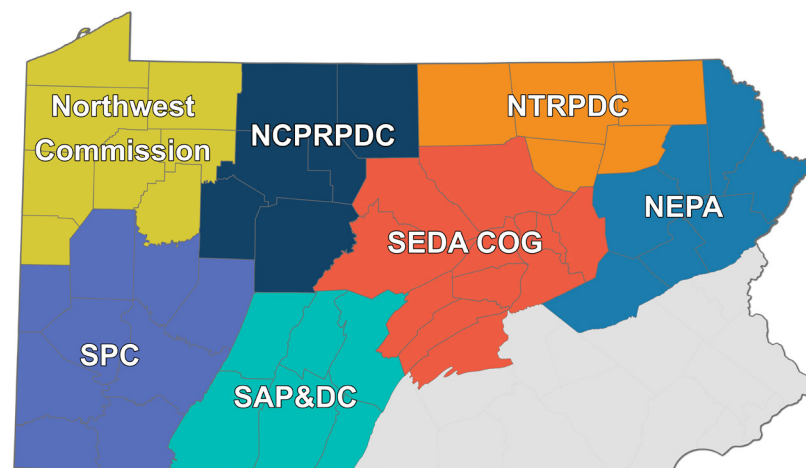
- Less than 5% of municipal applicants provide the 30% match.
- Projects are evaluated on municipal-specific economic conditions, public safety mitigation, and job creation factors.
- DCED Single Application, the online tool used by applicants to submit for agency funding, has been modified and the reimbursement process has been streamlined.

PA Appalachian Regional Commission Allocation

Pennsylvania's ARC annual allocation is administered by the DCED Technology & Entrepreneurship Deputate. DCED has been working with Pennsylvania's seven LDDs (Figure 1) to improve municipal capacity to apply for funding.

- **Capacity-Building Funding** – Pennsylvania Area Development Funding of \$200,000 has been provided to each LDD for capacity-building.
- **Sustaining Capacity** – LDDs are being encouraged to develop sustainable models for municipal technical assistance within their region.

Figure 1: PA's Local Development Districts



Statewide Survey

Overview

The Center for Rural Pennsylvania partnered with the TAC to develop and administer a statewide survey of Pennsylvania local governments. The Center for Rural Pennsylvania grouped survey results into two categories based on the number of full-time municipal employees: zero to three, and four or more. Four was a logical breaking point because:

- The median number of full-time employees from survey responses was 3.0.
- Municipalities with zero to three full-time employees generally had different survey responses than those with four or more employees. Smaller municipalities reported

a greater need for technical assistance and local match assistance.

- There are notable financial and population differences between municipalities with zero to three employees and those with four or more employees.

Figure 2 illustrates the geographical locations of local governments with a smaller vs. larger number of full-time employees. As would be expected, local governments with a smaller number of employees are concentrated in Pennsylvania's rural areas and those with a larger number of employees tend to be in urban and suburban locations.

Figure 2: Number of Full-Time Employees by Municipality, 2023

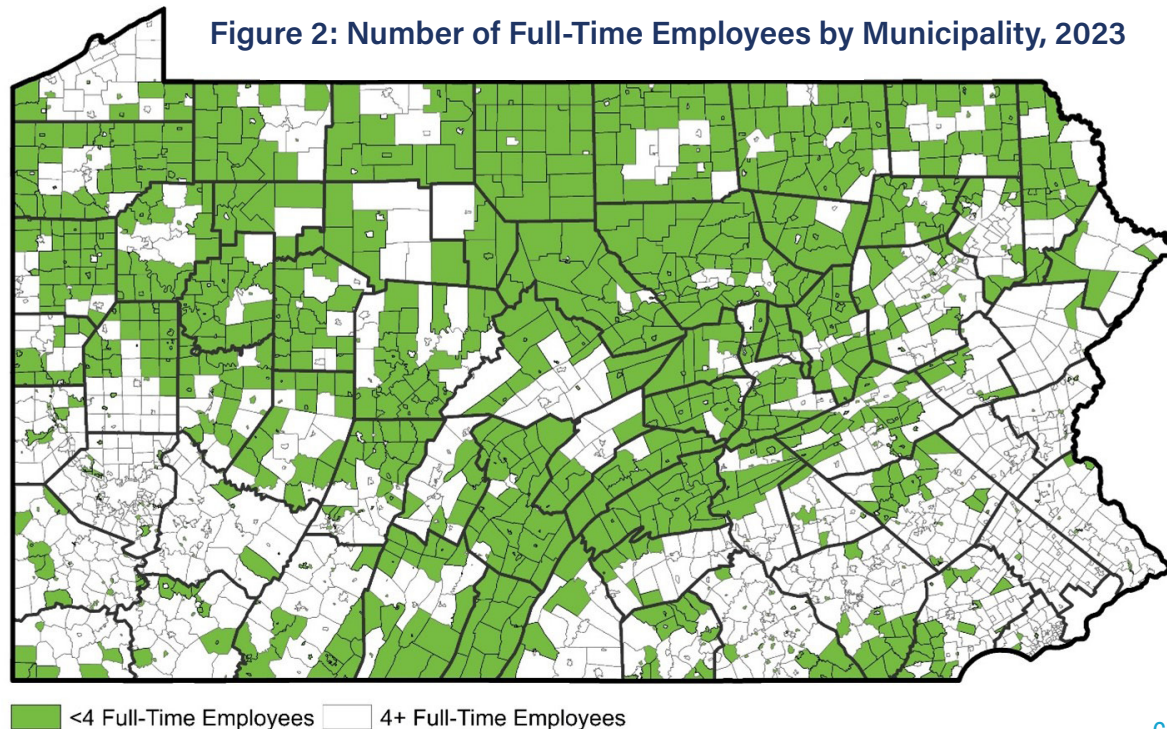


Table 4 demonstrates the financial and population differences between the municipalities based on the number of full-time employees, excluding Philadelphia and Pittsburgh. Of note is the average number of full-time employees in smaller municipalities (1.0) versus municipalities with more than

four employees (27.3), signaling potential capacity issues for smaller municipalities applying for transportation funding. Smaller municipalities have higher highway expenditures as a percentage of total expenditures (41% vs. 14%), resulting in fewer dollars available to address municipal needs beyond transportation.

Table 4: Financial and Population Data by Number of Municipal Employees

	Municipalities with <4 Full-time Employees	Municipalities with 4+ Full-Time Employees (excludes Philadelphia & Pittsburgh)
Number of Municipalities	1,298	1,260
Average Municipal Population, 2021 ^(a)	1,071	7,719
Average Number of Part-Time Employees ^(b)	1.0	2.73
Full-Time Employees per 1,000 Residents	0.9	3.5
Average Miles of Roadway, 2023 ^(c)	16.5	38.6
Average Expenditure for Highways, 2021 ^(b)	\$525,100	\$1,206,600
Highway Expenditure as a Percentage of Total Expenditures, 2021 ^(b)	41%	14%
Highway Expenditure per Capita, 2021 ^(b)	\$198	\$158

Data Sources:

(a) U.S. Census Bureau 2021 Population Estimates

(b) Pennsylvania Department of Community and Economic Development; Governor's Center for Local Government Services

(c) PennDOT

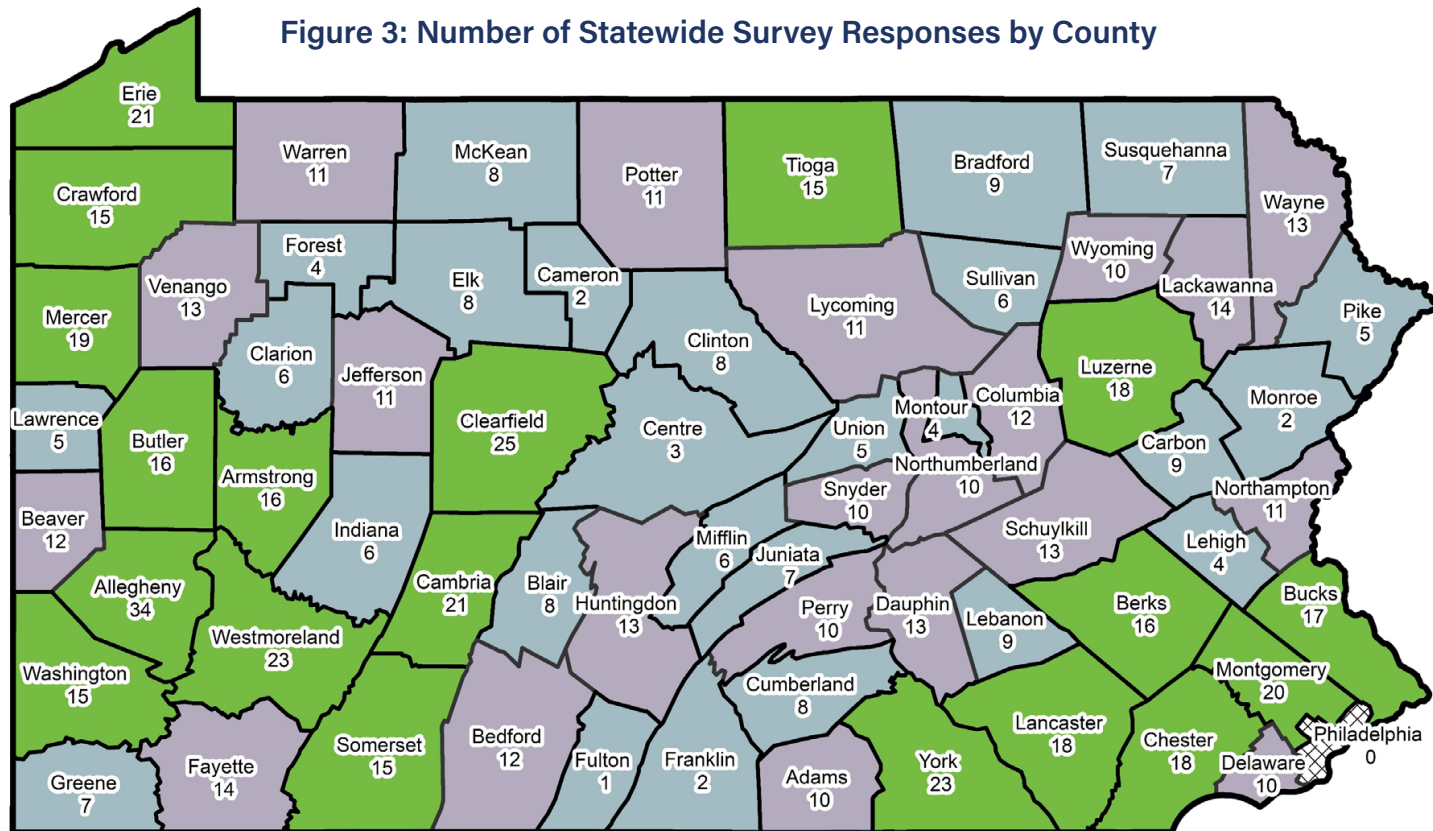


Survey Results

28% Response Rate

A total of 718 (28%) of local governments completed the survey. Responses by county are shown in Figure 3. Responses were received from local governments in 66 counties with over 50% of local governments in Elk, Erie, and Clearfield counties participating.

Figure 3: Number of Statewide Survey Responses by County



Final Number of Responses = 758

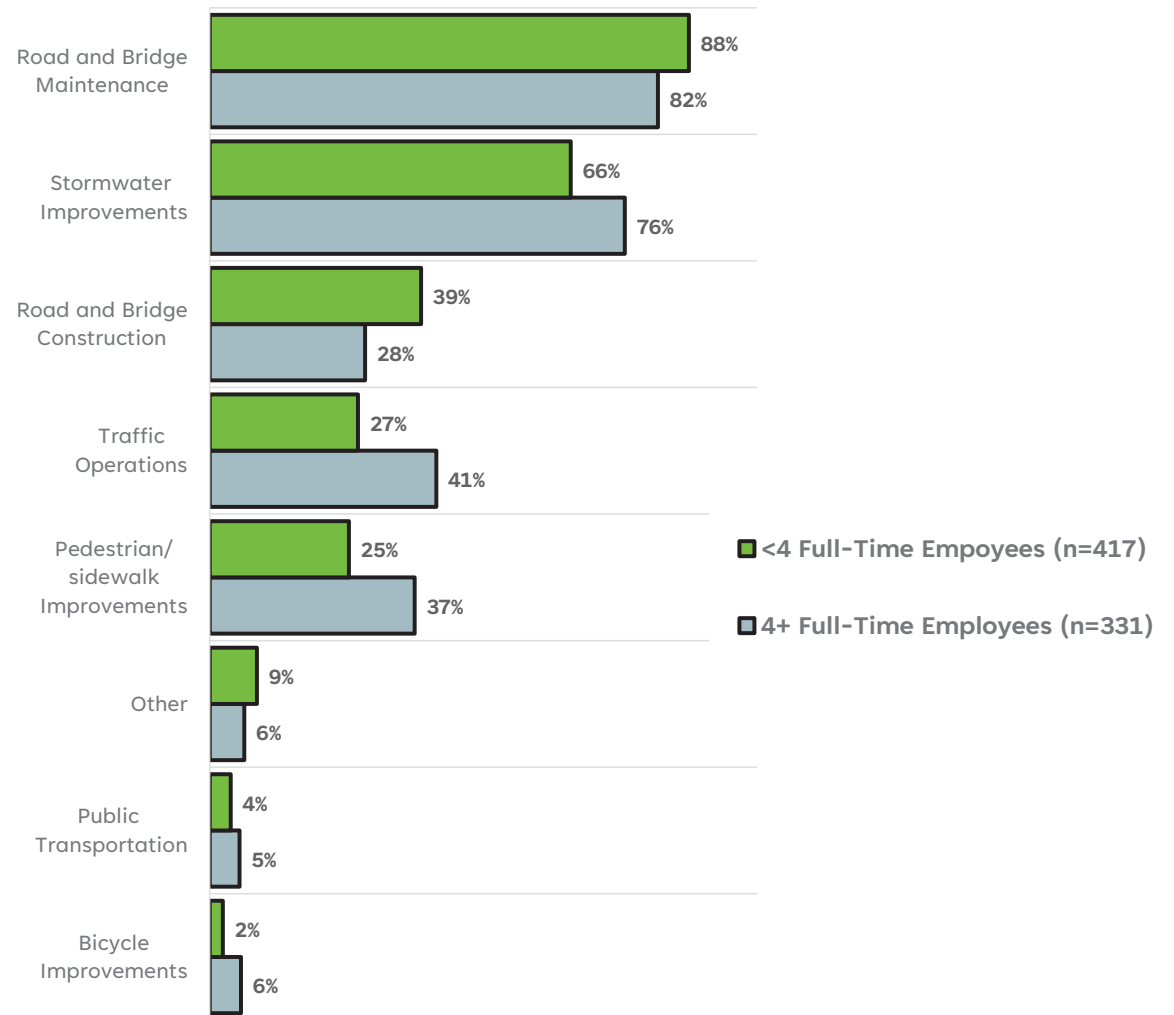


Roads, Bridges, and Stormwater Top Transportation Funding Needs

Respondents identified their top municipal transportation funding needs as road and bridge maintenance, stormwater improvements, and road and bridge construction (Figure 4). Top categories of need are fairly consistent across municipalities regardless of the number of employees. However, municipalities with more employees tend to have a greater need to fund traffic operations and pedestrian improvements, which likely reflects their more urban and suburban locations.

Generally, stormwater funding was reported to be deficient. One respondent commented that Pennsylvania should increase the funding available for stormwater improvements.

Figure 4: Top Three Municipal Transportation Funding Needs



Larger Municipalities Tend to Pursue Competitive Transportation Grants

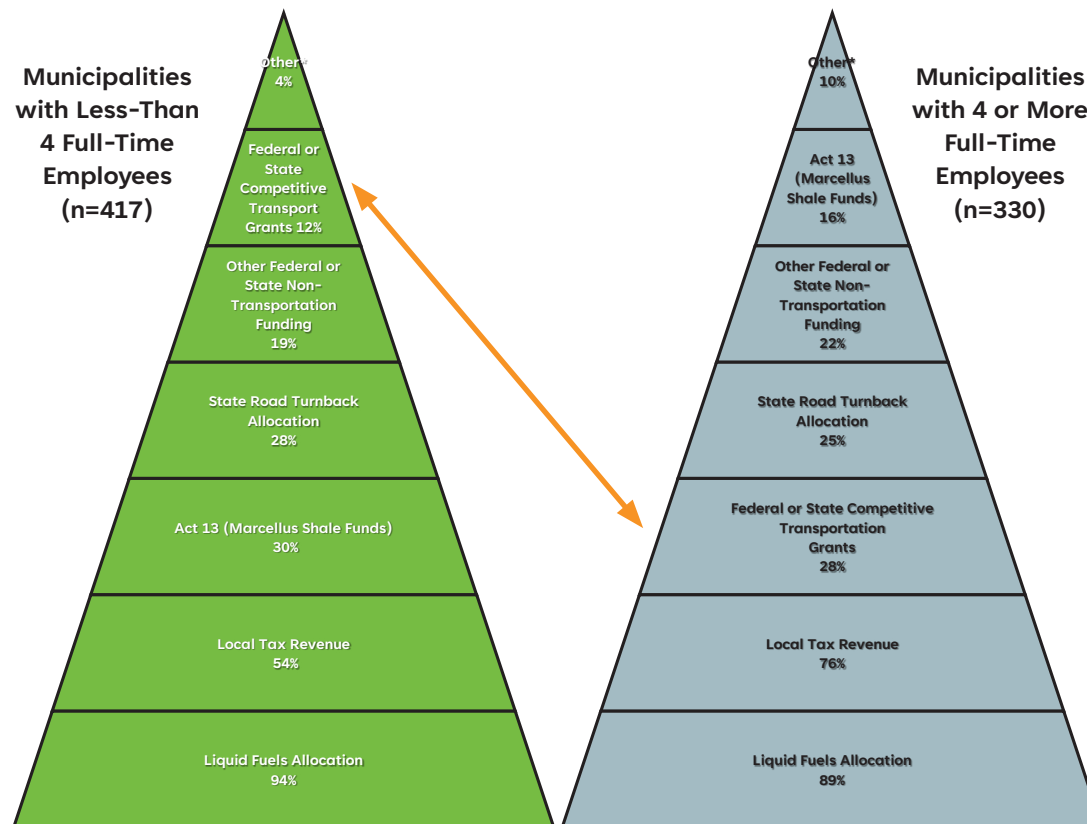
Local government relies heavily on the state Liquid Fuels allocation and local tax revenue to fund transportation projects, as shown in Figure 5.

Larger municipalities (those with four or more employees) tend to pursue competitive transportation grants. This likely reflects that larger municipalities have the capacity to prepare grant applications or hire outside assistance for application development.

Smaller municipalities (those with fewer than four employees) rely more on Act 13 funds for transportation improvements. Act 13 funds are decreasing each year due to reduced gas exploration.

A respondent commented that there seems to be no funding for smaller municipalities. Competing with larger municipalities for funding is a challenge.

Figure 5: Funding Sources for Recent Municipal Transportation Projects



Limited Capacity and Match Hinder Pursuit of Grant Funds

More than half of the survey respondents indicated the top reasons for not applying for transportation grants are limited local capacity to prepare applications and limited resources to provide the local match (Figure 6).

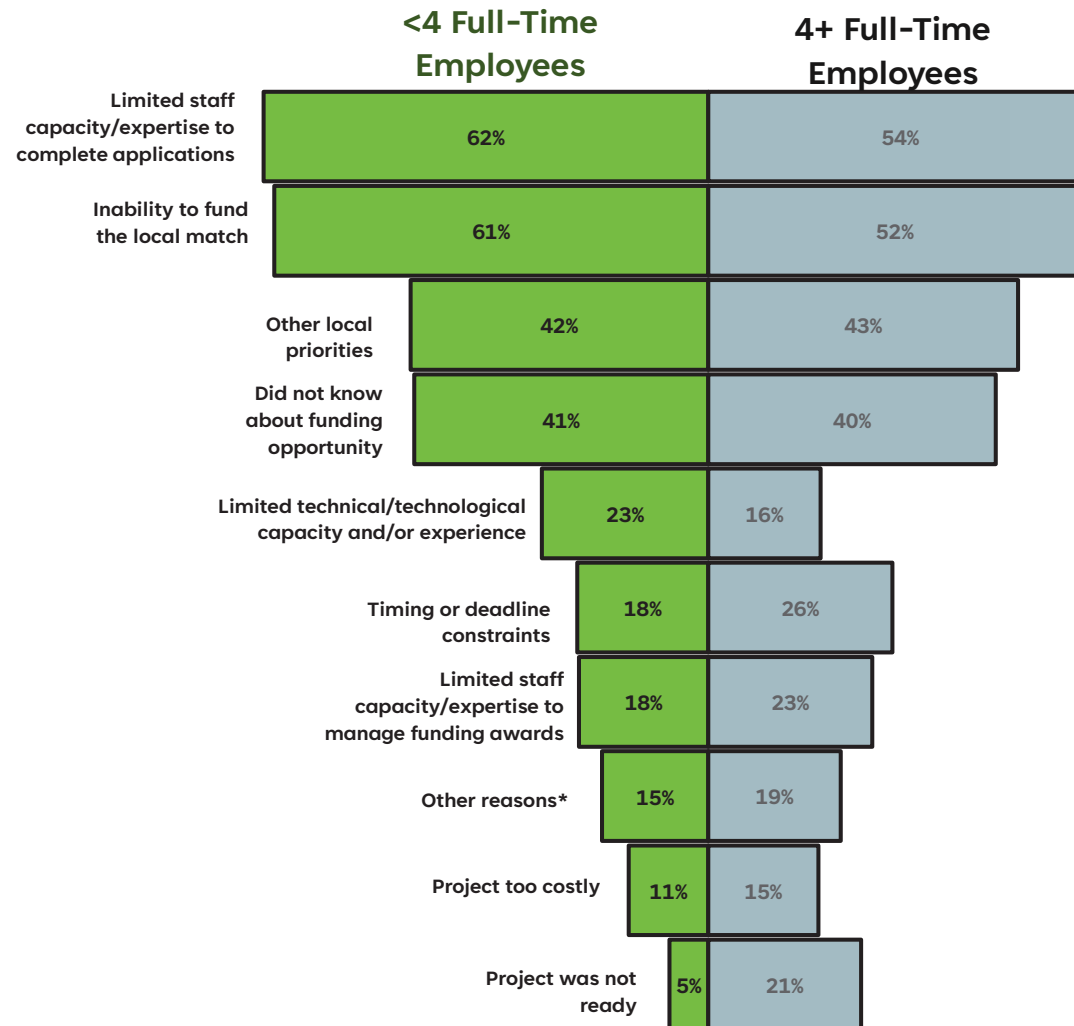
- **Other Municipal Priorities** – Municipal priorities other than transportation was cited as a reason why more than 40% of respondents do not apply for grant funding. Housing, human services, and emergency response are examples of other pressing needs that local officials must address.
- **Lack of Awareness of Funding** – Not knowing about funding opportunities was another reason cited for not applying for funding. This factor was cited by nearly the same percentage of smaller and larger municipalities: 41% and 40%, respectively.
- **Prevailing Wage and Davis Bacon Act Requirements** – A few respondents commented on the impact that prevailing wage and Davis Bacon Act requirements have on their municipality's ability to implement transportation projects.
 - › Prevailing wage and Davis Bacon increase transportation project costs.
 - › The provisions make projects so expensive that municipalities usually need help to provide matching funds.
 - › Federal prevailing wage rates determine project costs.
 - After the match amount is determined using that wage rate, the cost of the project becomes prohibitive.
 - Often, project costs are "actually cheaper without the grant than with it."
 - Adding the cost of a paid grant preparer and/or engineering costs can make the application counterproductive.
 - "...the lack of hope in getting a smaller allocation of money based on our needs makes applying a waste of time and money for a municipality our size."

Federal wage requirements can make projects "cheaper without the grant than with it."

~Survey Respondent



Figure 6: Municipal Reasons for Not Applying for Grants



Municipalities Face Local Match Challenges and Need Application Assistance

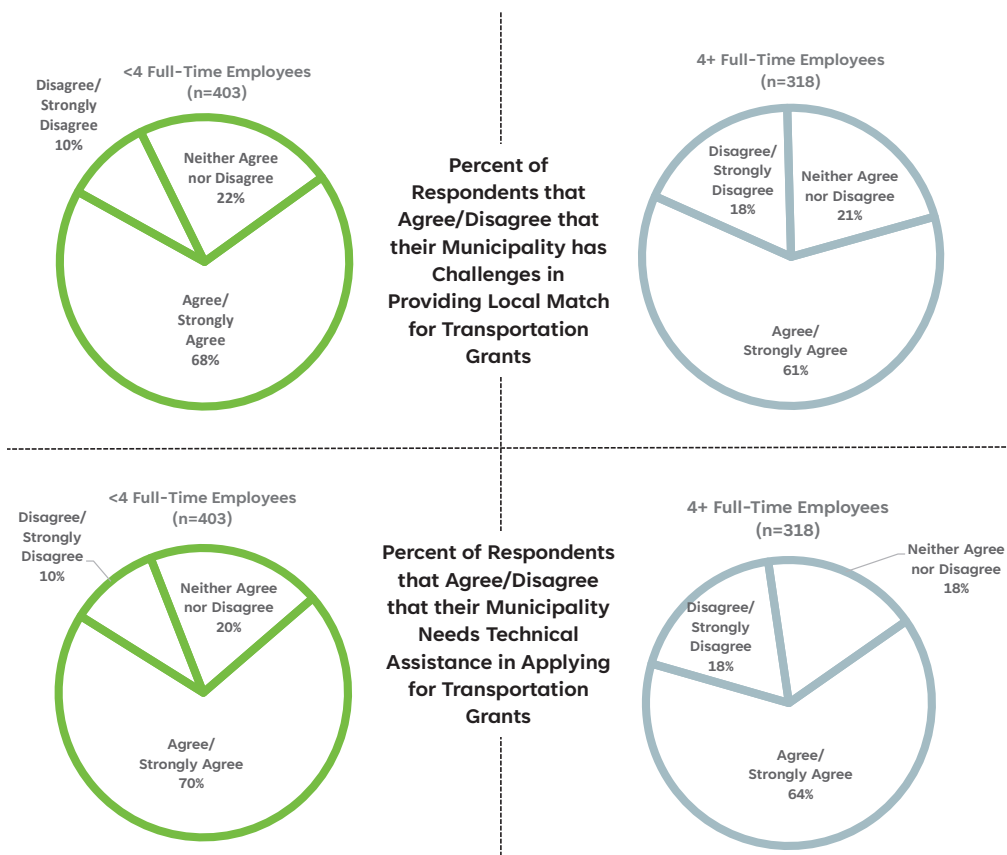
More than 60% of respondents to the state-wide survey agreed or strongly agreed that their municipality has challenges meeting local match requirements (Figure 7). Respondents offered several ideas for addressing their local match challenges:

- Eliminate matching requirements for municipalities with a population less than 1,000.
- Eliminate matching requirements for municipalities with a Liquid Fuels allocation of less than \$5,000.
- Provide match relief to small municipalities with limited tax bases.
- Lower the amount of matching funds required.
- Waive local match for both the PennDOT MTF and CFA MTF programs based on municipal hardship.

Over 60% of all respondents—and 70% of those with a smaller number of employees—agreed or strongly agreed that assistance in applying for grants is needed.

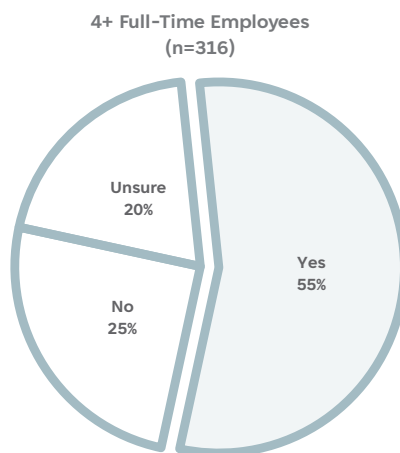
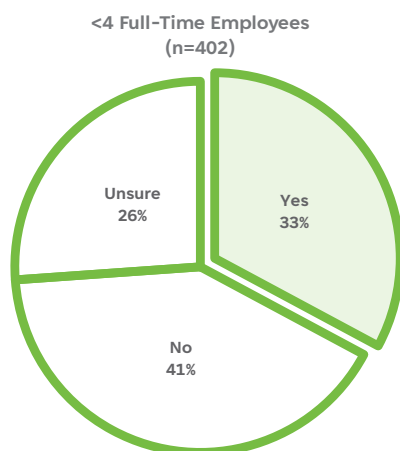
- One respondent suggested identifying a local grant liaison for each county to:
 - › Meet annually with each local government in the county to identify funding needs.
 - › Assist with grant writing and submission.

Figure 7: Municipal Challenges in Providing Match; Need for Technical Assistance



A Greater Percentage of Larger Municipalities Apply for Grants as Compared to Smaller Municipalities

Figure 8: Municipalities Applying for Federal or State Transportation Grants



Respondents that Said “Yes”, that in Recent Years, their Municipality had Applied for a Federal or State Transportation Grant by Program

	<4 Employees (n=132)	4+ Employees (n=174)
Green Light Go	15%	45%
PennDOT Multimodal Transportation Fund	48%	67%
Commonwealth Financing Authority	23%	48%
Discretionary (competitive) Grant	7%	7%
Transportation Alternatives Set-Aside Program	4%	18%
Automated Red-Light Enforcement	11%	41%
County Local Use Fund	8%	7%
Other	34%	10%

The survey results confirm that those municipalities with greater capacity (four or more full-time employees), apply for more transportation grants (Figure 8). Of the larger municipalities surveyed, 55% have submitted grant applications in recent years as compared to only 33% of the smaller municipalities surveyed.



Local Government Outreach

As noted in the Methodology section, select municipalities were surveyed or interviewed about the challenges they face in meeting local match and their capacity challenges in applying for transportation grant programs. Municipalities were also asked for insights on best practices they have deployed in funding their transportation infrastructure.

The following points summarize input received from one-on-one outreach. Case Studies for five municipalities are included in the Appendix and are referenced throughout this report. In general, the case study findings align with comments from the statewide survey as well as national-level findings.

Municipal Fragmentation, Limited Cooperation

Pennsylvania has 2,560 local governments—the third highest number of local governments in the nation behind only Illinois and Minnesota. Collaborating to submit multi-municipal applications for funding larger projects requires complex and time-consuming coordination and impacts overall capacity to address transportation issues.

For example, for Johnstown, the challenge of coordinating with 17 surrounding local governments to advance cohesive initiatives is formidable. Several years ago, Johnstown established an aggressive strategic plan for its redevelopment. Vision Together 2025 included a comprehensive set of priorities for community redevelopment. All sectors were involved in the direction-setting. In various stakeholder workshops it was noted that the greatest barrier to future growth may be the large number of local government units in relation to the geographic area and population (Figure 9).

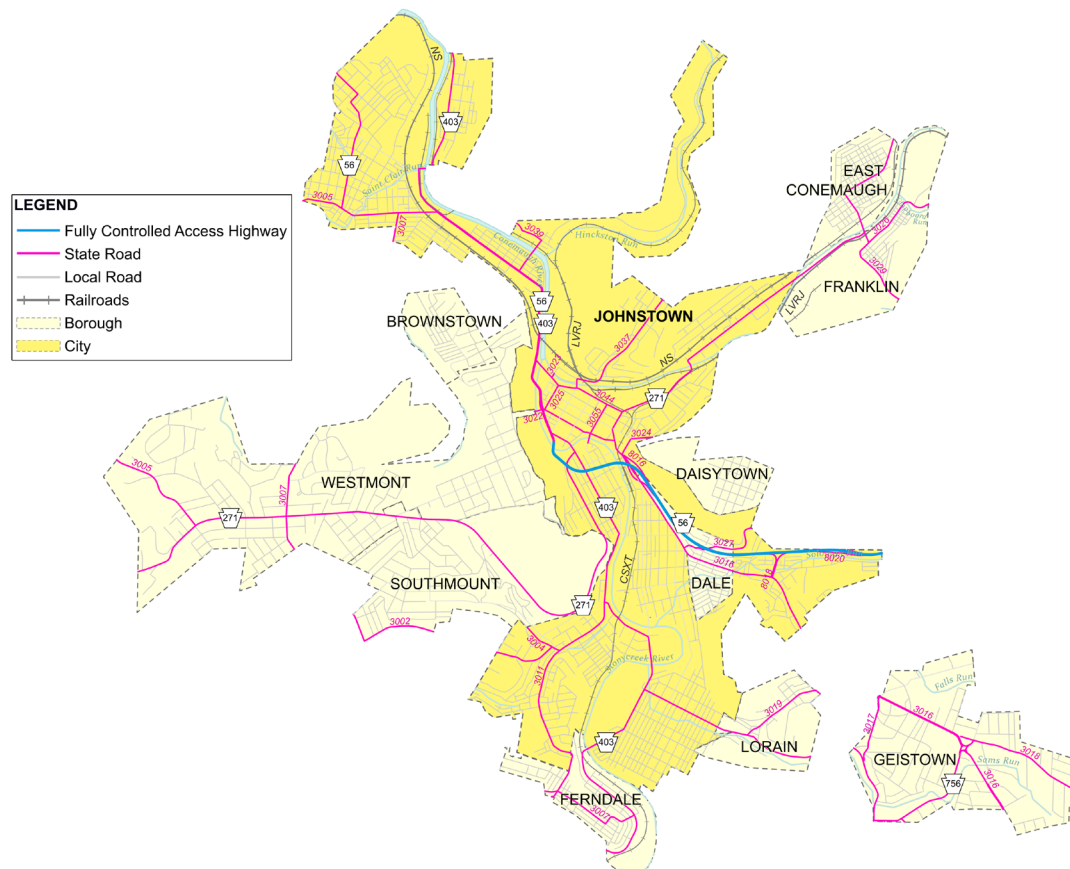
The City of Chester, in Delaware County, is a distressed municipality with limited financial and technical capacity for grant application development to advance transportation projects. However, transportation improvements are needed to support Chester's vision of being a destination city with its modern soccer facility, major league soccer team, and a casino. Recognizing the importance of transportation to economic development initiatives, the MPO (Delaware Valley Regional Planning Commission), Delaware County, and the Chester Economic Development Authority provide technical assistance to Chester for grant applications and administration.



Some municipalities have limited collaboration with other agencies or government entities in making grant applications. In some cases, collaboration is limited to exchanging agency support letters as compared to collaborating on application development.

While fragmentation and cooperation present challenges, MPOs/RPOs provide coordination and collaboration to municipalities across Pennsylvania.

Figure 9: The City of Johnstown and Surrounding Environs



The City of Johnstown is surrounded by 10 boroughs and 7 townships. The boroughs' collective population of 14,888 rivals that of the city (18,411).

The large number of local governments poses various resource related challenges.



Flexible Match Requirements Needed

Making state and federal grant programs more flexible with respect to match requirements was identified as a priority. Many municipalities cannot meet local match due to other financial obligations.

Municipalities suggested the possibility of scaling local match requirements based on municipal budget and/or population as well as providing technical assistance.

Effectiveness of Some Transportation Funding Sources is Limited by Population Density

The Act 89 \$5 Registration Fee (Fee for Local Use Fund under Act 89 of 2013) may be adopted by counties and used to fund transportation projects such as highway and bridge reconstruction, maintenance, and repair.

Although county adoption of the Fee for Local Use Fund yields significant revenue for counties with greater population density (and therefore more vehicle registrations), it is not necessarily worthwhile for rural counties with smaller populations and a lower number of vehicle registrations. This was noted as a concern by Potter County.

Lycoming County has addressed this challenge by combining its Fee for Local Use Fund with other funding sources to develop a county-wide transportation funding program. Lycoming County's Local Bridge Bundling Program leveraged its Fee for Local Use Fund with revenue sources from Liquid Fuels funds, Act 13 funds, and a \$7 million Pennsylvania Infrastructure Bank (PIB) loan to replace/rehabilitate 17 locally owned bridges. The County administers a local bridge project on behalf of the municipality, hires engineers and contractors to design and construct the local bridge, and the municipality retains ownership of the bridge upon project completion. Each municipality participating in the program provides a 5% local match per a Memorandum of Understanding (MOU) with the County.

Cumberland County has a program similar to Lycoming County's, known as the Bridge Capital Improvement Program. It combines revenue from Fee for Local Use Fund with Act 13 funds, Liquid Fuels funds, Act 44 Local Bridge funds, and Act 26 funds.

McCalmont Township in Jefferson County has 1,137 residents. The Township needs to resurface local roads but cannot commit to providing the 30% match for PennDOT MTF while also meeting its other financial obligations.



Significant Fiscal and Capacity Constraints

Those municipalities with greater fiscal constraint (limited municipal revenue) have less capacity to apply for and administer grants.

Most municipalities do not have budget surpluses or rainy-day funds that make applying for and managing grants or local matches feasible. In fact, some municipalities do not even have sufficient revenue to maintain their existing transportation infrastructure.

In addition to lacking capacity and resources needed to apply for discretionary grant funding, municipalities also struggle with administering grants that may be awarded. This includes complying with state and federal contracting, bidding, and procurement processes as well as other reporting and compliance requirements. While some municipalities want to pursue grant funding, they note that they lack the resources to make an application the “best it can be,” and resort to “throwing our hat in the ring” rather than developing a competitive application. Again, providing some level of technical assistance to offset municipal capacity and budgetary constraints was suggested.

Outside Grant Application/Management Helpful

In some cases, one public entity serves as the grant applicant while another administers the grant. The City of Chester relies on the Chester Economic Development Authority (CEDA), Delaware County, and the Delaware Valley Regional Planning Commission (DVRPC) for support and assistance. These partnerships have been helpful in supporting the City’s economic development priorities in terms of transportation infrastructure. Chester’s fiscal situation is challenging. Its leaders have a compelling vision for economic development as a destination city building on attractions such as the Subaru Park home of the MLS Philadelphia Union and other premier soccer matches, and the area’s casino. Transportation access and mobility is a key element of Chester’s redevelopment. While help comes from the CEDA there are some grants that the city cannot access, underscoring the need to place a high priority on distressed communities for grant funding.

Benezette Township in Elk County received grant application assistance from Elk County Planning and North Central Pennsylvania Regional Planning and Development Commission (NCPRPDC) for a recent funding application for a \$2 million road improvement project. Applications were prepared for PennDOT MTF and CFA MTF. Funding from both programs was awarded for the project.

**Ohiopyle Borough
in Fayette County
has an estimated
37 citizens yet
maintains road
access to and
provides public
safety for Ohiopyle
State Park, which
receives over
1.2 million visitors
annually.**



Leveraging the resources of county and regional planning and economic development organizations would help smaller or fiscally constrained municipalities in applying for transportation funding.

Value of In-House Planning Staff

Municipalities with in-house planning staff have an advantage in that the planning staff can help set transportation project priorities. While some municipalities have noted the benefit of having in-house grant-writing/administration resources and staffing, it was noted that having in-house planning staff at the local level to forecast transportation needs allows communities to better align projects with grant opportunities. Planning provides the data-driven information needed to support grant applications.

Locally Owned Infrastructure May Not Be Eligible

Municipalities experience challenges with maintaining or rehabilitating locally owned infrastructure, which typically does not qualify for state or federal discretionary funding. The City of Chester, for example, expressed such concerns. For Chester, much of the transportation system is City-owned and in need of improvement.

Increase in State PILT Needed

Increasing state payment in lieu of taxes (PILT) could be helpful for municipalities with a higher percentage of tax-exempt properties. Benezette Township in Elk County is an example.

- Only 9% of land in Benezette Township, Elk County, is taxed at market value. A total of 82% of the township's 67,969 acres (55,446 acres) are either state forest or state game lands. Although the township receives state PILT (\$98,616 in 2021), it only received \$42,142 in real estate taxes that same year. By comparison, if the 55,446 acres of state forest and state game lands were taxed at market value, the township would receive total revenue of \$346,759.
- An increase in state PILT per proposed SB 225 would yield an additional \$55,290 in revenue. This increase would make it easier for the township to complete needed roadway projects to continue to support the Elk Country Visitor Center and make other needed township building and infrastructure improvements.

**Only 9% of land
in Benezette
Township,
Elk County, is taxed
at market value.**



PA TAC
Local Match Study
December 2023



Findings

Overview

The reasons behind local match challenges are numerous and relate to factors such as population, tax-exempt land, and overall municipal capacity. Each of Pennsylvania's 2,560 local governments is required to provide the same basic services to taxpayers. This uniform standard imposes local government service and operational costs disproportionately, particularly for smaller and economically distressed municipalities. The uniform standards impact the ability of many

local governments to implement new transportation infrastructure projects—mainly due to their lack of staff capacity to seek funding and administer grants and lack of local match to develop a complete funding package.

The 12 findings were identified through the outreach methodology described previously and fall into three broad categories as shown in Table 5. Details and implications of each finding are presented on the following pages.

Table 5: Findings Summary

Category	Finding
Grant Requirements	A. <u>Match requirements are stringent.</u>
	B. <u>Application processes are complex.</u>
	C. <u>Grant application windows are short.</u>
	D. <u>Grant notices are easy to miss.</u>
Municipal Financial Constraints	E. <u>Many municipalities have large amounts of tax-exempt or tax-discounted real estate.</u>
	F. <u>Many county tax assessments are outdated.</u>
	G. <u>Revenue from some funding sources is limited by population density.</u>
	H. <u>The industrial and commercial tax base is declining in many areas of the state.</u>
	I. <u>Socioeconomic trends diminish the fiscal capacity of local governments.</u>
	J. <u>Municipal expenses are increasing.</u>
Municipal Capacity Constraints	K. <u>Lack of in-house technical capacity is common and multi-municipal cooperation must be strengthened.</u>
	L. <u>Local governments often lack capital improvements planning.</u>





Finding A – Match requirements are stringent.

[Back to Findings](#)
[Summary List](#)

Description

Some grant programs have high local match thresholds (e.g., 30% or more) and do not allow for flexible substitutes for local match, such as in-kind services. This is challenging and may be prohibitive for small, rural, or fiscally constrained municipalities.

Like local match, caps on indirect costs—those costs incurred by a grant awardee that cover general business operations but are not attributed to a funded project—can also impact a small and/or rural local government's ability to apply for transportation funding. In particular, the 10% *de minimis* indirect cost rate maximum on federally funded projects disproportionately impacts small and/or rural local governments with reduced budgets. Municipalities with larger budgets and more staff capacity are better equipped to absorb a 10% *de minimis* indirect cost rate due to economies of scale. Although a local government grant awardee can work with a funding agency to certify a higher indirect cost rate, the time and expense to do so is unrealistic for small and/or rural local governments.

Implications

While grant distribution policy generally encourages investment in rural or distressed areas, these very communities often do not have the financial means to meet high local match requirements.





Finding B – Application processes are complex.

Description

State and federal grant applications are frequently long, data-intensive, exacting, and complex, and make it challenging for smaller rural or distressed municipalities to compete with larger, more experienced municipalities.

Implications

Grant applications with complex or confusing application processes and requirements can hinder the ability of smaller rural or distressed municipalities to complete grant applications.





Finding C – Grant application windows are short.

Description

Grant application windows are short, around 30 days for most state grant applications. Federal grant application windows are on average 10 weeks. For smaller municipalities with limited staff time or technical capacity to develop a complete application, meeting submission deadlines can be difficult or prohibitive.

Implications

Many smaller rural or distressed municipalities do not pursue certain grant programs because they do not have the time or technical capacity to develop a complete and competitive application.



Finding D – Grant notices are easy to miss.

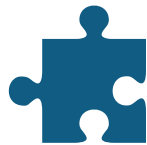
Description

The opening of a grant application period is often announced on the host agency's website and a few related publications or webpages. Available grant programs, and associated details about when to apply, application requirements, etc., are often not communicated directly with municipalities. Municipalities often must check federal or state websites or rely on intermediaries (county departments, metropolitan planning organizations/rural planning organizations (MPOs/RPOs) to keep them up to date.

Implications

Municipalities may miss the opportunity to apply for grants because they were not aware of the program or that an application window had opened. This can especially be true for small, rural, or distressed municipalities that do have the staff time to be regularly monitoring state or federal sources for grant program updates.





Finding E – Many municipalities have large amounts of tax-exempt or tax-discounted real estate.

[Back to Findings](#)
[Summary List](#)

Description

Many municipalities, particularly in Pennsylvania's rural counties, have a disproportionately high percentage of tax-exempt or tax-discounted acres. Types of tax-exempt or tax-discounted properties are provided in Table 6.

As described in Table 6 and the pages that follow, government payments in lieu of taxes (PILT) and local PILOT payments partially offset municipal tax revenue losses for property that is owned by federal or state government or non-taxable government or non-profit property.

Federal conservation initiatives are also impacting revenue generation, particularly in Pennsylvania's rural municipalities. The federal America the Beautiful Initiative has a goal of conserving 30% of the nation's land by 2030. The added preservation focus is increasing the amount of tax-exempt or tax-discounted properties in some of Pennsylvania's rural northern counties, further decreasing local government revenue and their ability to construct transportation projects and advance economic development.

Implications

Jurisdictions with a large percentage of tax-exempt or tax-discounted properties have a smaller amount of land taxed at market value, reducing overall property tax revenue. This disproportionately impacts rural Pennsylvania communities where large amounts of real estate are state-owned forests, game lands, and recreation lands. With the current federal priority on land conservation, the impacts will likely increase.

Many larger and more urban municipalities are also affected. The City of Pittsburgh, for example, is home to several universities, hospitals, and county government facilities. In 2021, tax-exempt entities owned a total of \$4.3 billion in property that was exempt from City taxes.⁷

When local governments and school districts need to raise property taxes due to increasing expenditures, the burden is placed largely on homeowners. For example, only 14% of property in Cameron County and 14% of property in Centre County are taxed at market value.

Municipalities with large amounts of tax-exempt or tax-discounted properties have less tax revenue and hence less ability to match grants.

⁷ Allegheny County Controller, City of Pittsburgh Office of the City Controller, Special Report Tax-Exempt Properties. May 2022, p. 1.



Table 6: Types of Tax-Exempt or Tax-Discounted Properties and Associated PILT

Land Type	Description
Federal Lands	<ul style="list-style-type: none"> In Pennsylvania, federal lands are owned by the U.S. Forest Service, National Park Service, and U.S. Army Corps of Engineers. Counties receive an annual payment in lieu of taxes (PILT) to offset losses in tax revenues associated with the presence of federal lands within their jurisdictions. Federal PILT amounts are announced annually by the U.S. Department of the Interior (DOI). Pennsylvania counties within the Allegheny National Forest also receive annual payments from federal timber sales (see Federal Timber Revenue discussion below).
State Forests and State Parks	<ul style="list-style-type: none"> Counties, school districts, and local governments each receive an annual PILT per acre payment for state forests and state parks in their borders owned by the Pennsylvania Department of Conservation and Natural Resources (DCNR). The state PILT rate in effect since 2016 is \$2.00 per acre for the county, school district, and local government, or \$6.00 per acre total. Pennsylvania SB 225 would increase the annual PILT rate from \$2.00 per acre to \$2.85 per acre (\$8.55 per acre total) with annual adjustments based on fluctuation in the U.S. Department of Labor Consumer Price Index. Unlike national forests, counties and local governments do not receive proceeds from timber sales on state forested property. Proceeds from timber sales on DCNR state forests go into an agency account and are used to fund bureau operations.
State Game Lands	<ul style="list-style-type: none"> Counties, school districts, and local governments each receive an annual PILT per acre payment for Pennsylvania Game Commission (PGC) and Pennsylvania Fish and Boat Commission (PFBC) lands within their borders. The state PILT rate in effect since 2016 is \$1.20 per acre for the county, school district, and local government, or \$3.60 per acre total. Pennsylvania SB 225 would increase the annual PILT rate from \$1.20 per acre to \$1.70 per acre (\$5.10 per acre total) with annual adjustments based on fluctuation in the U.S. Department of Labor Consumer Price Index. Unlike national forests, counties and local governments do not receive proceeds from timber sales on state forested property. Proceeds from timber sales on PGC game lands go into an agency account and are used to fund bureau operations.

continued
FINDINGS | 50





Land Type	Description
Flood Lands	<ul style="list-style-type: none"> School districts, counties, and municipalities receive an annual PILT at market value for lands acquired by the Commonwealth for flood control purposes.
Tax-Exempt Land and Buildings	<ul style="list-style-type: none"> Land and buildings owned by state, local, educational, faith-based, and non-profit organizations are tax-exempt, resulting in no tax revenue for their local governments. Some Pennsylvania local governments recoup a portion of the lost real estate tax revenue by entering into local payment in lieu of taxes (PILOT) agreements. To assist municipalities with a large percentage of tax-exempt properties, proposed HB 451 would authorize the Tax-Exempt Property Municipal Assistance Fund which would provide funding to municipalities with more than 15% tax-exempt properties. The program would be funded by a Pennsylvania 18% liquor tax.
Agricultural Preservation	<ul style="list-style-type: none"> Properties under the state's Agricultural Preservation Program are assessed at a reduced tax rate determined annually by the Pennsylvania Department of Agriculture (PDA).
Clean and Green	<ul style="list-style-type: none"> Properties under the PDA Clean and Green Program are assessed at a reduced tax rate determined annually by PDA.

Additional Analysis of Payment in Lieu of Taxes

As described in Table 6, federal and state PILT and local PILOT payments partially offset municipal tax revenue losses for property that is owned by federal or state government or non-taxable government or non-profit property.

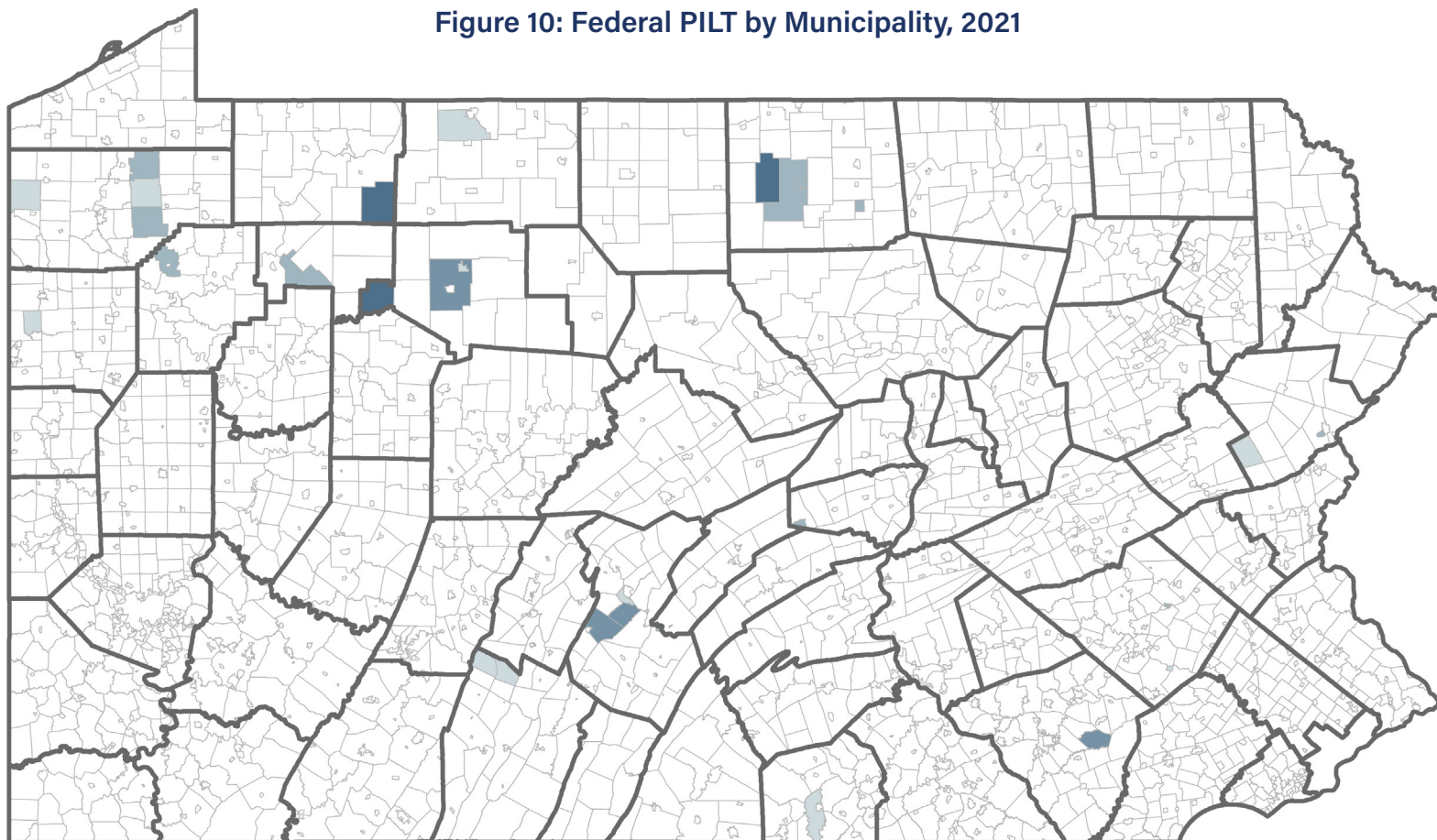
Municipalities throughout Pennsylvania receive federal, state, and local payments in lieu of taxes. To illustrate the geographic dispersion of the payments, the Governor's Center for Local Government Services provided data on payments made to Pennsylvania local governments in 2021, summarized in Table 7 and detailed on the following pages.

Table 7: Payments to PA Local Governments

PILT Type	FY 2021 Total
Federal PILT	\$303,322
State PILT	\$6,264,907
Local PILOT	\$53,227,789

Source: Pennsylvania Governor's Center for Local Government Services, August 21, 2023.

Figure 10: Federal PILT by Municipality, 2021



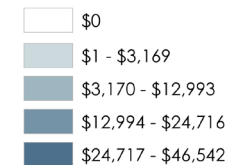
Source: Governor's Center for Local Government Services; Michael Baker International

Federal PILT

Information on federal PILT payments received by Pennsylvania municipalities is announced annually by the U.S. Department of the Interior (DOI). In Pennsylvania, federal lands are owned by the U.S. Forest Service, National Park Service, and U.S. Army Corps of Engineers.

Figure 10 presents federal PILT payments received by Pennsylvania local governments in 2021. The mapping does not include federal PILT payments received by county or state governments. In Pennsylvania, the 2023 average federal PILT per acre was \$2.08.

Federal PILT by Municipality (2021)



Federal Timber Revenue

Since 1908, the U.S. Forest Service (USFS) has paid 25% of timber sales receipts (25% payments) to counties where national forests are located and timber is harvested. USFS remits annual payments to each state treasurer who in turn transmits to counties to benefit public schools and roads. In Pennsylvania, counties within the Allegheny National Forest (ANF) receive annual 25% payments from the sale of timber harvested. Once a reliable revenue source, timber sales have significantly decreased over the past 15 years primarily due to USFS staffing, fluctuating timber markets, and the quality of timber output.

In response to the decline in federal timber sales, the Secure Rural Schools (SRS) program was established in 2000 (P.L. 106-393) within USFS. The program aids rural counties and school districts impacted by declining timber revenue. SRS funding amounts are determined annually by USFS and sent to each state treasurer's office for disbursement to counties. In October 2008, the SRS program was reauthorized (P.L. 110-343) and amended to continue on a sliding payment scale.

Counties may elect to receive either a 25% payment or SRS funding. If a county elects to receive SRS funding, that amount is subtracted from their annual federal PILT amount. For example, Forest County has elected to receive an SRS payment. The county, which has 119,362 acres within the ANF, received a \$1.5 million SRS payment in 2022, and its federal PILT was reduced to \$55,100 in 2023. Elk County, which has slightly fewer acres in the ANF (112,369) received a 25% payment of \$459,909 in 2022 and total PILT of \$241,200 in 2023.⁸ The 25% payment is based on a seven-year rolling average. Forest County's SRS payment yields a higher per-acre timber

revenue payment (\$11.55/acre) than Elk County's 25% payment (\$4.09/acre).

Some states have been creative in preserving their counties' full PILT payment while also receiving SRS payments. Montana, Colorado, and Oregon have done so by legislatively establishing a special district. For example, Montana's state legislature established road improvement districts to receive SRS payments. A road improvement district—and not the county in which it is located—receives an SRS payment from the state treasurer. This eliminates a reduction to and preserves the full amount of county PILT.

A significant challenge to note with SRS is that it is subject to annual reauthorization. If the federal budget does not pass on time, counties do not receive their annual SRS allocations and local governments are not able to effectively forecast local budgets. Therefore, NACo has been working with county officials to advocate for long-term federal legislative solutions to address SRS and PILT funding, and to advocate for improved forest management practices to increase timber revenue sales for national forest counties.

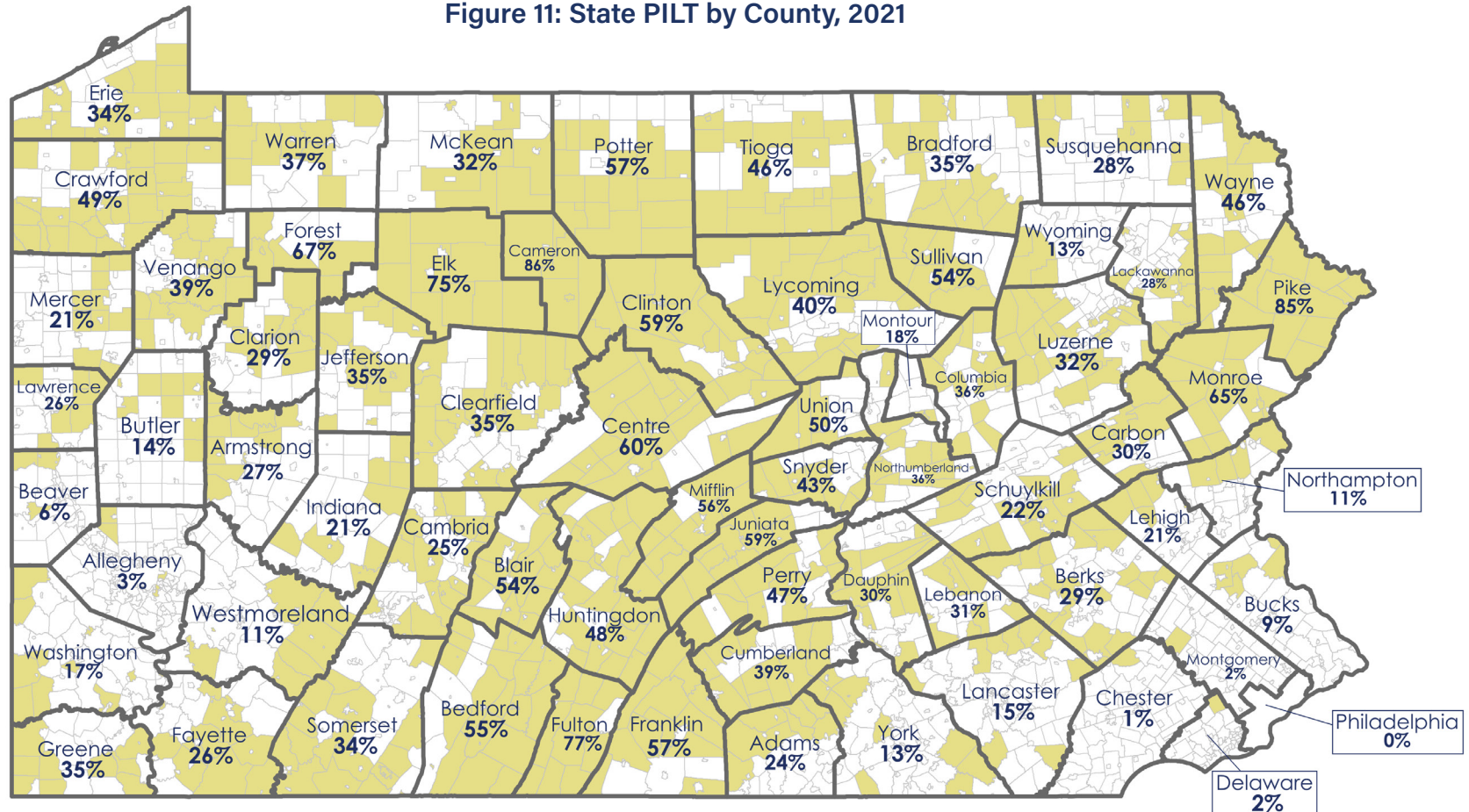
Exploring SRS funding as well as special districts may potentially increase the amount of federal revenue to Pennsylvania counties within the ANF.

Unlike national forests, counties and local governments do not receive proceeds from timber sales on state forested property. Proceeds from timber sales on DCNR state forests and PGC game lands go into agency accounts and are used to fund bureau operations. State PILT is provided to local governments for state property within their jurisdictions (see Table 6).

⁸USFS, Secure Rural Schools Final Payment Detail Report PNF (ASR-10-03). April 10, 2023. National Association of Counties, County Explorer.

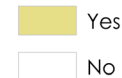


Figure 11: State PILT by County, 2021



Note: Percentages indicate the share of municipalities in each county receiving state PILT.
Source: Governor's Center for Local Government Services; Michael Baker International

State PILT by Municipality (2021)

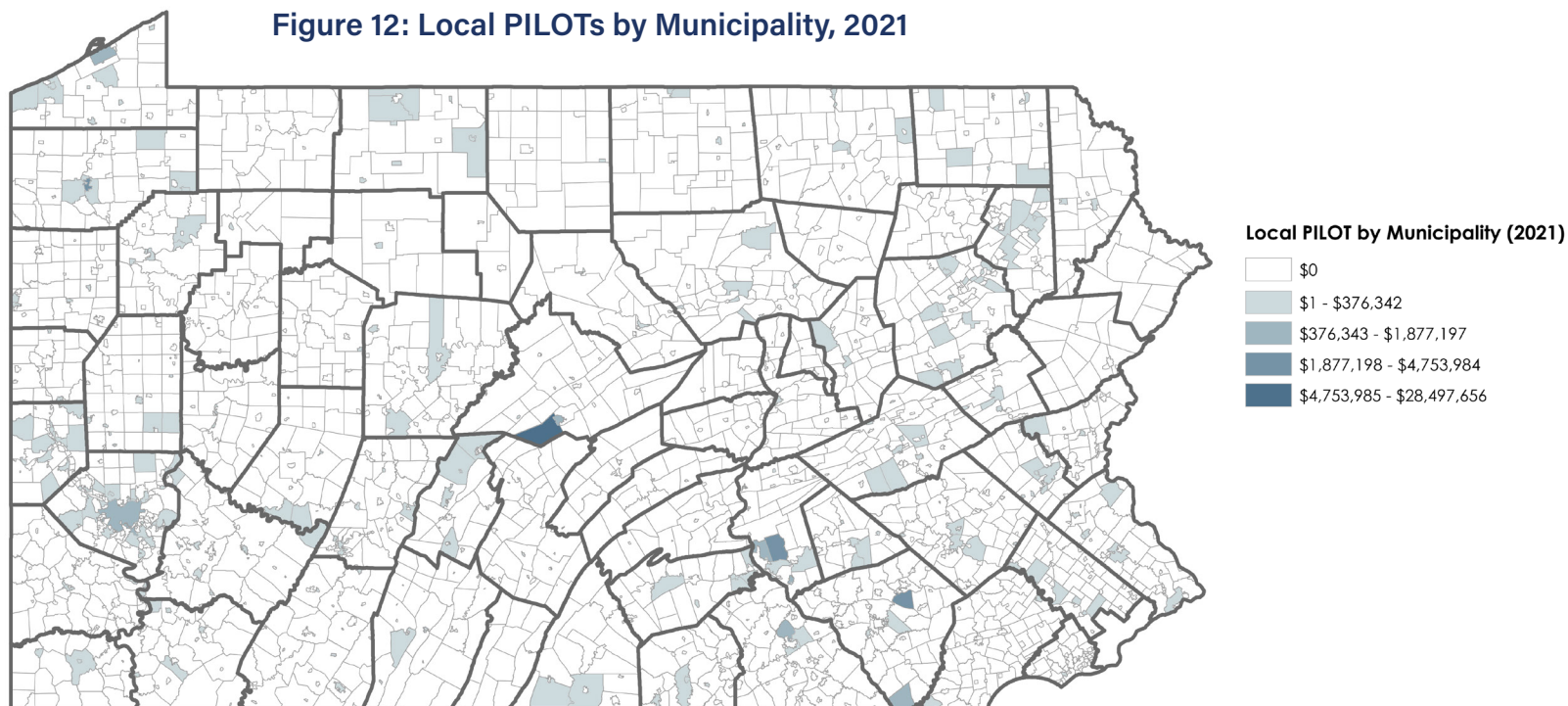


State PILT

As shown in Figure 11, many municipalities in Pennsylvania's rural areas receive a state PILT. These communities are home to state parks, forests, and game lands, and are mainly located in Pennsylvania's rural areas. In 2021, \$6.3 million in state PILT was paid by the Commonwealth.



Figure 12: Local PILOTs by Municipality, 2021



Source: Governor's Center for Local Government Services; Michael Baker International

Local PILOT

Local PILOT is enabled by the Pennsylvania Constitution under Title 53 with additional legislative provisions found in the Municipalities Financial Recovery Act (Act 47 of 1987) and the Institutions of Purely Public Charity Act (Act 55 of 1977). Municipalities enter into local PILOT agreements with tax-exempt property owners such as non-profit hospitals and universities. A local PILOT is voluntary, and a significant partnership commitment is required to establish and maintain an effective local program.

The level of effort to establish a Local PILOT is clear in that only 285 local governments received PILOT payments in 2021. Sensitivity about encouraging non-profits focused on

community good to participate in a PILOT was identified as a challenge. Local PILOT program payments averaged \$87,078 in 2021. See Figure 12.

Discussions with both Johnstown and State College Borough confirmed that while a local PILOT agreement is challenging to establish, it can be a useful tool to collect additional revenue to pay for municipal services. Centre County has been helpful in leading local PILOT discussions with several municipalities and Penn State University. Both Johnstown and State College note, however, that smaller communities lack both awareness and staff capacity to establish a local agreement. Municipalities need to carefully consider the financial and



time costs necessary to establish a PILOT program versus the payment benefit.

As few communities have established a local PILOT program, it appears to have significant potential as a means of expanding revenue. The local PILOT makes a lot of sense, particularly as consideration for the benefits that non-taxable property owners receive through local government services.

The main areas of emphasis going forward to expand local PILOT use are to:

- Raise awareness (including showcasing those communities that have successfully used local PILOT);
- Provide technical assistance; and
- Prepare a user's guide or manual that helps communities.



Finding F – Many county tax assessments are outdated.

Description

The annual municipal tax assessment is determined on a county's base year assessment. In Pennsylvania there is no requirement for a county to conduct a tax reassessment. A countywide reassessment resets the base year and all properties receive an updated assessment. Reassessments can be expensive and labor-intensive, and sometimes controversial, but ultimately the tax burden is distributed more fairly among property owners by adjusting for property appreciation and depreciation that has occurred since the last reassessment.

According to a Pennsylvania Economy League Report, [It's Not 1965 Anymore: State Tax Laws Fail to Meet Municipal Revenue Needs](#), about 23 counties completed their most recent reassessment prior to 1989. See Figure 13.

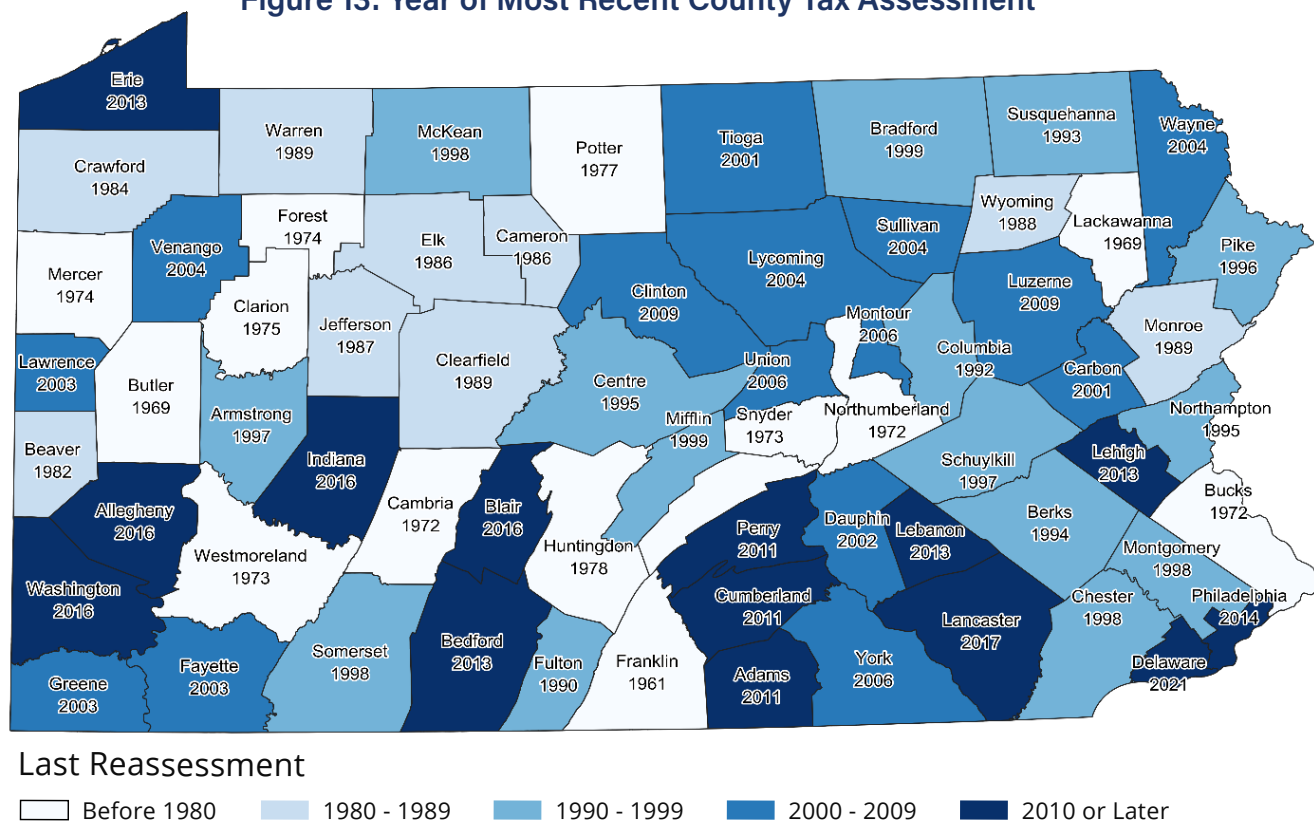
Implications

Local tax revenues can stagnate under an outdated assessment and a municipality might not be able to keep up with increasing expenditures. This reduces property tax revenue that could be used to meet local match requirements.

For example, a countywide reassessment would capture the current value of the numerous seasonal homes constructed in Benezette Township since Elk County's last reassessment. See the Benezette Township Case Study in the Appendix.



Figure 13: Year of Most Recent County Tax Assessment



Source: Pennsylvania Economy League, [It's Not 1965 Anymore: State Tax Laws Fail to Meet Municipal Revenue Needs](#), p. 12.



Finding G – Revenue from some funding sources is limited by population density.

[Back to Findings](#)
[Summary List](#)

Description

As noted in the Municipal Outreach section, the Act 89 \$5 Registration Fee (Fee for Local Use Fund under Act 89 of 2013) is not a transportation funding source of particular value for all rural municipalities. As of October 2023, 25 Pennsylvania counties (37%) had adopted a Fee for Local Use Fund. Among county adopters, Allegheny County has the greatest number of vehicle registrations; therefore, it is generating the most revenue from the fee (Figure 14).

While county adoption of the Fee for Local Use Fund makes sense for counties with greater population density, it is not cost-effective for all Pennsylvania counties, such as those with fewer vehicle registrations. In fact, it would take decades to accumulate enough funding to implement transportation projects, particularly in rural counties. For example, it would take Cameron County more than 35 years to accrue \$1 million should it adopt a Fee for Local Use Fund (Table 8).

Implications

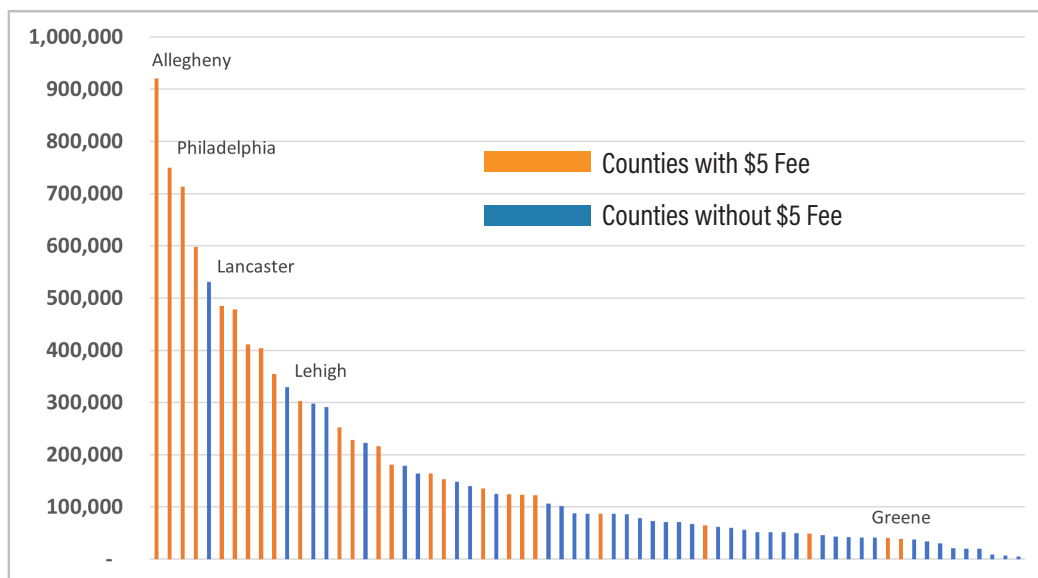
Municipalities with low population density find it challenging to utilize transportation funding that is more beneficial for densely populated areas. Implementing best practices from counties that have leveraged multiple transportation funding sources could prove beneficial. See best practices on the following page.

Table 8: Years Needed to Accrue \$1 Million in Revenue From a County \$5 Fee, Selected Counties

County	Years
Greene	5.2
Elk	5.3
Wyoming	5.8
Juniata	6.6
Potter	9.7
Fulton	9.8
Montour	9.9
Sullivan	23.5
Forest	29.9
Cameron	35.6



Figure 14: County Fee for Local Use Fund by Total Registrations



Source: PennDOT

Counties that have adopted the Act 89 \$5 Local Use Fee are largely urban, including:

- 9 of the top 10 by total registrations;
- 14 of the top 20; and
- 20 of the top 30.

To maximize the benefit of a Fee for Local Use Fund, some counties combine the funding with other funding sources to develop a county-wide transportation funding program. A county-wide program provides local governments with dedicated funding for their road and bridge projects. For example, as described in the Municipal Outreach section, Lycoming County's Local Bridge Bundling Program and Cumberland County's Bridge Capital Improvement Program have leveraged the Fee for Local Use Fund with revenue sources from Act 13 funds, Liquid Fuels funds, Act 44 Local Bridge funds, and Act 26 monies to fund a Bridge Capital Improvement Program.

Lycoming County has also been successful in leveraging transportation funding to complete multimodal and economic development projects, including:

- **Susquehanna Riverwalk** – The county's Act 13 funding was combined with a DCNR Community Partnership

Grant to design a three-mile extension to the Susquehanna Riverwalk system, a top 10 statewide trail gap with construction estimated to cost \$4 million.

- **Timber Run Industrial Park Access Road** – Developing an access road for this county-owned industrial park will facilitate business growth in the southern portion of Lycoming County near I-80. The approximately \$3 million road project is being funded by state transportation programs and ARC's Local Access Road Program.

Pennsylvania's MPOs and RPOs are also pooling resources to help fund local transportation needs. For example, North Central RPO uses approximately \$1 million of its TIP allocation to fund a local bridge program—matched by county Act 13 funds or a PIB loan—because it has identified maintaining local bridges in a state of good repair as a critical local issue. See the Potter County case study in the Appendix for additional details.





Finding H – The industrial and commercial tax base is declining in many areas of the state.

Description

Pennsylvania has suffered significant industry closures since the 1970s, particularly in the manufacturing sector. Many rural or undiversified areas faced closure of their main revenue generators and employers.

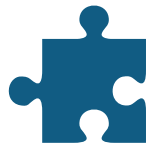
With the decline in resource extraction, this trend is particularly evident in Pennsylvania's northern rural counties that were once prosperous coal, oil, gas, and timber communities. Today, municipalities in the Allegheny National Forest struggle to maintain their tax base due to the decline in national forest timber sales. Once a reliable revenue source for municipalities in the Allegheny National Forest, timber sales have significantly decreased over the past 15 years due to U.S. Forest Service staffing, fluctuating timber markets, and the quality of timber output. Note that municipalities with state forest or state game lands (versus national forest) do not receive timber revenue from those lands; instead they receive PILT. SRS program funding is available to counties to offset declining timber revenue. In 2022, Forest County's SRS payment was \$1.5 million (see Federal Timber Revenue under Finding E).

Implications

A reduced industrial or commercial tax base results in decreased real estate tax revenues and lost jobs, meaning that residents will continue to relocate to seek employment. Dwindling tax revenue makes it difficult to meet regular municipal expenditures, and local match requirements become cost-prohibitive. Further, the focus on job creation in federal and state funding programs is a burden for rural communities that have existing challenges finding and retaining workers.

Shuttered businesses pay no taxes and provide no jobs, creating a downward spiral for communities, with severe implications for local government tax revenue and ability to provide basic services.





Finding I – Socioeconomic trends diminish the fiscal capacity of local governments.

[Back to Findings](#)
[Summary List](#)

Description

Certain socioeconomic trends that are common across Pennsylvania create increasingly difficult financial conditions for local governments:

- Declining population
- Aging population
- Large number of vacant/blighted properties
- Lower median home values

Data is presented below.

Implications

Each of these trends translates into reduced property tax revenue, which places greater financial constraint on a local government and makes it less feasible to meet local match requirements.

Municipalities with a small population lack the critical mass to generate sufficient local tax revenues. In general, real estate taxes are the main source of funding for local government operations, so a smaller population equates to fewer properties and lower tax revenue. Municipalities with aging populations often have decreased real estate tax revenue generation combined with increased expenditures required to provide services.

Municipalities with many vacant and blighted properties often lose real estate tax revenue that would otherwise be generated from the properties. Further, lower-value homes (including those in proximity to blighted areas) generate less real estate tax revenue.

- **Declining Population** – A total of 1,990—nearly 78%—of Pennsylvania's local governments have a population of less than 5,000.⁹ Some municipalities have experienced population decline, due in part to a net outmigration caused by decline of the industrial sector that began in the 1970s. Projections by the Center for Rural Pennsylvania show that

Pennsylvania's overall growth rate between 2020 and 2050 will be only 1.6%, decreasing to -0.2% between 2040 and 2050. Population in Pennsylvania's rural counties is projected to decrease by 5.8%.¹⁰

- **Aging Population** – When a large percentage of younger people move out of a jurisdiction, or not enough young

⁹Center for Rural Pennsylvania; 2020 U.S. Census

¹⁰Center for Rural Pennsylvania, Center for Rural Pennsylvania Releases Population Projections through 2050, October 4, 2023. Accessed 10/20/23 at: <https://www.rural.pa.gov/latest-news/news>



people move in, the citizen base becomes steadily older on average. Older residents may not have the financial resources to pay real estate taxes. The aging citizen base might also require extra municipal services.

- **Large Number of Vacant/Blighted Properties** – Municipalities with net outmigration are often faced with many vacant properties and blighted buildings and

properties. In some cases, properties are abandoned and real estate taxes go unpaid.

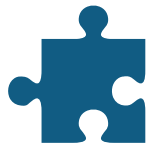
- **Lower Median Home Values** – Property taxes are based on property values. Median home values vary across the state based on market demand, but remain lower in less-populated areas.



Finding J – Municipal expenses are increasing.

Description	Implications
Many municipalities face increasing expenditures. Costs such as debt service, new employees, pension obligations, and new services impact municipal budgets. Inflation also poses a further fiscal challenge for local governments as costs rise faster than revenue.	Increased municipal expenditures combined with decreased revenues and decreased buying power can result in budget deficits/contraction and a reduced ability to meet local match requirements.





Finding K – Lack of in-house technical capacity is common and multi-municipal cooperation must be strengthened.

[Back to Findings](#)
[Summary List](#)

Description

Municipalities may lack in-house technical capacity to develop compliant grant applications. This finding is reinforced by the statewide survey in which more than 50% of respondents indicated that lack of capacity influenced their decision not to pursue funding. This could be due to a small number of municipal employees, and/or their lack of technical expertise, as well as the inability to retain/afford professional grant-writing assistance to prepare required technical data and analyses, such as benefit-cost analyses.

Implications

Municipalities lacking the in-house technical capacity to prepare complete, competitive grant applications are not able to access funding to complete needed transportation improvements.

Available Technical Assistance

Pennsylvania state and planning agencies and local government associations develop and deliver programs and services to help meet local technical assistance needs. A few are noted below.

- **MPOs/RPOs** – Provide as-needed technical assistance for transportation projects to municipalities throughout their respective regions.
- **PennDOT Connects** – Provides transportation and land use planning technical assistance for municipalities across Pennsylvania. It is important to note that the demand for this free planning technical assistance has been minimal despite PennDOT's active promotion. This may be indicative of local municipalities choosing to focus on their day-to-day responsibilities and foregoing other efforts.

- **PennDOT LTAP** – Transfers transportation technology through free training, technical assistance, and other services to municipalities across Pennsylvania. In contrast to PennDOT Connects technical assistance, municipal demand for LTAP support is high.
- **Governor's Center for Local Government Services (GCLGS)** – Provides technical assistance through its Peer Program which focuses on all aspects of local government operation. It also offers online training through the PA Training HUB for Municipal Learning (PATH) and partners with the Local Government Academy to deliver training.
- **Pennsylvania's Municipal Associations** – Pennsylvania State Association of Township Supervisors (PSATS), Pennsylvania State Association of Boroughs (PSAB),



Pennsylvania Municipal League (PML), and the County Commissioners Association of Pennsylvania (CCAP) each provide training and other resources for their member municipalities.

While technical assistance offerings are available, effective, and beneficial, not all municipalities take advantage, and the need is still great.

Multi-Municipal Efforts

Following are examples of current multi-municipal efforts in Pennsylvania. This list is not exhaustive.

- Pennsylvania municipalities are enabled under the Pennsylvania Municipalities Planning Code (MPC) (Act of 1968, P.L. 805, No. 247 as reenacted and amended) to cooperate across municipal boundaries.
 - › **Article XI of the MPC** addresses Intergovernmental Cooperative Planning and Implementation Agreements. Two purposes of the article are to:
 - Complement the economic and transportation needs of the region and the Commonwealth.
 - Provide for coordinated highways, public services, and development.
 - › **Intergovernmental Cooperative Agreements** may be entered into “between and among counties and municipalities for areas that include municipalities in more than one county, and between and among counties, municipalities, authorities and special districts providing water and sewer facilities, transportation planning, or other services within the area of a plan and with the opportunity for the active participation of State agencies and school districts.”

- › **Tax Revenue-Sharing** – The MPC allows for the sharing of tax revenues and fees by municipalities, noting that municipalities that adopt a joint municipal zoning ordinance or have entered into Implementation Agreements to carry out a county or multi-municipal plan may share tax revenues and fees.

- State funding programs currently provide increased consideration for multi-municipal collaboration and cooperation. For example, DCED’s Municipal Assistance Program (MAP) awards funding based on the degree to which proposed projects advance partnerships as well as performance, innovation, commitment, results, and competition. The program includes four categories of shared service activities:
 - › **Regionalization/consolidation/sharing of services.**
 - › **High-impact projects** providing a significant service or problem-solving impact for a large geographic area or population.
 - › **Shared capacity** to defer costs associated with a group of two or more municipalities/counties who seek to create by intergovernmental agreement a shared position that will perform specific functions or services for all partners.
 - › **Boundary change** – Applications for funding for financial analyses, feasibility studies, and public outreach and education programs for locally initiated boundary change activities will receive priority consideration and consideration for a reduced local match.





Finding L – Local governments often lack capital improvements planning.

Description

Many Pennsylvania municipalities prepare capital improvement plans to identify, prioritize, and schedule capital projects, including transportation infrastructure. The process can also help forecast shortfalls in revenue and/or increases in expenditures that may limit the ability to complete needed infrastructure projects. Capital improvement plans can include strategies to increase revenues and decrease expenditures to meet capital needs.

Implications

Lack of municipal capital improvement planning hinders a local government's ability to plan for and develop a strategy to fund transportation improvement projects.

Typically, a capital improvement plan will identify project priorities. A grant-proposed project might have a greater chance of being awarded if it is a priority in a capital improvement plan.



PA TAC
Local Match Study
December 2023



Recommendations

Overview

This section discusses potential solutions to local match challenges based on the Current Situation and Findings in this report. Recommendations are summarized below and described on the following pages.

Table 9: Recommendations Summary

Category	Recommendation
Match	1. <u>Adopt flexible match policy for state grants and modify program guidelines.</u>
	2. <u>Consider local match waiver options.</u>
	3. <u>Establish a state program to match federal grants.</u>
	4. <u>Seek private-sector and non-profit match support.</u>
	5. <u>Establish a local match revolving loan fund.</u>
Capacity	6. <u>Promote and incentivize multi-municipal cooperation.</u>
	7. <u>Build local capacity through technical assistance.</u>
Budget	8. <u>Consider property tax modifications.</u>
	9. <u>Adopt additional municipal taxes or fees.</u>
	10. <u>Encourage county-implemented transportation funding initiatives.</u>



Recommendation 1

Adopt flexible match policy for state grants and modify program guidelines.

Authorize state agencies to adjust local match requirements based on municipal characteristics, and modify program guidelines to make it more feasible for municipalities to participate.

Description

TAC recommends continuing to modify state programs through legislation and policy to allow for flexible match requirements to reduce the burdens on smaller, rural, or fiscally distressed municipalities. For example, local match was reduced from 50% to 20% for the Green Light-Go program, resulting in a combination of increased applications and program demand. Flexibility, of course, needs to be governed by a framework of program guidelines. State program guidelines should be evaluated to:

- Incorporate a consistent statewide local match scale that would weight and rank municipal fiscal and technical capacity. For example, New Jersey's Boardwalk Preservation Fund has a 5% local match with some municipalities exempt from the local match requirement based on their Municipal Revitalization Index (MRI) ranking. The Colorado IJJA Local Match Program scores applications against state-level priorities.
- Allow state programs to match each other or ensure local match for all state grant programs includes in-kind services or donation of right-of-way.
- Evaluate program timelines to be sensitive to the capacity of local governments. For some programs, such as Green Light-Go, local governments do not always have the capacity to complete projects within the funding constraints of each state fiscal year. Modifying program guidelines could minimize the lapse of state funds.

Sample Local Match Scale Criteria

- Population
- Number of full-time municipal staff
- Percentage of tax-exempt property
- Millage rate
- Municipal budget
- Median household income
- Unemployment rate
- Poverty rate
- State priority

[Back to Recommendations Summary List](#)



- Consider program set-asides specifically for small or distressed local governments. Doing so would ensure that a percentage of available funds is provided to smaller or municipally distressed communities that otherwise would not be able to compete with larger municipalities for funding.

Evaluation

Pros	Cons
<ul style="list-style-type: none"> ▪ More communities with significant needs would be able to apply for and benefit from funding. 	<ul style="list-style-type: none"> ▪ Requires justification and documentation of decision-making. ▪ Balancing flexibility with the need for fair and consistent policy and guidelines could be challenging.

Implementation Considerations

Developing a consistent, statewide municipal evaluation scale and modifying existing state program guidelines would be necessary to implement this recommendation.

- Consider municipal evaluation scales to help rank applications. Examples include the New Jersey MRI ranking, which measures municipal distress based on eight indicators measuring diverse aspects of social, economic, physical, and fiscal conditions, and the Colorado IJA Local Match Program, which includes a scoring matrix assessing criteria such as alignment with state-level priorities, need, equitable impacts, workforce/job creation, and shovel-ready status.
- A set of decision-making factors could be an alternative to a municipal evaluation scale per se. This might include factors such as fiscal distress, unique economic development opportunities associated with the grant project, [environmental justice/EJ40](#) considerations, etc.
- Look for existing models within Pennsylvania programs that use criteria, evaluation factors, etc.
- Consider which state transportation programs should be evaluated. At minimum start with Green Light-Go, PennDOT MTF, and CFA MTF.

GETTING STARTED

BEGIN IDENTIFYING
CONSISTENT
CRITERIA FOR
WAIVING MATCH





Recommendation 2

Consider local match waiver options.

Consider options to waive, either permanently or on a discretionary basis, local match requirements for state transportation grant programs.

Description

Currently, through annual adoption of Pennsylvania state fiscal code, both the PennDOT MTF and CFA MTF are authorized to waive local match. The CFA MTF waiver is applicable to all municipalities and the PennDOT MTF waiver is at the discretion of the Secretary. Such discretion recognizes that a potential project may have unique significance, which could relate to the sample local match scale criteria listed under Recommendation 1. Permanently waiving the match requirements through legislation would eliminate the annual need for fiscal code authorization. TAC recommends that each transportation grant program be reviewed to determine whether, and how, local match should be waived.

Evaluation

Pros	Cons
<ul style="list-style-type: none">Improves local participation.Enhances ability to target strategically important projects and rural and economically distressed communities.	<ul style="list-style-type: none">No local commitment, or “skin in the game.”Would require legislation.

Implementation Considerations

Waiving local match requirements for transportation grant programs should consider legislative and gubernatorial support.

“We are a government entity, so I feel it should be easier to apply and get awarded funds with less stipulations.”

~ Statewide survey respondent

GETTING STARTED

REVIEW GRANT PROGRAMS TO DETERMINE WHETHER AND HOW LOCAL MATCH SHOULD BE WAIVED

Recommendation 3

Establish a state program to match federal grants.

Establish a state program
to provide a funding source
that would be used to match federal funds.

Description

Similar to Arizona, Colorado, and Minnesota, Pennsylvania could enact legislation and develop accompanying policy and programs to provide the local match needed to apply for federal funding. A dedicated local match program would enable Pennsylvania municipalities to compete with communities in other states for federal transportation funding. The program could conceivably allow for state matching of federal grants under certain conditions. However, the overall intent would be to help PA communities and regions in their pursuit of federal grant funds.

Evaluation

Pros	Cons
<ul style="list-style-type: none">▪ Would provide needed resources for local government transportation improvements.▪ Pennsylvania could draw on the experience of other states.	<ul style="list-style-type: none">▪ State funds could not fully meet the demand for local match.▪ Would require legislation.▪ Shifts administrative and budgetary burden to state government.



Implementation Considerations

Implementing a new state program to match federal dollars has several implementation considerations.

- A dedicated revenue source(s) would likely need to be identified to fund a new matching program unless the program is set up using Commonwealth General Funds.
- Despite the complexities of legislative action, this recommendation would need to be advanced as rapidly as possible to maximize effectiveness under the remaining years of IIJA/BIL.
- With a comparable number of local governments at 2,633, Minnesota's match program should be monitored for best practices and lessons learned.
- Additional grant funding is not a panacea for meeting local funding needs. Fundamentally, the larger solution requires a state transportation legislative initiative that includes local funding.

GETTING STARTED

EVALUATE BEST
PRACTICES AND
LESSONS LEARNED
FROM OTHER
STATES' MATCH
PROGRAMS



Recommendation 4

Seek private-sector and non-profit match support.

Seek private and non-profit support
to help meet local match requirements.

Description

Local governments should seek private support from local foundations and/or developers to help supply local match to help fund transportation projects. Entities that benefit from the grant investments should arguably be part of the local funding solution. Private developers, for example, help communities considerably but also benefit from the public infrastructure in the communities in which they develop projects. As such, assisting in grant funding matches represents an opportunity for developers to invest in the community in a meaningful way.

Some municipalities have negotiated developer agreements to help fund transportation improvements that benefit the private-sector development.

Note that this recommendation does not include transportation impact fees discussed in Recommendation 9 – Adopt Additional Municipal Taxes/Fees.



Evaluation

Pros	Cons
<ul style="list-style-type: none">▪ May be effective for individual projects or at the community level.▪ Promotes bundling of funding sources.▪ Reduces burden on taxpayers.▪ Could help a municipality undertake more significant and ambitious projects.▪ Reinforces the transportation–land use connection.▪ Better aligns benefits and beneficiaries with project costs.	<ul style="list-style-type: none">▪ Culture change may require training and other ways of raising awareness of obtaining private participation. Limited as a statewide solution.▪ Likely relies on municipal capacity and a skilled workforce to both pursue and negotiate. This could limit participation of smaller municipalities.▪ Could require specialized experience within local government in managing contracts.▪ Private-sector partners may prioritize profits over public interest, or advocate for other decisions that do not align with the community’s needs.▪ Private-sector partnerships may lack transparency, absent appropriate documentation and public information.▪ Rural communities lacking established businesses or non-profits would have difficulty seeking private match support.

Implementation Considerations

Increasing non-profit and private developer contributions to generate local match should include both private- and public-sector partners.

- Identify existing developer agreements that have been used to fund transportation improvements.
- Identify non-profits that might be willing to contribute to local match.
- Determine the barriers to local government pursuit of these non-traditional funding sources and what can be done to remove or reduce those barriers. It will be prudent to recognize that this shift, in part, is a culture change in which local government and the private organizations that benefit the community and benefit from it should have more direct involvement in the grant-matching effort—particularly those that stand to benefit the most from the transportation improvement or project funded through the prospective grant.

GETTING STARTED

IDENTIFY MODEL
DEVELOPER
AGREEMENTS
USED BY LOCAL
GOVERNMENTS

[Back to
Recommendations
Summary List](#)



Recommendation 5

Establish a local match revolving loan fund.

Fund the initial capitalization of a Commonwealth no-interest or low-interest revolving loan fund to finance local match.

Description

A Local Match Revolving Loan Fund could provide a method of financing local match.

- The fund could include favorable payback provisions including low or no interest terms and delayed payback schedules.
- The fund could be standalone or incorporated into the existing Pennsylvania Infrastructure Bank (PIB) administered by PennDOT.

Evaluation

Pros	Cons
<ul style="list-style-type: none"> ▪ Infrastructure improvement having long-term benefit streams may justify longer-term financing solutions and responsible debt. ▪ Potential to use PIB as foundation. 	<ul style="list-style-type: none"> ▪ Many communities might not be able to justify future years' commitments of debt service based on budget constraints. ▪ Unless a program offers no-interest loans, municipal participation is likely to be low.



Implementation Considerations

Developing a local match revolving loan fund should include the following considerations.

- Incorporating a local match revolving loan fund into the existing PIB program minimizes the start-up required to administer a new program.
- Consider the feasibility of including local match for federal funds as an eligible “project.”

GETTING STARTED

DETERMINE WHETHER
THE FUND COULD BE
INCORPORATED INTO
THE PIB



Recommendation 6

Promote and incentivize multi-municipal cooperation.

Encourage local governments
to continue multi-municipal partnerships
to leverage municipal resources.

Description

Pennsylvania municipalities are encouraged to cooperate through legislation and are incentivized to do so through some state programs. Encouraging and incentivizing greater multi-municipal cooperation could mitigate the need for increased municipal consolidation in the near term as resources would be pooled from multiple municipalities to meet match and capacity challenges.

Evaluation

Pros	Cons
<ul style="list-style-type: none"> Enhances the ability of local governments to apply for transportation funding. Promotes inter-municipal problem-solving and leverages resources. Promotes integrated transportation and land use as well as improved permit predictability, ultimately resulting in increased economic development. 	<ul style="list-style-type: none"> Managing a revenue-sharing program could be administratively complex. Could erode local autonomy. Could be contentious, politically.



Implementation Considerations

Increased multi-municipal cooperation needs to consider varying state and local interests.

The proposed Local Match Task Force (see Conclusion) should consider current multi-municipal planning and cooperation tools (as a baseline), identify gaps, and identify solutions to incentivize increased multi-municipal cooperation. Expanded technical assistance from state, regional, and local entities as discussed in Recommendation 7 would also help improve multi-municipal efforts.

Increased multi-municipal cooperation needs to consider varying state and local interests.

- Pennsylvania's local government associations could be key partners in advancing this recommendation.
- Increased funding to either incentivize multi-municipal efforts (e.g., increasing the annual appropriation for DCED MAP or provide added technical assistance capability to existing entities such as GCLGS to support multi-municipal cooperation) should be considered.

The demographics challenging many Pennsylvania communities (Finding I) will likely make consolidation more of a necessity than an option down the road. In the near term there should be a strong, positive push for tangible municipal cooperation/sharing of services and functions. State government help in addressing the inability to match grants needs to be accompanied by local government collaboration to advance a balanced problem-solving approach.

GETTING STARTED

CONSIDER HOW
TO INCENTIVIZE
MULTI-MUNICIPAL
COOPERATION





Recommendation 7

Build local capacity through technical assistance.

Improve local government capacity
to apply for and manage
transportation funding opportunities.

Description

Widespread insufficient local capacity is a major finding of this TAC study, as detailed in the Findings section. Addressing local capacity is complex. The following solutions could help address the local capacity issue when implemented with Recommendation 6, promoting multi-municipal cooperation.

- **Continue existing local government capacity-building efforts** through Pennsylvania's LDDs via GCLGS, READY Appalachia and ARC funding, PennDOT Connects, and Pennsylvania local government associations.
- **Support the passage of new programs that aid Pennsylvania local governments**, such as HB 1216, the DCED Municipal Grant Assistance Program.
 - › If legislation is enacted, the program would provide municipal grant-writing training, connect professional grant writers with municipalities to provide services (i.e., circuit rider concept), and establish funding to help municipalities contract for professional grant-writing services.
 - › The bill was referred to the Senate Community, Economic, and Recreational Development Committee for consideration in July 2023.

- **Consider ideas submitted via the statewide survey:**
 - › Consider identifying a local grant liaison for each county. The liaison would meet with each municipality at least once per year to discuss local government needs and corresponding funding opportunities. The liaison would assist the municipality with grant application development and submission.
 - › Coordinate with local government associations to ensure that annual or as-needed mailings or e-mail blasts include information on available grants and funding opportunities.
 - › Provide grant descriptions in layman's terms to help local government officials better understand key eligibility criteria.
- **Encourage local government collaboration with regional planning and economic development entities for grant application support.** For example, as discussed in the municipal outreach section and the case studies, the City of Chester, in Delaware County, is a distressed municipality with limited financial and technical capacity for grant application development to advance transportation projects. Recognizing the importance of transportation to economic development initiatives, the MPO (Delaware Valley Regional Planning Commission), Delaware County, and the Chester Economic Development Authority provide technical assistance to Chester for grant applications and administration.

Evaluation

Pros	Cons
<ul style="list-style-type: none"> ▪ Improves municipal capabilities through the availability of technical assistance. ▪ Yields long-term benefits of skill-building and knowledge transfer. ▪ Leverages existing networks. 	<ul style="list-style-type: none"> ▪ Difficulty in sustaining technical assistance, given the extensive need.



Implementation Considerations

Capacity-building efforts should consider differing levels of need throughout Pennsylvania's diverse municipalities.

- Municipal associations, MPOs/RPOs, and state agencies each provide some level of capacity-building for Pennsylvania local governments. A list is included in the Findings section.
- A gap analysis could be conducted with broad input to identify specific capacity-building needs and document existing capacity-building efforts.
- A sustainable statewide model should be developed that leverages and shares capabilities, promotes best practices, and demonstrates success.

GETTING STARTED

COORDINATE WITH
LOCAL GOVERNMENT
ASSOCIATIONS TO
CONSISTENTLY
DISTRIBUTE
INFORMATION
ON GRANT
OPPORTUNITIES



Recommendation 8

Consider property tax modifications.

Adjusting the rates of payments in lieu of taxes would help offset the loss of local tax revenues for federal and state-owned property, and reviewing property tax rebate programs would determine the necessity of programmatic changes.

Description

As detailed in the Findings section, both federal and state payment in lieu of taxes (PILT) and the PDA Clean and Green program prevent Pennsylvania municipalities from collecting full property taxes on all real estate in their jurisdictions. Adjusting the state PILT rate would help offset local tax revenue losses. Reviewing the Clean and Green Program with the PDA to further understand local government tax revenue concerns would help determine if future program modifications are warranted.

- **State PILT** – Legislation currently under consideration in the Pennsylvania General Assembly (SB 225) would increase the dollar amount per acre of PILT that DCNR, PGC, and PFBC pay to local governments, school districts, and counties for land owned by the agencies, as described in the Findings. The legislation was referred to the Pennsylvania Senate Appropriations Committee in June 2023.

The TAC also recommends that the following legislative efforts receive serious consideration by the Commonwealth:

- **Proposed Tax-Exempt Property Municipal Assistance Fund** – Proposed HB 451 would authorize the Tax-Exempt Property Municipal Assistance Fund. The fund would assist



municipalities with more than 15% tax exempt properties by providing a dedicated funding source to municipalities. The program would be funded from Pennsylvania's 18% liquor tax. The legislation was referred to the Pennsylvania House Local Government Committee in March 2023.

- **Federal PILT** – Pursuing long-term legislative solutions to address federal PILT and SRS funding, and advocating for improved forest management practices to increase timber revenue sales for national forest counties, is another potential solution for consideration by Pennsylvania and its federal congressional delegation.
- **SRS Funding** – Additionally, Pennsylvania counties within the Allegheny National Forest (Elk, Forest, McKean, Warren) could consider working with NACo, CCAP, and state legislative officials to consider establishing special districts to receive Secure Rural Schools (SRS) funding. States like Colorado, Montana, and Oregon have enabled special road improvement districts to directly receive SRS funding payments through each state treasurer. The direct receipt of SRS payments by a special district, rather than a county, eliminates a reduction to and preserves the full amount of a county's federal PILT.
- **Timber Proceeds** – In addition, consider the legislative feasibility of requiring a portion of the sale of timber proceeds from state owned forested property to be remitted to the local government, county, and school district in which the forested property is located. The timber sale proceeds would be in addition to State PILT.





Evaluation

Pros	Cons
<ul style="list-style-type: none">▪ Brings PILT in line with present property tax rates.▪ Provides revenue to local governments, easing their fiscal pressure and in turn their ability to match grants.▪ Improves equitability: eases tax burden on private property owners, particularly homeowners.▪ Reduces the fiscal pressure on municipalities with real estate enrolled in the Clean and Green program.	<ul style="list-style-type: none">▪ Shifts fiscal pressure to other levels of government to cover the increase (e.g., pressure on the Commonwealth's General Fund and other funds).▪ Any future Clean and Green program modifications would require legislation.

Implementation Considerations

Modifying legislation that impacts taxation would require balancing the fiscal needs of state government and local government.

- State legislators and staff and agency representatives would need to work collaboratively with Pennsylvania local government organizations to support legislative reform.
- To determine whether future Clean and Green program modifications are warranted, PDA and Pennsylvania local government organizations would need to work together to discuss local government concerns in relation to Commonwealth priorities.
- To work toward an increase in federal PILT, Pennsylvania's congressional delegation would need to support action on behalf of Pennsylvania municipalities that have federal lands within the jurisdiction.

GETTING STARTED

ADVOCATE FOR
CHANGES IN THE
FEDERAL AND
STATE PILT RATES;
SUPPORT HB 451

Recommendation 9

Adopt additional municipal taxes or fees.

Work with municipalities to increase the use of other types of revenue-generating fees or taxes to yield funds for local match.

Description

Municipalities have options other than the real estate tax to generate additional taxes or fees. A few options are listed below. While these options are not exhaustive, they illustrate that Pennsylvania has tools that could be implemented depending on the needs and characteristics of the municipality.

- **Local PILOT** – Pennsylvania local governments can enter into voluntary PILOT agreements with state, local, educational, faith-based, and non-profit organizations to partially offset the lack of revenues from tax-exempt properties, as discussed in the Findings.
 - › Encouraging new local government PILOT agreements, where warranted, would increase revenues.
 - › A significant level of partnership is required to establish and maintain an effective local PILOT.
 - › Proposed HB 451, which would authorize the Tax-Exempt Property Municipal Assistance Fund, would also provide additional revenue for municipalities with more than 15% of properties being tax-exempt (see Recommendation 8 – Consider property tax modifications).
 - › Only 285 local governments had an active PILOT in 2021.



The TAC's broad statutory charge (Act 120 of 1970) is limited to transportation. As such, TAC recognizes that it is beyond its purview to weigh in heavily on local government finance. The exception, however, is that TAC sees the expanded use of local PILOT as a means to broaden the funding base for local government services, including transportation.

- **Transportation Impact Fees** – Transportation Impact Fees are a funding tool enabled through the MPC that municipalities can use to fund transportation improvements.¹¹
 - › The tool is highly effective in generating revenues in population centers in and near Philadelphia, Pittsburgh, and the Lehigh Valley.
 - › It is a reliable funding tool for municipalities in urban and suburban areas with predictable growth and not as effective for municipalities in rural areas with limited growth.
- **Per-Capita Tax or Local Services Tax** – Consider adopting other local taxes such as a per-capita tax or a local services tax, etc. These taxation tools are widely used in Pennsylvania; however, their effectiveness depends on population so they might not be an effective alternative for smaller municipalities.
- **Special-Purpose Tax** – Certain classes of municipalities can enact a Special Purpose Tax that can be levied to cover the cost of road and bridge improvements, equipment purchases, etc. After the improvement or purchase is complete, the tax can be eliminated



¹¹ Pennsylvania State Transportation Advisory Committee, White Paper: Transportation Impact Fees, Development Impacts on the Transportation System. December 2021.



Evaluation

Pros	Cons
<ul style="list-style-type: none">▪ Further diversifies a municipality's revenue sources, reducing reliance on a single revenue stream, e.g., Liquid Fuels, etc.▪ Aligns with the "User-Pay" principle—those who benefit bear the cost.▪ Yield may increase over time.	<ul style="list-style-type: none">▪ New taxes and fees are a difficult sell politically.▪ Municipalities would require implementation assistance.▪ Some taxes and fees can be regressive, disproportionately affecting lower-income taxpayers.▪ Revenue from some fees can be vulnerable to economic downturns, making long-range planning more challenging.▪ New taxes are not always advantageous for rural municipalities that receive limited funds per mill due to low assessed values.

Implementation Considerations

Capacity was a concern identified by more than 50% of statewide survey respondents, therefore, recommendations to increase locally generated revenue could be difficult to implement.

- The implementation task force proposed in the Conclusion may want to implement a post-study workgroup to develop a strategy for increasing the use of local PILOTs. The workgroup could potentially include representatives of Pennsylvania municipal associations, GCLGS, and the State Planning Board.
- A strategy could include: raise awareness (including insights from those municipalities that have successfully used local PILOT); provide technical assistance to develop a user's guide or manual.
- Exploring new tax or fee options specifically for seasonal homes would help local governments with a large percentage of seasonal housing offset diminished tax revenues.

GETTING STARTED

ESTABLISH A
STRATEGIC
ACTION PLAN FOR
PROMOTING LOCAL
PAYMENT-IN-LIEU-
OF-TAXES (PILOT)
PROGRAMS

Recommendation 10

Encourage county-implemented transportation funding initiatives.

Promote and incentivize county-level programs to fund transportation infrastructure construction and improvement.

Description

Lycoming and Cumberland counties have developed programs to assist local governments in funding transportation infrastructure improvements, as discussed in the Findings (e.g., Fee for Local Use Fund). County-level transportation improvement programs are more beneficial when revenue from several different funding programs is bundled. Pennsylvania's MPOs and RPOs are also pooling resources to help fund local transportation projects. Refer to the Potter County case study in the Appendix for details on how North Central RPO uses a portion of its TIP allocation to fund a local bridge program.





Evaluation

Pros	Cons
<ul style="list-style-type: none">▪ Builds on an existing authorized approach.▪ Builds on experience and successes to date, such as Lycoming County's Local Bridge Bundling Program and Cumberland County's Bridge Capital Improvement Program.▪ Provides a source of local funding.▪ Encourages regional problem-solving and the efficiency of a broader geographic unit of government.	<ul style="list-style-type: none">▪ Adds burdens at the county level.▪ Methods for "encouraging" may be particularly difficult absent incentives.▪ May not yield much revenue, particularly in sparsely populated rural counties.

Implementation Considerations

Developing a county-level strategy for transportation improvements should include local government associations and local and regional transportation planners.

- Best practices from Pennsylvania local government associations, particularly the County Commissioners Association of Pennsylvania (CCAP), are necessary for this recommendation to be implemented effectively.
- County planners and MPOs/RPOs will also be key partners in ensuring the effectiveness of this recommendation.
- Pennsylvania state government could serve in a supporting role by providing resources to county governments.
- The TAC Task Force emphasized the importance of streamlining and simplifying administrative processes for municipalities to the greatest extent possible, including PennDOT's Engineering and Construction Management System (ECMS).

GETTING STARTED

ASSEMBLE
BEST PRACTICES
FROM CCAP AND
OTHER LOCAL
GOVERNMENT
ASSOCIATIONS

PA TAC
Local Match Study
December 2023



Conclusion

Pennsylvania's Opportunity

The TAC took on this timely topic in light of the expansion of competitive grant programs at both the federal and state levels of government. It is worth noting that the idea behind competing for funds is laudable. Public resources should generally be aimed at funding those projects that will produce the greatest benefit. However, in practice competitive grants have proven to be very challenging.

Paradoxically, in many cases, communities with the greatest need for grant-funded projects are least able to apply for grants because of the dollar-matching requirements and the limited staff resources to prepare competitive applications.

TAC's research demonstrates that Pennsylvania and other states are addressing the challenge by providing funding and technical assistance. These efforts are commendable. In light of the overarching need for investing in local transportation in the Commonwealth, TAC concludes this study with the following overarching points:

- The importance of this topic necessitates the formation of an implementation task force (described on the following page) to evaluate and address TAC's findings and recommendations.
- The broader solution to local government resource constraint does once again shine light on the great cost of having so many local municipalities in the Commonwealth. Long term, municipal consolidation could provide a more efficient framework with cost efficiencies that foster economic and community development in Pennsylvania. For now, municipalities should aim to collaborate to a greater degree. Grant programs should heavily weight multi-municipal projects.



- Grant funds are not the sole solution. The General Assembly needs to address transportation funding needs for both state and local infrastructure. To some extent the IIJA/BIL funding may have created the perception that it fully addressed the transportation infrastructure funding gap. It did not. The level of transportation funding needed for both state and local transportation facilities is still far greater than that which is being provided through IIJA/BIL.
- It has also become clear that there is an interagency dimension to this challenge such that the implementation task force needs the involvement of other grant-providing agencies, local governments, local government associations, and others. The TAC Task Force for this study with its cross-section of members provides a good starting point as to the composition for an implementation task force.
- Healthy and honest debate of the growing local match challenge suggests considering whether the pendulum might not need to swing back to greater reliance on formula funding and other means of direct funding and less reliance on competitive grants. Headwaters Economics, an independent, non-profit organization focused on improving community development and land management decisions, recommends providing direct funding by eliminating competitive grants for limited-capacity communities that lack the resources and expertise to apply for and administer grants.



Implementation and Next Steps

Implementing the proposed recommendations would require a concerted, accelerated effort to maximize opportunities for municipal success in applying for and receiving IIJA/BIL funding, which is only available through FFY 2026.

TAC recommends the following broad implementation framework as a starting point.

- **Local Match Implementation Task Force** – Establish a Local Match Implementation Task Force to evaluate the findings and advance the recommendations of this report and to formulate an implementation action plan. It is envisioned that Task Force membership would go beyond TAC and reflect state-level partnerships—both agencies and associations—to address the challenges outlined in this study. Task Force members could include but not be limited to:
 - › PennDOT
 - › DCED/GCLGS
 - › Local government associations
 - › MPOs/RPOs
 - › State Planning Board
 - › Pennsylvania Economic Development Association
- **Charge** – The Local Match Implementation Task Force would have the following basic charges:
 - › Evaluate each finding and recommendation with the focus on preparing an implementation action plan with steps and timetables for moving forward. An early action item for each recommendation is suggested in this document under the “Getting Started” headings.
 - › Advance implementation of the recommendations that involve policy, programs, and partnerships.
 - › Address key challenges such as capacity-building, flexibility, and distressed communities.
 - › Promote program guidelines (both state and federal) that include match flexibility or match waiver.





Acknowledgements

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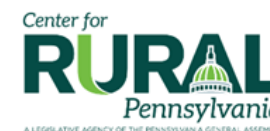
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Thank you to the Center for Rural Pennsylvania for administering the statewide survey conducted as part of this study. The insights collected through the center's work validated the study purpose and helped shape recommendations.



About the Transportation Advisory Committee

The Pennsylvania Transportation Advisory Committee (TAC) was established in 1970 by Act 120 of the State Legislature, which also created the Pennsylvania Department of Transportation (PennDOT).

TAC has two primary duties. First, it “consults with and advises the State Transportation Commission and the Secretary of Transportation on behalf of all transportation modes in the Commonwealth.” In fulfilling this task, TAC assists the Commission and the Secretary “in the determination of goals and the allocation of available resources among and between the alternate modes in the planning, development, and maintenance of programs, and technologies for transportation systems.” TAC’s second duty is “to advise the several modes (about) the planning, programs, and goals of the Department and the State Transportation Commission.”

TAC undertakes in-depth studies on important issues and serves as a liaison between PennDOT and the general public. TAC consists of the following members: the Secretary of Transportation; the heads (or their designees) of the Department of Agriculture, Department of Education, Department of Community and Economic Development, Public Utility Commission, Department of Environmental Protection, and the Governor’s Policy Office; two members of the State House of Representatives; two members of the State Senate; and 18 public members—six appointed by the Governor, six appointed by the President Pro Tempore of the Senate, and six appointed by the Speaker of the House of Representatives.





Appendix: Case Studies



Benezette Township

Elk County



Only 9% of property in Benezette Township is taxed at market value. With a mere 216 year-round residents but being home to a tourist destination attracting nearly 500,000 visitors a year, the Township proactively leverages partnerships to meet transportation infrastructure needs. Political, agency, and organizational support is required for smaller municipalities like Benezette Township to successfully compete for transportation funding.

Location and Case Study Rationale

Benezette Township, Elk County, is in North Central Pennsylvania. With only 216 residents, the township is sparsely populated at 2.1 residents per mile. While the number of residents is small, the area receives nearly 500,000 visitors per year from throughout the U.S. However, more than 80% of the township's land is tax-exempt. The large amount of tax-exempt real estate combined with a national tourism destination impacts this rural community and prompted further evaluation.

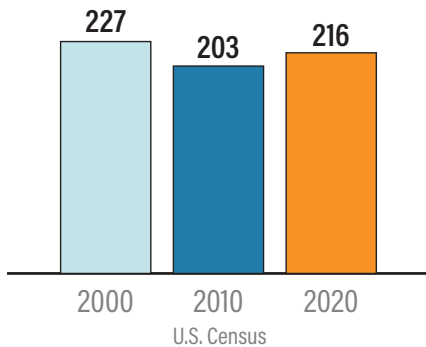


Benezette Township, cont'd.

Demographics and Land Use Snapshot



Total Residents



Median Age

Township	PA
57.0	40.9

2020 U.S. Census



Median Household Income

Township	PA
\$33,542	\$67,587

2021 U.S. Census American Community Survey



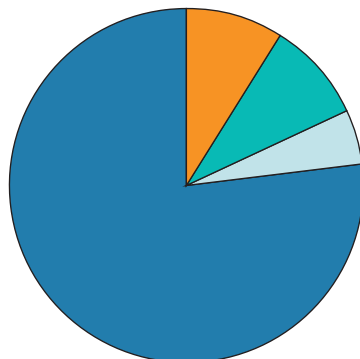
Median Home Value

Township	PA
\$100,000	\$219,811

2020 U.S. Census



Percentage of Tax-Exempt or Tax-Discounted Acreage



- State Parks & Forest - 76%
- State Gamelands - 5%
- Farm & Forest Preservation - 9%
- Market Value - 9%



Land Area

55,446 acres



Seasonal Housing Units

85%

2020 U.S. Census



Local Infrastructure

Roads	Bridges
17.83 miles	3

PennDOT



Benezette Township, cont'd.



- Benezette Township is home to the Elk Country Visitor Center, attracting close to 500,000 visitors per year, mainly in late summer and fall.
- Constructed in 2010, the visitor center was developed through a public-private partnership between the Pennsylvania Department of Conservation and Natural Resources (DCNR) and non-profit Keystone Elk Country Alliance.
- The Elk Country Visitor Center is the prime location for viewing the largest elk herd in the northeastern United States.
- Access to the Elk Country Visitor Center is from Winslow Hill Road, owned and maintained by Benezette Township.

Local Challenges

Benezette Township is required to maintain nearly 18 miles of local roads yet finds it challenging to maintain roads and provide for other local services due to the following factors.

Limited Tax Revenue

- **Real Estate Tax** – Only 9% of property in Benezette Township is privately owned and taxed at market value, which limits real estate tax revenue. To keep pace with transportation and facilities needs, the Township recently approved a millage rate increase.
- Tax-exempt state parks, forest, and game lands comprise 81% of Benezette Township's acreage. Although the Township receives state payment in lieu of taxes (PILT), proceeds fall short of the amount that would be generated if the property were taxed at market value.
- **Earned Income Tax (EIT)** – The Township levies an EIT. Because EIT is calculated based on residence and not place of employment, EIT revenue generation is limited due to the small number of residents.
- **County Hotel Tax** – Elk County's hotel tax does not benefit the Township because revenue flows to the state and county, not local government.
- **County Reassessment** – Elk County's most recent property reassessment was in 1986. A countywide reassessment would benefit Benezette Township because a large number of seasonal homes (hunting cabins) were built about 30 years ago, after the assessment. The township has 695 seasonal homes and 88 permanent residential dwellings.

Limited Staff Capacity

Benezette Township has one full-time employee and no Township manager. The Township does not have the in-house resources necessary to monitor transportation funding opportunities and prepare and submit grant applications.



Benezette Township, cont'd.

Local Challenges, cont'd.

Funding Sources are Difficult to Access

The Township has had challenges in accessing transportation funding sources due to competition for funding and program policy.

- **PennDOT MTF and CFA MTF** – While the Township was recently successful in securing \$3.9 million for improvements along Winslow Hill Road—the main access to the Elk Country Visitor Center—securing the funding required a significant investment of time and effort by state, local, and regional officials.

After multiple applications for PennDOT MTF grants; completion of a feasibility study funded by NCPRPDC and the Township; advocacy by two governors and state legislative officials; support from DCNR, PennDOT, and DCED secretaries and agency officials; and technical and administrative assistance from Elk County Planning and NCPRPDC; funding was ultimately awarded. The roadway improvement project was fully funded through a \$2.9 million PennDOT MTF grant and a \$1 million CFA MTF grant. Local match was waived for both awards.

- **CFA Statewide Local Share** – It is difficult for small, rural communities to compete with municipalities from across the state for funding.
- **DCED Annual CDBG Allocation** – Community Development Block Grant (CDBG) funding has income thresholds. Benezette Township is disqualified from CDBG funds due to its high number of seasonal homes and the relatively high incomes of those owners.

Impacts of Challenges

Deferred Local Infrastructure Maintenance

Limited real estate tax revenue impacts the Township's ability to keep pace with local road maintenance needs and other municipal priorities, such as building repairs.

Non-Participation in State/Federal Grant Programs

The limited revenue also impacts the Township's ability to meet local match requirements, therefore the Township tends to not apply to grant programs with local match requirements. The time and effort required to apply for and compete for grant funding puts a strain on limited Township resources.



Benezette Township, cont'd.

Best Practices and Potential Solutions

Leverage Partnerships and Technical Assistance

While Benezette Township is small, it has effectively leveraged county, regional, and state partnerships to accomplish transportation goals.

- The Winslow Hill Road improvement project would not have been possible without support from state-level officials and legislators and local support from NCPRPDC and Elk County. Municipalities without this level of support are at a disadvantage.
- Associations such as PSATS, Elk County, NCPRPDC, and state and federal agencies are helpful in notifying the Township of funding opportunities.
- The Medix Grade Road improvement project is the Township's next major investment. The \$150,000 project will be completed in phases over three to five years. Effective partnerships with PennDOT District 2, Elk County Conservation District, and neighboring Jay Township through an intergovernmental agreement will help ensure the project's completion.

Multi-Municipal Cooperation

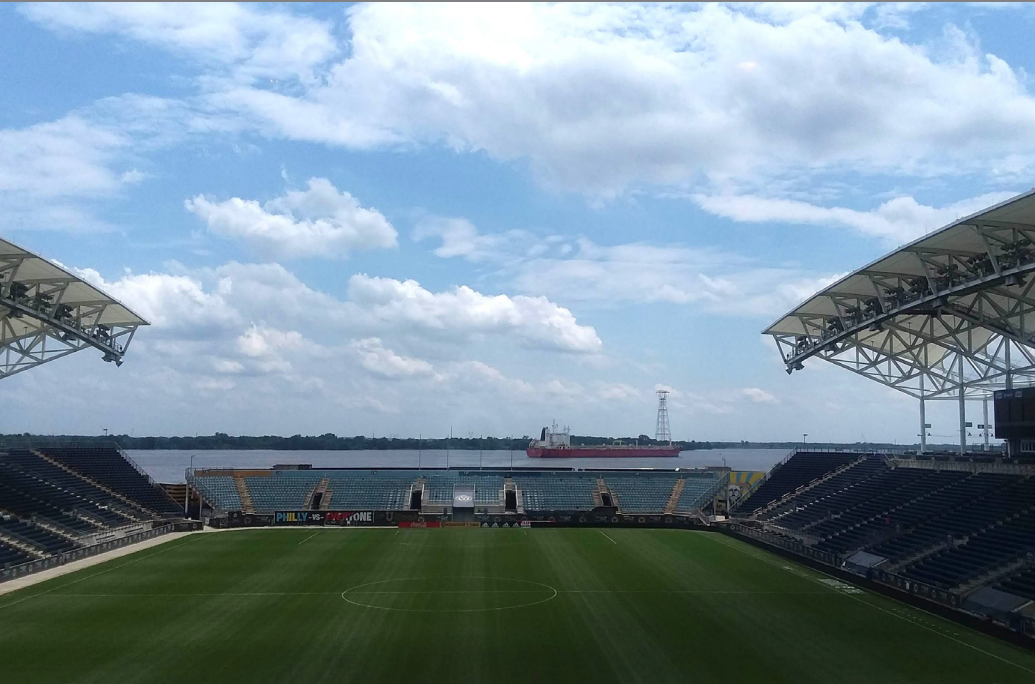
Benezette Township has intergovernmental agreements in place with neighboring townships to maintain local roads. The agreements encompass shared equipment, materials, and labor costs. Establishing intergovernmental agreements helps leverage limited resources.

Increase in the State PILT Rate

An increase in state PILT would generate more local revenue for Benezette Township. The revenue increase would make it easier for the Township to complete needed roadway projects to continue to support the Elk Country Visitor Center and invest in other building and infrastructure improvements.

County Reassessment

Elk County's most recent countywide reassessment was in 1986. A countywide reassessment would capture the value of the numerous seasonal homes (hunting cabins) that have been constructed since the last reassessment and increase Benezette Township's real estate tax revenue.



City of Chester Delaware County



The City of Chester has a compelling vision to become a destination city, driving continued economic recovery and growth. Significant regional attractions such as Subaru Park—home of the Major League Soccer team Philadelphia Union—and the area’s casino require efficient, well-maintained transportation infrastructure. Agency and organizational support have been vital for Chester to attract and continue to attract investment, and transportation funding is essential.

Location and Case Study Rationale

The City of Chester is located in Delaware County, south of Philadelphia, bordering the Delaware River and New Jersey. Population and industry grew significantly during the war boom in the first half of the 19th Century. Like many cities in Pennsylvania and around the country, Chester began experiencing an outmigration of industry, followed by citizens, starting in the mid-1950s. Today, the city continues to struggle financially and is under Act 47 receivership but is in a decades-long period of recovery. The City of Chester has received \$1.36 billion in public and private investment since 1996. Using this investment, Chester has restored its parks, expanded housing and improved housing conditions, attracted new business, and generated thousands of job opportunities. Significant revitalization has occurred due to focused efforts and warranted further investigation.

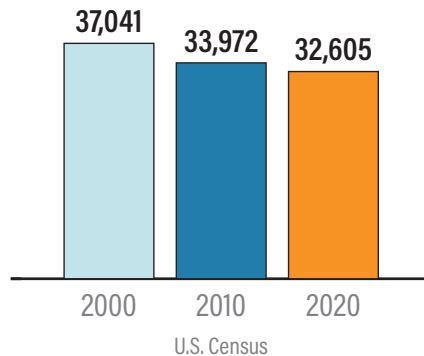


City of Chester, cont'd.

Demographics and Land Use Snapshot



Total Residents



Median Age

City	PA
33.2	40.9

2020 U.S. Census



Median Household Income

City	PA
\$35,751	\$67,587

2021 U.S. Census American Community Survey



Median Home Value

City	PA
\$70,300	\$219,811

2020 U.S. Census



Local Infrastructure

Roads	Bridges
79.6 miles	9

PennDOT

Population Density

6,746 people
per square mile



City of Chester, cont'd.

Local Challenges

Fiscal Constraints

Challenged by decades of economic disinvestment and resultant population loss, Chester is currently in Act 47 receivership status and is diligently working to improve fiscal conditions. It is difficult for the City to meet transportation infrastructure needs.

Aging Transportation Infrastructure

Local roads in Downtown Chester are somewhat deteriorated, particularly from use by heavy vehicles. Three City-owned bridges have been closed, disrupting truck connectivity to SR 291 and I-95. One of the City's bridges, Lloyd Street, is being repaired.

Lack of Local Match

While the City would like to pursue more competitive grant opportunities, due to its fiscal challenges it cannot afford matching funds. The City has worked effectively with funding agencies to waive local match. For example, local match was waived for recent Delaware County Greenways grant funding. Due to the historical significance of Chester's train station and the importance of that multimodal connection, SEPTA has not required local match for improvement projects.

Best Practices and Potential Solutions

Partnerships Improve Capacity

Chester advances its goal as a destination city through partnering with local and regional entities such as the Chester Economic Development Authority (CEDA), Delaware County, and Delaware Valley Regional Planning Commission (DVRPC) for support and assistance. CEDA typically prepares grant applications and serves as applicant, while the City administers the project and grant funds. Effective partnerships support the City's economic development priorities by enabling development of transportation infrastructure projects.

Prioritize Funding for Distressed Communities

Transportation improvement is a key element of Chester's redevelopment. While help comes from CEDA and other partners, there are some grants that the City cannot access due to fiscal deficits, underscoring the need to place as high a priority on distressed communities for accessing grant funding.



Clearfield Borough

Clearfield County



Clearfield Borough is a county seat and like many county seats across Pennsylvania, it has a significant percentage of tax-exempt property due to its large number of government support facilities. This significantly impacts the amount of revenue available for municipal transportation improvements. Solutions recommended in this report, including flexible match requirements for smaller or fiscally distressed municipalities, could benefit smaller boroughs such as Clearfield.

Location and Case Study Rationale

Clearfield Borough is in Central Pennsylvania approximately 120 miles northeast of Pittsburgh. The challenges faced by Clearfield are representative of the struggles of many smaller urban municipalities in Pennsylvania. These communities were once centers of industry and commercial services, but after decades of deindustrialization, shifting economic trends, and population loss, they now struggle to maintain aging infrastructure with a significantly smaller tax base. The impact of these factors on the capacity of boroughs such as Clearfield was considered worthy of further study.

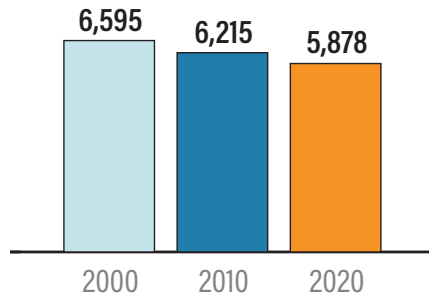


Clearfield Borough, cont'd.

Demographics and Land Use Snapshot



Total Residents



U.S. Census



Median Age

Borough	PA
43.0	40.9

2020 U.S. Census



Median Household Income

Borough	PA
\$48,116	\$67,587

2021 U.S. Census American Community Survey



Median Home Value

Borough	PA
\$83,100	\$219,811

2020 U.S. Census



Land Area

1.88 square miles (including 0.8 sq.mi. water)



Vacant Housing Units

Borough	PA
13%	10%

2020 U.S. Census



Local Infrastructure

Roads	Bridges
37.68 miles	0

PennDOT



Clearfield Borough, cont'd.

Local Challenges

Difficulty Raising Revenue

Clearfield Borough's biggest challenge is raising sufficient revenue to cover basic infrastructure maintenance and meet local match requirements. The underlying factors impacting the ability to raise revenue are common to smaller boroughs such as Clearfield.

- Clearfield has a smaller, older population that steadily decreased between 2000 and 2020.
- Clearfield Borough encompasses a relatively small land area with a lower average home value. This limits the number of properties paying real estate tax, and the lower property values result in lower revenues on a per-parcel basis despite a relatively high millage rate.
- This also means that any tax-exempt properties, even if few, can have an outsized impact on overall revenue collected by the municipality.
- In summary, the Borough does not have the revenue to meet most grant program local match requirements. Basic transportation infrastructure inspection and maintenance can also quickly exceed available funding.

Limited Staff Capacity

Clearfield Borough has very limited capacity to pursue, apply for, and administer grant funds.

- The Borough's small budget translates to a small number of municipal staff, whose time is consumed by day-to-day government operations.
- It can be challenging for the Borough to dedicate the time to prepare and submit a grant application.
- Some elements of the grant application process are challenging for small municipalities. Application windows, typically 30 days in length, do not provide enough time for limited staff who are already stretched thin to assemble the needed information and analysis to submit a complete and competitive application.



Clearfield Borough, cont'd.

Impacts of Challenges

Deferred Local Infrastructure Maintenance

- The Borough's small municipal budget, combined with the challenges of pursuing grants, has made it extremely challenging to maintain basic infrastructure in a good state of repair.
- Clearfield Borough's greatest maintenance challenge is road paving. Many streets are in a state of disrepair, but the Borough can only devote about \$110,000 per year to re-paving. This equates to about one street per year, creating an unfunded backlog of basic pavement maintenance work.

Other essential infrastructure, such as traffic signals and stormwater facilities, are aging and need to be replaced. Funding is not available to address those needs.

Non-Participation in State/Federal Grant Programs

- The inability of Clearfield Borough to meet local match requirements means that it generally does not attempt to participate in state or federal grant programs.
- One exception is the CFA MTF program, because it allows match requirements to be waived.
- Additionally, the short application submission window and extensive technical information required for a complete application, combined with limited staff capacity, makes it challenging for the Borough to submit grant applications.



Clearfield Borough, cont'd.

Best Practices and Potential Solutions

Continue County and RPO Support

Counties and MPOs/RPOs recognize the challenges municipalities face in obtaining funding for transportation projects.

- Transportation planning organizations have worked to provide support directly through funding municipal projects or providing funds for local match and indirectly by providing administrative and technical resources to municipalities pursuing funding.
- Additional state and/or federal funding can help increase the capacity of county governments, MPOs/RPOs, and other organizations to assist municipalities with limited revenue and limited staff capacity.

Allow Program Flexibility for Smaller Municipalities

A theme that emerged from discussions with Clearfield Borough is that the fiscal and administrative requirements of grant programs are often not sensitive to the limits of smaller rural or fiscally distressed municipalities.

- Municipalities with a small tax base and limited staff do not have the capacity to meet a local match requirement or complete an application within short application windows.
- It is recommended that grant programs be reformed to provide added flexibility and accessibility to small or distressed municipalities. As an example, the availability of match requirement waivers could be expanded, either by adding waivers to other grant programs or making waivers available for municipalities that fall below a set population or annual tax revenue threshold.



City of Johnstown Cambria County



Johnstown is a future-focused city located in Cambria County. Striving to revitalize since the decline of the steel industry, the city maintains its strong workforce, spirit of cooperation, and quality of life. Efficient, well-maintained, and cost-effective transportation infrastructure is critical to transport people and goods to and from Johnstown, yet municipal fragmentation poses a challenge, impeding the rate of progress in numerous areas including transportation projects. Solutions to resolve this significant challenge would improve transportation and advance the region's economic strength.

Location and Case Study Rationale

The City of Johnstown is located in the Southern Alleghenies region of Pennsylvania 57 miles east of Pittsburgh. Johnstown was a significant producer of steel and was home to Cambria Iron Works, one of the largest U.S. producers in the 19th Century. While remnants of its steel heritage remain, Johnstown has continued to rebound from economic challenges, and has a bold strategic plan, *Vision 2025*. Surrounded by 17 smaller local governments, Johnstown is emblematic of the challenges associated with completing transportation improvements via multiple jurisdictions. The city's ongoing revitalization and transportation challenges prompted further investigation.

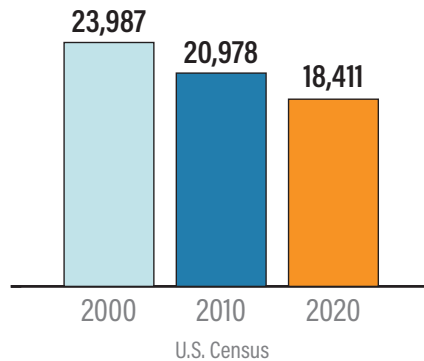


City of Johnstown, cont'd.

Demographics and Land Use Snapshot



Total Residents



Median Age

City	PA
41.0	40.9

2020 U.S. Census



Median Household Income

City	PA
\$31,200	\$67,587

2021 U.S. Census American Community Survey



Median Home Value

City	PA
\$37,000	\$219,811

2020 U.S. Census



Local Infrastructure

Roads	Bridges
82.4 miles	15

PennDOT

Population Density

3,105 people
per square mile



City of Johnstown, cont'd.

Local Challenges

Municipal Fragmentation

Johnstown faces challenges in coordinating with 17 surrounding local governments to advance cohesive initiatives.

- Several years ago, Johnstown established an ambitious strategic plan for its redevelopment.
- *Vision 2025* included a comprehensive set of priorities for community redevelopment, with all sectors involved in the process.
- During the planning process it was recognized that perhaps the greatest barrier to future growth was the large number of local government units in relation to the geographic area and population.
- Pursuing transportation funding and other initiatives with as many as 17 neighboring municipalities requires significant effort.
- The large number of local governments impacts capacity and without a regional council of governments for guidance, implementation of transportation projects is hindered.

Geographic Dispersion Impacts Transportation Maintenance

Given the area's rugged terrain, Johnstown is spread out with many miles of local roadways. While road conditions in the city are good, keeping up with needed transportation improvements, both vehicular and pedestrian, is demanding.

Need for Grant Management

The City has been successful in its pursuit of grants but grant management is an issue. Required contracting, bidding, and procurement practices place administrative burden on strained resources.

Lack of Local Match

The City experiences challenges providing local funds to match state and federal grants. Fiscal constraint makes it very difficult to commit funds to match grants.



City of Johnstown, cont'd.

Potential Solutions

Enhance Cooperation or Pursue Consolidation

Johnstown is surrounded by several very small municipalities. The opportunity to expand municipal capacity through consolidation at some point in the future—or at minimum, increased sharing of services—is key. Pursuing opportunities for shared services would benefit the citizens of these communities.

Scale Local Match

Scaling the amount of local match to the size of a municipality's population or budget would enable increased grant applications.

Provide Post-Award Grant Management Assistance

After grants have been awarded, assistance in managing the project and grant award according to strict grant requirements would be beneficial.



Potter County



Only 17% of land in Potter County is taxed at market value. This significantly limits the ability of the county's small, rural local governments to afford day-to-day operations, let alone apply for transportation grants. Limits on tax revenue, staff capacity, and broadband availability, along with restrictive grant program requirements, constrain the ability of the county and its member governments to apply for competitive grants. Current solutions, provided by Potter County and North Central RPO, and proposed solutions requiring policy and legislative reforms, could be replicated in other Pennsylvania counties.

Location and Case Study Rationale

Potter County is in North Central Pennsylvania on the New York State border. It is a rural county, and with seven state parks and one state forest, a sizable percentage of its land is tax-exempt. The impact of tax-exempt property on Potter County's governmental operations, and subsequent impact on the county's local governments to assemble funds for local match requirements, provides insights for similar counties and their local governments and warranted further evaluation.

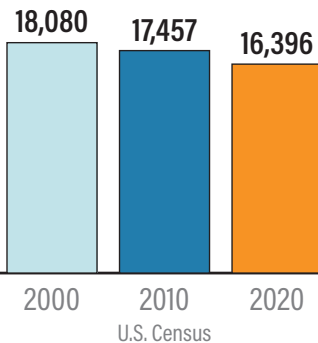


Potter County, cont'd.

Demographics and Land Use Snapshot



Total Residents



Median Age

County	PA
47.4	40.9

2020 U.S. Census



Median Household Income

County	PA
\$50,944	\$67,587

2021 U.S. Census American Community Survey



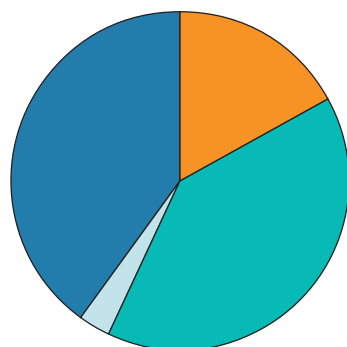
Median Home Value

County	PA
\$110,400	\$219,811

2020 U.S. Census



Percentage of Tax-Exempt or Tax-Discounted Acreage



- State Parks & Forest - 40%
- State Gamelands - 3%
- Farm & Forest Preservation - 40%
- Market Value - 17%



Land Area

692,640 acres



Seasonal Housing Units

35.7%

2020 U.S. Census



County-Owned Infrastructure

Roads	Bridges
0	0

Municipal-Owned Infrastructure

640 miles	45
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PennDOT



Potter County, cont'd.

Local Challenges

Low Tax Revenue

The county's small population and low real estate tax revenue as well as limited economic activity result in strained financial resources for local governments and an inability to meet local match requirements.

- Meeting match requirements, even smaller percentages such as 15% to 20%, can exceed the annual budget of Potter County townships or boroughs. The CFA MTF is one of the few feasible grant programs because it waives local match.
- Tax-exempt state parks, state forests, and state game lands comprise 43% of the county's acreage. The state PILT paid is substantially less than the amount that would be collected if the property were taxed at market value. PILT income is split evenly among the county, municipalities, and school districts, further reducing the amount a local government receives. Current PILT payments on state park and state forest land are \$6.00 per acre, yielding \$2.00 per acre each for the county, school district, and municipality. State game land PILT payments are \$3.60 per acre, yielding \$1.20 per acre each for the county, school, district, and municipality.
- Potter County is a recreation destination, attracting many part-time residents and vacationers. Many recreational properties are enrolled in the Clean and Green Program (enabled through the Pennsylvania Farmland and Forest Land Assessment Act of 1974), reducing municipal tax revenue and increasing the tax burden on full-time residents to fund transportation infrastructure maintenance.
- The relatively small amount of oil and gas development in the county limits Act 13 revenue, which amounts to only \$40,000 per year and will continue to decrease over the next few years.
- Federal pandemic-related American Rescue Plan Act funding was distributed based on population, limiting the amount Potter County received due to its small population.
- A Fee for Local Use Fund (\$5 registration fee) would raise a negligible amount of funds for transportation projects, add more costs to already tax-burdened full-time residents, and cause political ramifications locally. It would take 9.7 years for Potter County to accrue \$1 million in revenue from a Fee for Local Use Fund.

Limited Capacity

Many local governments in Potter County have a very limited capacity to pursue, apply for, and administer grant funds.

- In general, the county's local governments average one or two part-time paid staff (typically a secretary/administrator and a roadmaster), with their workday consumed by day-to-day operations.
- It can be challenging for municipal staff to dedicate the time to assemble and submit a grant application under such conditions.



Potter County, cont'd.

Local Challenges, cont'd.

Grant Application and Regulatory Challenges

Some elements of the grant application process and regulatory requirements put Potter County local governments at a disadvantage.

- Application windows are typically only 30 days, which is challenging with limited staff to meet to approve per public meeting requirements, assemble the needed information, conduct analysis, and submit a complete application.
- State and federal requirements to comply with construction, permitting, and environmental regulation require a municipality to replace existing infrastructure with larger, more expensive infrastructure.
- Infrastructure minimum requirements for some funding sources can also increase the size of infrastructure projects. For example, Act 13 funding cannot be used for structures under 9 feet wide. This significantly increases project cost, making local match too expensive for the municipality.

Lack of Broadband Access

Technology limits many local governments in Potter County.

- Many do not have Internet access or meet the Federal Communications Commission (FCC) broadband capability standard (25 Mbps download/3 Mbps upload).
- This makes it challenging when grant windows are announced by e-mail and applications often have to be submitted online.

Impacts of Challenges

Deferred Local Infrastructure Maintenance/Inspection

- Small municipal budgets, combined with the challenges of pursuing grants and the high cost of building to current state and federal standards, has made it extremely challenging for municipalities in Potter County to perform even basic maintenance on transportation infrastructure.
- According to PennDOT, there are 45 local bridges in Potter County (owned by municipalities) and only 14 are rated as being in good condition.
- The inability of municipalities to fund inspection, maintenance, or local match requirements means that local infrastructure will continue to deteriorate.

Non-Participation in State/Federal Grant Programs

As noted above, inability to meet local match, limited staff capacity, short grant application windows, regulatory constraints, and lack of broadband access means many Potter County local governments do not attempt to compete for state or federal grants.



Potter County, cont'd.

Best Practices and Potential Solutions

Continue and Enhance County and RPO Support

Potter County and the North Central RPO have recognized the challenges that municipalities face in funding transportation projects.

- The County and RPO have worked to provide support directly by funding municipal projects or providing funds for local matches and indirectly by providing administrative and technical resources to municipalities pursuing funding.
 - The programs and initiatives listed to the right can be supported with additional state and/or federal funding and replicated in other Pennsylvania counties.
 - Doing so would help increase the capacity of county governments, MPOs/RPOs, and other organizations to aid municipalities with limited tax revenues and staff capacity.
- **Potter County Bridge Grant Program** – Potter County utilizes its \$40,000 of Act 13 revenue for a competitive Bridge Grant Program that municipalities can apply to for replacing local bridges. This program can also be used for funds that can be put toward a local match requirement.
 - **North Central RPO Local Bridge Retro Program** – The North Central RPO allocates about \$1 million of its TIP budget per year to fund a local bridge program, because it has identified maintaining local bridges in a good state of repair as a critical local issue. The program has an 80/20 match, with the 80% being reimbursed by the program upon completion of the project. Municipalities still must provide a short-term means of funding the project; the Pennsylvania Infrastructure Bank is often used as a means of securing a line of credit.
 - **Preventative Maintenance** – North Central RPO dedicates an additional \$1 million from its TIP budget toward preventative maintenance on low-volume state roadways.
 - **Community Capacity Program** – NCPRPDC, serving as the RPO, is participating in a two-year, ARC-funded pilot program—the “Community Capacity Program”—to provide free grant-writing services and technical assistance to municipalities and non-profits. The program assists entities that were hit hard by the COVID-19 pandemic and that lack local capacity. NCPRPDC provides staff assistance to municipalities when possible, though demand frequently outpaces supply. Since its inception, there have been 215 different projects requesting a total of more than \$24.9 million in funding. The program has provided 26 separate training events and more than 90 instances of technical assistance to local communities and non-profits. Funding for the pilot program ends in March 2024.



Potter County, cont'd.

Best Practices and Potential Solutions, cont'd.

Advance Property Tax Reforms

- **Increase state PILT** – A potential increase in state PILT rates should be considered, to reduce the difference in tax revenue between state-owned land and private property taxed at market value.
- **Clean and Green Program Review** – Clean and Green should be reviewed to ensure enrolled properties serve their intended purpose and are properly qualified to benefit from preferential tax assessment.

Allow Program Flexibility for Smaller Municipalities

Grant programs should be modified to allow more flexibility and accessibility to small or distressed municipalities. For example, waiving local match for grant programs or making match waivers available to municipalities that fall below a set population or annual tax revenue threshold would help level the playing field.