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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**SENATE BILL**  
**No. 516**      Session of  
1987

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INTRODUCED BY SALVATORE, ROCKS, TILGHMAN, LOEPER, JONES, O'PAKE,  
FUMO, BODACK, FISHER, MELLOW, STOUT, WILLIAMS AND ROMANELLI,  
MARCH 10, 1987

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AS REPORTED FROM COMMITTEE ON APPROPRIATIONS, HOUSE OF  
REPRESENTATIVES, AS AMENDED, JUNE 30, 1987

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1 Amending the act of January 22, 1968 (P.L.42, No.8), entitled,  
2 as amended, "An act empowering and authorizing the Department  
3 of Transportation to establish and administer certain grant  
4 programs for the betterment of mass transportation systems  
5 and facilities throughout the Commonwealth; providing for  
6 State grants to transportation companies, municipalities,  
7 counties, or their instrumentalities and to agencies and  
8 instrumentalities of the Commonwealth for studies, research,  
9 demonstration programs, promotion programs, purchase of  
10 service projects, and capital improvement projects under  
11 certain conditions; authorizing grants by counties or  
12 municipalities in metropolitan areas to local transportation  
13 organizations, authorizing the creation of a transportation  
14 authority to function in each metropolitan area consisting of  
15 any county of the first class and all nearby counties within  
16 a radius of twenty miles of any such first class county, as a  
17 body corporate and politic for the purpose of establishing an  
18 integrated mass transportation system with all pertinent  
19 powers including, but not limited to, leasing, acquiring,  
20 owning, operating and maintaining a system for, or otherwise  
21 providing for, the transportation of persons, authorizing the  
22 borrowing of money and issuance of bonds therefor, conferring  
23 the right of eminent domain on the authority; altering the  
24 jurisdiction of the Public Utility Commission, authorizing  
25 the acceptance of grants from Federal, State and local  
26 governments, limiting actions against the authority and  
27 exempting it from taxation, authorizing counties and  
28 municipalities to enter into compacts for the financing of  
29 each authority and to make appropriations in accordance with  
30 such compacts, creating a citizen advisory committee,  
31 conferring exclusive jurisdiction upon certain courts with

respect to matters relating to such authority, empowering each authority to function outside of the metropolitan area under certain terms and conditions," further defining certain transit entities; requiring one third local or private funding matches for State grants, with certain exceptions; requiring the adoption of service standards and performance evaluation measures; removing certain limitations in State grants; further providing for annual appropriations and new formulas for distribution of the appropriations to transportation organizations and companies; and further providing for the powers and duties of authorities. FURTHER DEFINING CERTAIN TRANSIT ENTITIES; REQUIRING ONE-THIRD LOCAL OR PRIVATE FUNDING MATCHES FOR STATE GRANTS, WITH CERTAIN EXCEPTIONS; REMOVING CERTAIN LIMITATIONS IN STATE GRANTS; FURTHER PROVIDING FOR ANNUAL APPROPRIATIONS AND NEW FORMULAS FOR DISTRIBUTION OF THE APPROPRIATIONS TO TRANSPORTATION ORGANIZATIONS AND COMPANIES; AND REQUIRING CERTAIN TRANSIT ENTITIES TO APPOINT CONTROLLERS.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

~~Section 1. Section 202 of the act of January 22, 1968 (P.L.42, No.8), known as the Pennsylvania Urban Mass Transportation Law, is amended by adding definitions to read:~~

~~Section 202. Definitions. The following terms, whenever used or referred to in this article, shall have the following meanings, except in those instances where the context clearly indicates a different meaning:~~

~~\* \* \*~~

~~"Class 1 transit entity" shall mean and include a local transportation organization or transportation company operating one thousand or more transit vehicles in the peak period.~~

~~"Class 2 transit entity" shall mean and include a local transportation organization or transportation company operating more than three hundred but less than one thousand transit vehicles in the peak period.~~

~~"Class 3 transit entity" shall mean and include a local transportation organization or transportation company operating three hundred or less fixed route transit vehicles in the peak~~

1 ~~period.~~

2 ~~"Class 3A transit entity" shall mean and include a local~~  
3 ~~transportation organization or transportation company operating~~  
4 ~~more than twenty but not more than three hundred fixed route~~  
5 ~~transit vehicles in the peak period.~~

6 ~~"Class 3B transit entity" shall mean and include a local~~  
7 ~~transportation organization or transportation company operating~~  
8 ~~twenty or less fixed route transit vehicles in the peak period.~~

9 ~~\* \* \*~~

10 ~~Section 2. The introductory paragraph and subparagraph (iii)~~  
11 ~~of paragraph (2) and paragraph (3) of section 203 of the act,~~  
12 ~~added July 10, 1980 (P.L.427, No.101), are amended to read:~~

13 ~~Section 203. Program Authorizations. The department is~~  
14 ~~hereby authorized, within the limitations hereinafter provided~~  
15 ~~and is required where the provisions of section 204 apply:~~

16 ~~\* \* \*~~

17 ~~(2) To make [project] grants to municipalities, counties, or~~  
18 ~~their instrumentalities, and to agencies and instrumentalities~~  
19 ~~of the Commonwealth to supplement Federal or local or Federal~~  
20 ~~and local funds for use:~~

21 ~~\* \* \*~~

22 ~~[(iii) To assist in financing purchase of service projects~~  
23 ~~designed to continue necessary service to the public, to permit~~  
24 ~~needed improvements in service which are not self supporting,~~  
25 ~~and to permit service which may be socially desirable but~~  
26 ~~economically unjustified. Each project and project grant shall~~  
27 ~~be subject to an annual review and renewal. State funding under~~  
28 ~~this subparagraph shall not exceed three fourths of the non-~~  
29 ~~Federal share of project costs as defined by the department~~  
30 ~~which cannot, as determined by the department, reasonably be~~

1 ~~financed from revenues. Local or private funding shall equal at~~  
2 ~~least one fourth of the non Federal share of the project~~  
3 ~~deficit, as defined by the department. The methodology for~~  
4 ~~calculating the eligible deficit of applicants under this~~  
5 ~~subparagraph shall be determined in accordance with section 204.~~  
6 ~~Each purchase of service project grant shall be based on a~~  
7 ~~program or plan approved by the department and determined by the~~  
8 ~~department to be in the public interest and to be in furtherance~~  
9 ~~of a coordinated mass transportation plan for the area. No State~~  
10 ~~grant shall be made for a particular purchase of service project~~  
11 ~~that the department determines will involve unnecessary and~~  
12 ~~unfair competition and no State grant shall be made for a~~  
13 ~~particular purchase of service project unless the department~~  
14 ~~determines and finds for said project that:~~

15 ~~(A) the purchase of the service project is necessary;~~

16 ~~(B) the mass transportation carrier is taking or will take~~  
17 ~~continuing action to improve the service and hold losses to a~~  
18 ~~minimum.}]~~

19 ~~(iii) To assist in providing grants to continue necessary~~  
20 ~~service to the public, to permit needed improvements in service~~  
21 ~~which are not self supporting, to permit service which may be~~  
22 ~~socially desirable but economically unjustified, and otherwise~~  
23 ~~for any purpose in furtherance of urban common carrier mass~~  
24 ~~transportation. The methodology for calculating the amount of~~  
25 ~~the grant under this subparagraph shall be determined in~~  
26 ~~accordance with section 204. Each grant to a class 1 transit~~  
27 ~~entity, to a class 2 transit entity or to a class 3 transit~~  
28 ~~entity made pursuant to this paragraph shall be matched by local~~  
29 ~~or private funding in an amount not less than one third of the~~  
30 ~~total State grant made pursuant to section 204(b): Provided,~~

~~however, That any grants to class 3 transit entities may be matched by a lesser amount which is not less than the amount of local or private funding furnished in the 1985 1986 fiscal year if the department shall have received a certification from such class 3 transit entity that such lower level of local or private funding is adequate to prevent significant service reductions or passenger fare increases.~~

~~(3) [To make project grants to any transportation company or companies to supplement Federal, private or local or Federal and private or local funds for use in financing purchase of service projects designed to continue necessary service to the public, to permit needed improvements in services which are not self-supporting, and to permit services which may be socially desirable but economically unjustified.] To make grants to any transportation company or companies for use in providing necessary service to the public, to permit needed improvements in services which are not self-supporting, to permit services which may be socially desirable but economically unjustified, and otherwise for any purpose in furtherance of urban common carrier mass transportation. In view of the particular sensitivity of special instrumentalities and agencies of the Commonwealth created to serve or coordinate the local transportation needs of substantial metropolitan areas, no [project for use] grant moneys may be used exclusively or principally in the local service area of any such agency or instrumentality in which a city or county of the first or second class has membership, [shall receive a project grant] except in accordance with a system of priorities agreed upon by the department and such agency or instrumentality. In the case of [a project grant for a project to be operated] a grant where the~~

~~1 moneys granted will be used for an activity to be conducted~~  
~~2 exclusively or principally within the local service areas of~~  
~~3 such agency or instrumentality no [project grant shall be made]~~  
~~4 grant moneys may be used except in accordance with agreements by~~  
~~5 the department and such agency or instrumentality with respect~~  
~~6 to such use. In the case of a [project] grant not falling within~~  
~~7 the scope of the preceding sentence but [covering use] where~~  
~~8 moneys granted will be used both within and without the local~~  
~~9 service area of such agency or instrumentality, the [project]~~  
~~10 grant shall require that the routes, schedules, and fares~~  
~~11 applicable only within such service areas shall be those~~  
~~12 mutually agreed upon by the department and such agency or~~  
~~13 instrumentality. No agreement referred to in this paragraph~~  
~~14 shall impair, suspend, reduce, enlarge or extend or affect in~~  
~~15 any manner the powers of the Pennsylvania Public Utility~~  
~~16 Commission or the Interstate Commerce Commission otherwise~~  
~~17 applicable by law. [State funding under this paragraph shall not~~  
~~18 exceed three fourths of the non Federal share of project costs~~  
~~19 as defined by the department which cannot, as determined by the~~  
~~20 department, reasonably be financed from revenues. Local or~~  
~~21 private funding shall equal at least one fourth of the non-~~  
~~22 Federal share of the project deficit, as defined by the~~  
~~23 department. The methodology for calculating the eligible deficit~~  
~~24 of applicants under this paragraph shall be determined in~~  
~~25 accordance with section 204. Each purchase of service project~~  
~~26 grant shall be based upon a program or plan approved by the~~  
~~27 department and determined by the department to be in the public~~  
~~28 interest, to be in furtherance of a coordinated mass~~  
~~29 transportation plan for the area, and not to involve unnecessary~~  
~~30 and unfair competition. No State grant shall be made for a~~

~~particular purchase of service project unless the department determines and finds for said project that:~~

~~(i) the purchase of service project is necessary in the public interest; and~~

~~(ii) the mass transportation carrier is taking or will take continuing action to improve the service and hold losses to a~~

~~minimum.] Each grant to a class 1 transit entity, to a class 2~~

~~transit entity or to a class 3 transit entity made pursuant to~~

~~this paragraph shall be matched by local or private funding in~~

~~an amount not less than one third of the total State grant made~~

~~pursuant to section 204(b): Provided, however, That any grants~~

~~to class 3 transit entities may be matched by a lesser amount~~

~~which is not less than the amount of local or private funding~~

~~furnished in the 1985 1986 fiscal year if the department shall~~

~~have received a certification from such class 3 transit entity~~

~~that such lower level of local or private funding is adequate to~~

~~prevent significant service reductions and/or passenger fare~~

~~increases.~~

~~\* \* \*~~

~~Section 3. Section 204 of the act, amended May 1, 1984~~

~~(P.L.226, No.49), is amended to read:~~

~~Section 204. Annual Appropriation, Computation of Subsidy.—~~

~~(a) The Commonwealth shall annually determine the level of~~

~~appropriation for urban common carrier mass transportation~~

~~assistance, using the standards contained in this section, to~~

~~sufficiently fund and to make fully operative section~~

~~203(2)(iii) and (3).~~

~~[(b) The General Assembly shall annually appropriate to the~~

~~department for distribution an amount based upon the individual~~

~~projected subsidies of the local transportation organizations or~~

1 ~~transportation companies participating in the program. Each~~  
2 ~~local transportation organization and transportation company~~  
3 ~~shall be entitled to receive a State subsidy of at least two-~~  
4 ~~thirds but not more than three quarters of its constrained~~  
5 ~~deficit: Provided, however, That if amount of moneys actually~~  
6 ~~appropriated by the General Assembly is greater or lesser than~~  
7 ~~the lump sum appropriation request, the individual calculated~~  
8 ~~grants shall be prorated among all recipients in accordance with~~  
9 ~~the provisions of this article using a ratio determined by~~  
10 ~~applying the actual lump sum appropriation to the lump sum~~  
11 ~~appropriation request.~~

12 ~~(c) The constrained deficit shall be an amount equal to~~  
13 ~~eligible operating costs reduced by assumed revenues and Federal~~  
14 ~~operating subsidies. For purposes of this subsection:~~

15 ~~(1) Eligible operating costs for the budget year shall not~~  
16 ~~exceed the prior year's operating costs for the same level of~~  
17 ~~service increased by a percentage equal to the percentage~~  
18 ~~increase in operating costs for all local transportation~~  
19 ~~organizations and transportation companies for the most recently~~  
20 ~~completed State fiscal year as compared to the fiscal year~~  
21 ~~immediately preceding such year plus fifteen percent of such~~  
22 ~~increase.~~

23 ~~(2) (i) Assumed revenues shall be a percentage of eligible~~  
24 ~~operating costs as determined by reference to the following~~  
25 ~~table:~~

| <del>FISCAL YEAR</del>     | <del>(A)</del> | <del>(B)</del> | <del>(C)</del> |
|----------------------------|----------------|----------------|----------------|
| <del>—1980-81</del>        | <del>48%</del> | <del>38%</del> |                |
| <del>—1981-82</del>        | <del>48%</del> | <del>38%</del> |                |
| <del>—1983-84</del>        |                |                |                |
| <del>—and thereafter</del> | <del>48%</del> | <del>46%</del> | <del>34%</del> |

~~(ii) Column (A) is to be used for local transportation organizations or transportation companies operating more than one thousand transit vehicles in the peak period, column (B) is to be used for transportation organizations and companies operating between twenty one and nine hundred and ninety nine vehicles in the peak period and column (C) is to be used for local transportation organizations or transportation companies operating twenty or fewer transit vehicles in the peak period.~~

~~(iii) In any case where a local transportation organization or transportation company increases or decreases the number of transit vehicles operating during the peak period so as to move to or from column (A), (B) or (C), the department may make appropriate adjustments regarding assumed revenues during a reasonable period following such increase or decrease.~~

~~(3) Federal operating subsidies shall mean the total operating assistance funds in the budget year which the eligible grantee actually receives under the Federal Urban Mass Transportation Act of 1964, Public Law 88-365 (49 U.S.C. § 1601, et seq.) or any other Federal law.~~

~~(d) The basic subsidy for which each local transportation organization or transportation company shall be entitled shall be equal to sixty six and two thirds percent of its constrained deficit.~~

~~(e) Each local transportation organization or transportation company shall receive, in addition to the basic subsidy, an incentive grant subsidy of up to eight and one third percent of its constrained deficit based upon a finding that the local transportation organization or transportation company for the most recently completed State fiscal year as compared to the fiscal year immediately preceding such year has met or exceeded~~

~~the following performance factors. Each factor which a local transportation organization or transportation company meets shall result in an additional increase in State funding of its constrained deficit. The factors to be considered by the department in awarding incentive grant subsidies are as follows:~~

~~(1) No decrease in the system's revenue/cost ratio from the previous fiscal year.~~

~~(2) Higher ridership per vehicle hour in the system than in the previous fiscal year.~~

~~(3) Higher operating revenue per vehicle hour in the system than in previous fiscal year.~~

~~(4) Lower operating costs per vehicle hour in the system (adjusted for inflation) than in the previous fiscal year.~~

~~(f) Notwithstanding any other provision of this section, no local transportation organization or transportation company shall be entitled to receive an amount with respect to any fiscal year greater than seventy five percent of its actual operating costs less actual revenues, excluding excess revenues determined in accordance with subsection (g), and Federal subsidies for that fiscal year.~~

~~(g) A local transportation organization or transportation company may utilize revenues which the department determines to be in excess of assumed revenues for any purpose in furtherance of urban common carrier mass transportation in its service areas except that such excess revenues may not be used to reduce local matching funds for any State operating grant. All excess revenues exceeding twelve percent of actual revenues shall be used to reduce operating deficits for grant determinations by the department. Expenses which are ineligible for reimbursement by the department under sections 203(2)(iii) and 204, including~~

~~debt service, renewal and replacement and vehicle overhaul, may be funded by transportation companies or local transportation organizations through excess revenues.~~

~~(h) A local transportation organization or transportation company may at its option submit an application for project grants covering modes or operating subsidiaries on an individual basis or on a collective basis.~~

~~(i) Each recipient of funds under this section shall submit to the department between August 15 and September 15 of each calendar year a proposed budget for the budget year beginning July 1 together with budget projections for four succeeding budget years. Budget proposals, based upon information submitted by individual recipients, shall appear as line items in the department's budget request, subject to the provisions of subsection (b): Provided, however, That the department budget request for funds under this section shall be made as a lump sum appropriation request which shall be the total of such line items.~~

~~(j) Local transportation organizations and transportation companies shall be prepared to appear individually before the appropriation committees of the Senate and the House of Representatives to justify budget requests.]~~

~~(b) The General Assembly shall annually make an appropriation to the department for distribution as grants to local transportation organizations and transportation companies. The total amount of moneys appropriated shall be distributed by the department as grants to local transportation organizations and transportation companies in accordance with the provisions of this section.~~

~~(c) The department shall distribute the total amount~~

~~appropriated under subsection (b) in the following manner:~~

~~(1) The department shall calculate the class 1 transit entity share, the class 2 transit entity share and the class 3 transit entity share for the fiscal year. From the class 3 transit entity share, the department shall calculate the class 3A transit entity share and the class 3B transit entity share.~~

~~(2) The department shall then calculate the amount of grant due to each local transportation organization and transportation company as follows:~~

~~(i) Each class 1 transit entity shall receive a pro rata share of the class 1 transit entity share. If there is only one class 1 transit entity, it shall receive the entire class 1 transit entity share.~~

~~(ii) Each class 2 transit entity shall receive a pro rata share of the class 2 transit entity share. If there is only one class 2 transit entity, it shall receive the entire class 2 transit entity share.~~

~~(iii) Each class 3A transit entity shall receive a portion of the class 3A transit entity share calculated as follows:~~

~~(A) From the class 3A transit entity share, each class 3A transit entity shall first receive an amount equal to one hundred percent of its adjusted base grant.~~

~~(B) With respect to any portion of the class 3A transit entity share remaining after each class 3A transit entity receives an amount equal to one hundred percent of its adjusted base grant:~~

~~(I) Fifty percent of such excess shall be distributed to class 3A transit entities based upon the percentage of all adjusted base grants given to class 3A transit entities which a particular class 3A transit entity received.~~

~~(II) Twenty five percent of such excess shall be distributed to class 3A transit entities based upon each transit entity's class 3A vehicle mile percentage. The actual amount received by each class 3A transit entity under this subclause shall be determined by multiplying a particular class 3A transit entity's class 3A vehicle mile percentage times twenty five percent of such excess of the class 3A transit entity share.~~

~~(III) Twenty five percent of such excess shall be distributed to class 3A transit entities based upon each class 3A transit entity's class 3A operating revenue percentage. The actual amount received by each class 3A transit entity under this subclause shall be determined by multiplying a particular class 3A transit entity's class 3A operating revenue percentage times twenty five percent of such excess of the class 3A transit entity share.~~

~~(iv) Each class 3B transit entity shall receive a portion of the class 3B transit entity share calculated as follows:~~

~~(A) From the class 3B transit entity share, each class 3B transit entity shall first receive an amount equal to one hundred percent of its adjusted base grant.~~

~~(B) With respect to any portion of the class 3B transit entity share remaining after each class 3B transit entity receives an amount equal to one hundred percent of its adjusted base grant:~~

~~(I) Fifty percent of such excess shall be distributed to class 3B transit entities based upon the percentage of all adjusted base grants given to class 3B transit entities which a particular class 3B transit entity received.~~

~~(II) Twenty five percent of such excess shall be distributed to class 3B transit entities based upon each transit entity's~~

~~class 3B vehicle mile percentage. The actual amount received by each class 3B transit entity under this subclause shall be determined by multiplying a particular class 3B transit entity's class 3B vehicle mile percentage times twenty five percent of such excess of the class 3B transit entity share.~~

~~(III) Twenty five percent of such excess shall be distributed to class 3B transit entities based upon each class 3B transit entity's class 3B operating revenue percentage. The actual amount received by each class 3B transit entity under this subclause shall be determined by multiplying a particular class 3B transit entity's class 3B operating revenue percentage times twenty five percent of such excess of the class 3B transit entity share.~~

~~(3) On each July 1, October 1, January 1 and April 1 of each year commencing July 1, 1987, the department shall disburse one quarter of the total annual amount due to each local transportation organization or transportation company calculated in accordance with the provisions of this section.~~

~~(d) Should a new local transportation organization or transportation company be established, the department shall make an appropriate determination as to the level of grant to which such local transportation organization or transportation company shall be entitled. Such determination shall include, but shall not be limited to, a determination as to an appropriate adjusted base grant for that local transportation organization or transportation company and a determination of appropriate adjustments to class percentages or transit entity shares.~~

~~(e) In the event that significant changes occur in levels of Federal funding among class 1 transit entities, class 2 transit entities and class 3 transit entities, the General Assembly~~

~~shall review the funding mechanism set forth in this section and make any changes which in the judgment of the General Assembly are necessary and appropriate in light of the changed circumstances.~~

~~(f) Each local transportation organization or transportation company receiving moneys pursuant to this section shall annually fix such rates, fares and charges in such manner that they shall be at all times sufficient in the aggregate, and in conjunction with any moneys received from Federal or other sources, and any other income available to such organization or company, to provide funds for the payment of all operating costs and expenses which shall be incurred by such organization or company.~~

~~(g) (1) Within one year after the effective date of this act and every year thereafter, each local transportation organization or transportation company receiving moneys pursuant to this section shall adopt a series of service standards and performance evaluation measures. Such service standards and performance evaluation measures shall consist of objectives and specific numeric performance levels to be achieved in meeting these objectives. Each local transportation organization or transportation company shall select and develop such standards and performance evaluation measures as it shall deem appropriate, which may include the following:~~

~~(i) An automatic mechanism to review the utilization of routes.~~

~~(ii) Staffing ratios (ratio of administrative employees to operating employees; number of vehicles per mechanic).~~

~~(iii) Productivity measures (vehicle miles per employee; passenger and employee accidents per one hundred thousand vehicle~~

1 ~~miles; on time performance; miles between road calls).~~

2 ~~(iv) Fiscal indicators (operating cost per passenger;~~  
3 ~~subsidy per passenger).~~

4 ~~(v) Any other matter desired by the governing body of such~~  
5 ~~local transportation organization or transportation company.~~

6 ~~(2) The service standards and performance evaluation~~  
7 ~~measures shall be established by formal action of the governing~~  
8 ~~body of such local transportation organization or transportation~~  
9 ~~company following an opportunity for comment by the public and~~  
10 ~~shall be transmitted to the department when adopted. Upon~~  
11 ~~submission, the department will review and may make~~  
12 ~~recommendations to the local transportation organization or~~  
13 ~~transportation company concerning the service standards and~~  
14 ~~performance evaluation measures adopted.~~

15 ~~(3) In the discretion of such governing body, the service~~  
16 ~~standards and performance evaluation measures may be systemwide~~  
17 ~~or based on a sampling.~~

18 ~~(4) The service standards and performance evaluation~~  
19 ~~measures shall only constitute goals for such local~~  
20 ~~transportation organization or transportation company in~~  
21 ~~providing service in the year following their adoption. At the~~  
22 ~~end of such year (fiscal or calendar, as the case may be), a~~  
23 ~~report shall be transmitted to the department for its~~  
24 ~~consideration indicating the projected performance levels and~~  
25 ~~the performance levels actually achieved. Upon submission, the~~  
26 ~~department will review the report and may make recommendations~~  
27 ~~to such local transportation organization or transportation~~  
28 ~~company concerning the performance levels actually achieved.~~  
29 ~~Such report shall be released to the public at the time of~~  
30 ~~issuance.~~

~~(h) With respect to grants to class 1 transit entities and class 2 transit entities in any fiscal year, the department shall reduce the grant amount due to such local transportation organization or transportation company by an amount equal to one percent of such grant moneys otherwise due to such local transportation organization or transportation company for each percentage point such local transportation organization's or transportation company's operating ratio is less than fifty percent in the case of a class 1 transit entity, or less than forty six percent in the case of a class 2 transit entity.~~

~~(i) The department is authorized to perform independent financial audits of the financial statements of each local transportation organization or transportation company receiving moneys pursuant to this section. Such audits shall be conducted in accordance with generally accepted auditing standards. Any financial statements subject to such audit or reports resulting from such audit shall be prepared and presented in accordance with generally accepted accounting principles, consistently applied with previous statements rendered for or on behalf of such organization or company. The department may coordinate such audits in conjunction with audits undertaken by the Auditor General.~~

~~(j) As used in this section the following words and phrases shall have the meanings given to them in this subsection:~~

~~"Adjusted base grant" shall mean the State subsidy a class 3 transit entity received during the 1985 1986 fiscal year adjusted to reflect the amount of State subsidy certain class 3 transit entities would have received in that fiscal year but for receipt of a one time Federal grant during the 1985 1986 fiscal year and also adjusted for other factors which, in the judgment~~

~~of the department, caused significant decreases in the amount of the State subsidy to such class 3 transit entity during the 1985-1986 fiscal year.~~

~~"Class 1 percentage" shall be equal to seventy and three tenths percent.~~

~~"Class 2 percentage" shall be equal to twenty five and four tenths percent.~~

~~"Class 3 percentage" shall be equal to four and three tenths percent.~~

~~"Class 1 transit entity share" shall be the product of the class 1 percentage times the total amount appropriated under subsection (b) in a particular fiscal year.~~

~~"Class 2 transit entity share" shall be the product of the class 2 percentage times the total amount appropriated under subsection (b) in a particular fiscal year.~~

~~"Class 3 transit entity share" shall be the product of the class 3 percentage times the total amount appropriated under subsection (b) in a particular fiscal year.~~

~~"Class 3A transit entity share" shall be sixty and sixty nine one hundredths percent of the total class 3 transit entity share.~~

~~"Class 3B transit entity share" shall be thirty nine and thirty one one hundredths percent of the total class 3 transit entity share.~~

~~"Operating ratio" shall mean the proportion of total operating revenue (which shall include all passenger, charter and advertising revenue, fare reimbursement received from the State Lottery Fund, and all other receipts associated with the delivery of transit services, but shall exclude Federal grants provided to cover operating losses and State grants made~~

~~pursuant to subsection (b)) divided by total operating expenses associated with day to day operation of the system (but excluding depreciation of capital assets).~~

~~"Operating revenue" shall mean the total revenue earned by a local transportation organization or transportation company through its transit operations during the 1984 1985 fiscal year, including, but not limited to, passenger revenue, senior citizen grant, charter revenue, school contract revenue, advertising and other revenue as reported in the 1984 1985 Pennsylvania Mass Transit Statistical Report. In the event such revenue for a particular local transportation organization or transportation company is not reported in the 1984 1985 Pennsylvania Mass Transit Statistical Report, "operating revenue" shall mean the total revenue during the 1984 1985 fiscal year indicated in the 1986 1987 purchase of service application submitted to the department by such local transportation organization or transportation company: Provided, however, That, if the primary source of State operating assistance of a local transportation organization or transportation company has changed, since the 1984 1985 fiscal year, from this act to the act of February 11, 1976 (P.L.14, No.10), known as the "Pennsylvania Rural and Intercity Common Carrier Surface Transportation Assistance Act," the term "operating revenue" shall mean the total revenue during the 1986 1987 fiscal year indicated in the 1986 1987 purchase of service application submitted to the department by such local transportation organization or transportation company.~~

~~"Operating revenue percentage" shall mean the percentage determined by dividing the operating revenues a local transportation organization or transportation company had during the 1984 1985 fiscal year by the total operating revenue of all~~

~~local transportation organizations or transportation companies during the 1984 1985 fiscal year. "Class 3A operating revenue percentage" shall mean the percentage determined by dividing the operating revenues a class 3A transit entity had during the 1984 1985 fiscal year by the total operating revenue of all class 3A transit entities during the 1984 1985 fiscal year. "Class 3B operating revenue percentage" shall mean the percentage determined by dividing the operating revenues a class 3B transit entity had during the 1984 1985 fiscal year by the total operating revenue of all class 3B transit entities during the 1984 1985 fiscal year.~~

~~"Pennsylvania Mass Transit Statistical Report" shall mean the summary of selected financial and operating data concerning local transportation organizations and transportation companies annually published by the department since the 1973 1974 fiscal year.~~

~~"Vehicle mile percentage" shall mean the percentage determined by dividing the vehicle miles of a local transportation organization or transportation company for the 1984 1985 fiscal year by the total number of vehicle miles of all local transportation organizations and transportation companies for the 1984 1985 fiscal year. "Class 3A vehicle mile percentage" shall mean the percentage determined by dividing the vehicle miles of a class 3A local transportation organization or transportation company for the 1984 1985 fiscal year by the total number of vehicle miles of all class 3A local transportation organizations and transportation companies for the 1984 1985 fiscal year. "Class 3B vehicle mile percentage" shall mean the percentage determined by dividing the vehicle miles of a class 3B local transportation organization or~~

~~transportation company for the 1984 1985 fiscal year by the  
total number of vehicle miles of all class 3B local  
transportation organizations and transportation companies for  
the 1984 1985 fiscal year.~~

~~"Vehicle miles" shall mean the total distance, calculated in  
miles, traveled by vehicles of a local transportation  
organization or transportation company as reported for the 1984  
1985 fiscal year in the 1984 1985 Pennsylvania Mass Transit  
Statistical Report. In the event vehicle miles for a particular  
local transportation organization or transportation company are  
not reported in the 1984 1985 Pennsylvania Mass Transit  
Statistical Report, "vehicle miles" shall mean the total  
distance, calculated in miles, traveled by vehicles of such  
local transportation organization or transportation company  
during the 1984 1985 fiscal year indicated in the 1986 1987  
purchase of service application submitted to the department by  
such local transportation organization or transportation  
company: Provided, however, That, if the primary source of State  
operating assistance of a local transportation organization or  
transportation company has changed, since the 1984 1985 fiscal  
year, from this act to the act of February 11, 1976 (P.L.14,  
No.10), known as the "Pennsylvania Rural and Intercity Common  
Carrier Surface Transportation Assistance Act," the term  
"vehicle miles" shall mean the total distance, calculated in  
miles, traveled by vehicles of such local transportation  
organization or transportation company during the 1986 1987  
fiscal year indicated in the 1986 1987 purchase of service  
application submitted to the department by such local  
transportation organization or transportation company.~~

~~Section 4. Section 205 of the act, added July 10, 1980~~

1 ~~(P.L.427, No.101), is amended to read:~~

2 ~~Section 205. Grant Proposals. (a) Grants may be made~~  
3 ~~hereunder with reference to any appropriate project irrespective~~  
4 ~~of when it was first commenced or considered and regardless of~~  
5 ~~whether costs with respect thereto shall have been incurred~~  
6 ~~prior to the time the grant is applied for or made.~~

7 ~~(b) The governing bodies of municipalities, counties or~~  
8 ~~their instrumentalities, and agencies and instrumentalities of~~  
9 ~~the Commonwealth may, by formal resolution, apply and~~  
10 ~~transportation companies by application may apply to the~~  
11 ~~department for State grant funds provided by this article. If~~  
12 ~~such action is taken by any such governing body, a certified~~  
13 ~~copy of the resolution and in the case of transportation~~  
14 ~~companies, an application shall be forwarded to the department~~  
15 ~~with a proposal of the governing body or company, which shall~~  
16 ~~set forth the use to be made of State grant funds and the amount~~  
17 ~~of funds required, or, in the case of grants under section 204,~~  
18 ~~which shall set forth a request that the grant provided for~~  
19 ~~under section 204 be made.~~

20 ~~(c) The department shall give preference to any proposal~~  
21 ~~which will assist in carrying out a plan, meeting criteria~~  
22 ~~established by the department, for a unified or officially~~  
23 ~~coordinated urban transportation system as a part of the~~  
24 ~~comprehensively planned development of the urban area, which is~~  
25 ~~necessary for the sound, economic and desirable development of~~  
26 ~~such area, and which shall encourage to the maximum extent~~  
27 ~~feasible the participation of private enterprise. This~~  
28 ~~subsection shall not apply to grants made pursuant to section~~  
29 ~~204.~~

30 ~~(d) The use of the State grant funds shall be for the~~

~~purposes set forth in section 203, and without limiting the  
generality of the foregoing, may be used for local contributions  
required by the Federal Urban Mass Transportation Act of 1964,  
as amended, or other Federal law concerning common carrier mass  
transportation.~~

~~(e) The department shall review the proposal and, if  
satisfied that the proposal is in accordance with the purposes  
of this article, shall enter into a grant agreement subject to  
the condition that the grant be used in accordance with the  
terms of the proposal. With respect to grants made pursuant to  
section 204, the department shall make such grants subject to  
the condition that the grants be used for the purposes set forth  
in section 203 and, where applicable, only after the  
certification required in section 203(2)(iii) and (3) shall have  
been made.~~

~~(f) The time of payment of the grant and any conditions  
concerning such payment shall be set forth in the grant  
agreement.~~

~~Section 5. Section 303(d) of the act is amended by adding a  
clause to read:~~

~~Section 303. Creation of Transportation Authorities; Rights  
and Powers. \* \* \*~~

~~(d) A duly certified authority shall have and may exercise  
all powers necessary or convenient for the carrying out of the  
aforesaid purposes, including but without limiting the  
generality of the foregoing, the following rights or powers:~~

~~\* \* \*~~

~~(18.1) To explore alternative means of raising revenue,  
including, but not limited to, real estate leases and rentals,  
equipment leases and rentals, contracting of services, the~~

~~1 solicitation of competitive bids and the awarding of contracts~~  
~~2 to the highest responsible bidder for both interior and exterior~~  
~~3 advertising on all authority equipment on which the public is~~  
~~4 charged a fare for riding: Provided, however, That on rail~~  
~~5 passenger units only bids for interior advertising shall be~~  
~~6 solicited. The authority shall, by April 15, 1988, and each~~  
~~7 April 15 thereafter, submit a report to the Department of~~  
~~8 Transportation and the Auditor General. The report shall detail~~  
~~9 the actions of the authority in exploring alternate means of~~  
~~10 raising revenue. The Department of Transportation shall review~~  
~~11 the report and issue its findings and recommendations to the~~  
~~12 Transportation and Appropriations Committees of the Senate and~~  
~~13 the House of Representatives no later than 30 days after receipt~~  
~~14 of such report for review and consideration of future funding by~~  
~~15 such committees. Where any alternate means have been rejected,~~  
~~16 the authority shall demonstrate that the feasibility and cost~~  
~~17 effectiveness of that alternate means have been considered.~~

~~18 Section 6. Enactment of this act shall not result in the~~  
~~19 recalculation of the amount of State subsidy to be paid by the~~  
~~20 Department of Transportation to each transit entity for the~~  
~~21 1986 1987 fiscal year. Each system shall receive as its grant~~  
~~22 under section 204 of the act of January 22, 1968 (P.L.42, No.8),~~  
~~23 known as the Pennsylvania Urban Mass Transportation Law, for the~~  
~~24 1986 1987 fiscal year the amount included in the purchase of~~  
~~25 service contract between that transit entity and the Department~~  
~~26 of Transportation currently in effect for fiscal year 1986 1987.~~  
~~27 Notwithstanding the provisions of this amendatory act, the~~  
~~28 amount of local or private funding required for any transit~~  
~~29 entity for the 1986 1987 fiscal year shall not be less than the~~  
~~30 amount otherwise required for such transit entity prior to the~~

1 ~~enactment of this act.~~

2 ~~Section 7. The provisions of this act are nonseverable. If~~  
3 ~~any provision of this act or its application to any person or~~  
4 ~~circumstance is held invalid, the remaining provisions or~~  
5 ~~applications of this act are void.~~

6 ~~Section 8. Each transportation authority shall have 120 days~~  
7 ~~to implement the provisions of section 303(d)(18.1) of the act~~  
8 ~~of January 22, 1968 (P.L.42, No.8), known as the Pennsylvania~~  
9 ~~Urban Mass Transportation Law.~~

10 ~~Section 9. This act shall apply to fiscal years commencing~~  
11 ~~July 1, 1986, and thereafter.~~

12 ~~Section 10. This act shall take effect as follows:~~

13 ~~(1) The provisions of this act amending section 303(d)~~  
14 ~~shall take effect in 60 days.~~

15 ~~(2) The remainder of this act shall take effect~~  
16 ~~immediately.~~

17 SECTION 1. SECTION 202 OF THE ACT OF JANUARY 22, 1968  
18 (P.L.42, NO.8), KNOWN AS THE PENNSYLVANIA URBAN MASS  
19 TRANSPORTATION LAW, IS AMENDED BY ADDING DEFINITIONS TO READ:

20 SECTION 202. DEFINITIONS.--THE FOLLOWING TERMS, WHENEVER  
21 USED OR REFERRED TO IN THIS ARTICLE, SHALL HAVE THE FOLLOWING  
22 MEANINGS, EXCEPT IN THOSE INSTANCES WHERE THE CONTEXT CLEARLY  
23 INDICATES A DIFFERENT MEANING:

24 \* \* \*

25 "CLASS 1 TRANSIT ENTITY" SHALL MEAN AND INCLUDE A LOCAL  
26 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY OPERATING  
27 ONE THOUSAND OR MORE TRANSIT VEHICLES IN THE PEAK PERIOD.

28 "CLASS 2 TRANSIT ENTITY" SHALL MEAN AND INCLUDE A LOCAL  
29 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY OPERATING  
30 MORE THAN THREE HUNDRED BUT LESS THAN ONE THOUSAND TRANSIT

1 VEHICLES IN THE PEAK PERIOD.

2 "CLASS 3 TRANSIT ENTITY" SHALL MEAN AND INCLUDE A LOCAL  
3 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY OPERATING  
4 THREE HUNDRED OR LESS FIXED ROUTE TRANSIT VEHICLES IN THE PEAK  
5 PERIOD.

6 "CLASS 3A TRANSIT ENTITY" SHALL MEAN AND INCLUDE A LOCAL  
7 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY OPERATING  
8 MORE THAN TWENTY BUT NOT MORE THAN THREE HUNDRED FIXED ROUTE  
9 TRANSIT VEHICLES IN THE PEAK PERIOD.

10 "CLASS 3B TRANSIT ENTITY" SHALL MEAN AND INCLUDE A LOCAL  
11 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY OPERATING  
12 TWENTY OR LESS FIXED ROUTE TRANSIT VEHICLES IN THE PEAK PERIOD.

13 \* \* \*

14 SECTION 2. THE INTRODUCTORY PARAGRAPH AND SUBPARAGRAPH (III)  
15 OF PARAGRAPH (2) AND PARAGRAPH (3) OF SECTION 203 OF THE ACT,  
16 ADDED JULY 10, 1980 (P.L.427, NO.101), ARE AMENDED TO READ:

17 SECTION 203. PROGRAM AUTHORIZATIONS.--THE DEPARTMENT IS  
18 HEREBY AUTHORIZED, WITHIN THE LIMITATIONS HEREINAFTER PROVIDED  
19 AND IS REQUIRED WHERE THE PROVISIONS OF SECTION 204 APPLY:

20 \* \* \*

21 (2) TO MAKE [PROJECT] GRANTS TO MUNICIPALITIES, COUNTIES, OR  
22 THEIR INSTRUMENTALITIES, AND TO AGENCIES AND INSTRUMENTALITIES  
23 OF THE COMMONWEALTH TO SUPPLEMENT FEDERAL OR LOCAL OR FEDERAL  
24 AND LOCAL FUNDS FOR USE:

25 \* \* \*

26 [(III) TO ASSIST IN FINANCING PURCHASE OF SERVICE PROJECTS  
27 DESIGNED TO CONTINUE NECESSARY SERVICE TO THE PUBLIC, TO PERMIT  
28 NEEDED IMPROVEMENTS IN SERVICE WHICH ARE NOT SELF-SUPPORTING,  
29 AND TO PERMIT SERVICE WHICH MAY BE SOCIALLY DESIRABLE BUT  
30 ECONOMICALLY UNJUSTIFIED. EACH PROJECT AND PROJECT GRANT SHALL

1 BE SUBJECT TO AN ANNUAL REVIEW AND RENEWAL. STATE FUNDING UNDER  
2 THIS SUBPARAGRAPH SHALL NOT EXCEED THREE-FOURTHS OF THE NON-  
3 FEDERAL SHARE OF PROJECT COSTS AS DEFINED BY THE DEPARTMENT  
4 WHICH CANNOT, AS DETERMINED BY THE DEPARTMENT, REASONABLY BE  
5 FINANCED FROM REVENUES. LOCAL OR PRIVATE FUNDING SHALL EQUAL AT  
6 LEAST ONE-FOURTH OF THE NON-FEDERAL SHARE OF THE PROJECT  
7 DEFICIT, AS DEFINED BY THE DEPARTMENT. THE METHODOLOGY FOR  
8 CALCULATING THE ELIGIBLE DEFICIT OF APPLICANTS UNDER THIS  
9 SUBPARAGRAPH SHALL BE DETERMINED IN ACCORDANCE WITH SECTION 204.  
10 EACH PURCHASE OF SERVICE PROJECT GRANT SHALL BE BASED ON A  
11 PROGRAM OR PLAN APPROVED BY THE DEPARTMENT AND DETERMINED BY THE  
12 DEPARTMENT TO BE IN THE PUBLIC INTEREST AND TO BE IN FURTHERANCE  
13 OF A COORDINATED MASS TRANSPORTATION PLAN FOR THE AREA. NO STATE  
14 GRANT SHALL BE MADE FOR A PARTICULAR PURCHASE OF SERVICE PROJECT  
15 THAT THE DEPARTMENT DETERMINES WILL INVOLVE UNNECESSARY AND  
16 UNFAIR COMPETITION AND NO STATE GRANT SHALL BE MADE FOR A  
17 PARTICULAR PURCHASE OF SERVICE PROJECT UNLESS THE DEPARTMENT  
18 DETERMINES AND FINDS FOR SAID PROJECT THAT:

19 (A) THE PURCHASE OF THE SERVICE PROJECT IS NECESSARY;  
20 (B) THE MASS TRANSPORTATION CARRIER IS TAKING OR WILL TAKE  
21 CONTINUING ACTION TO IMPROVE THE SERVICE AND HOLD LOSSES TO A  
22 MINIMUM.]

23 (III) TO ASSIST IN PROVIDING GRANTS TO CONTINUE NECESSARY  
24 SERVICE TO THE PUBLIC, TO PERMIT NEEDED IMPROVEMENTS IN SERVICE  
25 WHICH ARE NOT SELF-SUPPORTING, TO PERMIT SERVICE WHICH MAY BE  
26 SOCIALLY DESIRABLE BUT ECONOMICALLY UNJUSTIFIED, AND OTHERWISE  
27 FOR ANY PURPOSE IN FURTHERANCE OF URBAN COMMON CARRIER MASS  
28 TRANSPORTATION. THE METHODOLOGY FOR CALCULATING THE AMOUNT OF  
29 THE GRANT UNDER THIS SUBPARAGRAPH SHALL BE DETERMINED IN  
30 ACCORDANCE WITH SECTION 204. EACH GRANT TO A CLASS 1 TRANSIT

1 ENTITY, TO A CLASS 2 TRANSIT ENTITY OR TO A CLASS 3 TRANSIT  
2 ENTITY MADE PURSUANT TO THIS PARAGRAPH SHALL BE MATCHED BY LOCAL  
3 OR PRIVATE FUNDING IN AN AMOUNT NOT LESS THAN ONE-THIRD OF THE  
4 TOTAL STATE GRANT MADE PURSUANT TO SECTION 204(B): PROVIDED,  
5 HOWEVER, THAT ANY GRANTS TO CLASS 3 TRANSIT ENTITIES MAY BE  
6 MATCHED BY AN AMOUNT NOT LESS THAN THE AMOUNT OF LOCAL OR  
7 PRIVATE FUNDING FURNISHED IN THE 1985-1986 FISCAL YEAR IF THE  
8 DEPARTMENT SHALL HAVE RECEIVED A CERTIFICATION FROM SUCH CLASS 3  
9 TRANSIT ENTITY THAT SUCH LOWER LEVEL OF LOCAL OR PRIVATE FUNDING  
10 IS ADEQUATE TO PREVENT SIGNIFICANT SERVICE REDUCTIONS OR  
11 PASSENGER FARE INCREASES.

12 (3) [TO MAKE PROJECT GRANTS TO ANY TRANSPORTATION COMPANY OR  
13 COMPANIES TO SUPPLEMENT FEDERAL, PRIVATE OR LOCAL OR FEDERAL AND  
14 PRIVATE OR LOCAL FUNDS FOR USE IN FINANCING PURCHASE OF SERVICE  
15 PROJECTS DESIGNED TO CONTINUE NECESSARY SERVICE TO THE PUBLIC,  
16 TO PERMIT NEEDED IMPROVEMENTS IN SERVICES WHICH ARE NOT SELF-  
17 SUPPORTING, AND TO PERMIT SERVICES WHICH MAY BE SOCIALLY  
18 DESIRABLE BUT ECONOMICALLY UNJUSTIFIED.] TO MAKE GRANTS TO ANY  
19 TRANSPORTATION COMPANY OR COMPANIES FOR USE IN PROVIDING  
20 NECESSARY SERVICE TO THE PUBLIC, TO PERMIT NEEDED IMPROVEMENTS  
21 IN SERVICES WHICH ARE NOT SELF-SUPPORTING, TO PERMIT SERVICES  
22 WHICH MAY BE SOCIALLY DESIRABLE BUT ECONOMICALLY UNJUSTIFIED,  
23 AND OTHERWISE FOR ANY PURPOSE IN FURTHERANCE OF URBAN COMMON  
24 CARRIER MASS TRANSPORTATION. IN VIEW OF THE PARTICULAR  
25 SENSITIVITY OF SPECIAL INSTRUMENTALITIES AND AGENCIES OF THE  
26 COMMONWEALTH CREATED TO SERVE OR COORDINATE THE LOCAL  
27 TRANSPORTATION NEEDS OF SUBSTANTIAL METROPOLITAN AREAS, NO  
28 [PROJECT FOR USE] GRANT MONEYS MAY BE USED EXCLUSIVELY OR  
29 PRINCIPALLY IN THE LOCAL SERVICE AREA OF ANY SUCH AGENCY OR  
30 INSTRUMENTALITY IN WHICH A CITY OR COUNTY OF THE FIRST OR SECOND

1 CLASS HAS MEMBERSHIP, [SHALL RECEIVE A PROJECT GRANT] EXCEPT IN  
2 ACCORDANCE WITH A SYSTEM OF PRIORITIES AGREED UPON BY THE  
3 DEPARTMENT AND SUCH AGENCY OR INSTRUMENTALITY. IN THE CASE OF [A  
4 PROJECT GRANT FOR A PROJECT TO BE OPERATED] A GRANT WHERE THE  
5 MONEYS GRANTED WILL BE USED FOR AN ACTIVITY TO BE CONDUCTED  
6 EXCLUSIVELY OR PRINCIPALLY WITHIN THE LOCAL SERVICE AREAS OF  
7 SUCH AGENCY OR INSTRUMENTALITY NO [PROJECT GRANT SHALL BE MADE]  
8 GRANT MONEYS MAY BE USED EXCEPT IN ACCORDANCE WITH AGREEMENTS BY  
9 THE DEPARTMENT AND SUCH AGENCY OR INSTRUMENTALITY WITH RESPECT  
10 TO SUCH USE. IN THE CASE OF A [PROJECT] GRANT NOT FALLING WITHIN  
11 THE SCOPE OF THE PRECEDING SENTENCE BUT [COVERING USE] WHERE  
12 MONEYS GRANTED WILL BE USED BOTH WITHIN AND WITHOUT THE LOCAL  
13 SERVICE AREA OF SUCH AGENCY OR INSTRUMENTALITY, THE [PROJECT]  
14 GRANT SHALL REQUIRE THAT THE ROUTES, SCHEDULES, AND FARES  
15 APPLICABLE ONLY WITHIN SUCH SERVICE AREAS SHALL BE THOSE  
16 MUTUALLY AGREED UPON BY THE DEPARTMENT AND SUCH AGENCY OR  
17 INSTRUMENTALITY. NO AGREEMENT REFERRED TO IN THIS PARAGRAPH  
18 SHALL IMPAIR, SUSPEND, REDUCE, ENLARGE OR EXTEND OR AFFECT IN  
19 ANY MANNER THE POWERS OF THE PENNSYLVANIA PUBLIC UTILITY  
20 COMMISSION OR THE INTERSTATE COMMERCE COMMISSION OTHERWISE  
21 APPLICABLE BY LAW. [STATE FUNDING UNDER THIS PARAGRAPH SHALL NOT  
22 EXCEED THREE-FOURTHS OF THE NON-FEDERAL SHARE OF PROJECT COSTS  
23 AS DEFINED BY THE DEPARTMENT WHICH CANNOT, AS DETERMINED BY THE  
24 DEPARTMENT, REASONABLY BE FINANCED FROM REVENUES. LOCAL OR  
25 PRIVATE FUNDING SHALL EQUAL AT LEAST ONE-FOURTH OF THE NON-  
26 FEDERAL SHARE OF THE PROJECT DEFICIT, AS DEFINED BY THE  
27 DEPARTMENT. THE METHODOLOGY FOR CALCULATING THE ELIGIBLE DEFICIT  
28 OF APPLICANTS UNDER THIS PARAGRAPH SHALL BE DETERMINED IN  
29 ACCORDANCE WITH SECTION 204. EACH PURCHASE OF SERVICE PROJECT  
30 GRANT SHALL BE BASED UPON A PROGRAM OR PLAN APPROVED BY THE

1 DEPARTMENT AND DETERMINED BY THE DEPARTMENT TO BE IN THE PUBLIC  
2 INTEREST, TO BE IN FURTHERANCE OF A COORDINATED MASS  
3 TRANSPORTATION PLAN FOR THE AREA, AND NOT TO INVOLVE UNNECESSARY  
4 AND UNFAIR COMPETITION. NO STATE GRANT SHALL BE MADE FOR A  
5 PARTICULAR PURCHASE OF SERVICE PROJECT UNLESS THE DEPARTMENT  
6 DETERMINES AND FINDS FOR SAID PROJECT THAT:

7 (I) THE PURCHASE OF SERVICE PROJECT IS NECESSARY IN THE  
8 PUBLIC INTEREST; AND

9 (II) THE MASS TRANSPORTATION CARRIER IS TAKING OR WILL TAKE  
10 CONTINUING ACTION TO IMPROVE THE SERVICE AND HOLD LOSSES TO A  
11 MINIMUM.] EACH GRANT TO A CLASS 1 TRANSIT ENTITY, TO A CLASS 2  
12 TRANSIT ENTITY OR TO A CLASS 3 TRANSIT ENTITY MADE PURSUANT TO  
13 THIS PARAGRAPH SHALL BE MATCHED BY LOCAL OR PRIVATE FUNDING IN  
14 AN AMOUNT NOT LESS THAN ONE-THIRD OF THE TOTAL STATE GRANT MADE  
15 PURSUANT TO SECTION 204(B): PROVIDED, HOWEVER, THAT ANY GRANTS  
16 TO CLASS 3 TRANSIT ENTITIES MAY BE MATCHED BY AN AMOUNT NOT LESS  
17 THAN THE AMOUNT OF LOCAL OR PRIVATE FUNDING FURNISHED IN THE  
18 1985-1986 FISCAL YEAR IF THE DEPARTMENT SHALL HAVE RECEIVED A  
19 CERTIFICATION FROM SUCH CLASS 3 TRANSIT ENTITY THAT SUCH LOWER  
20 LEVEL OF LOCAL OR PRIVATE FUNDING IS ADEQUATE TO PREVENT  
21 SIGNIFICANT SERVICE REDUCTIONS AND/OR PASSENGER FARE INCREASES.

22 \* \* \*

23 SECTION 3. SECTION 204 OF THE ACT, AMENDED MAY 1, 1984  
24 (P.L.226, NO.49), IS AMENDED TO READ:

25 SECTION 204. ANNUAL APPROPRIATION, COMPUTATION OF SUBSIDY.--

26 (A) THE COMMONWEALTH SHALL ANNUALLY DETERMINE THE LEVEL OF  
27 APPROPRIATION FOR URBAN COMMON CARRIER MASS TRANSPORTATION  
28 ASSISTANCE, USING THE STANDARDS CONTAINED IN THIS SECTION, TO  
29 SUFFICIENTLY FUND AND TO MAKE FULLY OPERATIVE SECTION  
30 203(2)(III) AND (3).

1       [(B) THE GENERAL ASSEMBLY SHALL ANNUALLY APPROPRIATE TO THE  
2 DEPARTMENT FOR DISTRIBUTION AN AMOUNT BASED UPON THE INDIVIDUAL  
3 PROJECTED SUBSIDIES OF THE LOCAL TRANSPORTATION ORGANIZATIONS OR  
4 TRANSPORTATION COMPANIES PARTICIPATING IN THE PROGRAM. EACH  
5 LOCAL TRANSPORTATION ORGANIZATION AND TRANSPORTATION COMPANY  
6 SHALL BE ENTITLED TO RECEIVE A STATE SUBSIDY OF AT LEAST TWO-  
7 THIRDS BUT NOT MORE THAN THREE-QUARTERS OF ITS CONSTRAINED  
8 DEFICIT: PROVIDED, HOWEVER, THAT IF AMOUNT OF MONEYS ACTUALLY  
9 APPROPRIATED BY THE GENERAL ASSEMBLY IS GREATER OR LESSER THAN  
10 THE LUMP SUM APPROPRIATION REQUEST, THE INDIVIDUAL CALCULATED  
11 GRANTS SHALL BE PRORATED AMONG ALL RECIPIENTS IN ACCORDANCE WITH  
12 THE PROVISIONS OF THIS ARTICLE USING A RATIO DETERMINED BY  
13 APPLYING THE ACTUAL LUMP SUM APPROPRIATION TO THE LUMP SUM  
14 APPROPRIATION REQUEST.

15       (C) THE CONSTRAINED DEFICIT SHALL BE AN AMOUNT EQUAL TO  
16 ELIGIBLE OPERATING COSTS REDUCED BY ASSUMED REVENUES AND FEDERAL  
17 OPERATING SUBSIDIES. FOR PURPOSES OF THIS SUBSECTION:

18       (1) ELIGIBLE OPERATING COSTS FOR THE BUDGET YEAR SHALL NOT  
19 EXCEED THE PRIOR YEAR'S OPERATING COSTS FOR THE SAME LEVEL OF  
20 SERVICE INCREASED BY A PERCENTAGE EQUAL TO THE PERCENTAGE  
21 INCREASE IN OPERATING COSTS FOR ALL LOCAL TRANSPORTATION  
22 ORGANIZATIONS AND TRANSPORTATION COMPANIES FOR THE MOST RECENTLY  
23 COMPLETED STATE FISCAL YEAR AS COMPARED TO THE FISCAL YEAR  
24 IMMEDIATELY PRECEDING SUCH YEAR PLUS FIFTEEN PERCENT OF SUCH  
25 INCREASE.

26       (2) (I) ASSUMED REVENUES SHALL BE A PERCENTAGE OF ELIGIBLE  
27 OPERATING COSTS AS DETERMINED BY REFERENCE TO THE FOLLOWING  
28 TABLE:

| 29 | FISCAL YEAR | (A) | (B) | (C) |
|----|-------------|-----|-----|-----|
| 30 | 1980-81     | 48% | 38% |     |

|   |                |     |     |     |
|---|----------------|-----|-----|-----|
| 1 | 1981-82        | 48% | 38% |     |
| 2 | 1983-84        |     |     |     |
| 3 | AND THEREAFTER | 48% | 46% | 34% |

4 (II) COLUMN (A) IS TO BE USED FOR LOCAL TRANSPORTATION  
5 ORGANIZATIONS OR TRANSPORTATION COMPANIES OPERATING MORE THAN  
6 ONE THOUSAND TRANSIT VEHICLES IN THE PEAK PERIOD, COLUMN (B) IS  
7 TO BE USED FOR TRANSPORTATION ORGANIZATIONS AND COMPANIES  
8 OPERATING BETWEEN TWENTY-ONE AND NINE HUNDRED AND NINETY-NINE  
9 VEHICLES IN THE PEAK PERIOD AND COLUMN (C) IS TO BE USED FOR  
10 LOCAL TRANSPORTATION ORGANIZATIONS OR TRANSPORTATION COMPANIES  
11 OPERATING TWENTY OR FEWER TRANSIT VEHICLES IN THE PEAK PERIOD.

12 (III) IN ANY CASE WHERE A LOCAL TRANSPORTATION ORGANIZATION  
13 OR TRANSPORTATION COMPANY INCREASES OR DECREASES THE NUMBER OF  
14 TRANSIT VEHICLES OPERATING DURING THE PEAK PERIOD SO AS TO MOVE  
15 TO OR FROM COLUMN (A), (B) OR (C), THE DEPARTMENT MAY MAKE  
16 APPROPRIATE ADJUSTMENTS REGARDING ASSUMED REVENUES DURING A  
17 REASONABLE PERIOD FOLLOWING SUCH INCREASE OR DECREASE.

18 (3) FEDERAL OPERATING SUBSIDIES SHALL MEAN THE TOTAL  
19 OPERATING ASSISTANCE FUNDS IN THE BUDGET YEAR WHICH THE ELIGIBLE  
20 GRANTEE ACTUALLY RECEIVES UNDER THE FEDERAL URBAN MASS  
21 TRANSPORTATION ACT OF 1964, PUBLIC LAW 88-365 (49 U.S.C. § 1601,  
22 ET SEQ.) OR ANY OTHER FEDERAL LAW.

23 (D) THE BASIC SUBSIDY FOR WHICH EACH LOCAL TRANSPORTATION  
24 ORGANIZATION OR TRANSPORTATION COMPANY SHALL BE ENTITLED SHALL  
25 BE EQUAL TO SIXTY-SIX AND TWO-THIRDS PERCENT OF ITS CONSTRAINED  
26 DEFICIT.

27 (E) EACH LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION  
28 COMPANY SHALL RECEIVE, IN ADDITION TO THE BASIC SUBSIDY, AN  
29 INCENTIVE GRANT SUBSIDY OF UP TO EIGHT AND ONE-THIRD PERCENT OF  
30 ITS CONSTRAINED DEFICIT BASED UPON A FINDING THAT THE LOCAL

1 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY FOR THE  
2 MOST RECENTLY COMPLETED STATE FISCAL YEAR AS COMPARED TO THE  
3 FISCAL YEAR IMMEDIATELY PRECEDING SUCH YEAR HAS MET OR EXCEEDED  
4 THE FOLLOWING PERFORMANCE FACTORS. EACH FACTOR WHICH A LOCAL  
5 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY MEETS  
6 SHALL RESULT IN AN ADDITIONAL INCREASE IN STATE FUNDING OF ITS  
7 CONSTRAINED DEFICIT. THE FACTORS TO BE CONSIDERED BY THE  
8 DEPARTMENT IN AWARDING INCENTIVE GRANT SUBSIDIES ARE AS FOLLOWS:

9 (1) NO DECREASE IN THE SYSTEM'S REVENUE/COST RATIO FROM THE  
10 PREVIOUS FISCAL YEAR.

11 (2) HIGHER RIDERSHIP PER VEHICLE HOUR IN THE SYSTEM THAN IN  
12 THE PREVIOUS FISCAL YEAR.

13 (3) HIGHER OPERATING REVENUE PER VEHICLE HOUR IN THE SYSTEM  
14 THAN IN PREVIOUS FISCAL YEAR.

15 (4) LOWER OPERATING COSTS PER VEHICLE HOUR IN THE SYSTEM  
16 (ADJUSTED FOR INFLATION) THAN IN THE PREVIOUS FISCAL YEAR.

17 (F) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, NO  
18 LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY  
19 SHALL BE ENTITLED TO RECEIVE AN AMOUNT WITH RESPECT TO ANY  
20 FISCAL YEAR GREATER THAN SEVENTY-FIVE PERCENT OF ITS ACTUAL  
21 OPERATING COSTS LESS ACTUAL REVENUES, EXCLUDING EXCESS REVENUES  
22 DETERMINED IN ACCORDANCE WITH SUBSECTION (G), AND FEDERAL  
23 SUBSIDIES FOR THAT FISCAL YEAR.

24 (G) A LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION  
25 COMPANY MAY UTILIZE REVENUES WHICH THE DEPARTMENT DETERMINES TO  
26 BE IN EXCESS OF ASSUMED REVENUES FOR ANY PURPOSE IN FURTHERANCE  
27 OF URBAN COMMON CARRIER MASS TRANSPORTATION IN ITS SERVICE AREAS  
28 EXCEPT THAT SUCH EXCESS REVENUES MAY NOT BE USED TO REDUCE LOCAL  
29 MATCHING FUNDS FOR ANY STATE OPERATING GRANT. ALL EXCESS  
30 REVENUES EXCEEDING TWELVE PERCENT OF ACTUAL REVENUES SHALL BE

1 USED TO REDUCE OPERATING DEFICITS FOR GRANT DETERMINATIONS BY  
2 THE DEPARTMENT. EXPENSES WHICH ARE INELIGIBLE FOR REIMBURSEMENT  
3 BY THE DEPARTMENT UNDER SECTIONS 203(2)(III) AND 204, INCLUDING  
4 DEBT SERVICE, RENEWAL AND REPLACEMENT AND VEHICLE OVERHAUL, MAY  
5 BE FUNDED BY TRANSPORTATION COMPANIES OR LOCAL TRANSPORTATION  
6 ORGANIZATIONS THROUGH EXCESS REVENUES.

7 (H) A LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION  
8 COMPANY MAY AT ITS OPTION SUBMIT AN APPLICATION FOR PROJECT  
9 GRANTS COVERING MODES OR OPERATING SUBSIDIARIES ON AN INDIVIDUAL  
10 BASIS OR ON A COLLECTIVE BASIS.

11 (I) EACH RECIPIENT OF FUNDS UNDER THIS SECTION SHALL SUBMIT  
12 TO THE DEPARTMENT BETWEEN AUGUST 15 AND SEPTEMBER 15 OF EACH  
13 CALENDAR YEAR A PROPOSED BUDGET FOR THE BUDGET YEAR BEGINNING  
14 JULY 1 TOGETHER WITH BUDGET PROJECTIONS FOR FOUR SUCCEEDING  
15 BUDGET YEARS. BUDGET PROPOSALS, BASED UPON INFORMATION SUBMITTED  
16 BY INDIVIDUAL RECIPIENTS, SHALL APPEAR AS LINE ITEMS IN THE  
17 DEPARTMENT'S BUDGET REQUEST, SUBJECT TO THE PROVISIONS OF  
18 SUBSECTION (B): PROVIDED, HOWEVER, THAT THE DEPARTMENT BUDGET  
19 REQUEST FOR FUNDS UNDER THIS SECTION SHALL BE MADE AS A LUMP SUM  
20 APPROPRIATION REQUEST WHICH SHALL BE THE TOTAL OF SUCH LINE  
21 ITEMS.

22 (J) LOCAL TRANSPORTATION ORGANIZATIONS AND TRANSPORTATION  
23 COMPANIES SHALL BE PREPARED TO APPEAR INDIVIDUALLY BEFORE THE  
24 APPROPRIATION COMMITTEES OF THE SENATE AND THE HOUSE OF  
25 REPRESENTATIVES TO JUSTIFY BUDGET REQUESTS.]

26 (B) THE GENERAL ASSEMBLY SHALL ANNUALLY MAKE AN  
27 APPROPRIATION TO THE DEPARTMENT FOR DISTRIBUTION AS GRANTS TO  
28 LOCAL TRANSPORTATION ORGANIZATIONS AND TRANSPORTATION COMPANIES.  
29 THE TOTAL AMOUNT OF MONEYS APPROPRIATED SHALL BE DISTRIBUTED BY  
30 THE DEPARTMENT AS GRANTS TO LOCAL TRANSPORTATION ORGANIZATIONS

1 AND TRANSPORTATION COMPANIES IN ACCORDANCE WITH THE PROVISIONS  
2 OF THIS SECTION.

3 (C) THE DEPARTMENT SHALL DISTRIBUTE THE TOTAL AMOUNT  
4 APPROPRIATED UNDER SUBSECTION (B) IN THE FOLLOWING MANNER:

5 (1) THE DEPARTMENT SHALL CALCULATE THE CLASS 1 TRANSIT  
6 ENTITY SHARE, THE CLASS 2 TRANSIT ENTITY SHARE AND THE CLASS 3  
7 TRANSIT ENTITY SHARE FOR THE FISCAL YEAR. FROM THE CLASS 3  
8 TRANSIT ENTITY SHARE, THE DEPARTMENT SHALL CALCULATE THE CLASS  
9 3A TRANSIT ENTITY SHARE AND THE CLASS 3B TRANSIT ENTITY SHARE.

10 (2) THE DEPARTMENT SHALL THEN CALCULATE THE AMOUNT OF GRANT  
11 DUE TO EACH LOCAL TRANSPORTATION ORGANIZATION AND TRANSPORTATION  
12 COMPANY AS FOLLOWS:

13 (I) EACH CLASS 1 TRANSIT ENTITY SHALL RECEIVE A PRORATA  
14 SHARE OF THE CLASS 1 TRANSIT ENTITY SHARE. IF THERE IS ONLY ONE  
15 CLASS 1 TRANSIT ENTITY, IT SHALL RECEIVE THE ENTIRE CLASS 1  
16 TRANSIT ENTITY SHARE.

17 (II) EACH CLASS 2 TRANSIT ENTITY SHALL RECEIVE A PRORATA  
18 SHARE OF THE CLASS 2 TRANSIT ENTITY SHARE. IF THERE IS ONLY ONE  
19 CLASS 2 TRANSIT ENTITY, IT SHALL RECEIVE THE ENTIRE CLASS 2  
20 TRANSIT ENTITY SHARE.

21 (III) EACH CLASS 3A TRANSIT ENTITY SHALL RECEIVE A PORTION  
22 OF THE CLASS 3A TRANSIT ENTITY SHARE CALCULATED AS FOLLOWS:

23 (A) FROM THE CLASS 3A TRANSIT ENTITY SHARE, EACH CLASS 3A  
24 TRANSIT ENTITY SHALL FIRST RECEIVE AN AMOUNT EQUAL TO ONE  
25 HUNDRED PERCENT OF ITS ADJUSTED BASE GRANT.

26 (B) WITH RESPECT TO ANY PORTION OF THE CLASS 3A TRANSIT  
27 ENTITY SHARE REMAINING AFTER EACH CLASS 3A TRANSIT ENTITY  
28 RECEIVES AN AMOUNT EQUAL TO ONE HUNDRED PERCENT OF ITS ADJUSTED  
29 BASE GRANT:

30 (I) FIFTY PERCENT OF SUCH EXCESS SHALL BE DISTRIBUTED TO

CLASS 3A TRANSIT ENTITIES BASED UPON THE PERCENTAGE OF ALL  
ADJUSTED BASE GRANTS GIVEN TO CLASS 3A TRANSIT ENTITIES WHICH A  
PARTICULAR CLASS 3A TRANSIT ENTITY RECEIVED.

(II) TWENTY-FIVE PERCENT OF SUCH EXCESS SHALL BE DISTRIBUTED  
TO CLASS 3A TRANSIT ENTITIES BASED UPON EACH TRANSIT ENTITY'S  
CLASS 3A VEHICLE MILE PERCENTAGE. THE ACTUAL AMOUNT RECEIVED BY  
EACH CLASS 3A TRANSIT ENTITY UNDER THIS SUBCLAUSE SHALL BE  
DETERMINED BY MULTIPLYING A PARTICULAR CLASS 3A TRANSIT ENTITY'S  
CLASS 3A VEHICLE MILE PERCENTAGE TIMES TWENTY-FIVE PERCENT OF  
SUCH EXCESS OF THE CLASS 3A TRANSIT ENTITY SHARE.

(III) TWENTY-FIVE PERCENT OF SUCH EXCESS SHALL BE  
DISTRIBUTED TO CLASS 3A TRANSIT ENTITIES BASED UPON EACH CLASS  
3A TRANSIT ENTITY'S CLASS 3A OPERATING REVENUE PERCENTAGE. THE  
ACTUAL AMOUNT RECEIVED BY EACH CLASS 3A TRANSIT ENTITY UNDER  
THIS SUBCLAUSE SHALL BE DETERMINED BY MULTIPLYING A PARTICULAR  
CLASS 3A TRANSIT ENTITY'S CLASS 3A OPERATING REVENUE PERCENTAGE  
TIMES TWENTY-FIVE PERCENT OF SUCH EXCESS OF THE CLASS 3A TRANSIT  
ENTITY SHARE.

(IV) EACH CLASS 3B TRANSIT ENTITY SHALL RECEIVE A PORTION OF  
THE CLASS 3B TRANSIT ENTITY SHARE CALCULATED AS FOLLOWS:

(A) FROM THE CLASS 3B TRANSIT ENTITY SHARE, EACH CLASS 3B  
TRANSIT ENTITY SHALL FIRST RECEIVE AN AMOUNT EQUAL TO ONE  
HUNDRED PERCENT OF ITS ADJUSTED BASE GRANT.

(B) WITH RESPECT TO ANY PORTION OF THE CLASS 3B TRANSIT  
ENTITY SHARE REMAINING AFTER EACH CLASS 3B TRANSIT ENTITY  
RECEIVES AN AMOUNT EQUAL TO ONE HUNDRED PERCENT OF ITS ADJUSTED  
BASE GRANT:

(I) FIFTY PERCENT OF SUCH EXCESS SHALL BE DISTRIBUTED TO  
CLASS 3B TRANSIT ENTITIES BASED UPON THE PERCENTAGE OF ALL  
ADJUSTED BASE GRANTS GIVEN TO CLASS 3B TRANSIT ENTITIES WHICH A

1 PARTICULAR CLASS 3B TRANSIT ENTITY RECEIVED.

2 (II) TWENTY-FIVE PERCENT OF SUCH EXCESS SHALL BE DISTRIBUTED  
3 TO CLASS 3B TRANSIT ENTITIES BASED UPON EACH TRANSIT ENTITY'S  
4 CLASS 3B VEHICLE MILE PERCENTAGE. THE ACTUAL AMOUNT RECEIVED BY  
5 EACH CLASS 3B TRANSIT ENTITY UNDER THIS SUBCLAUSE SHALL BE  
6 DETERMINED BY MULTIPLYING A PARTICULAR CLASS 3B TRANSIT ENTITY'S  
7 CLASS 3B VEHICLE MILE PERCENTAGE TIMES TWENTY-FIVE PERCENT OF  
8 SUCH EXCESS OF THE CLASS 3B TRANSIT ENTITY SHARE.

9 (III) TWENTY-FIVE PERCENT OF SUCH EXCESS SHALL BE  
10 DISTRIBUTED TO CLASS 3B TRANSIT ENTITIES BASED UPON EACH CLASS  
11 3B TRANSIT ENTITY'S CLASS 3B OPERATING REVENUE PERCENTAGE. THE  
12 ACTUAL AMOUNT RECEIVED BY EACH CLASS 3B TRANSIT ENTITY UNDER  
13 THIS SUBCLAUSE SHALL BE DETERMINED BY MULTIPLYING A PARTICULAR  
14 CLASS 3B TRANSIT ENTITY'S CLASS 3B OPERATING REVENUE PERCENTAGE  
15 TIMES TWENTY-FIVE PERCENT OF SUCH EXCESS OF THE CLASS 3B TRANSIT  
16 ENTITY SHARE.

17 (3) ON OR ABOUT EACH JULY 1, OCTOBER 1, JANUARY 1 AND APRIL  
18 1 OF EACH YEAR COMMENCING JULY 1, 1987, THE DEPARTMENT SHALL  
19 DISBURSE ONE-QUARTER OF THE TOTAL ANNUAL AMOUNT DUE TO EACH  
20 LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY  
21 CALCULATED IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION.

22 (D) SHOULD A NEW LOCAL TRANSPORTATION ORGANIZATION OR  
23 TRANSPORTATION COMPANY BE ESTABLISHED, THE DEPARTMENT SHALL MAKE  
24 AN APPROPRIATE DETERMINATION AS TO THE LEVEL OF GRANT TO WHICH  
25 SUCH LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY  
26 SHALL BE ENTITLED. SUCH DETERMINATION SHALL INCLUDE, BUT SHALL  
27 NOT BE LIMITED TO, A DETERMINATION AS TO AN APPROPRIATE ADJUSTED  
28 BASE GRANT FOR THAT LOCAL TRANSPORTATION ORGANIZATION OR  
29 TRANSPORTATION COMPANY.

30 (E) EACH LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION

1 COMPANY RECEIVING MONEYS PURSUANT TO THIS SECTION SHALL ANNUALLY  
2 FIX SUCH RATES, FARES AND CHARGES IN SUCH MANNER THAT THEY SHALL  
3 BE AT ALL TIMES SUFFICIENT IN THE AGGREGATE, AND IN CONJUNCTION  
4 WITH ANY MONEYS RECEIVED FROM FEDERAL OR OTHER SOURCES, AND ANY  
5 OTHER INCOME AVAILABLE TO SUCH ORGANIZATION OR COMPANY, TO  
6 PROVIDE FUNDS FOR THE PAYMENT OF ALL OPERATING COSTS AND  
7 EXPENSES WHICH SHALL BE INCURRED BY SUCH ORGANIZATION OR  
8 COMPANY.

9 (F) (1) WITHIN ONE YEAR AFTER THE EFFECTIVE DATE OF THIS  
10 ACT AND EVERY YEAR THEREAFTER, EACH LOCAL TRANSPORTATION  
11 ORGANIZATION OR TRANSPORTATION COMPANY RECEIVING MONEYS PURSUANT  
12 TO THIS SECTION, SHALL ADOPT A SERIES OF SERVICE STANDARDS AND  
13 PERFORMANCE EVALUATION MEASURES. SUCH STANDARDS AND MEASURES  
14 SHALL CONSIST OF OBJECTIVES AND SPECIFIC NUMERIC PERFORMANCE  
15 LEVELS TO BE ACHIEVED IN MEETING THESE STANDARDS AND OBJECTIVES.  
16 THOSE STANDARDS AND MEASURES ADOPTED SHALL INCLUDE THE  
17 FOLLOWING, IN ADDITION TO OTHERS DEEMED APPROPRIATE BY THE LOCAL  
18 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY:

19 (I) AN AUTOMATIC MECHANISM TO REVIEW THE UTILIZATION OF  
20 ROUTES.

21 (II) STAFFING RATIOS (RATIO OF ADMINISTRATIVE EMPLOYES TO  
22 OPERATING EMPLOYES; NUMBER OF VEHICLES PER MECHANIC).

23 (III) PRODUCTIVITY MEASURES (VEHICLE MILES PER EMPLOYEE;  
24 PASSENGER AND EMPLOYEE ACCIDENTS PER ONE HUNDRED THOUSAND VEHICLE  
25 MILES; ON-TIME PERFORMANCE; MILES BETWEEN ROAD CALLS).

26 (IV) FISCAL INDICATORS (OPERATING COST PER PASSENGER;  
27 SUBSIDY PER PASSENGER AND OPERATING RATIO).

28 (V) ANY OTHER MATTER DESIRED BY THE GOVERNING BODY OF SUCH  
29 LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY.

30 (2) THE SERVICE STANDARDS AND PERFORMANCE EVALUATION

1 MEASURES SHALL BE ESTABLISHED BY FORMAL ACTION OF THE GOVERNING  
2 BODY OF SUCH LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION  
3 COMPANY FOLLOWING AN OPPORTUNITY FOR COMMENT BY THE PUBLIC AND  
4 THE DEPARTMENT. UPON SUBMISSION, THE DEPARTMENT WILL REVIEW AND  
5 MAY MAKE RECOMMENDATIONS TO THE LOCAL TRANSPORTATION  
6 ORGANIZATION OR TRANSPORTATION COMPANY CONCERNING THE SERVICE  
7 STANDARDS AND PERFORMANCE EVALUATION MEASURES.

8 (3) IN THE DISCRETION OF SUCH GOVERNING BODY, THE SERVICE  
9 STANDARDS AND PERFORMANCE EVALUATION MEASURES MAY BE SYSTEMWIDE  
10 OR BASED ON A SAMPLING.

11 (4) THE SERVICE STANDARDS AND PERFORMANCE EVALUATION  
12 MEASURES SHALL ONLY CONSTITUTE GOALS FOR SUCH LOCAL  
13 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY IN  
14 PROVIDING SERVICE IN THE YEAR FOLLOWING THEIR ADOPTION. AT THE  
15 END OF SUCH YEAR (FISCAL OR CALENDAR, AS THE CASE MAY BE), A  
16 REPORT SHALL BE TRANSMITTED TO THE DEPARTMENT FOR ITS  
17 CONSIDERATION INDICATING THE PROJECTED PERFORMANCE LEVELS AND  
18 THE PERFORMANCE LEVELS ACTUALLY ACHIEVED. UPON SUBMISSION, THE  
19 DEPARTMENT WILL REVIEW THE REPORT AND MAY MAKE RECOMMENDATIONS  
20 TO SUCH LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION  
21 COMPANY CONCERNING THE PERFORMANCE LEVELS ACTUALLY ACHIEVED.  
22 SUCH REPORT SHALL BE RELEASED TO THE PUBLIC AT THE TIME OF  
23 ISSUANCE.

24 (G) WITH RESPECT TO GRANTS TO CLASS 1 TRANSIT ENTITIES AND  
25 CLASS 2 TRANSIT ENTITIES IN ANY FISCAL YEAR, THE DEPARTMENT  
26 SHALL REDUCE THE GRANT AMOUNT DUE TO SUCH LOCAL TRANSPORTATION  
27 ORGANIZATION OR TRANSPORTATION COMPANY BY AN AMOUNT EQUAL TO ONE  
28 PERCENT OF SUCH GRANT MONEYS OTHERWISE DUE TO SUCH LOCAL  
29 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY FOR EACH  
30 PERCENTAGE POINT SUCH LOCAL TRANSPORTATION ORGANIZATION'S OR

1 TRANSPORTATION COMPANY'S OPERATING RATIO IS LESS THAN FIFTY  
2 PERCENT IN THE CASE OF A CLASS 1 TRANSIT ENTITY, OR LESS THAN  
3 FORTY-SIX PERCENT IN THE CASE OF A CLASS 2 TRANSIT ENTITY.

4 (H) THE DEPARTMENT IS AUTHORIZED TO PERFORM INDEPENDENT  
5 FINANCIAL AUDITS OF THE FINANCIAL STATEMENTS OF EACH LOCAL  
6 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY RECEIVING  
7 MONEYS PURSUANT TO THIS SECTION. SUCH AUDITS SHALL BE CONDUCTED  
8 IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS. ANY  
9 FINANCIAL STATEMENTS SUBJECT TO SUCH AUDIT OR REPORTS RESULTING  
10 FROM SUCH AUDIT SHALL BE PREPARED AND PRESENTED IN ACCORDANCE  
11 WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, CONSISTENTLY  
12 APPLIED WITH PREVIOUS STATEMENTS RENDERED FOR OR ON BEHALF OF  
13 SUCH ORGANIZATION OR COMPANY. THE DEPARTMENT MAY COORDINATE SUCH  
14 AUDITS IN CONJUNCTION WITH AUDITS UNDERTAKEN BY THE AUDITOR  
15 GENERAL.

16 (I) IN ADDITION TO THE DISTRIBUTION PROVIDED FOR IN  
17 SUBSECTION (C), EACH CLASS 3B TRANSIT ENTITY SHALL RECEIVE AN  
18 ADDITIONAL GRANT EQUAL TO EIGHTEEN AND ONE-HALF PERCENT OF THE  
19 AMOUNT DISTRIBUTED UNDER SUBSECTION (C). THESE GRANTS MAY BE  
20 USED BY CLASS 3B TRANSIT ENTITIES FOR ACTIVITIES INCLUDING, BUT  
21 NOT LIMITED TO THE FOLLOWING:

22 (1) VEHICLE PURCHASES.

23 (2) EQUIPMENT PURCHASES.

24 (3) EXPANSION OF SERVICES.

25 (4) DEMONSTRATION PROJECTS.

26 (5) EDUCATION AND TRAINING.

27 (6) PROFESSIONAL DEVELOPMENT.

28 (J) AS USED IN THIS SECTION THE FOLLOWING WORDS AND PHRASES  
29 SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS SUBSECTION:

30 "ADJUSTED BASE GRANT" SHALL MEAN THE STATE SUBSIDY A CLASS 3

TRANSIT ENTITY RECEIVED DURING THE 1985-1986 FISCAL YEAR  
ADJUSTED TO REFLECT THE AMOUNT OF STATE SUBSIDY CERTAIN CLASS 3  
TRANSIT ENTITIES WOULD HAVE RECEIVED IN THAT FISCAL YEAR BUT FOR  
RECEIPT OF A ONE-TIME FEDERAL GRANT DURING THE 1985-1986 FISCAL  
YEAR AND ALSO ADJUSTED FOR OTHER FACTORS WHICH, IN THE JUDGMENT  
OF THE DEPARTMENT, CAUSED SIGNIFICANT INCREASES OR DECREASES IN  
THE AMOUNT OF THE STATE SUBSIDY TO SUCH CLASS 3 TRANSIT ENTITY  
DURING THE 1985-1986 OR 1986-1987 FISCAL YEARS.

"CLASS 1 PERCENTAGE" SHALL BE EQUAL TO SEVENTY AND THREE-  
TENTHS PERCENT.

"CLASS 2 PERCENTAGE" SHALL BE EQUAL TO TWENTY-FIVE AND FOUR-  
TENTHS PERCENT.

"CLASS 3 PERCENTAGE" SHALL BE EQUAL TO FOUR AND THREE-TENTHS  
PERCENT.

"CLASS 1 TRANSIT ENTITY SHARE" SHALL BE THE PRODUCT OF THE  
CLASS 1 PERCENTAGE TIMES THE TOTAL AMOUNT APPROPRIATED UNDER  
SUBSECTION (B) IN A PARTICULAR FISCAL YEAR.

"CLASS 2 TRANSIT ENTITY SHARE" SHALL BE THE PRODUCT OF THE  
CLASS 2 PERCENTAGE TIMES THE TOTAL AMOUNT APPROPRIATED UNDER  
SUBSECTION (B) IN A PARTICULAR FISCAL YEAR.

"CLASS 3 TRANSIT ENTITY SHARE" SHALL BE THE PRODUCT OF THE  
CLASS 3 PERCENTAGE TIMES THE TOTAL AMOUNT APPROPRIATED UNDER  
SUBSECTION (B) IN A PARTICULAR FISCAL YEAR.

"CLASS 3A TRANSIT ENTITY SHARE" SHALL BE SIXTY AND SIXTY-NINE  
ONE-HUNDREDTHS PERCENT OF THE TOTAL CLASS 3 TRANSIT ENTITY  
SHARE.

"CLASS 3B TRANSIT ENTITY SHARE" SHALL BE THIRTY-NINE AND  
THIRTY-ONE ONE-HUNDREDTHS PERCENT OF THE TOTAL CLASS 3 TRANSIT  
ENTITY SHARE.

"OPERATING RATIO" SHALL MEAN THE PROPORTION OF TOTAL

OPERATING REVENUE (WHICH SHALL INCLUDE ALL PASSENGER, CHARTER AND ADVERTISING REVENUE, FARE REIMBURSEMENT RECEIVED FROM THE STATE LOTTERY FUND, AND ALL OTHER RECEIPTS ASSOCIATED WITH THE DELIVERY OF TRANSIT SERVICES, BUT SHALL EXCLUDE FEDERAL GRANTS PROVIDED TO COVER OPERATING LOSSES AND STATE GRANTS MADE PURSUANT TO SUBSECTION (B)) DIVIDED BY TOTAL OPERATING EXPENSES ASSOCIATED WITH DAY-TO-DAY OPERATION OF THE SYSTEM (BUT EXCLUDING DEPRECIATION OF CAPITAL ASSETS).

"OPERATING REVENUE" SHALL MEAN THE TOTAL REVENUE EARNED BY A LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY THROUGH ITS TRANSIT OPERATIONS DURING THE 1984-1985 FISCAL YEAR, INCLUDING, BUT NOT LIMITED TO, PASSENGER REVENUE, SENIOR CITIZEN GRANT, CHARTER REVENUE, SCHOOL CONTRACT REVENUE, ADVERTISING AND OTHER REVENUE AS REPORTED IN THE 1984-1985 PENNSYLVANIA MASS TRANSIT STATISTICAL REPORT. IN THE EVENT SUCH REVENUE FOR A PARTICULAR LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY IS NOT REPORTED IN THE 1984-1985 PENNSYLVANIA MASS TRANSIT STATISTICAL REPORT, "OPERATING REVENUE" SHALL MEAN THE TOTAL REVENUE DURING THE 1984-1985 FISCAL YEAR INDICATED IN THE 1986-1987 PURCHASE OF SERVICE APPLICATION SUBMITTED TO THE DEPARTMENT BY SUCH LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY: PROVIDED, HOWEVER, THAT, IF THE PRIMARY SOURCE OF STATE OPERATING ASSISTANCE OF A LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY HAS CHANGED, SINCE THE 1984-1985 FISCAL YEAR, FROM THIS ACT TO THE ACT OF FEBRUARY 11, 1976 (P.L.14, NO.10), KNOWN AS THE "PENNSYLVANIA RURAL AND INTERCITY COMMON CARRIER SURFACE TRANSPORTATION ASSISTANCE ACT," THE TERM "OPERATING REVENUE" SHALL MEAN THE TOTAL REVENUE DURING THE 1986-1987 FISCAL YEAR INDICATED IN THE 1986-1987 PURCHASE OF SERVICE APPLICATION SUBMITTED TO THE DEPARTMENT BY SUCH LOCAL

1 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY.

2 "OPERATING REVENUE PERCENTAGE" SHALL MEAN THE PERCENTAGE  
3 DETERMINED BY DIVIDING THE OPERATING REVENUES A LOCAL  
4 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY HAD DURING  
5 THE 1984-1985 FISCAL YEAR BY THE TOTAL OPERATING REVENUE OF ALL  
6 LOCAL TRANSPORTATION ORGANIZATIONS OR TRANSPORTATION COMPANIES  
7 DURING THE 1984-1985 FISCAL YEAR. "CLASS 3A OPERATING REVENUE  
8 PERCENTAGE" SHALL MEAN THE PERCENTAGE DETERMINED BY DIVIDING THE  
9 OPERATING REVENUES A CLASS 3A TRANSIT ENTITY HAD DURING THE  
10 1984-1985 FISCAL YEAR BY THE TOTAL OPERATING REVENUE OF ALL  
11 CLASS 3A TRANSIT ENTITIES DURING THE 1984-1985 FISCAL YEAR.

12 "CLASS 3B OPERATING REVENUE PERCENTAGE" SHALL MEAN THE  
13 PERCENTAGE DETERMINED BY DIVIDING THE OPERATING REVENUES A CLASS  
14 3B TRANSIT ENTITY HAD DURING THE 1984-1985 FISCAL YEAR BY THE  
15 TOTAL OPERATING REVENUE OF ALL CLASS 3B TRANSIT ENTITIES DURING  
16 THE 1984-1985 FISCAL YEAR.

17 "PENNSYLVANIA MASS TRANSIT STATISTICAL REPORT" SHALL MEAN THE  
18 SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA CONCERNING  
19 LOCAL TRANSPORTATION ORGANIZATIONS AND TRANSPORTATION COMPANIES  
20 ANNUALLY PUBLISHED BY THE DEPARTMENT SINCE THE 1973-1974 FISCAL  
21 YEAR.

22 "VEHICLE MILE PERCENTAGE" SHALL MEAN THE PERCENTAGE  
23 DETERMINED BY DIVIDING THE VEHICLE MILES OF A LOCAL  
24 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY FOR THE  
25 1984-1985 FISCAL YEAR BY THE TOTAL NUMBER OF VEHICLE MILES OF  
26 ALL LOCAL TRANSPORTATION ORGANIZATIONS AND TRANSPORTATION  
27 COMPANIES FOR THE 1984-1985 FISCAL YEAR. "CLASS 3A VEHICLE MILE  
28 PERCENTAGE" SHALL MEAN THE PERCENTAGE DETERMINED BY DIVIDING THE  
29 VEHICLE MILES OF A CLASS 3A LOCAL TRANSPORTATION ORGANIZATION OR  
30 TRANSPORTATION COMPANY FOR THE 1984-1985 FISCAL YEAR BY THE

TOTAL NUMBER OF VEHICLE MILES OF ALL CLASS 3A LOCAL  
TRANSPORTATION ORGANIZATIONS AND TRANSPORTATION COMPANIES FOR  
THE 1984-1985 FISCAL YEAR. "CLASS 3B VEHICLE MILE PERCENTAGE"  
SHALL MEAN THE PERCENTAGE DETERMINED BY DIVIDING THE VEHICLE  
MILES OF A CLASS 3B LOCAL TRANSPORTATION ORGANIZATION OR  
TRANSPORTATION COMPANY FOR THE 1984-1985 FISCAL YEAR BY THE  
TOTAL NUMBER OF VEHICLE MILES OF ALL CLASS 3B LOCAL  
TRANSPORTATION ORGANIZATIONS AND TRANSPORTATION COMPANIES FOR  
THE 1984-1985 FISCAL YEAR.

"VEHICLE MILES" SHALL MEAN THE TOTAL DISTANCE, CALCULATED IN  
MILES, TRAVELED BY VEHICLES OF A LOCAL TRANSPORTATION  
ORGANIZATION OR TRANSPORTATION COMPANY AS REPORTED FOR THE 1984-  
1985 FISCAL YEAR IN THE 1984-1985 PENNSYLVANIA MASS TRANSIT  
STATISTICAL REPORT. IN THE EVENT VEHICLE MILES FOR A PARTICULAR  
LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY ARE  
NOT REPORTED IN THE 1984-1985 PENNSYLVANIA MASS TRANSIT  
STATISTICAL REPORT, "VEHICLE MILES" SHALL MEAN THE TOTAL  
DISTANCE, CALCULATED IN MILES, TRAVELED BY VEHICLES OF SUCH  
LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY  
DURING THE 1984-1985 FISCAL YEAR INDICATED IN THE 1986-1987  
PURCHASE OF SERVICE APPLICATION SUBMITTED TO THE DEPARTMENT BY  
SUCH LOCAL TRANSPORTATION ORGANIZATION OR TRANSPORTATION  
COMPANY: PROVIDED, HOWEVER, THAT, IF THE PRIMARY SOURCE OF STATE  
OPERATING ASSISTANCE OF A LOCAL TRANSPORTATION ORGANIZATION OR  
TRANSPORTATION COMPANY HAS CHANGED, SINCE THE 1984-1985 FISCAL  
YEAR, FROM THIS ACT TO THE ACT OF FEBRUARY 11, 1976 (P.L.14,  
NO.10), KNOWN AS THE "PENNSYLVANIA RURAL AND INTERCITY COMMON  
CARRIER SURFACE TRANSPORTATION ASSISTANCE ACT," THE TERM  
"VEHICLE MILES" SHALL MEAN THE TOTAL DISTANCE, CALCULATED IN  
MILES, TRAVELED BY VEHICLES OF SUCH LOCAL TRANSPORTATION

1 ORGANIZATION OR TRANSPORTATION COMPANY DURING THE 1986-1987  
2 FISCAL YEAR INDICATED IN THE 1986-1987 PURCHASE OF SERVICE  
3 APPLICATION SUBMITTED TO THE DEPARTMENT BY SUCH LOCAL  
4 TRANSPORTATION ORGANIZATION OR TRANSPORTATION COMPANY.

5 SECTION 4. SECTIONS 205 AND 321 OF THE ACT, ADDED JULY 10,  
6 1980 (P.L.427, NO.101), ARE AMENDED TO READ:

7 SECTION 205. GRANT PROPOSALS.--(A) GRANTS MAY BE MADE  
8 HEREUNDER WITH REFERENCE TO ANY APPROPRIATE PROJECT IRRESPECTIVE  
9 OF WHEN IT WAS FIRST COMMENCED OR CONSIDERED AND REGARDLESS OF  
10 WHETHER COSTS WITH RESPECT THERETO SHALL HAVE BEEN INCURRED  
11 PRIOR TO THE TIME THE GRANT IS APPLIED FOR OR MADE.

12 (B) THE GOVERNING BODIES OF MUNICIPALITIES, COUNTIES OR  
13 THEIR INSTRUMENTALITIES, AND AGENCIES AND INSTRUMENTALITIES OF  
14 THE COMMONWEALTH MAY, BY FORMAL RESOLUTION, APPLY AND  
15 TRANSPORTATION COMPANIES BY APPLICATION MAY APPLY TO THE  
16 DEPARTMENT FOR STATE GRANT FUNDS PROVIDED BY THIS ARTICLE. IF  
17 SUCH ACTION IS TAKEN BY ANY SUCH GOVERNING BODY, A CERTIFIED  
18 COPY OF THE RESOLUTION AND IN THE CASE OF TRANSPORTATION  
19 COMPANIES, AN APPLICATION SHALL BE FORWARDED TO THE DEPARTMENT  
20 WITH A PROPOSAL OF THE GOVERNING BODY OR COMPANY, WHICH SHALL  
21 SET FORTH THE USE TO BE MADE OF STATE GRANT FUNDS AND THE AMOUNT  
22 OF FUNDS REQUIRED, OR, IN THE CASE OF GRANTS UNDER SECTION 204,  
23 WHICH SHALL SET FORTH A REQUEST THAT THE GRANT PROVIDED FOR  
24 UNDER SECTION 204 BE MADE.

25 (C) THE DEPARTMENT SHALL GIVE PREFERENCE TO ANY PROPOSAL  
26 WHICH WILL ASSIST IN CARRYING OUT A PLAN, MEETING CRITERIA  
27 ESTABLISHED BY THE DEPARTMENT, FOR A UNIFIED OR OFFICIALLY  
28 COORDINATED URBAN TRANSPORTATION SYSTEM AS A PART OF THE  
29 COMPREHENSIVELY PLANNED DEVELOPMENT OF THE URBAN AREA, WHICH IS  
30 NECESSARY FOR THE SOUND, ECONOMIC AND DESIRABLE DEVELOPMENT OF

1 SUCH AREA, AND WHICH SHALL ENCOURAGE TO THE MAXIMUM EXTENT  
2 FEASIBLE THE PARTICIPATION OF PRIVATE ENTERPRISE. THIS  
3 SUBSECTION SHALL NOT APPLY TO GRANTS MADE PURSUANT TO SECTION  
4 204.

5 (D) THE USE OF THE STATE GRANT FUNDS SHALL BE FOR THE  
6 PURPOSES SET FORTH IN SECTION 203, AND WITHOUT LIMITING THE  
7 GENERALITY OF THE FOREGOING, MAY BE USED FOR LOCAL CONTRIBUTIONS  
8 REQUIRED BY THE FEDERAL URBAN MASS TRANSPORTATION ACT OF 1964,  
9 AS AMENDED, OR OTHER FEDERAL LAW CONCERNING COMMON CARRIER MASS  
10 TRANSPORTATION.

11 (E) THE DEPARTMENT SHALL REVIEW THE PROPOSAL AND, IF  
12 SATISFIED THAT THE PROPOSAL IS IN ACCORDANCE WITH THE PURPOSES  
13 OF THIS ARTICLE, SHALL ENTER INTO A GRANT AGREEMENT SUBJECT TO  
14 THE CONDITION THAT THE GRANT BE USED IN ACCORDANCE WITH THE  
15 TERMS OF THE PROPOSAL. WITH RESPECT TO GRANTS MADE PURSUANT TO  
16 SECTION 204, THE DEPARTMENT SHALL MAKE SUCH GRANTS SUBJECT TO  
17 THE CONDITION THAT THE GRANTS BE USED FOR THE PURPOSES SET FORTH  
18 IN SECTION 203 AND, WHERE APPLICABLE, ONLY AFTER THE  
19 CERTIFICATION REQUIRED IN SECTION 203(2)(III) AND (3) SHALL HAVE  
20 BEEN MADE.

21 (F) THE TIME OF PAYMENT OF THE GRANT AND ANY CONDITIONS  
22 CONCERNING SUCH PAYMENT SHALL BE SET FORTH IN THE GRANT  
23 AGREEMENT.

24 SECTION 321. CONTROLLER.--AS A CONDITION OF ELIGIBILITY FOR  
25 GRANTS MADE PURSUANT TO SECTION 204, ALL CLASS 1 TRANSIT  
26 ENTITIES SHALL APPOINT A CONTROLLER. ANY CLASS 1 TRANSIT ENTITY  
27 WHICH HAS NOT DONE SO BY JANUARY 1, 1988, SHALL CEASE TO BE  
28 ELIGIBLE FOR GRANTS MADE PURSUANT TO SECTION 204. THE BOARD  
29 SHALL APPOINT A CONTROLLER, WHO SHALL NOT BE A MEMBER OF THE  
30 BOARD, TO HOLD OFFICE DURING THE PLEASURE OF THE BOARD AND SHALL

1   FIX HIS OR HER COMPENSATION. THE CONTROLLER SHALL CONDUCT A  
2   MONTHLY EXAMINATION OF THE BOOKS, ACCOUNTS, DOCUMENTS AND PAPERS  
3   OF THE AUTHORITY AND REPORT THE RESULTS OF HIS OR HER  
4   INVESTIGATION TO THE BOARD AND THE CHIEF OPERATIONS OFFICER AND  
5   THE SECRETARY OF TRANSPORTATION. THE CONTROLLER SHALL SUBMIT AN  
6   ANNUAL REPORT OF THE AUTHORITY'S FINANCIAL CONDITION WHICH SHALL  
7   BE IN ADDITION TO ANY OTHER FINANCIAL REPORT REQUIRED BY THIS  
8   ARTICLE TO THE BOARD AND THE CHIEF OPERATIONS OFFICER AND THE  
9   SECRETARY OF TRANSPORTATION. THE CONTROLLER SHALL EXECUTE A  
10  CORPORATE SURETY BOND AND SHALL TAKE AND SUBSCRIBE THE OATH OF  
11  OFFICE PROVIDED IN SECTION 318.

12       SECTION 5.   THIS ACT SHALL APPLY TO FISCAL YEARS COMMENCING  
13  JULY 1, 1987, AND THEREAFTER.

14       SECTION 6.   THIS ACT SHALL TAKE EFFECT IMMEDIATELY.