



## Local Match Requirements Fact Sheet January 2026

### How much local match am I required to provide?

Local match requirements are documented in Title 74, Section 1513 (d) for the Operating Program and Section 1514 (c) for the Asset Improvement Program.

After passage of Act 44 in 2007, each agency's local match for Operating was set by the Department. Beginning in FY 2007-08 and each fiscal year thereafter, if the local matching funds required are less than 15% of the Section 1513 grant award, the local transportation organization's required local matching funds shall increase annually, by a minimum of 5% over the previous year's amount, until it reaches 15% of the Section 1513 grant award. Once a transit agency reaches 15% of local match, they are required to continue to collect local match equal to 15% of the state operating allocation.

For the Asset Improvement Program, the law requires local match not less than 3.33% of the state grant award.

### What are eligible sources of local match?

Section 1513 (d) (3) of Title 74 establishes the eligible sources of local matching funds for both the Section 1513 Operating and Section 1514 Asset Improvement programs:

"Eligible local matching funds shall consist only of cash contributions provided by one or more municipalities or counties."

Local matching funds should consist of cash contributions from municipal or county governments. Any other form of transit operating revenue should not be considered local matching funds. Operating revenue, by definition in the law, includes the following:

1. Passenger fares
2. Charter, school bus, and advertising revenue
3. Other miscellaneous revenue such as public and private route guarantee funds

In addition to those listed in the law, the Department also considers rental income from property leases as revenue and therefore not eligible to be used as local match.

"Funding provided by local and private entities, including advertising or naming rights, may qualify as local matching funds to the extent they provide for the cost of transit service that is open to the public."

The law says that advertising revenue or funds from private entities may qualify as local match. Both advertising revenue and funds from private entities fall under the definition of

operating revenue and therefore are not preferable sources of local match and only considered eligible for local match in extraordinary circumstances. These sources are only considered eligible if they have been approved by the Department in writing. The regulations require that these funds can only be used as local match if a written contract between the local transportation organization and the private source is provided prior to submitting an application for state funding.

“The following shall not be considered local matching funds:

1. Any form of transit operating revenue or other forms of transit income provided by the local transportation organization.
2. Funds used to replace fares.”

The law says that advertising revenue or funds from private entities may qualify as local match. Both advertising revenue and funds from private entities fall under the definition of operating revenue and therefore are not preferable sources of local match and only considered eligible for local match in extraordinary circumstances. These sources are only considered eligible if they have been approved by the Department in writing. The regulations require that these funds can only be used as local match if a written contract between the local transportation organization and the private source is provided prior to submitting an application for state funding.

### **What is required to document that local match is promised or collected?**

Section 1507 (a) (6) of Title 74 requires that grant funding applicants submit documentation of the commitment of local matching funds and requires the Department to withhold Section 1513 and Section 1514 funding until the documentation requirements are fulfilled.

Section 427.4 (b) (2) of the Public Transportation Regulations outline local match requirements.

The Section 1513 documentation requirements are:

1. A resolution, approved by its governing body, certifying the required amount of eligible local matching funds will be secured no later than the end of the state fiscal year. The resolution shall be submitted as part of the grant application.
2. Documentation from each local municipality responsible for providing local matching funds. The documentation can be in one of two different forms:
  - A resolution from the local municipality, certifying the amount it shall provide by the end of the fiscal year.
  - An approved budget of the local municipality transmitted by a letter, signed by the municipality’s chief executive officer certifying the amount it shall provide the local transportation organization by the end of the fiscal year.

The Section 1514 local documentation requirements are:

1. A resolution, approved by its governing body, certifying the required amount of eligible local matching funds will be secured no later than the end of the state fiscal year. The resolution shall be submitted as part of the grant application.
  - An updated resolution is required for all grant increases.

The Department reserves the right to require documentation from each local municipality responsible for providing local match funds.

The Department shall not issue capital grant payments above what is specified in the provided local match resolution.

The Department can provide sample copies of these resolutions.

### **What if I don't collect enough local match?**

Section 427.4 (e) of the Public Transportation Regulations provides language for the circumstances when a local transportation does not have sufficient local matching funds. If the minimum required local matching funds are not provided to the local transportation organization by the end of the project period, the following year's allocation will be reduced to reflect a proration of the prior year's grant based on the amount of local funds provided and the established local matching funds percentage.

Prorates are calculated by determining the amount of state funding supplied for every dollar of local matching funds and multiplying that number by the local match shortfall. The final amount of operating funding after proration becomes the new base amount, meaning all subsequent operating grant awards are reduced by the prorated amount.

#### **Example Scenario: What Happens If a Transit Agency Falls Short on Local Match?**

A local transportation organization receives a state operating grant that requires a **11% local match**. For the current year, the agency is awarded **\$1,000,000** in state operating assistance, meaning it must provide **\$110,000** in local match.

However, by the end of the project period, the agency only receives **\$84,000** in eligible local matching funds. This results in a **local match shortfall of \$26,000**.

Under **Section 427.4(e)** of the Public Transportation Regulations, the Department must prorate the agency's allocation in the following year to reflect the amount of local funds actually provided.

#### **Step 1: Determine the state-to-local funding ratio.**

To calculate the state-to-local funding ratio, divide the State Operating Assistance Award by the Required Local Match.

The current grant provides **\$1,000,000 in state funds** for **\$110,000 in local match**, or **\$9.09 in state funding for every \$1 of local match**.

**Step 2: Calculate the proration amount.**

Multiply the state-to-local ratio by the local match shortfall:

**\$9.09 × \$26,000 = \$236,364** proration.

**Step 3: Reduce next year's grant and establish the new base.**

The agency's next-year allocation is reduced by **\$236,364**.

If the agency would otherwise have received \$1,000,000 again, its revised allocation becomes **\$763,636.36**.

This **reduced amount becomes the new base**, meaning all future operating grants remain permanently lowered unless changed by statewide formula adjustments or future policy actions.

**What if I collect more local match than is needed in a given year?**

Some agencies do ask their local match contributors to provide more local match than needed. They may use this to save for a future year, especially for capital projects. If you do that, you do need to account for it and keep track of it separately. Section 427.4 (c) of the regulations states that local matching funds must be deposited and retained in a separate, interest bearing account until used for eligible public transportation expenses. Interest earned on these funds should only be used for public transportation purposes and should be included in the audited financial statements on the PennDOT required supplemental schedules. Per Department regulations, local transportation organizations may use uncommitted local match reserves for operating assistance if the following apply:

1. The total local match reserve amount is identified in the most recent audit report and can be traced through transaction detail to the source of the local match.
2. The board of the local transportation organization passes a resolution which certifies that the local match reserve to be used for operating assistance is not committed to any other project.
3. The local transportation organization provides to the municipalities responsible for providing the local match written notification of the amount of local match reserve that will be used in a fiscal year to offset shortfalls in local match payments.

Please contact your Department program manager if you have additional questions.

**References:**

<https://www.pa.gov/content/dam/copapwp-pagov/en/penndot/documents/programs-and-doing-business/transit/funding-and-legislation/act%2089of2013.pdf>

<https://www.pa.gov/content/dam/copapwp-pagov/en/penndot/documents/programs-and-doing-business/transit/funding-and-legislation/pa%20code%20title%2067%20chapter%20427.pdf>