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Turmoil over Mass Transit and New Taxes: What to Do

In his drive to get approval of a ten percent poured alcoholic drink tax and a \$2 per day rental car fee, County Executive Onorato has made some forceful statements. First, he asserts the new levies are absolutely necessary to fund Port Authority because he will refuse to put additional property tax revenues into mass transit. Second, he promises to withhold the new tax revenues from the Port Authority (potentially risking state funding in that it requires a local match and shutting down Authority operations) unless the transit union agrees to substantial concessions to lower Port Authority operating costs. Plans to impose the two new taxes have drawn the ire of car rental companies as well as the restaurant industry while the threat to withhold funds from the Port Authority has prompted a strike threat from the Amalgamated Transit Union.

The Executive's assertion that he will limit funds to the Port Authority unless there are major union concessions could set the stage for a mass transit shutdown, either by strike or the state withholding funds, although the latter seems to be less likely.

Act 44, the Transportation Act of 2007, gave the County authority to impose two new taxes to raise funds necessary to meet the required local match provision. Currently, the County contributes about \$25 million to the Port Authority (PAT) and would need to come up with another \$2.75 million to meet the requirement to receive the \$180 million or so in state funding—not enough of an increase to justify two new taxes.

But the real problem is a projected sizable revenue shortfall in the 2008 budget. Thus, with revenues from the two new taxes, property taxes that are currently being sent to PAT can be reallocated to plug the budget deficit. That is the real reason for wanting the new taxes.

To justify this maneuvering, the Executive says "...property taxes do not work as a revenue source for mass transit." He notes that cities such as Atlanta, Boston, and Cleveland, among others, use a local sales tax to fund public transportation. In that case, here's an idea. The County could simply declare that the tax dollars it receives from the one percent local option sales tax (RAD) to be a "dedicated" transit tax. Allegheny County received \$38 million from the one percent Regional Asset District tax in 2006. That would more than cover the \$27.5 million needed to obtain state funds. The balance could be channeled back into the general fund budget.

While this action addresses the Executive's desire to stop using property taxes for transit, it obviously does nothing to fill the expected revenue shortfall. However, now we can talk about the revenue shortage for what it is—spending exceeding income—and take the confusion of mass transit funds out of the equation.

This is where the Executive and the Council must realize that the cost of County government has outpaced the revenue generation capacity for a number of reasons including losses of population, labor force, and working County residents as well as very high taxes collected by school districts, the one percent sales tax already in place, the extraordinarily high costs of mass transit, and last, but not least, the expensive, financially distressed central City government. Therefore, shrinking from the need to make substantial cuts in County expenditures is not an option.

And on that score, it will not answer to say, as the Executive's spokesperson has done, that County employees are down 22 percent even though population is only down 9 percent since 1995. Much of that 1,500 or so decline occurred in 1996 following the election of a Republican majority of Commissioners and another 500 were removed as a result of the creation of the Airport Authority and the transfer of jobs from the County's payrolls. In fairness, Mr. Onorato has further reduced employment. However, there is clearly room for further reductions. The County's high tax situation, lackluster job growth combined with population losses demand that the County grasp this nettle and make the needed cuts.

On the issue of the threatened strike by transit workers, the Executive should lead a contingent to Harrisburg and ask the Legislature and the Governor to put in place quickly a law forbidding mass transit strikes at publicly operated systems. Maybe groups that are always demanding more money for transit could join in a call for eliminating strikes that close the system down causing great hardship and inconvenience to the people they supposedly represent. At the very least, the delegation should ask for some severe economic penalties for strikers.

In simplest terms, there is no good reason to allow unions to hold communities, commuters and taxpayers hostage through the power of having the right to strike. Look for another mechanism to resolve differences (binding arbitration can be ruled out owing to the Pennsylvania constitution). Use privatization and outsourcing to push the costs of transit down and make it more efficient. Have the Legislature remove Port Authority's monopoly status as transit provider in the County. This will engender competition and improve the balance of power in the hands of Port Authority contract negotiators. There has to be political will to get this done. Otherwise, the unions will go on believing that eventually they will get what they want—they always have up to now.

That's it. Make these changes to the current modus operandi and the Executive can get the folks who are so irate over the new taxes off his back while setting Port Authority on a much lower cost, operational efficient course over the coming months and years: A win-win for County residents.

Jake Haulk, Ph.D., President

Frank Gamrat, Ph.D., Sr. Research Assoc.

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<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd. * Suite 208 * Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
