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More Unsettling Confusion Emanates From the Port Authority

With all the talk about the need for a City-County merger so the region can speak with one voice, it seems the County government might be hearing multiple ones inside its own head. That's the only explanation making any sense when the County Executive said in Executive Order 2007-1 that Allegheny County is legally required to provide the Port Authority (PAT) with annual funding while at the same time vowing to withhold state required local match funds until PAT's unions make substantial concessions. Now, to further complicate the picture, the County has, as of this writing, voiced no opposition to the revelation that PAT is making plans to borrow the money necessary to receive state funds and keep the transit system unions on the job.

The issue was brought to light over the weekend by way of a brief mention in a newspaper article discussing labor negotiations. PAT's Executive Director indicated "the Authority plans to borrow \$27 million to trigger about \$183 million in state subsidies". If that happens with no opposition from the Chief Executive, all the talk about making PAT a leaner organization is exposed as rhetoric.

Recall that the County had been sending PAT \$20 to \$25 million annually to support its mass transit operations with money that came from real estate taxes. The Executive, going to great lengths to show that other regions around the country did not use real estate taxes to fund transit, worked to convince County Council to authorize new levies on alcohol drinks and car rentals under authority granted by the state under Act 44 of 2007.

At the same time, in an effort to show he wanted to get tough with PAT while creating new taxes, the Chief Executive issued the Executive Order concerning the "Distribution of Revenue Derived from Act 44 of 2007..." The Order stated that the County wanted to move its distribution to PAT from real estate taxes to the Act 44 taxes but that these funds "must be withheld until and unless certain additional fiscal reforms are implemented by the Port Authority..." Specifically, the Executive Order wanted to see two things happen: first, the restructuring of costs for union employees similar to non-union employees who have taken cuts and restructured their benefits, and second, a reduction in legacy costs, especially pensions and health care costs for retirees.

That restructuring has not yet been agreed to during the negotiations for a new contract to follow the one expiring on June 30. Predictably, the transit union will resist strenuously any effort to reduce benefits acquired in previous negotiations. Bringing PAT's union benefits more in line with non-union benefits or even like those of its sister agency in Philadelphia will entail dramatic changes in how much employees pay for health care, how long they get health benefits after they retire, and even the age at which they can retire.

The biggest bargaining chip the Executive and the PAT Board had in this scenario was the revenue from the new taxes. “Change, or forget about the money” was the argument. But now PAT’s plan to borrow matching funds seriously alters the dynamics of this game.

Where does the Executive stand on this? He obviously feels that the Authority needs to change and has made the point that no change means that none of the new tax money will be forthcoming. Did he also mean that the Authority can’t seek its own alternative way around the withheld money? If he is opposed to the borrowing, is he ready to ask for the resignation of any board member who votes to authorize issuing debt to keep the agency going? And how will he explain to an angry public and business community that the drink tax was absolutely essential to keep mass transit operating if PAT is able to get around his plan to withhold the matching funds?

And what about PAT’s borrowing plan? In the first place, will the Commonwealth permit the agency to borrow matching funds? How can funds borrowed by the Authority be deemed a local match? Then too, for an agency teetering on the brink of financial ruin without the state’s increased funding, what revenue stream can it pledge as repayment of the debt? It certainly can’t be the drink and car rental tax revenues inasmuch as the Chief Executive has stated that not a penny of those funds will be remitted to PAT until dramatic concessions are in place.

These questions notwithstanding, if PAT is allowed to and is able to borrow the \$27 million, and the state money continues to flow, the unions will be freed from any pressure to make concessions and can offer to work under the terms of the old contract for as long as necessary. Any new contract will almost certainly contain concessions they do not want to make.

And lastly, what message does all this send to the unions? It will prove once again that when it comes time to blink in labor negotiations, the Authority management or powerful elected officials will do the blinking.

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