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Urban Land Institute's Flawed Recommendations for PAT

Yet another study on the Port Authority (PAT) has arrived. The latest was produced by the Urban Land Institute (ULI) and presented the week of May 11. The report is fairly comprehensive in looking at a number of issues. Beyond the pro forma presentation of facts concerning regional demographics, economics, and PAT service area and ridership, much of the report examines the whys and hows of Transit Oriented Development and recommends strongly that PAT increase its efforts in that direction.

Like many such reports, the ULI writers extol the virtue and cost savings transit riders enjoy relative to commuting by car. And here they make a completely illogical mistake. They calculate the cost of driving and parking for commuters making a ten mile one way trip to work as $5,328 per year using $0.56 per mile as a cost of driving and $2,640 ($11 per day) to park. They compare that to a Zone One annual pass cost of $1,072 and voila an annual savings of $4,256.

Let's look closely at this savings calculation. First of all, the federally allowed $0.56 per mile for business travel is based on the total cost of owning and driving an average car an average number of miles. There are fixed costs for the car whether it is on the road or in the garage—depreciation, amortization and interest payments, insurance, etc. The $0.56 per mile is the allowance for business purposes and the fixed costs are factored in. By comparison the allowance for travel for medical purposes is $0.23 per mile and for charitable purposes driving is $0.14 per mile. Only variable costs are allowed for medical or charitable purposes. The point is that the $0.56 per mile cost estimate is undoubtedly far too high for most commuters who use their cars for other purposes.

Secondly, a ten mile one way car commute cannot always be replaced by a short walk to a bus or light rail stop and a ride into town. The further from the focal point of PAT's operations, the fewer the number of available bus routes that are convenient for many commuters, making driving a necessity. Even if it is to a park and ride facility or somewhere the car can be left safely for the day. That mileage has to come off the ten miles each way per day used to calculate the cost of commuting. Then there is the time spent getting to the parking spot and then taking a bus or light rail. If that adds significantly to total travel time it must be entered into the equation.

The overall point is that the facile and breezy analysis showing a typical commuter with a ten mile one way trip can save over $4,000 a year by riding on PAT transit instead of driving is not helpful. It would have been far better to use specific locations in the county and compare reasonably calculated savings for those who have close access to transit service to the potential savings for those for whom transit is not a practical option. Moreover, many commuters on the major arteries in the morning or afternoon are not headed to Downtown but because of limited cross county options and are forced through the bottlenecks on their way to jobs in other suburban areas. Trips for which there is no reasonable alternative in terms of transit service.

The report also takes a hard look at funding issues and laments the fact that, notwithstanding the additional $500 million in additional state funding PAT (thanks to Act 89) will receive over the next five years, the Authority will not have adequate funding to launch significant capital projects or to restore previously eliminated bus service. ULI warns against expecting any increase in Federal funding in light of the ongoing budget problems and huge deficits in Washington.

So what can PAT and regional officials do to bolster funding for the transit agency? They say go regional. Here the report writers completely drop the ball by failing to grasp the current situation regarding taxes in the city and county, state laws, and the relationship of PAT to the other regional transit agencies in surrounding counties.

Their first recommendation is to impose a $2 per day fee on cars using PAT's park and ride lots. That would raise $3 million per year according to the ULI. Further, to discourage commuters from driving to work, the report says the city or the county should levy a $2 surcharge on commuters using paid parking facilities—public or private—and turn the money over to PAT. Clearly, the author of that recommendation did not bother to learn that Pittsburgh already has one of the highest, if not the highest, parking tax rates in the country. Besides, how would one handle part day parking for people coming in to town for shopping or business meetings?

But the ULI was not satisfied to leave it there. They go on to recommend that a local one percent sales tax be put in place in the counties surrounding Allegheny County, arguing that this will raise $69.3 million per year. It is not clear if this means an additional $69 million or a total of $69 million including Allegheny County since the preceding discussion displays a woeful lack of understanding about the Regional Asset District (RAD) tax. The report mentions that Allegheny County gets $48 million from the local sales tax (the 2014 County fiscal plan actually says $44.8 million). Of course, the total RAD collection is four times the Allegheny receipts because Allegheny County by statute receives one fourth of the sales tax receipts. Thus, with no explanation of how the $69 million is derived, one must suppose it represents an extrapolation from $48 million. Of course, the correct extrapolation would be from $176 million (twice the RAD share) and would certainly be far higher than $69 million. But to repeat, this whole section makes no sense because of a lack of explanation of how the numbers are calculated.

Then too, presumably the writers of the report are unaware that Allegheny County already levies a drink tax and car rental tax to raise funds for the County to make its required match to qualify for state funds. These taxes combined collect around $40 million per year and are not mentioned in the report.

The report's assertion that sales taxes are a good way to generate local funding for fund mass transit is valid. It grows revenue as the economy grows and it is a very broad based tax. The problem for Allegheny County? That train left the station back in 1994 when the RAD tax was imposed and the legislation creating the tax made no provision for using proceeds to fund mass transit. Further, surrounding counties cannot impose a local sales tax absent state law permitting them to levy the tax. Getting surrounding counties to lobby Harrisburg for such a law so their residents can support a regional transit authority dominated by PAT is in all likelihood a non-starter.

Finally, the ULI report misses some very important points that should be embarrassing considering the chair of the advisory panel is the chief financial officer at the Dallas Area Rapid

Transit authority (DART). One would have expected at least some discussion of the sources of PAT's financial woes and its ongoing problems. For example, he might have questioned how it is that in 2013 salary, wages and benefits accounted for 76 percent of operating expenses excluding deprecation at PAT. At DART in 2013 salaries, wages and benefits accounted for 65 percent of operating expenses not including depreciation. Or he might have questioned how it is that PAT's benefits expenses amounted to $92 for every $100 in spent on salaries and wages while at DART the benefits were only $41 per $100 of wages and salaries. And, if he wanted to get very technical, he could have asked why bus operating expense per vehicle revenue mile was $15 at PAT while at DART it was $8.94. For light rail the PAT operating expense per vehicle revenue mile was $26.98 while at DART is was $17.98. The differences should have attracted the attention of the head of finance at DART.

Nothing in the report addresses how to fix the cost problem. It does not mention the right of transit workers to strike that has enabled the extraordinary wage and benefit packages to be negotiated over the decades. As usual, the approach is to ignore the elephant in the room and cast around for ways to get more revenue even after the long requested dedicated funding stream arising out of additional taxes has been found and is set to swell PAT funding by $500 million over the next five years. In short, this report needs a lot of work.

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