



Solving PAT's Financial Woes: State Problem or Local Issue?

The ongoing saga of the financial morass at the Port Authority (PAT) has developed an interesting twist. Governor Corbett, through a spokesperson, has responded to PAT's entreaties for a hefty boost in money from the Commonwealth to cover an impending \$64 million deficit by telling PAT that, "they should look to their own resources to come up with a solution."

In response to the Governor's comments, PAT's Executive Director stated, "If this is a local problem why was there an executive order creating a transportation funding commission?" And he further argued that the problems could be fixed by changing the way Pennsylvania pays for transportation programs. Presumably, that means raising taxes or fees to generate additional funds for mass transit.

Weighing in separately, the head of the transit workers union said, "The answers to solving the transit funding crisis lie in Harrisburg." Adding, "It is not a local issue as the good Governor has said."

Who is right? Clearly, the Governor is right in the sense that \$64 million more in state funds is not the appropriate or reasonable answer to what ails PAT. One of the biggest problems for PAT has been the willingness of previous governors to come up with last minute bailouts that have conditioned the unions and management to believe the state will somehow always find the money needed to fill budget gaps just before the spending cuts have to be made. And right on schedule the authority and transit supporters have gone into full lobbying mode to try to persuade or embarrass the Legislature and the Governor into abandoning their opposition and allocating the requested funds.

While the Governor is undoubtedly correct in the view that more state funds are not the correct answer to PAT's shortfall, it is important to realize that because PAT is a state created entity operating under state laws, the Commonwealth has a vital interest in seeing the Authority carry out its mission of providing transit services as efficiently and as cost effectively as possible. As the situation currently stands PAT is simply incapable of serving the people of Allegheny County with efficient, cost effective bus service. It is saddled with enormous and growing legacy costs for retirees, extraordinarily generous wages and benefits for current workers and substantial debt service expenditures.

Earlier service reductions have improved ridership per bus trip but they have not cut into the factors driving overall costs ever higher. The Authority simply cannot survive without ever increasing state allocations to pay for a rising tide of benefits for people who are no longer

working and providing service. It is patently unreasonable to force state taxpayers to pay endlessly to cover the costs of PAT's excessively generous contracts they had no say in negotiating.

Still, the state cannot sit idly by and watch labor contracts and promises made to retirees over the years cripple mass transit in Allegheny County, which is the almost certain outcome of the fiscal path PAT has been traveling. Several steps can be taken to ensure that costs can be driven down and that service is available to as many riders as possible. But these steps require immediate action by the Governor and Legislature.

First, end PAT's monopoly over transit service in Allegheny County to allow regional transit agencies to offer service on routes where it makes economic sense and to allow private carriers to begin service on routes abandoned or severely cut back by PAT, all without having to ask PAT's permission. Second, end the right of public transit workers to strike—a major source of the massive problems now being faced by PAT. Third, amend state laws to allow PAT to declare bankruptcy to deal with its legacy cost problems. Fourth, require PAT to freeze hiring and begin a process of privatizing service as other transit agencies in the region and around the country have done with a goal of 50 percent outsourced in five years.

Finally, to reduce the devastating amount of impending service reductions, the Commonwealth could offer, on a one time basis for fiscal 2012-2013, a dollar in additional funds for every dollar in immediate but *permanent and irreversible* costs cuts achieved through retiree and current employee concessions by July 2012.

There are no easy ways out of this calamitously awful situation. But for the state government simply to cave in and hand over more money without serious changes at PAT would be foolhardy and would merely guarantee another round of even heavier lobbying and stalling for time next year.

In short, the Governor is right to stand firm against sending more money. However, the state does bear considerable responsibility for creating the circumstances under which PAT has careened its way into the condition it finds itself. And that means the state must grapple with the underlying causes of PAT's problems and work diligently to make the interests of transit users and taxpayers who provide the generous subsidies the highest priority—not the unions, not the management, not the vendors, not the Board. Until that happens, the story of PAT will become more woeful and taxpayers will be saddled with a bigger and bigger load in return for no improvement in, or availability of, service. It is time to grasp the nettle and deal with this long running, seemingly intractable situation.

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