



June 5, 2013

Policy Brief: Volume 13, Number 28

Should the Legislature Drop Efforts to Get an Omnibus Transportation Bill?

To say the General Assembly has a lot on its plate is a colossal understatement. Liquor store privatization, the budget, transportation, and pension reform along with many other less controversial pieces of legislation.

In light of the limited time for action before the end of the fiscal year, the Legislature needs to focus on meeting the state's most pressing needs. To that end, the condition of the Commonwealth's roads and bridges, pension reform, along with completing the budget, should be at the very top of the priority list. This is not to gainsay the importance of achieving liquor store privatization before the calendar year is out. But right now there is limited Legislative time and energy and they must be used wisely.

In order to insure that the vital work on a bill that makes major progress toward improving roads and bridges is successfully completed, it would be well to set aside for the time being efforts to get agreement on the sources and level of funding for public transportation. Higher taxes and fees statewide to support the very expensive Port Authority (PAT) for example, will meet with opposition unless largess is promised to many other legislative districts. It is also highly questionable whether it is appropriate to transfer of funds from the Turnpike to PennDOT to be used for public transportation that are derived from money borrowed under Act 44. And those borrowings, as we have noted in earlier *Policy Briefs*, forces Turnpike officials to continually raise tolls.

When the Legislature does get around to grappling with public transportation, it needs to broaden the scope of its approach to look beyond simply finding more money for mass transit. More money, in and of itself, will not solve deep seated problems. Indeed, more money by itself is likely to perpetuate or worsen the problems at transit agencies.

The Legislature has had several proposals placed before it over the years that would go a long way to begin addressing expensive, inefficient service of transit agencies.

First: it is essential to recognize the costs and inefficiencies that have resulted from the right of public transit workers to strike. Fewer than a handful of states grant transit workers the right to strike and only a couple, including Pennsylvania, are actually threatened with or suffer strikes. Given the hardships transit strikes create, management is very loath to take a strike. Worse, the threat of strikes inevitably produces an appeal from the affected community, businesses, and civic and government leaders to have the Commonwealth come up with money to meet union demands. There is no reason transit workers cannot be put in the same type of arbitration system afforded to police and fire unions. The arbitration system can be designed to guarantee taxpayers

are protected by placing conditions on settlements such as requiring arbitrators to consider the financial condition of the employer and the compensation packages of comparably situated workers.

Second: as proposed in the Governor's Task Force in 2006, transit agencies should evaluate competitive contracting. A 20 percent outsourcing of bus service in five years is a reasonable goal, with 35 percent in 10 years. Bear in mind that outsourcing means that the transit agency takes bids and hires private firms or other public transit authorities that have met their outsourcing requirement. The agency contracting out its service would still receive state financial operating support based on total passengers served whether on their own buses or the contracting entity's buses. The competitive contracting environment should, over time, reduce cost pressures and reduce the ability of unions to impose inefficient work rules.

Third: as proposed by the Senate Pro Tem, appointments to the PAT board would be allocated among several officials including the Governor, Caucus leaders, the mayor of Pittsburgh and one by the County Executive of Allegheny County. In light of the amount of money the state puts into the Authority each year, it makes sense for the governing officials to have representation in the management of the Authority. Moreover, PAT is a creature of the state and the state has an obligation to insure that it operates in the interest of both taxpayers and transit riders.

Fourth: a new Allegheny Institute proposal asks the Legislature to take into account the fact that the primary beneficiaries of mass transit are the residents, businesses and other employers in the area served. With passenger and other non-tax revenue accounting for only 30 percent or so of total (fare box is about 25 percent of total) and most of the remainder being subsidized by state taxpayers, there is an obvious need to have local sources come up with a greater share of the revenue. One possibility might be a local option add-on sales tax of some small percentage—or a redirection of a portion of a current local option tax. The objective should be to raise the local match for state dollars to 25 percent over a period of three years, that is, for each dollar of state aid, the local governing body (or bodies) would have to put up 25 cents. Over ten years the match requirement could be raised further.

Meanwhile, only general, broad based taxes should be permitted as revenue sources for the match. For example, in Allegheny County the use of taxes levied on alcoholic beverages and car rentals is an inappropriate way to fund mass transit. Further, any increase in any transit supporting revenue or the levying of a new dedicated tax should be required to meet voter approval through a referendum. The inability to make the local match would result in the appropriate reduction in state funds until the match is achieved.

The foregoing provides a beginning list for the General Assembly to tackle if they are to pursue meaningful reform of public transportation. To simply add or raise fees and taxes to fund public transportation at higher levels is merely a band aid and could ratchet up future funding requests.

Jake Haulk, Ph.D., President

*Policy Briefs may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.allegenyinstitute.org*

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@allegenyinstitute.org