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The Bell Tolls for PAT: Do They Hear It?

Without tolls on Interstate 80 (I-80) to generate funds for roads, bridges, and mass transit, the CEO of Port Authority (PAT) says that what was a $25 million deficit for the coming fiscal year will grow to $50 million.

This is obviously not what was envisioned three years ago when PAT wasted no time in increasing its budget after Act 44—the transportation funding law that contained the I-80 provision, as well as permission for Allegheny County to levy two new taxes on liquor and car rentals for transit funding—was signed into law. That initial increase has been compounded to the point where the operating budget is now 12 percent higher than it was intended to be for 2008. Recall that, as we pointed out in *Briefs and Reports*, PAT was already far out of line with peer operators on costs and performance indicators.

In June 2007, PAT instituted a 15 percent service reduction and laid off 203 employees. The PAT board passed an FY08 budget of $325.1 million that same month that contained an additional 10 percent service reduction and an additional 174 layoffs that was to go into effect in September of 2007.

The following month Act 44 was passed. The CEO heralded the fact that the law provided PAT with $55 million in new operating funds and $12 million in capital funds for FY08. The following week the Board rescinded the planned 10 percent service reduction, avoided the planned layoffs, and adopted a revised operating budget of $336 million for FY08. On the day the revised budget was passed the CEO stated "…we can begin the process of designing a system that allows us to realize every possible service efficiency and do the most with all available resources".

Too bad that did not happen. For FY09, the Board passed an operating budget of $350.2 million (up 4% over FY08) that assumed the collective bargaining process with the Amalgamated Transit Union would produce "a minimum of $10 million in cost reductions". Without that minimum threshold PAT's CEO noted that "[PAT] will be forced to significantly cut service, raise fares, and layoff employees in 2009 and every year thereafter until transit service eventually becomes insufficient to adequately serve the region's mobility needs". Soon after, in July of 2008, the Federal Highway Administration wrote to the PA Turnpike Commission that the I-80 application was rejected. The contract settlement that followed contained virtually no immediate savings.

Last June the Board passed a $362.9 million operating budget, a 3.6 percent boost over FY09 and 12 percent higher than what was originally intended for FY08. The budget had a fare increase and no service cuts, but the CEO felt that the agency was "…taking money from crucial maintenance projects to plug gaps in our operating budget". By this time the handwriting was on the wall that the I-80 plan was in deep trouble with the Federal government.

When the new presidential administration gave Pennsylvania the same answer on I-80 as the previous administration, here's how the CEO reacted: "the failure to meet funding commitments under Act 44 would force Port Authority to consider sharp service cuts that could isolate neighborhoods and severely compromise regional mobility in the Pittsburgh region".

So why is it that with the overhaul of transportation funding, two new locally-generated revenues, and a new collective bargaining agreement that the Authority still finds itself with a budget gap that is made worse by the I-80 rejection? Simply put, there was no real effort to move to smaller buses as a way to improve efficiency, no effort to commit to outsourcing as employees retired or resigned, and the cost savings from the union contract were not immediate enough to make a difference.

As we pointed out in a previous *Policy Brief (Volume 7, Number 8)* contract language spells out that small buses are limited to 3 percent of the total number of large buses in service and that they be limited to low density areas. There is some service to and from the trolley stops but the union's preference for operating and maintaining large buses is quite clear. According to the FY10 budget there are 876 buses and 48 small transit vehicles in the fleet, the latter representing 5 percent of all vehicles.

In a subsequent *Brief (Volume 8, Number 74)* that summarized the 2008 ATU contract settlement, we noted that the language on small buses stayed the same, and the PAT board's desire for 20 percent of operations to be outsourced was eliminated from the contract. Headcount has remained virtually unchanged since FY08 at approximately 2,750 employees. The agency did not outsource service based on the layoffs in June 2007. The savings that were squeezed out of the contract for post-retirement health care were minimal and long-term: not much was done for the immediate term. Employee benefits as a percentage of salaries and wages have grown to 90 percent, up from 81 percent in FY08. As we just noted earlier this year *(Volume 10, Number 12)* failure to achieve any meaningful cost reductions "is coming back to haunt [PAT]".

There will never be enough money for the Port Authority, especially with the trajectory of pensions and health care benefits, the hammerlock the agency has on mass transit service in Allegheny County and the union's right to strike. It is a combination destined to cripple PAT.

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