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**Is Port Authority Headed for a Federal Bailout?**

Here we go again. Port Authority (PAT) is facing yet another financial crisis. This time they can blame it on the failure of the Feds to approve tolling I-80. So now they are looking at a \$50 million hole in their budget.

The Executive Director of PAT has bluntly stated that if the state doesn't come with money to eliminate the shortfall, management will be forced to make draconian service cuts including cutting routes, reducing night and weekend service and raising fares. As many as 400 PAT employees could be laid off.

While the PAT has made some service cuts and worked to streamline operations, it has not been enough to deal with the new hole it faces. The Director admonished the Legislature saying "while the funding crisis is not your fault... it is your problem and you better fix it."

The truth however is quite another matter. In fact while the state bears much of the responsibility for the situation at the PAT, the Authority and local officials share the blame. First, the state government has refused to pass legislation forbidding transit strikes, thereby giving the transit unions an enormous advantage in contract negotiations. Threats of a transit shutdown send a chill through the users of the system as well as the businesses, hospitals, and other employers whose employees depend on mass transit. Economic and personal hardships along with public safety issues and traffic nightmares are almost a certainty during such walkouts.

By allowing strikes and threats of strikes, the state has in effect been a partner in creating the excessively generous pay and benefit packages transit union members enjoy as well as the strangling work rules the union uses to prohibit management from managing efficiently. Indeed, because of the terms of the bargaining agreement, management is prohibited from virtually any operational change to save money other than cutting service.

There can be no outsourcing of routes to private carriers or to other regional transit agencies that have much lower employee costs. There can be no shift to smaller local buses and using a collection and feeder systems to get riders into the City.

Second, the Legislature and the Governor approved a plan in 2007 to toll I-80 believing it would be a long term solution to PAT's, as well other state transit agencies', financial problems. In effect, both PAT and the Legislature placed enormous bets on this "brilliant" idea being successful. Apparently no one at PAT or in the Legislature or the Governor's office bothered to call the Federal Highway Administration (FHWA) to see what the law and regulations with regards to tolling Interstates might be. Or they could have simply read the relevant law themselves—neither happened. So the state, with full support from PAT, rolled the dice in hopes the FHWA would permit the tolling of I-80. Now we know just how irresponsible the Legislature and the Governor were to pursue the I-80 scheme.

To make matters worse, the state refused to accept the initial verdict of the FHWA and, as a result, has wasted three years in which there has been no meaningful action to deal with transportation funding problems. Moreover, partly because of the hoped for tolling revenue, PAT settled for a 2008 contract agreement that brought virtually no short or intermediate term improvement in labor costs. What's worse, the PAT Board took its plan to begin outsourcing some bus service off the table and got no favorable work changes.

Study after study, including that of the Governor's Transportation Task Force, has found PAT's operating and employee costs to be far above national averages and, among large systems, PAT has the highest per passenger costs in the country. The Task Force recommended PAT get labor concessions on pay and benefits and follow the lead of other cities that have outsourced some of their bus service. Just as PAT has done with recommendations the Allegheny Institute has been making for years, they did not heed the Governor's Task Force suggestions.

Now the wolf is at the door once more and PAT is imploring the state to find some money to stave off the draconian steps it will be forced to take. But where will the state get the money to help? It is already facing a massive budget problem of its own and, absent a major revival of economic activity, will remain in serious trouble for some time. Talk of tax hikes and new taxes is in the air just to meet the shortfall currently projected. And, in the next budget cycle there is the distinct possibility of a big jump in state pension fund payments.

Clearly, there is little or no appetite in the majority of the Legislature for higher taxes. A fragile economy cannot afford to be hit even harder. Higher taxes could well be counterproductive by restraining new hiring or forcing job cuts.

What to do? The precedent has been established. Ask Washington for help. Congress is already planning a big spending bill to ensure that teachers do not get laid off. They have spent tens of billions to protect union pensions and health insurance at GM and Chrysler. Senator Casey's call for money to bailout other union pension funds is probably just a precursor of many special pleadings. It will undoubtedly be argued that if we can protect teacher jobs with Federal dollars, then transit workers deserve no less.

PAT's needs are relatively small compared to the billions that have been planned in the latest spending bill. Perhaps a member of Pennsylvania's Federal delegation will be asked to propose an earmark for the beleaguered agency.

Taxpayers from states and communities that have acted far more prudently in financial matters will be asked to pay for imprudence in another community. And the worst part—those who have acted imprudently and are being rescued can continue their irresponsible spending in the belief there is always more from where the first rescue came from. That lesson will not be lost on those who have tried to act responsibly in the past.

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**Jake Haulk, Ph.D., President**

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