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Transit Agencies Throw Commission Under the Bus

With all of the controversy surrounding the Port Authority's North Shore Connector, the agency's FY 2007 budget passed with relatively little media attention. The $348 million spending plan has no service cuts and no fare increases, thanks to the Southwest Pennsylvania Commission's 2005 action where—at the request of the Governor—they flexed $113 million in Federal transportation dollars to keep PAT afloat through the end of this year.

But as of December 31st, there will be a $32 million hole. PAT was well aware of this and did nothing to alter spending to eliminate the deficit. Why? PAT has the convenient fall back of the Governor's Transportation Funding and Review Commission.

According to the Governor's Executive Order, three of the Commission's duties are to:

- Audit transit agencies to "determine if opportunities exist to implement cost efficiencies, revenue enhancements, and service improvements…including an assessment of employee roles, responsibilities, and compensation"
- "Make recommendations regarding appropriate levels of funding and source of funding for transit and for roads and bridges and for operating costs and capital investments"
- "Assess the structure of transit agencies and assess…whether changes to their structure can improve service, reduce costs, and increase efficiency…including competitive contracting"

By November the Commission will release its final report which, at the very minimum, is to "recommend specific funding sources and amounts for transit and for highways". Its mandate is not to devise a mass transit tax or close a budget gap. In fact, several members of the Commission noted in its initial meeting that if there was a tax proposal that appeared as a bailout for public transit, the General Assembly "would not be on board".

But that did not dissuade PAT's directors from passing the budget and hoping for a solution, noting in their press release for the "need to establish growing, predictable, and dedicated sources of transit funding". In their minds, they have done enough to address their costs, even though its drivers are making the nation's best transit wages when

adjusted for cost of living. Establishing a new funding mechanism has become PAT's mantra much like the City of Pittsburgh in 2003 while applying for distressed status.

PAT's shortfall is smaller than its sister organization in Philadelphia. SEPTA passed a FY 2007 budget of $991 million that has a $50 million deficit that will become real on the same day as PAT's when SEPTA's flex funding expires. Their leadership too notes that "the only reasonable solution to the statewide transportation funding crisis is the approval of a long-term subsidy source with growth potential".

So there we have it. The charge to the Commission—and, by extension, the Governor and General Assembly—is this: come up with an additional $80 million in taxpayer money now and a lot more for the future. And this is above the already generous state allocations for transit. The state's 2007 budget contains mass transit assistance of $299 million, a 2 percent increase over 2006, which itself was a 2 percent boost over 2005.

Thus, the once fairly broad mission of the appointees is now considerably narrower as it will be operating in a "crisis mode" caused by the transit system deficits.. Little attention will be placed on audit findings or recommendations for efficiency as the urgency builds toward the end of the year.

One might criticize the agencies for passing these budgets, but why shouldn't PAT and SEPTA expect someone else to save the day once again? Remember that after coming through with the flex funding, the Governor assisted in the contract negotiations for both agencies when they were on the verge of a work stoppage. In Allegheny County, his influence was instrumental in ensuring that there would be no competitive contracting of bus services at PAT. That kept the Board and management from going to the mat on the issue. This occurred despite experience from other transit agencies like Denver that contract out bus service and thereby achieved major cost savings. Moreover, a strike earlier this year by the public sector transit drivers didn't bring the system to a halt because service provided by private contractors continued to run their routes.

We can already see why the emphasis on cost reductions and efficiency will not be taken seriously. The Commission took testimony on competitive contracting while in Pittsburgh this past January, but the Governor's actions demonstrated that these types of cost savings won't be in order when the report is released. Nor are we likely to hear demands to close the Wabash Tunnel, which is used by autos in direct competition with buses and trolleys and is racking up major losses.

The possible scenarios for wrestling the combined $80 million deficit into submission run the gamut from bad to worse. The Governor could flex more highway money, causing bad feelings with highway interests and communities needing urgent repairs. Or the Legislature could be asked to devise an emergency appropriation, boosting state spending again. Or there could be a tax scheme that is perceived as a transit bailout. Of course, in all of these scenarios PAT and SEPTA get what they need without having to reduce service, hike fares, or ask their unions for concessions.

Clearly, none of these scenarios address the real long-term problems with the state's mass transit systems. They are overly expensive in comparison with their peer agencies. Their workers can strike without repercussion. And taxpayers must endlessly fund their high costs and inefficiencies. Only an approach that gets costs in line and returns some power to the public will bring long-term stability. The safe bet is that taxpayers will get soaked once again. And again, and again.

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