POLICY BRIEF

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PAT Math and False Choices

Consider this quote from a Port Authority (PAT) ad in the Pittsburgh City Paper, "The leaders in Harrisburg have done their part. We at Port Authority have been doing ours, as well." Of course, from the taxpayers' viewpoint it can be questioned as to whether one should refer to the gift of an additional $55 million (a 42 percent increase from the previously budgeted amount) as Harrisburg doing its part.

Even more questionable is the claim that the Port Authority is doing its part. To be sure, there was a 15 percent reduction in bus service in June accompanied by the layoff of 267 employees, almost 10 percent of the workforce. But where are the cost savings? Last year the Port Authority's budget called for $347 million in operating outlays. On July 27, the Board approved a budget with operating expenditures of $336 million. Thus, fiscal 2008 spending is a mere 3.2 percent below the prior year's budgeted level.

One would think cutting service 15 percent and reducing the number of employees by nearly 10 percent ought to produce more than a three percent decrease in costs. Obviously, something other than payroll and fuel costs is driving the growth of spending at the Port Authority. Undoubtedly a major culprit is the ongoing rapid increase in employee and retiree benefits. Between fiscal 2002 and fiscal 2007, employee and retiree benefit expenditures rose from $63 million to just shy of $111 million. This massive 76 percent rise came at a time when there was virtually no net gain in bus passenger traffic and only minor gains in light rail passengers, notwithstanding the opening of the $300 million plus Overbrook line.

Moreover, the near $50 million jump in outlays for benefits dwarfs any other expenditure growth and accounts for 66 percent of PAT's overall spending increase during the last five years. In all likelihood, another big hike in benefit costs is preventing PAT from realizing a more significant savings from the cuts made in June. Indeed, one might have reasonably expected an expenditure reduction in the range of $30 million rather than the paltry $11 million actually achieved.

In short, once again the Legislature and the Governor have bailed out the Port Authority without forcing any concrete actions to make dramatic improvements in the underlying financial mess and operating inefficiencies at the transit agency. What's worse, the funding of the extra $55 million will come in large part from converting Interstate 80 to a toll road and raising the tolls on the existing PA Turnpike. There is considerable opposition to converting Interstate 80 and there are no guarantees that Federal authorities will approve such a move. Besides, making an existing public road a toll highway for the purpose of generating funds for mass transit is not sound policy—tolling to pay for the upkeep and improvement of the road itself, maybe, but not to support mass transit.

The problem—as it almost always is—derives from the inevitable claims that we must do something to raise money for transportation and people do not want to pay higher gasoline taxes. Of course, when levied by the government, tolls are the first cousin to a user tax. Especially in a situation where there was no toll previously and traffic patterns and flows have been created over decades in a no toll environment. But an even more salient counter argument against tolling Interstate 80 is the fact that a better choice could have been made, namely, cutting spending elsewhere. In a budget of $27 billion, there is certainly room to cut expenditures by three or four percent, clearly enough to provide a $700- $800 million increase for road and bridge repair. If maintaining and repairing roads and bridges is the high priority everyone in Harrisburg says it is, then the money should be reallocated from other budget items. Finally, why not grab some of the gaming revenue and use that for roads rather than wasting it on more ineffective economic development subsidies?

Pennsylvania and its school districts are facing a major leap in spending to cover pension shortfalls just a few years down the road. Higher taxes are almost inevitable. A far more prudent budget course would have been to hold overall spending gains to a minimum and make the hard choices associated with meeting spending priorities. That inevitably must happen, but because of the recent postponement of those hard decisions, choices in the future will be much more painful to make.

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