



WASTE REPORT for October 12, 2016

EPA's Bulk-Buy Transit Subsidy Gone Wrong

Call it the Costco dilemma: you have to buy 36 eggs at once, but the price per egg is less than at the grocery store. Will you eat that many eggs (about 2 a day) before they go bad? If the answer is “NO,” you may actually lose money on the “deal.” **In economics, it is called the law of diminishing marginal utility,¹ and, unfortunately, the Environmental Protection Agency (EPA) got a lesson in economics when it lost over \$135K of taxpayers' money buying mass transit passes in bulk.²**

Since 1993, federal agencies have had the ability to provide a mass transit subsidy to employees as a fringe benefit, which is also aimed at reducing pollution and traffic congestion.³ So it is no surprise that the EPA office in Seattle (a city known for environmental awareness and traffic congestion) would choose to offer this subsidy to its employees.

Unfortunately, according to the Inspector General (IG) for the EPA, in 2014 and 2015, the EPA missed the forest for the trees on bulk purchases of mass transit passes. In an effort to get a bulk-buy discount, the EPA-Seattle bought annual mass transit passes for ALL of its employees, not just the ones signed up for the transit subsidy, resulting in the EPA, even with the discount, paying over \$135k more than it would have otherwise.⁴

The King County Transit Authority (from whom the passes were purchased) makes no secret that an employer must buy a “Business Passport” for “every benefits-eligible employee” in order to get the discount.⁵ They also include the following caution on their website: **“If you already subsidize transportation for some employees, we recommend that you compare your current transportation expenditure to the cost of Passport for all your employees.”⁶** King County even provides prospective Passport clients with a worksheet to compare the cost of subsidizing just transit users with purchasing passes for all employees.

So, did someone at the EPA just fill the worksheet out wrong? Forget to carry the one? Not at all, according to the IG. Their report states that the **“transit subsidy team did not believe cost calculations were applicable because discounted annual transit passes were only available if passes were purchased for all employees.”⁷**

Sure, it cost more in the end, but we got the discount!!!

¹ <http://www.investopedia.com/terms/l/lawofdiminishingutility.asp>

² https://www.epa.gov/sites/production/files/2016-08/documents/_epaig_20160816-16-p-0268.pdf

³ Ibid.

⁴ Ibid.

⁵ <http://www.kingcounty.gov/transportation/kcdot/MetroTransit/ORCABusinessPassport/prospective-customers/what-is-orca-business-passport.aspx>

⁶ Ibid.

⁷ https://www.epa.gov/sites/production/files/2016-08/documents/_epaig_20160816-16-p-0268.pdf