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### **Budget challenges for Port Authority**

**By Colin McNickle**

A number of issues, nagging and expensive, face the Port Authority of Allegheny County in its proposed fiscal 2019-20 budget, says a scholar at the Allegheny Institute for Public Policy.

“An expiring labor contract and new hires are key drivers of operating expense increases for the mass transit authority,” says Eric Montarti, research director at the Pittsburgh think tank (*in Policy Brief Vol. 19, No. 24*). “A lawsuit over Turnpike tolls is affecting the capital budget.”

The authority’s preliminary operating budget features a \$29.1 million deficit -- \$376 million in operating revenues and grants but \$405.1 million in net expenses.

Given that the Port Authority is required by state law to have a balanced budget, “some maneuvering will likely occur,” Montarti says.

To wit, authority expenses are budgeted to grow by more than 6.1 percent or \$23.2 million to \$405.1 million. Those are paced by wages, salaries, pensions and other benefits.

Wages and salaries are set to rise by 5.1 percent or \$8.7 million over fiscal 2018-19 to \$178.1 million. In the last year of their four-year labor contract, unionized transit workers will receive a 3 percent raise next year.

The fiscal 2019-20 budget says pensions and other benefits will increase by 3.5 percent or by \$5.5 million to \$160.5 million.

“A big wage or benefit increase in the next labor contract will certainly drive up these costs,” Montarti notes. “The fact that transit strikes are still permitted by state law is hard to believe given the power imbalance it can create in negotiations.”

Most interestingly, the Port Authority plans to add 37 new employees at a cost of \$3.7 million, which accounts for 26 percent of the \$14.2 million growth in the two large expense categories. That translates into \$100,000 in salary and benefits per employee.

In addition, just about every other expense category, sans materials and supplies and provisions for injuries and damages, is projected to grow year over year.

“The 6.1 percent increase in expenses will far outpace the growth in unlinked trips,” Montarti says.

The Port Authority, of course, is not sustained by fares alone. For fiscal 2019-20, the state will provide \$234.3 million in operating assistance. Allegheny County must provide a 15 percent match. The money, \$32.3 million, comes from the county’s tax on alcohol sales and rental vehicles and a \$3 million grant from the county’s Regional Asset District.

“With the County Controller’s audit noting that the county’s transit support fund is overflowing with a surplus from drink and car rental taxes it is still a wonder why the Regional Asset District continues to provide money for the required operating match,” Montarti says.

The Port Authority’s fiscal 2019-20 capital budget -- \$58.1 million and funded primarily by the state and federal government -- is markedly lower than projected in past years. That’s due to a pending lawsuit challenging the use of Pennsylvania Turnpike tolls for mass transit. Some capital projects could be deferred pending the outcome.

Do remember that when it comes to peer transit agencies, the Port Authority’s bus operations, its primary service mode, are very expensive.

“It was 30 percent higher than a peer group put together by the (state) Auditor General’s Office and our previous work found the same in comparison to Boston, Washington, D.C., Columbus and Buffalo,” Montarti reminds. “Even the (authority’s) 2018 service report shows the authority third highest out of 10 transit agencies on bus cost per passenger.”

That report cited high operator and maintenance wages and benefits and high maintenance costs.

“Will the next decade bring action on how to correct them?” Montarti asks.

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