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Port Authority's budget could still change

Summary: The Port Authority (PAAC) board is set to vote on its operating and capital budgets for fiscal year 2019-20. An expiring labor contract and new hires are key drivers of operating expense increases for the mass transit authority. A lawsuit over Turnpike tolls is affecting the capital budget.

PAAC's preliminary operating budget has $376.0 million in operating revenues and operating grants and $405.1 million in net expenses, resulting in a $29.1 million deficit. PAAC is required by state law to have a balanced budget, so some maneuvering will likely occur.

Operating revenues are budgeted at $105.6 million, with $78.5 million coming from passenger fares on bus, trolley and incline modes. That is down slightly from audited totals of recent years when fare revenue was just over $79 million. It is possible that the transition to a single zone from what used to be multiple zones with different fares may have had an effect. PAAC projects unlinked trips to total 64.5 million, a slight increase over this current fiscal year's 64.3 million (0.3 percent).

The remainder of operating revenues include revenue from demand-response service, advertising, interest and other revenue. Overall the budget expects operating revenue to fall $108,179 (-0.1 percent) from the current fiscal year.

Expenses are budgeted to grow a whopping $23.2 million (6.1 percent) to the $405.1 million total. Not surprisingly, wages and salaries and pension and other benefits comprise the bulk of the expense category. Wages and salaries are to total $178.1 million, up $8.7 million (5.1 percent) over FY2018-19. The current four-year contract between PAAC and the Amalgamated Transit Union includes a 3 percent wage increase in 2020, the year the pact expires. Pensions and other benefits are expected to total $160.5 million, a $5.5 million increase (3.5 percent). A big wage or benefit increase in the next labor contract will certainly drive up these costs. The fact that transit strikes are still permitted by state law is hard to believe given the power imbalance it can create in negotiations.

PAAC plans on adding 37 new employees to bring headcount to 2,683. The budget points out that salaries and benefits for these new employees will total $3.7 million. That accounts for 26 percent of the $14.2 million growth in the two large expense categories and translates to $100,000 in salary and benefits per employee.

Of the 37 new hires a news article reported that 15 of the jobs are mid-level positions and include a manager for the bus rapid transit project that is waiting on federal approval for the bulk of its funding. In the past two fiscal years headcount will have grown by 76 employees if the proposed budget is approved.

Just about every other expense category, with the exception of materials and supplies and provision for injuries and damages, is expected to grow year-over-year. The 6.1 percent increase in expenses will far outpace the growth in unlinked trips.

The last piece of the operating budget is government operating grants. In the preliminary budget the commonwealth is expected to provide $234.3 million in operating assistance. Allegheny County has to provide a 15 percent match for that subsidy, and so $32.3 million generated from alcohol sales and vehicle rentals is budgeted. PAAC's designation as a regional asset grants the final $3 million piece for the state money match. 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.

The capital budget of $58.1 million is much lower than projected in earlier years after the passage of Act 89 of 2013. Similar to the operating budget, the commonwealth is the largest provider of capital dollars for PAAC with $28.7 million of the total. The federal government capital contribution is $23.4 million and Allegheny County will contribute $6 million. The budget is allocated to vehicle replacement ($29.2 million), debt service ($22.1 million) and fixed guideway improvements ($6.8 million).

The lower than projected amount is due to a lawsuit over the use of Turnpike tolls to provide mass transit funding under the state's transportation funding scheme from 2007 (Turnpike tolls for transit is to sunset in 2022). Though plaintiffs lost in federal court the case is now on appeal and it is not clear what will happen with the deferred capital projects ($64 million total) next year.

As we have noted before (*Policy Brief Vol. 18, No. 13 and Vol. 19, No. 6*) PAAC is very expensive compared to peer agencies on bus service, the primary service mode. It was 30 percent higher than a peer group put together by the Auditor General's Office and our previous work found the same in comparisons to Boston, Washington, D.C., Columbus and Buffalo. Even PAAC's 2018 service report shows the authority third highest out of 10 transit agencies on bus cost per passenger. That report cites "comparatively high operator and maintenance wages and benefits, as well as high maintenance costs" as the reasons.

Will the next decade bring action on how to correct them?

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