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Port Authority passengers and finances in the pandemic

Summary: The Port Authority of Allegheny County has been hit hard by the pandemic in terms of ridership and fare collection—both down about 67 percent. However, state and federal funds offset most of the operating losses. This has allowed the Port Authority to maintain employee counts despite falling ridership and service levels.

Ridership plunge

In terms of passengers traveling by bus and light rail, the Port Authority of Allegheny County (PAAC) has had a disastrous experience since the impacts of the coronavirus began to take their toll on the economy and the traveling public. During the eight-month April-through-November 2020 period, average total passenger count fell 64 percent compared to the same months of 2019.

Compared to that same period in 2019, weekday bus passengers were down 67.5 percent while the light rail weekday count plunged 85 percent. Meanwhile, Saturday and Sunday bus rider count declines were smaller than the weekday drops (about 54 percent) but weekend ridership is on average only one third of the weekday total. Still, the smaller drop in weekend bus riders accounts for the overall eight-month drop being slightly less than the decline in the weekday number. For light rail, the weekend losses were almost as large as the decline in weekday ridership.

And there was no sign of a meaningful sustained pickup in passengers over the eight months. November weekday bus ridership was still 67 percent below the year ago reading while the light rail weekday count remained 82 percent behind the 12-month-earlier level. In short, the virus has taken a huge toll on mass transit use in Allegheny County.

Financial impacts

Not surprisingly, passenger revenue has closely tracked the sharp drop in ridership, falling 67 percent over the first four months of fiscal year 2021 (July to October 2020) compared to the same period a year earlier. (October figures are the latest financial data available).

Based on data from the audited financial report for FY 2020, Port Authority had an operating loss of $499.1 million compared to $479.7 million in FY 2019, owing primarily to significant declines in passenger revenue in the March through June period. On the expense side, higher wage costs and depreciation were offset by a large decline in net pension expense from the FY 2019 level that lowered the total operating cost increases to just over a $1 million. Wages and salaries rose briskly by $10.9 million, or 6.7 percent, due to contract-based increases and higher employee counts during the year

FY 2020 non-operating revenue—funds provided entirely by government sources—rose by slightly over $25 million compared to FY 2019. At the same time government capital grants fell by $10 million. All told, PAAC's net position fell by $64 million compared to a $59 million drop in FY 2019. It's not a massive difference as state and federal funds rose to offset most of the FY 2020 operating losses.

More recently, unaudited data from the authority's website show that for the four months July to October (latest posted data), PAAC had a cumulative deficit of operating expense over operating revenue of $119.5 million, up from $96 million for the same four months in 2019.

Thus, the Port Authority was running an average monthly operating deficit of $29.9 million. However, operating subsidies averaging $25.6 million held the net loss to a monthly average of $4.25 million. Note that during the period, the state's general operating grant made up 78 percent of the total operating subsidy. In FY 2019 it accounted for 79 percent. Most of the remaining funds consisted of other state allocations or federal transit fund sources.

Expenses for the July-to-October 2020 period increased compared to the same months a year earlier as wages and salaries rose from $48.4 million to $50.7 million and benefits moved upward from $51.4 million to $52.2 million. Those increases, along with a larger outlay for purchased services, were enough to offset lower expenses for materials and the ACCESS program and resulted in a net increase of $765,000 in outlays. As noted above, passenger revenue fell 67 percent from $30.5 million to $10 million.

Normally, revenue from passengers amounts to roughly a fourth of total PAAC operating revenue and 20 percent of total including capital grants. Taxpayers and turnpike users are covering the remainder. In the July-to-October 2020 period, passenger revenue was down by $20 million and represented only 9 percent of total operating revenue during the four months (capital grants were not posted in the four-month report). The other 91 percent was provided courtesy of government funding.

Clearly, if state and federal subsidies were not so large, or, said another way, if passenger revenue represented a much greater share of total revenue, the massive 67 percent drop in passengers would have been devastating to the authority's financial picture.

Need for employee count and costs adjustment

In March 2020, at the start of the pandemic, the Port Authority announced a 25 percent reduction in service. But there have been no accompanying employee cuts as the increases in wage and salary expenses and benefit expenses during FY 2020 and over the last several months show. In contrast, the Massachusetts Bay Port Authority announced a 25 percent staff reduction in November as passenger demand remains very weak.

Over the last few years, Allegheny Institute *Policy Briefs* have documented the extraordinarily high bus per revenue mile and per revenue hour operating costs at the Port Authority in comparison to transit agencies around the country. The following quote from *Policy Brief* (*Vol.18, No.18*) of May 2018 illustrates the extraordinarily high bus operations costs.

Total operating expenses per revenue hour data for 2016 were gathered from the National Transit Database for 28 transit agencies across the country. Of the 28 only one, New York City at $226, had higher operating cost per revenue hour than PAAC's $189.69. Boston ($185.14) and San Francisco ($186.54) were close to PAAC. The next most expensive were Newark, N.J. at $167.47, Seattle at $159.41 and Southeastern Pennsylvania Transportation Authority (SEPTA) in Philadelphia at $158.40. D.C. Metro was $152.30 and Los Angeles was $153.73.

A detailed comparison of PAAC with 10 comparably sized agencies in Charlotte; Cincinnati; Columbus; Cleveland; Milwaukee; Minneapolis; St. Louis; Atlanta; San Antonio and Salt Lake City was performed.

The comparison study found that PAAC had total bus operating expenses per revenue hour of $189.69 while the 10-agency comparison group averaged $117.42, making PAAC 62 percent more expensive than the 10-system average. Total employee cost per revenue hour at PAAC was $150.08 compared to an average of $89.77 for the 10 systems making PAAC employee costs per hour 67 percent higher than the group average. Fringe benefits for all bus service employees at PAAC was $72.76 and the average for the 10 systems was $36.27 making PAAC's costs per hour 100 percent greater than the group.

In December 2019, *Policy Brief Vol.19, No.43* confirmed with more recent data the findings of the 2018 *Brief*. For the 10 agencies, average total cost per bus revenue mile in 2017 was $9.63 and with PAAC at $14.30. Meanwhile, the total cost per revenue hour average for the sample was $123.69 with PAAC highest at $185.91. In short, PAAC's costs are far above its peers and near the top for all transit agencies in the country, even the large cities with far higher costs of living.

Given ongoing raises at PAAC there is little chance that the authority's very high cost structure relative to other agencies has changed very much or will change appreciably in the future. Thanks to the collective bargaining power the unions possess in having the right to strike, the situation is not likely to improve. Pennsylvania public transit workers are one of only a handful with the right to strike and have used that right to coerce very favorable contract settlements over the years.

Unfortunately for PAAC, the *Policy Brief* of Jan. 13 pointed out that funding for mass transit in Pennsylvania will face a huge problem after FY 2022 when the requirement that the Turnpike Commission contribute $450 million to PennDOT for mass transit and road and bridge work each year will be reduced to $50 million.

The Legislature will need to come up with a major source of funding to replace the Turnpike Commission's contribution, and quickly, or the enormous burden will fall on riders and affected local governments. With Pennsylvania's fuel taxes already among the highest in the country, raising them further is not an option. Nor is extending the requirement for the Turnpike Commission to pay the $450 million per year. The Turnpike Commission's enormous building up of debt in the last several years and the continuously rising tolls simply cannot persist.

Whatever the Legislature comes up with, the egregiously high costs at the Port Authority of Allegheny County must be taken into consideration. Of course, there is the possibility the federal government will be asked to help and will provide the necessary funding if the state is unable to find a solution.

We must conclude with these two questions:

Is it reasonable to continue indefinitely the rationale that very expensive public transit is such an essential service that no employees should ever be laid off even if ridership remains 50 percent—or more—below its pre-pandemic levels for another year or more?

In light of the pains being suffered by many in the private sector as a result of COVID-19, is every municipal government and authority employee in the county so absolutely necessary that none will ever be laid off?

Jake Haulk, Ph.D., President-emeritus

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: AlleghenyInsti1