March 13, 2024 Policy Brief: Volume 24, Number 11

Might PRT be the recipient of more state funding?

Summary: The proposed fiscal year (FY) 2024-25 state budget would increase funding for public transit agencies in Pennsylvania, including Pittsburgh Regional Transit (PRT). This is the wrong approach given PRT's costs relative to peer transit agencies and where ridership stands compared to pre-pandemic numbers.

The boost in funding would come about by shifting a greater share of sales- and use-tax revenue to the special state funds for public transit.

According to the state's Tax Compendium, there are three recurring transfers of sales- and use- tax revenue: the Public Transportation Assistance Fund (PTAF) receives 0.947 percent of total collections; the Public Transportation Trust Fund (PTTF) receives 4.4 percent of total collections along with another 3.28 percent of total collections derived only from motor vehicle collections. The funds also receive revenues from vehicle fees, the Turnpike Commission and the Lottery. The money is then distributed to transit agencies. In FY 2022-23, the sales- and use-tax transfers to PTAF and PTTF totaled $1.34 billion.

The proposed budget would direct an additional 1.75 percent of sales- and use-tax collections to the PTTF, resulting in $283 million in new dollars. A news report estimated that PRT would receive an additional $40 million as a result.

The bulk of state transit operating assistance currently goes to the Southeastern Pennsylvania Transportation Authority (SEPTA) and PRT. The Pennsylvania Department of Transportation's (PennDOT) 2021-22 annual public transportation performance report shows these two agencies received $984.6 million (87 percent) of the $1.1 billion in state transit operating assistance. SEPTA and PRT accounted for 91 percent of all passenger trips, 77 percent of vehicle revenue miles and 79 percent of vehicle revenue hours in the state, with 32 other transit agencies accounting for the remainder of service and funding.

PRT's FY 2023-24 budgets show the impact of state funding. In the $535.4 million operating budget, subsidies total $457.5 million. Of that, $294.6 million (64 percent), comes from the state. When factoring in operating revenue of $77.9 million, which is mostly passenger fares, the state subsidy accounts for 55 percent of total revenues. For the $195.2 million capital budget, PRT counts $138 million (71 percent) from the state.

The share of state funding was a primary reason why the PRT board of directors was reformed in 2013 to add members appointed by state-level leaders. For most of PRT's history, board members were appointed by Allegheny County officials.

It is not much of a surprise to see a push to increase state funding. Transit agencies have been utilizing federal stimulus money granted during the pandemic to offset lower fare revenues and those dollars are dwindling while ridership is still lagging. In PRT's case, by the close of FY 2022-23 it had used $355.9 million (71 percent) of the $502.4 million received from the federal government's COVID aid. With changes to commuting patterns and hybrid work, PRT's January 2024 bus and light-rail ridership were down 43 percent and 53 percent, respectively, compared to pre-pandemic January 2020.

There are also legislative efforts to create more local revenue options for transit in several counties in the state, including taxes on deed transfers and personal income. Since 2008, Allegheny County has levied taxes on alcoholic beverages and vehicle rentals to provide the local match for state subsidies; since 2013 the Regional Asset District has approved an annual grant to complete the local match. Dollars from local matches would have to increase were state assistance to grow.

As noted in *Policy Brief Vol. 24, No. 9*, sales- and use-tax collections in the first six months of FY 2023-24 have slowed and could be flat compared to the previous fiscal year. Could that mean a diversion from another revenue source if collections don't materialize? And what of programs that are funded out of the revenue that will be redirected to transit under the proposal?

The big question is how intently the focus on costs will be in upcoming budget deliberations. PennDOT has plenty of data as transit agencies are subject to performance reviews and have been since 2010 (PRT was reviewed in 2016, had a revision of that report in 2019 and another review in 2022). The Auditor General's Office issued a performance audit of PRT last year. PRT publishes an annual service report which compares its costs against other peer transit agencies around the nation. Previous Institute research has shown repeatedly, year-after-year, that PRT's costs on a revenue-hour basis are higher than most transit agencies across the nation, especially when adjustments are made for cost-of-living differences.

The FY 2022-23 service report notes PRT costs are driven by "an older system with significant legacy costs, significant congestion, long-standing collective bargaining agreements, and the region's unique topography which affects the efficiency of vehicles getting to and from places where it begins service, as well as vehicle maintenance costs." The PRT board and administration cannot alter topography or roads. But personnel, service and fleet are certainly under their purview. State law that allows for transit strikes when there is a bargaining impasse is a policy that significantly hinders the achievement of those necessary changes.

What further evidence do legislators, PRT board members and local officials have to see that PRT needs to get its fiscal house in order with its operating costs? *In Policy Brief Vol. 22, No. 39* the Institute argued that the governing bodies that fund PRT needed to be better stewards of those dollars to force the issue. The state proposal goes in the wrong direction. It is unlikely PRT will be excluded from receiving its share of the money or will have conditions upon its receipt, but that is a measure that should be given serious consideration until PRT's costs come closer in line with peer agencies. If cost-saving measures had been taken long ago expenses would not be where they are now.

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