



### **PRT 2024-25 budget could get additional state funding**

**Summary:** Pittsburgh Regional Transit (PRT) has approved balanced operating and capital budgets for fiscal year (FY) 2024-25. Pennsylvania’s governor has proposed a state budget which would provide additional funding for public transportation. The proposal has already been passed by the House of Representatives. PRT would see state funding increase by about \$40 million a year. However, PRT ridership remains substantially below pre-pandemic levels. Directing more tax dollars to PRT would not be prudent.

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In April and May, PRT’s finance committee discussed the FY 2024-25 budgets. The full PRT board voted to approve the budgets at the end of May. Based on what was presented at the finance committee meetings for the operating budget, the FY 2024-25 total is \$539.3 million. This is a \$3.9 million or 0.7 percent increase over FY 2023-24, when the budget was \$535.4 million.

Although the less than 1 percent increase may seem restrained, this budget increase follows several years of hefty operating expense growth. For FY 2023-24, gross operating expenses increased 11.5 percent, a move that was justified by the forecast of a large upturn in ridership due to the expectation of a rise in in-person activities that had been suppressed by the pandemic. The year prior, in FY 2022-23, the increase in gross operating expenses was 6.8 percent.

The growth in the FY 2024-25 operating budget is due primarily to a \$10.6 million (5.3 percent) increase in wages and salaries, pushing the total to \$209.9 million. Note that PRT’s labor contract with its largest union expires in 2026 and workers will receive a 3 percent raise in January 2025.

Interestingly, pensions and employee benefits are set to decrease in FY 2024-25 to \$170.2 million from \$188.1 million in the previous fiscal year. This represents what a PRT news release termed a “one-year 10% reduction in pension and employee benefit costs” due to actuarial reasons stemming from the 2008 financial crisis.

Combined, wages, salaries, pensions and employee benefits total \$380.1 million, or 70.5 percent of operating expenses. The remaining \$159.2 million is made up of items such as purchased services, ACCESS, utilities and others.

Meanwhile, PRT anticipates operating revenues, primarily ridership fares (\$50 million), to equal \$78.5 million in FY 2024-25. The budgeted operating expenses to operating revenues point to an operating deficit of more than \$460 million. This shortfall will be made up through various separate subsidies from federal, state, local and other sources.

Since these subsidies were insufficient to balance PRT's FY 2024-25 budget, it will use \$78.2 million in deferred state operating assistance from its reserve account to close the budget gap.

Because of the pandemic, the federal government granted PRT \$502.4 million in federal COVID stimulus money to counter lower ridership numbers. Of this, \$463.4 million, or 92 percent, had been invoiced as of May 2024. The remaining \$39.1 million is made up of remaining Coronavirus Response and Relief Supplemental Appropriations Act funds.

The newly approved PRT budget could become still larger as it does not factor in a recent proposal by the governor to expand public transportation funding. This increase would not rely on new taxation. Instead, it would come from a boost in the percentage of revenue being collected through sales and use taxes.

As pointed out in *Policy Brief Vol. 24, No. 11*, "the proposed [state] budget would direct an additional 1.75 percent of sales-and use-tax collections to the [Public Transportation Trust Fund], resulting in \$283 million in new dollars." This \$283 million would be portioned out to public transportation systems across Pennsylvania, including PRT. The already House-approved measure now is being considered by the state Senate.

More than half of this additional funding would be allocated to the Southeastern Pennsylvania Transportation Authority (SEPTA), while about \$40 million would be directed toward PRT. If the proposal is passed by the General Assembly, PRT has indicated in a press release that it would amend the FY 2024-25 budget to factor in and account for the additional funding.

Although PRT is increasing its budget again for the next fiscal year with or without the new state dollars, ridership counts are still well below the readings prior to the lockdowns and pandemic of 2020. This can be seen by comparing the ridership numbers from May 2024 with the numbers from the same month in 2019.

### PRT May Bus and Light-Rail Ridership Comparison 2019 to 2024

Mode/Day	2019	2024	% Difference, 2019 vs. 2024
Bus, Avg. Weekday	184,687	104,175	-43.6%
LRT, Avg. Weekday	26,513	10,711	-59.6%
Bus, Avg. Saturday	88,415	57,252	-35.2%
LRT, Avg. Saturday	12,163	6,732	-44.7%
Bus, Avg. Sunday	56,065	41,959	-25.2%
LRT, Avg. Sunday	6,630	4,606	-30.5%

The above table shows that the huge decrease in ridership caused by the coronavirus pandemic is still far below levels posted from before the pandemic. On average, ridership remains well under pre-pandemic levels for all modes of public transportation and on all days. These shortfalls include average weekday bus ridership, which has by far the most riders as a percentage of total ridership and, therefore, raises the most fare revenue.

The ridership rebound following the pandemic seems to have begun to stagnate. By examining weekday bus ridership for each May since 2021, it can be seen that initially strong year-over-year gains were reported, with ridership increasing 42.3 percent from May 2021 to May 2022. Increases then slowed dramatically. May 2022 versus May 2023 only saw a 10.2 percent increase in ridership. Surveying the most recent data, ridership appears to have possibly peaked, with May 2024 seeing a 4.4 percent decrease compared to May 2023.

As the Allegheny Institute has pointed out in multiple previous *Policy Briefs*, PRT has been remarkably inefficient in the use of public dollars in comparison to transit agencies in other cities. Despite ridership numbers being critically low after the pandemic and not yet close to full recovery, PRT has continued to increase its operating expenses every year to levels larger than ever, leading to still more inefficiency and more poorly spent tax dollars.

The county executive recently appointed four new individuals to PRT's 11-person board. Two of these appointments are effective immediately while two will have to be confirmed by County Council. In *Policy Brief Vol.23, No. 25*, the Institute advocated for the appointment of "no-nonsense board members that will push for changes to future labor contracts, service levels, fares, and fleet that realistically align with ridership and with the taxes paid by county taxpayers." The hope is that the new board appointees heed this advice.

Instead of seeking ways to expand the budget, PRT should be examining ways to reduce its spending and its need for subsidies, dramatically lowering the burden on the taxpayers who are shouldering more and more of the cost of maintaining the system. PRT should eliminate routes with unsustainably low ridership and look to shift vehicles to smaller, more fuel-efficient and cheaper options.

If these changes are not pursued, the same problems of rising costs will persist. And taxpayers will have to continue bailing out their overly expensive public transportation system.

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