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Is PAT a Burden on Taxpayers?

In a remarkably inept attempt to invalidate the State Senate Pro Tempore's assertion that the Port Authority of Allegheny County (PAT) has been a long-time burden on taxpayers, an editorial writer says the Senator's claim is a flawed premise and misses the significant role mass transit plays in a region like Pittsburgh.

Clearly, anyone who takes the time to think about the editorial writer's comment can see the faulty logic of the attempted refutation. The Senator's comment neither explicitly nor implicitly claims that mass transit has played no role, important or otherwise, in the region. If he believed that he would more likely be pushing to eliminate state subsidies altogether as opposed to wanting to reform PAT to make it more cost effective and efficient. Note that state operating assistance and grants provided a combined $205 million (55%) of PAT's total revenue in FY13, while farebox revenues accounted for $84 million, or 23 percent, of total revenue.

But the larger issue is whether the Senator was right about PAT being a burden on taxpayers. There are a number of ways to look at the burden issue. For example, are PAT's costs in line with benefits it produces for the county, region and state? Or, are PAT's costs in line with other comparable transit agencies around the country?

Well, let's go back a ways to assess the Senator's claim that PAT has been long-time burden on taxpayers. In November 2006, Governor Rendell's Commission on Transportation Funding and Reform issued a report containing the following findings (among others) regarding PAT.

- *Needs to focus on financial performance indicators to better align service needs and effectiveness*. The Commission wanted PAT to meet industry best practices.
- *Has the highest wage rates in the country adjusted for cost of living*. At the time of the report PAT wage rates averaged $20.50, 40 percent higher than the average of 60 transit agencies studied by the Commission.
- *Is challenged by high labor, health care and pension costs for current and retired employees*. From 1999 through 2005 these line items grew at an annual rate of close to 14 percent.

- *Focused effort on fixed guideway development and service expansion rather than basic asset replacement maintenance.* The Commission said that PAT was going after new starts and expansions instead of focusing on existing needs.

So where is the agency now? The National Transit Database's profile of the largest 50 public transit agencies in the U.S. showed that in 2011 PAT provided 54 million annual unlinked bus trips over a service area of 775 square miles with a per passenger expense of $5.31. If one looks at agencies in the top 50 that ran the same range of bus trips (44 million to 64 million) which covered areas such as Atlanta, Milwaukee, San Antonio, and Houston only Houston came within $1 of the expense by PAT ($4.95 per bus trip). If one looks at agencies covering a similar service area (570 square miles to 868 square miles) which included Portland, Philadelphia, Minneapolis, San Diego, and Dallas, all with the exception of Dallas ($6.40 per bus passenger trip) had costs below PAT.

For 2009 (the latest data available) the American Public Transportation Association examined transit wages and average bus operator wages. In FTA region 3 (PA, WV, DE, DC, MD, and VA) the average agency wage was $17.12: the average PAT wage was $24.25, which was the highest of all transit agencies in region 3. Adjusted for cost of living, the 2009 average PAT bus operator wage was higher than those of Atlanta, Chicago, Cleveland, and Milwaukee. Bear in mind that drivers at other regional transit agencies in southwestern Pennsylvania earn $8 less per hour and have nowhere near the benefit package PAT drivers have.

PAT's net expenditures for pension, active healthcare, and retiree healthcare stands at $103.3 million in FY2013, 6 percent above the audited 2010 amount of $97 million. Contract after contract has made changes to fringe benefits as new hires (depending on bargaining unit) come under defined contribution pensions or have age and service requirements to make them eligible for retiree health care. With a long-term liability of $890 million on retiree health care those are changes that have to be made. As a percentage of PAT's covered payroll, the unfunded liability stood at 559 percent as of 2012. By way of comparison, the larger SEPTA system's unfunded liability to payroll percentage was 299 percent in 2009.

Bear in mind too that the concerns about excessive spending on guideways expressed in the Governor's report predated the $520 million North Shore Connector project. This project required tens of millions of state and local tax dollars as well as the diversion of millions of Federal dollars that could have been used for other traffic improvement projects in the region.

Over and above the state's generous annual allocations to PAT for operations and capital expenditures, enormous sums of highway money have been "flexed" by Governors and the SPC to fill budget holes at PAT. In 2005 alone, PAT received over $140 million to plug budget holes. Another $47 million was flexed in 2011-12 to avoid shortfalls.
Much of this comes down to the issue of contract bargaining that was tilted heavily in the unions favor by their right to strike. "Transit strike" are the two most frightening words transit managers and riders can hear. Because of the threat of strikes, PAT boards have

not been able or willing to stand up to union demands, no matter how outrageous or threatening to the Authority's long term financial viability.

The right to strike is granted by the state, which therefore bears some responsibility for the excessive cost structure at PAT and the resulting need for the state to heavily subsidize its operations. But that does not obviate the Senator's point. Because PAT's cost are so high compared to similar sized agencies and because the state's subsidy keeps expanding in the face of relatively stagnant paying riders, there can be little doubt that PAT is a burden on taxpayers. That situation must be corrected. And substantial corrective reforms ought to and must receive broad support from taxpayers and businesses if the burden is ever going to be reduced.

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