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HOUSE OF REPRESENTATIVES
COMMONWEALTH of PENNSYLVANIA

House Majority Policy Committee Hearing

Public Transit Funding

Tuesday, February 20, 2024 @ 11 a.m.

Representative Ben Waxman

11:00 a.m.	Welcome and member introductions

PANEL ONE

11:05 a.m.	Leslie Richards, CEO & General Manager *Southeastern Pennsylvania Transportation Authority (SEPTA)* *Q & A with Legislators*

PANEL TWO

11:30 a.m.	Ariella Maron, Executive Director *Delaware Valley Regional Planning Commission* *Q & A with Legislators*

PANEL THREE

11:45 a.m.	Connor Descheemaker, Coalition Manager *Transit Forward Philadelphia* *Q & A with Legislators*

Testimony

of

Leslie S. Richards
Chief Executive Officer and General Manager

Southeastern Pennsylvania Transportation Authority

Pennsylvania House of Representatives
Democratic Policy Committee

Hearing on the Current State of Public Transit Funding in Pennsylvania and Thoughts on Changes Needed at the State Level

February 20, 2024

Good morning, Chair Bizzarro and Vice Chair Isaacson and members of the House Democratic Policy Committee. Thank you for holding today's hearing and inviting me to provide testimony. This hearing comes at a critical time for public transportation statewide, and I am pleased to join Ariella Maron, Executive Director of the Delaware Valley Regional Planning Commission (DVRPC), and the other panelists to discuss the current state of public transit funding in Pennsylvania and thoughts on changes needed at the state level, including local funding options legislation – House Bill 902.

The past four years have been extremely challenging for SEPTA, our customers and the region. However, opportunities are born from challenges, and I am truly proud of how every SEPTA employee has risen to the occasion. Our ridership may have declined coming out of the pandemic, but our service has never been more critical to our customers. Following a clean and safe roadmap, we are moving forward with initiatives to improve operations and enhance the customer experience. And in 2026, the eyes of the World will be on Philadelphia for the nation's 250th birthday, a half-dozen FIFA World Cup matches, and MLB All Star Game, among other major events, and SEPTA will be integral to their success. This is a turning point for SEPTA and the communities we serve, and I look forward to discussing how new funding solutions will help deliver the transit system our region and the Commonwealth deserve.

Every transit system in the nation faces fiscal challenges as federal COVID relief funds, which have sustained budgets and service for the last four years, will be exhausted before ridership fully recovers. The impact of the pandemic on Pennsylvania's public transportation agencies has been as varied as the regions they serve. Each agency's timeline is different. As we have warned, SEPTA – which has historically relied on farebox revenue for a large portion of its operating budget – faces a $240 million annual budget gap with our forthcoming fiscal year starting July 1. Other agencies will follow with deficits of different degrees of severity, but the remedies will all be similar, unsustainable service reductions and fare increases that will limit individual mobility and Pennsylvania's economic growth.

Funding challenges are not new for public transportation or for SEPTA. However, each time the General Assembly has taken action to preserve and support public transportation for their constituents, transit agencies have responded in ways that transformed mobility for the better for millions of Pennsylvanians. Following the passage of Act 44 in 2007, which provided dedicated and predictable operating funding, SEPTA experienced an unparalleled decade of sustained ridership growth. And with dedicated, sustainable, and now bondable capital funds following the passage of Act 89 in 2013, SEPTA has executed a decade of investment that has cut into and slowed the growth of its infrastructure state of good repair backlog, helping to preserve service for a new generation of riders.

Now, after 22 consecutive years of balanced budgets, SEPTA is facing a fiscal crossroads coming out of the pandemic, and funding solutions are needed for SEPTA to be able to realize the vision of a transit system we all want, and that the region deserves.

Two weeks ago, not far from this hearing room, Governor Shapiro presented his 2024-25 budget address and unveiled a vision for a Commonwealth that is future ready and committed to creating more opportunity. We are very encouraged and grateful that the Governor's budget includes critical funding for transit agencies statewide and affirms the importance of public transportation to the Commonwealth and the millions of Pennsylvanians who rely on the safe, affordable and reliable mobility it provides.

Governor Shapiro has been proactively engaged with SEPTA and our partners for months, constructing a strong transit funding proposal that would deliver additional transit operating assistance for the first time in over a decade. Governor Shapiro's proposal would increase the state share of transit operating funding, which has not been changed since 2007, by 1.75%. Without raising taxes, this proposal would generate an additional $282.8 million per year, and $1.5 billion over five years, for transit agencies statewide. This funding, coupled with continued county assistance and SEPTA's efficient and responsible budgeting practices, will fill the gap created by pandemic-induced ridership losses for six years.

The Governor's budget reflects a recognition of how critical transit is for the Commonwealth of Pennsylvania, but it also reflects the important work this Committee and the Majority Caucus did to build support for transit operating assistance in last year's budget. Southeastern Pennsylvania is fortunate to be so well represented in House Leadership and the Committees charged with funding public transportation, and I want to take a moment to thank Speaker McClinton, Leader Bradford, Chairmen Harris and Neilson, and our regional Caucus Chairs Cephas and O'Mara for making transit a priority. Your collective efforts – culminating in House passage of House Bill 1219 last fall – set the stage for Governor Shapiro's budget and the critical work ahead. While inclusion in the state budget is an important milestone in the budget process, we know final passage will be hard-earned, and I look forward to working with you this year to make this critical funding a reality.

During this challenging time, SEPTA is doing everything we can to preserve service and all the benefits it conveys to residents of southeastern Pennsylvania and across the Commonwealth. We have maximized our federal COVID relief funds to invest in our customers. Targeted investments in "clean and safe" improvements will improve the customer experience throughout the system, and innovative fare products are allowing customers to travel more conveniently and for less.

SEPTA has increased safety and security spending by more than 60% since 2021. New Transit Police contracts have increased wages significantly to support hiring and retention, and we anticipate reaching 100% of our budgeted headcount when the current class of recruits graduates from the police academy this June. More officers being deployed more strategically, and a new Virtual Patrol Unit that is extending the reach and effectiveness of our network of 30,000 cameras, are producing important improvements, and Part 1 crimes are trending down across the system.

We are performing a top-to-bottom restructuring of our cleaning operation. Hundreds of additional cleaners have been hired and new strategies will allow crews to respond rapidly to address hot spots and customer complaints. We have also budgeted for and initiated the procurement process to buy “vacuum trains” to more effectively clean debris from track areas along each rail line.

While SEPTA has historically implemented modest and balanced fare increases every three years to keep pace with inflation and minimize the impact to our customers, we have not had a fare increase since 2017, acknowledging the impact of the pandemic on our customers. Instead, we have added a number of new fare options to make SEPTA more affordable for working families and caregivers, including:

- Two free transfers
- Children under 12 ride free
- The addition of 24 Philadelphia Regional Rail stations that are now accessible with the more affordable TransPass

Additionally, SEPTA has invested heavily in our highly successful SEPTA Key Advantage program. More than fifty employers, including Penn Medicine, Drexel University, Wawa, and the City of Philadelphia, are participating in the program with 70,000 employees receiving employer-supported transit fares. Employers have a value-added benefit to recruit and retain employees while SEPTA can cultivate new customers and grow ridership. That major employers are attaching their brand to SEPTA in such a prominent way, is a testament to transit’s enduring value in southeastern Pennsylvania.

By all measures – but particularly compared to peer agencies – SEPTA is incredibly lean and nimble. We have been able to balance our budget by keeping annual operating expense growth and administrative overhead costs in check, and we have been careful to monitor and adjust service levels based on evolving demand – reducing costs while still serving the region. Meanwhile, SEPTA’s employee-driven
Efficiency & Accountability Program has become a leading model for public sector transformation, cutting costs and creating value across the organization. Initiated in 2022, the program has already realized $38 million in annual recurring benefits, with a target of achieving $100 million per year by the end of 2024.

While initiatives like Key Advantage and the Efficiency & Accountability program have lessened the size of the budget gap, they cannot solve SEPTA’s looming fiscal cliff. Without the approval of Governor Shapiro’s budget proposal, we will have no choice but to cut service by 20% and raise fares by 31% to address the budget deficit and balance our budget as required. Changes of this magnitude are virtually irreversible once set into motion. Once cut, restoring staffing levels, fleet sizes, and service patterns would take years.

The funding in the Governor’s 2024-25 budget proposal, and the provisions you fought so hard for in the 2023-24 budget, are vital for SEPTA’s immediate viability and the southeast region’s long-term economic competitiveness. Much of the public discussions about the fiscal cliff have focused on what will happen if a funding solution is not found and SEPTA must implement draconian service cuts and fare increases. The impact on our customers would be devastating and long-lasting. Jobs would be put out of reach, parents and caregivers would face increased care cost and time pressures, and people would be more isolated from each other. SEPTA service would be dismantling just as the region is preparing to welcome the world for the major international events scheduled for 2026. Data indicate that the transit "death spiral" triggered by these cuts would cost the region and Commonwealth a net 56,000 jobs and $500 million in tax revenue, among other consequences.

Those are critical conversations, but they are not the only conversation, and I want to take a moment to discuss what the funding stability offered by the Governor's budget means to SEPTA, and what we plan to do with it. The proposed additional annual state funding is a lifeline that, along with operational efficiencies and increased local contributions, will allow SEPTA to maintain current budget levels and it also provides much needed stability and certainty to plan and implement service for our customers. The funding is projected to last six years, Stability that will provide residents with the certainty they need to make decisions about where to live and work, and for businesses that are increasingly bringing their employees back to the office in greater numbers. It also allows SEPTA to stay on track with the customer-focused initiatives referenced earlier and move forward on planned safety, cleaning and service initiatives that must be done to attract more riders and create a safe and welcoming environment for our customers and employees. Specifically, the Governor's proposed budget would allow SEPTA to:

- Fund departmental and process overhauls for cleaning and system safety, and the new management positions that will be responsible for directing them
- Complete rollout of wayfinding upgrades and new electronic and static signage to make travel easier and more intuitive
- Fully implement its comprehensive bus network redesign, which will deliver a more frequent, reliable and intuitive bus network to retain and grow ridership and help our region achieve its mobility, economic and sustainability goals
- Fund Regional Rail service enhancements that will increase service across the 13-line commuter rail network to nearly 90% of pre-COVID service
- Support the national and international celebrations planned for the region in 2026. SEPTA is an integral partner with the City and various event organizers who are all counting on SEPTA to carry out a number of service enhancements to make Greater Philadelphia shine on the world stage.
- Ensure that major economic development projects in the City of Philadelphia – including Schuylkill Yards, the Navy Yard, and Bellwether District, that have sited projects specifically due to their proximity to SEPTA service – can rely on SEPTA to serve their residents, tenants and customers

While funding challenges are not new to SEPTA, the intersection of an operating fiscal cliff and chronic underinvestment in the infrastructure that supports SEPTA's operations, and underpins the region's mobility, is unprecedented. The pandemic-induced fiscal cliff is an existential crisis that puts at risk all that SEPTA provides and all that the future will demand. Simultaneously, our capital challenges represent a crisis of vision and a future unfulfilled.

Act 89 was milestone legislation for the Pennsylvania, and the investment it generated has given SEPTA a future by funding core infrastructure rehabilitation and replacement projects. However, Act 89 was never intended to fund system expansion or capacity enhancement projects that must be a part of SEPTA's long-term plan to serve the region. It was always understood that additional resources, above and beyond what Act 89 provided, would be needed to pursue bold infrastructure investments.

As SEPTA has navigated the fiscal cliff to maintain operations, we have also not lost sight of our need to continue to address our infrastructure state of good repair backlog, replace aging and underperforming rail vehicles, make our stations accessible, and advance projects of regional significance – Trolley Modernization, Reimagining Regional Rail and rail vehicle replacements – that are needed to make Pennsylvania more competitive in the future.

SEPTA's recent experience, as well as the structure of federal grant programs created to support major capital investments, has highlighted gaps in the way that transit and transportation capital projects are funded in Pennsylvania. To meet the growing needs of the southeast region and continue to support the statewide economy, additional tools to fund transportation investment and projects of significance. I have testified before numerous state panels about this vital need, and we have worked for years with the leadership of the five counties served by SEPTA to urge legislative approval of enabling legislation for interested counties to invest in transportation infrastructure projects that drive local priorities. I want to thank Representative Ben Waxman and Representative Hohenstein for weighing these needs and introducing legislation – House Bill 902 and House Bill 1307, respectively – that would provide a menu of options for counties to invest where they see needs.

Local funding options legislation does not constitute a mandate, but it creates opportunities for the region to raise local matching dollars to be more competitive in the federal grant process. While the federal Infrastructure Investment and Jobs Act (IIJA) – the Bipartisan Infrastructure Law – has made record funding available to support investment across all infrastructure classes, new matching funds are required. In Washington, Chicago and Atlanta, local and regional funding has helped those regions win large federal competitive grants to advance projects of local and regional significance. With new infrastructure funding options, Pennsylvania counties would be better positioned to compete for and secure once-in-a-generation federal investment to preserve and expand mass transit, upgrade highways, repair bridges and complete other transportation projects including trail networks.

The dense and congested southeast region has no shortage of transit and transportation priorities that can help people and goods more efficiently. Without action by the General Assembly to give Pennsylvania counties more options to fund their transportation projects, and compete for competitive grant funding, these projects will be unable to advance, and

Pennsylvania is potentially leaving hundreds of millions of federal dollars on the table for other regions to claim.

Underinvestment in Pennsylvania transit infrastructure is the equivalent of receiving a walker when a total hip replacement is needed. With Act 89, SEPTA has made important progress on hard infrastructure reconstruction to keep the current system functioning safely, but the accelerating age of our assets and the impact of inflation that has hit the industry particularly hard has seen SEPTA's state of good repair backlog grow to $5.1 billion. At the same time, regional projects of significance, such as Trolley Modernization, station accessibility upgrades, critical rail vehicle replacements and SEPTA's transition to a zero-emission bus fleet are budgeted but not fully funded in a 12-year capital program that is already oversubscribed.

Under our strategic plan, SEPTA Forward, we have developed a vision for a modern transit system that provides better service to more people. We are making important progress on the redesign of our bus network and improved wayfinding and signage. But it is a partially funded vision that will prevent future-defining projects like the transformation of our trolley network, a bold plan for how our Regional Rail network operates and connects with our other services, and modernized Metro stations across the network from being fully realized.

But imagine for a moment that SEPTA was funded like its peers. Imagine that our state and region were spending 52% - 186% more per capita on transit annually like our peers in Boston, Washington, DC and New York. Or like Seattle, which is spending over $50 billion to build a system that is one quarter of the size of SEPTA.

What vision of service for our customers and the region would we be able to provide? Let me tell you:

- Every station could look like the gleaming new Drexel at 30th Street Station which will open in April and serve not just as a gateway to the SEPTA system but the front door to the transformative development currently underway in Schuylkill Yards.
- Trains to the Airport every 15 minutes and Regional Rail Service that would operate more like our Metro system with so much frequency customers could show up to the station without looking at a schedule.
- New subway and Regional Rail cars crisscrossing our region

The legislative approaches offered by Representatives Waxman and Hohenstein would create a pathway for transit infrastructure investment in Pennsylvania and the southeast region to begin to approach that of our competitor regions, and to answer the Governor's call to meet this moment with additional local support. I urge the General Assembly to pass this important legislation as part of this year's budget to make the aspirational possible.

As you work to develop a budget that establishes the Commonwealth's near-term priorities and provides a down-payment on the future, investments in transit yield outsized dividends. Each of

Pennsylvania's 67 counties is served by some form of public transportation, connecting workers to jobs, students to education, and seniors to supportive services and their surrounding communities. Every trip on public transportation adds to the economy, makes transportation safer and more affordable, relieves congestion, and moves Pennsylvania closer to achieving its sustainability and carbon reduction goals. In short, public transportation is Pennsylvania's engine of opportunity.

In southeastern Pennsylvania, SEPTA service is the backbone of a region that produces 41% of the state's entire economy, with just 32% of its population on just five% of its land. This level of economic productivity and density is only possible with a robust, efficient mass transit network to move people throughout the region. SEPTA provides over 700,000 trips everyday – ridership levels equivalent to seven sold-out Beaver Stadiums. For SEPTA customers and the communities we serve – particularly in Philadelphia, the nation's poorest large city – these trips have a profound impact on people's lives and can be the difference between securing employment and accessing healthcare – or not. For cities and towns across Pennsylvania, SEPTA is an economic driver in its own right with the Authority procuring more than $230 million in goods and services each year from Pennsylvania companies from more than 40 counties.

Thank you for the opportunity to testify before the Policy Committee today to discuss the current state of public transit funding in Pennsylvania and what state-level changes will help improve mobility in the Commonwealth and prepare Pennsylvania to be even more competitive nationally and internationally. I look forward to answering your questions and working with all of you to ensure public transportation remains a priority in this year's budget.

The Case for Investment

SEPTA

Transit is at a Crossroads:
New Investment is Needed to Secure the Region's Future

As people and commerce return in growing numbers to Center City and business districts across the region, Greater Philadelphia is preparing to take its place on the world stage again in 2026, hosting six FIFA World Cup matches, the MLB All-Star Game, the PGA Championship, and the nation's 250th birthday celebrations.

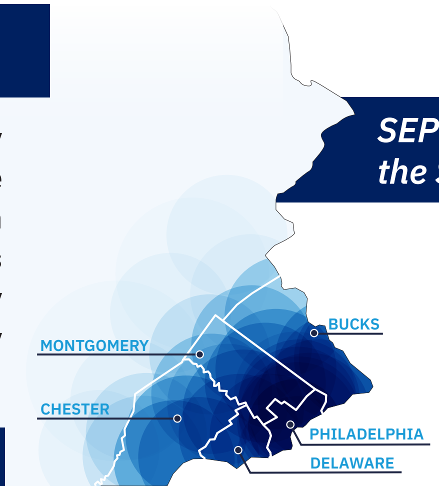
This historic confluence of events – and the safe, clean, and green initiatives needed to sustain the Commonwealth into the future – require a strong and growing SEPTA system. Funding decisions made this year will determine if SEPTA is a transit system that is funded like its peers – delivering all the service this region deserves and preparing southeastern Pennsylvania to compete in the global economy.

- 9,000 EMPLOYEES
- 6TH LARGEST MASS TRANSIT SYSTEM IN U.S.
- 285 SUBWAY & RAIL STATIONS
- 2,800 VEHICLES
- $1.69 B OPERATING BUDGET
- 13,000 BUS & TROLLEY STOPS
- 700,000+ DAILY TRIPS
- $977 M CAPITAL BUDGET
- 150 ROUTES

SEPTA Strengthens the Region

Southeastern PA is the Commonwealth's key economic engine. The five counties generate **41%** of the state's economic activity with **32%** of its population on **5%** of its land. This degree of economic productivity and density is not possible without transit to efficiently move people throughout the region.

4.2 million residents in SEPTA'S service area (2021)



SEPTA and Southeastern PA Drive the Statewide Economy

- 41% CORPORATION TAX
- 40% INCOME TAX
- 36% SALES TAX
- 40% ESTATE & REALTY TRANSFER TAX

SEPTA'S STATEWIDE IMPACT
$2.17 B ANNUAL DIRECT IMPACT
$4.09 B TOTAL ANNUAL ECONOMIC IMPACT
26,600 TOTAL JOBS

Maximizing Resources to Invest in the Future

SEPTA has charted a series of **critical investments** that will attract riders and businesses to our region. By replacing aging railcars and trolleys, redesigning our bus network, and enhanced wayfinding, SEPTA is embarking on generational change to improve reliability and the rider experience for the way people live, work and travel.

SEPTA's Key Advantage is building ridership and adding new partners every day. More than fifty employers, including Penn Medicine, Drexel University, Wawa, and the City of Philadelphia, are demonstrating their commitment to SEPTA and their employees by providing this value-added benefit.

SEPTA's systemwide **Efficiency & Accountability Program** – with a target of $100 million per year in annual recurring benefits – has become a leading model for public sector transformation.

The Case for Investment

SEPTA

A Solution for Transit's Fiscal Cliff

SEPTA's ability to meet the needs of the region is at risk. Federal pandemic aid will be exhausted this April, creating a $240 million annual operating budget deficit. In response, Governor Shapiro is calling for additional annual recurring state funding, which, along with operational efficiencies and increased local contributions, will provide SEPTA with fiscal stability to continue making critical investments.

Similar to legislation passed by the Pennsylvania House in 2023, the Governor's proposal would do this without raising taxes by allocating additional state sales tax revenues for public transit.

Why Invest in Transit?

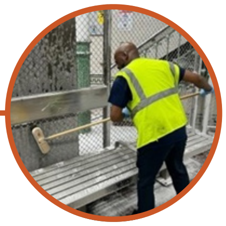
- Public transportation offers freedom and opportunity to millions of Pennsylvania workers, students and seniors.
- SEPTA alone invests more than $230 million each year in Pennsylvania companies and jobs, driving sustainable, inclusive, economic growth across the state.
- Without legislative action now on New State Funding...fare increases and service cuts will be necessary.
- Increased Local Contributions will secure additional state investment and New Funding Options will unlock federal grants that can fund up to one half of local project costs.

SEPTA is making targeted investments in "clean and safe" improvements, which will improve the customer experience throughout the system.

SEPTA has increased safety and security spending by more than 60 percent since 2021, with dozens of additional police officers patrolling the system. Part 1 crimes are now down across the board, and a pilot for taller fare gates is being developed to further SEPTA's safety and security efforts.

A top-to-bottom restructuring of SEPTA's cleaning operation is underway. Hundreds of additional cleaners have been hired and being strategically deployed to address hot spots and customer complaints. Procurement of new "vacuum trains" has been included in this year's budget. This new equipment will allow SEPTA to more effectively clean debris from track areas along each rail line.

Call to Action on Top Priorities



Join lawmakers, stakeholders and advocates to build support for an increase in state funding for SEPTA and public transportation to preserve safe, affordable, reliable transit service across the state

Urge support for new local investment and passage of HB 902/1307, state legislation to provide options to county governments to generate revenues locally and invest in projects that drive local priorities

SEPTA

House Democratic Policy Committee Hearing

February 20, 2024

Governor's 2025 Budget Prioritizes Investment in Public Transportation

*Legislative Action is Needed **Now** to Enact Funding Solutions to Secure Transit's Future*

Governor's FY25 Budget proposes increase to allocation of state sales tax receipts to public transportation agencies statewide to meet immediate and future needs (unchanged since 2007)

- Adds an additional $282.2 million to the Public Transportation Trust Fund, totaling $1.5 billion over the next 5 years
- **Not a tax increase**
- Benefits transit systems across the state

House Democrats passed 2% increase in December 2023. Stalled in Senate

With increased allocation, local match, additional belt-tightening and other fiscal measures, SEPTA can:

- Close $240 million funding gap
- Stabilize operating budget through 2030
- Direct funds to safety, security and cleaning
- Avoid fare increases and service cuts
- Support the celebrations planned for 2026

Lawmakers elsewhere are earning praise for efforts to save transit

San Francisco Examiner

Bay Area agencies praise state budget's $5.1B transit relief

OPINION DAILY NEWS

A better deal for transit riders: Gov. Hochul and the Legislature invest money for more frequent subway service

Patch

Gov. Healey Signs MA $56 Billion Fiscal 2024 Budget

... over $200 million for the MBTA. One MBTA initiative funded in the budget is means-tested fares — a discount program for riders earning way below the federal poverty level.

SEPTA and Southeastern PA Drive the Statewide Economy

SEPTA is the size of CVS & Aramark, supporting jobs and communities across the state

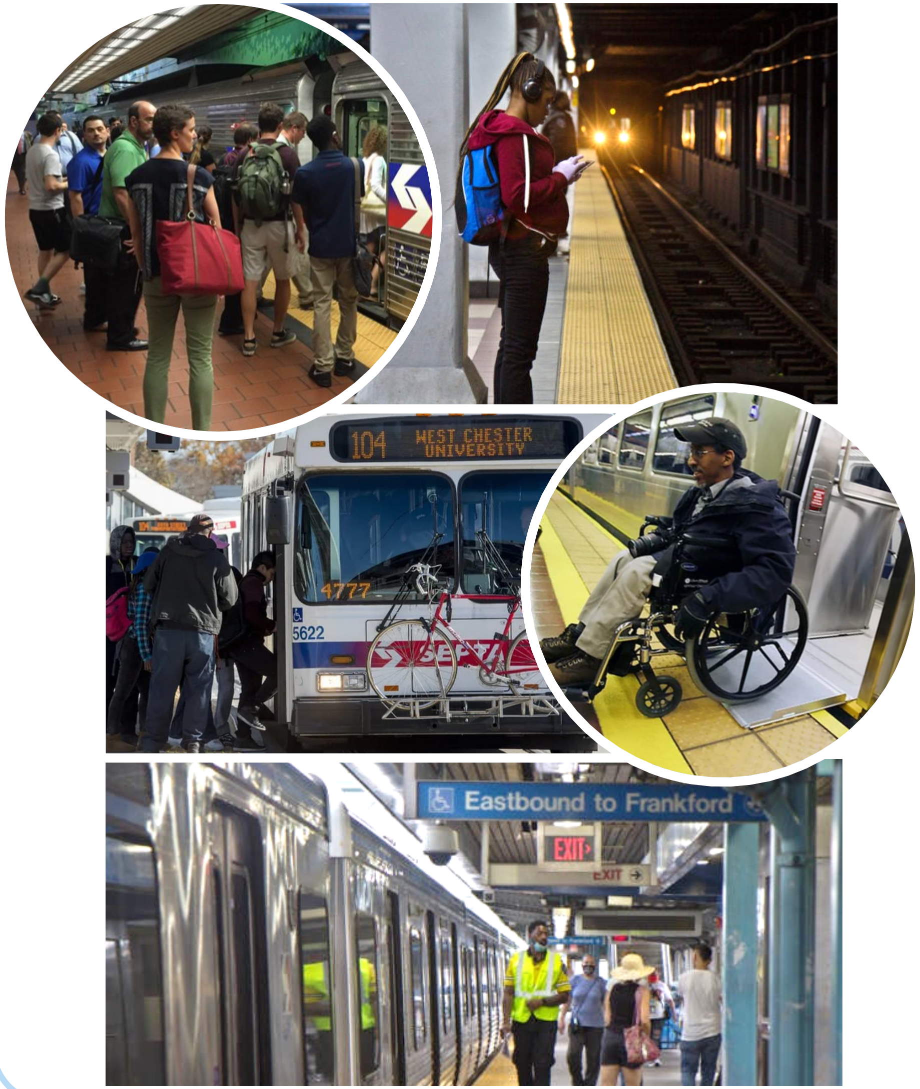
- **THE FIVE SOUTHEAST COUNTIES GENERATE 41% OF THE STATE'S ECONOMIC ACTIVITY WITH 32% OF ITS POPULATION ON 5% OF ITS LAND**. This degree of economic productivity and density is not possible without transit to efficiently move people throughout the region.

- **From 2018-2022, SEPTA issued over $1.15 BILLION in contracts to PA companies in 41 different counties, an average annual investment of $231 MILLION PER YEAR.**

Developers in our region are banking on transit with little to no parking planned.

Investing in SEPTA Supports Pennsylvania's Priorities

Safe, Reliable & Affordable Transit Links Communities and Connects People to Opportunity



SEPTA Ridership is averaging over 700,000 unlinked passenger trips

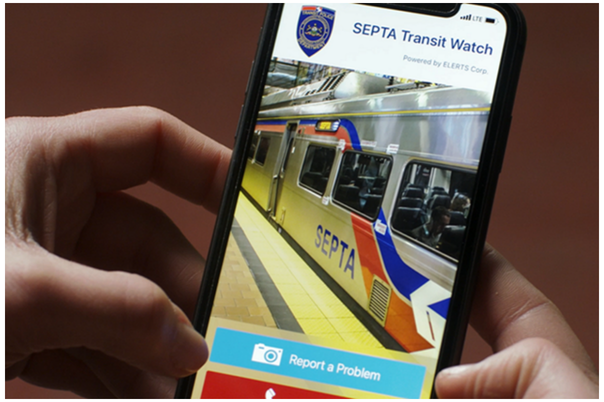
- System-wide ridership in January 2024 was 65% of pre-COVID January 2019 ridership

SEPTA Key Advantage

- Region's employers are joining Key Advantage as a value-added benefit to recruit and retain employees
- Over 70,000 eligible employees and students across 50+ institutions such as the City of Philadelphia, Penn Medicine, Wawa, Drexel University, and FMC
- New University Pass launched in 2023
- City of Philadelphia Zero Fare Program

Investing in SEPTA Supports Pennsylvania's Priorities

A Safe and Secure System for our Customers and Employees


SEPTA has increased safety and security budget 60% since 2021

- With significant wage increases and new 3-year contract, SEPTA transit police force now at 100% of budgeted headcount. Nearly 200 officers are deployed across the system
- Recruited 70 new police officers in 2023, await 14 new Police Academy graduates in June

Q4 Part 1 Crime fell to lowest levels in 2023 – 10% decrease from Q3

- New Virtual Patrol Center maximizes reach and effectiveness of 30,000 station and vehicle cameras
- Strategic deployment of officers in stations and vehicles is helping to reduce crime and respond to destination-less riders and code of conduct violators
- Taller fare gate pilot program underway to improve security
- SEPTA Transit Watch App use grew in Q4 – 53% increase in reports – with Transit Police, outreach workers and cleaning teams responding

Award-winning SCOPE Program – Safety, Cleaning, Ownership, Partnership, Engagement – developing partnerships and coordinating response to vulnerable populations

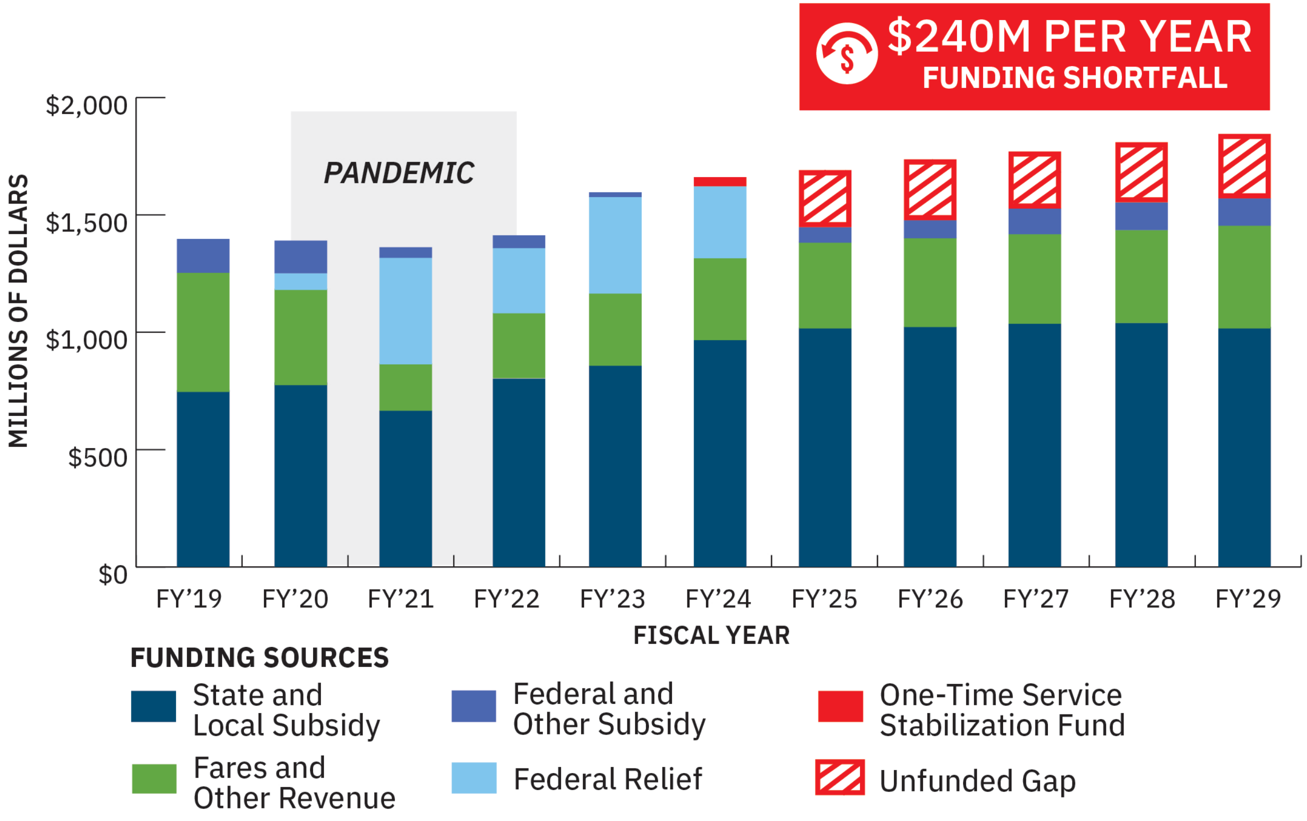
700+ Cleaners, Maintenance Custodians and Supervisors deployed across the system

- Restructuring cleaning operation with hundreds of new hires
- Strategic deployment to address hot spots and customer complaints
- Regular weekend station washdowns and new equipment purchases in process

A Fiscal Cliff Looms…

Without Legislative Action on New State Funding - Fare Increases, Service Cuts & Job Reductions will be needed

OPERATING FUNDING GAP OUTCOME OF PANDEMIC RELIEF EXHAUSTION, HISTORIC INFLATION, AND DECREASED RIDERSHIP



Federal COVID relief funds will be exhausted in April 2024, before ridership and farebox revenues fully return.

SEPTA will face a recurring deficit of $240 million per year starting July 1, 2024 - FY 25.

Funding shortfall could require a fare increase up to 31% and service reductions as high as 20%

- Cash fares increase to $3.00 per ride
- TransPass increases to $120.00 monthly
- Return to COVID-era "Essential" service levels

SEPTA's Efficiency and Accountability Program realized $38.2 million in annual savings in 2022 and is expected to grow to $102 million by 2024.

Balanced budget for 22 consecutive years and below average expense growth and overhead costs compared to peers.

With legislative approval of the Governor's plan to increase transit funding plus local match, additional belt-tightening and other fiscal measures, SEPTA can:

- Avoid service cuts, fare increases, and close $240 million funding gap
- Stabilize operating budget through 2030

Competitor Regions are Investing More in Transit

New Local Funding will Secure Proposed State Investment and Unlock Federal Grants

New state and local matching funds are necessary to be competitive for federal IIJA grant opportunities

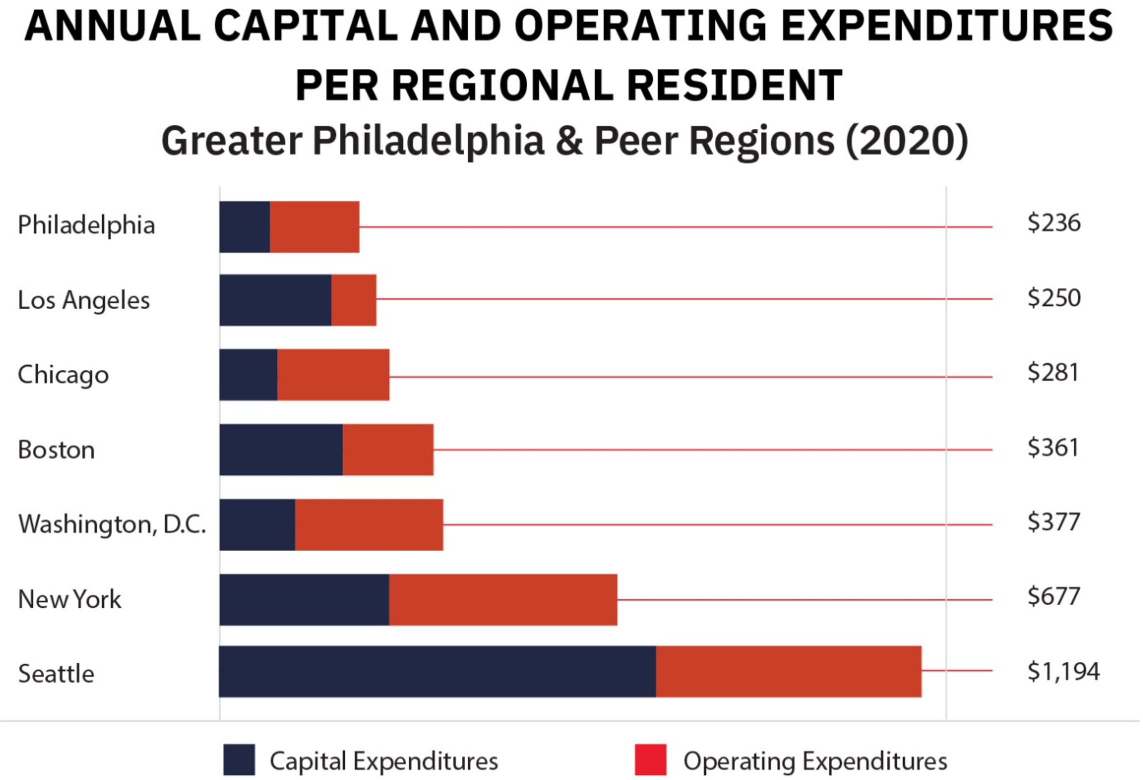
SEPTA's state of good repair backlog has grown to $5.1 billion and projects of significance, such as Trolley Modernization, ADA upgrades and critical vehicle replacements, are not fully funded

Boston, Washington D.C. and New York spend 52% – 186% more per capita on transit annually to leverage significant federal investment.

Local and regional funding in Washington, Chicago and Atlanta has helped these regions win large federal competitive grants to advance projects of local and regional significance. Seattle is spending over $50 billion to build a system that is one quarter of the size of SEPTA.

Increased local funding will secure additional state investment and new local funding options will unlock federal grants that can fund up to one half of local project costs.

Legislative action is needed on PA HB 902/HB 1307 to provide local funding options to county governments to generate revenues locally and invest in local priorities.



Source: Transit is the Answer, RTA Chicago (2023)

SEPTA Infrastructure is a Regional Asset

Imagine if SEPTA was funded like our peers, delivering all the service our region deserves…

SEPTA FORWARD >>>

- Every station could look like Drexel Station at 30th Street
- High-frequency service where you could show up to a station without looking at a schedule
- A train to and from the Airport every 15 minutes all day, every day
- New subway and train cars across the system

Exciting Moments Ahead will Depend on SEPTA Service

Action on funding solutions will define SEPTA's future

Call to Action on Top Priorities

Join lawmakers, stakeholders and advocates to build support for an increase in state funding for SEPTA and public transportation to preserve safe, affordable, reliable transit service across the state

Urge support for new local investment and passage of HB 902/1307, state legislation to provide options to county governments to generate revenues locally and invest in projects that drive local priorities

Pennsylvania House of Representatives

Democratic Policy Committee

Hearing on Public Transportation Funding

and Local Funding Options

February 20, 2024

Testimony of

Ariella Maron, Executive Director,

Delaware Valley Regional Planning Commission

Good morning, Chair Bizzarro and Vice Chair Isaacson and members of the House Democratic Policy Committee. Thank you for the opportunity to provide testimony, along with Leslie Richards and the other panelists, to discuss the current state of public transit funding in Pennsylvania, provide an overview of the capital budgeting process for transit, and offer suggestions on changes needed at the local and state levels to ensure sustainable funding levels, including local funding options legislation such as House Bill 902.

My name is Ariella Maron, and I serve as the Executive Director of the Delaware Valley Regional Planning Commission, or DVRPC. We are the federally-designated Metropolitan Planning Organization (MPO) for a nine-county, bi-state region, which includes four counties in New Jersey, and the counties of Bucks, Chester, Delaware, Montgomery, and the City of Philadelphia in Pennsylvania. We are governed, as defined in our original legislation, by an 18-member Board composed of representatives from each of our city and county governments, as well as the state departments of transportation, and Governor appointees from both states. The region's three transit agencies, including SEPTA, participate as critical partners with DVRPC.

As the region's MPO, we work closely with SEPTA to implement their capital program. Our federally-mandated responsibility as the region's MPO is to prioritize transportation projects and investments that are funded with federal transportation dollars, which we do through the development of a long-range plan and the preparation of a short-term capital program known as the TIP, or Transportation Improvement Program. The TIP has separate funding sources for roadway and transit projects.

The majority of our region's capital transportation funding, approximately 60 percent, comes from the federal government. These revenues are primarily from the federal gas tax, which has not increased since the early 1990s and has seen its spending power eroded 62 percent by inflation over that time period. In 1993, the gas tax was worth 18.4 cents, in today's dollars, that is 7 cents. The state contributes 35 percent, and the remainder comes from bonds and other financing mechanisms (3 percent) and local contributions (2 percent). The federal contribution is fairly consistent nationwide in per capita terms. However, there is wide fluctuation in state and local contributions. Compared to the other top ten regions in the country, the Philadelphia region generates significantly less local funding for both operating and capital transportation investments. The peer average for local operating contributions for the transportation system of the top ten largest metropolitan areas in the country is 39.5 percent, while the Philadelphia region only generates 8 percent, the lowest amount of the peer regions.

A modern, well-maintained transportation network is the lifeblood of metropolitan regions. Peer regions that have additional state and local contributions are able to invest more in their transportation systems, making them more competitive for retaining and attracting businesses, residents, and visitors, and providing them with a competitive economic advantage. Countless studies have documented that every public dollar spent on transportation infrastructure yields a positive return in terms of job growth and tax revenue, and there are multiple options for how to pay for that investment.

The Bipartisan Infrastructure Law, officially called the Infrastructure Investment and Jobs Act (or IIJA), was passed by Congress in November 2021 and provided additional resources to the region. Our region was not only able to fill a $750 million budget gap in our region's TIP, but we were able to add almost $750 million to the four-year Highway TIP, and over $1 billion to the four-year Transit TIP. While this new investment of federal funds is absolutely necessary and beneficial, it is not sufficient to meet the needs, both here in our region and across Pennsylvania.

As part of our regional Long-Range Plan, completed and adopted by the DVRPC Board in 2021, we conducted an in-depth quantitative needs assessment to determine what is required to achieve and maintain a state of good repair for existing infrastructure; improve bicycle, pedestrian and transit services and equipment; make the physical and technological improvements needed to enhance safety and operations; and to invest in a limited number of new facilities to fill-in existing gaps, address congestion, and accommodate future growth. That analysis identified a need, over the next 30 years, for an investment of over $115 billion in our region's transportation system, while available federal, state and local funding totals under $50 billion. This more than 2:1 shortfall in funding is now helped by the IIJA, as we anticipate up to $5 billion in additional formula funds over the five-year life of the bill. However, that level of increased federal funding has already been eaten away by inflation and also cannot be assured to continue beyond the five-year bill. Closing the gap is also made more difficult by the continued reliance on the gasoline tax, where revenues are unable to keep pace over time and will be further challenged by the transition to more fuel efficient and electric cars.

The IIJA also provides over $100 billion in competitive–or discretionary–funding opportunities, in addition to formula funds. Both formula funds and discretionary ones require state and local funding matches. PennDOT has estimated that it will need as much as $1 billion in additional match funds over the five years of the IIJA bill just to be able to access the expected increase in formula funds. And PennDOT, SEPTA and our municipal and county governments will need additional funds to serve as matches for the many competitive grant opportunities in the IIJA.

If we are not able to reach this level of investment - or at least come close - we will be forced to delay, defer, or drop critical projects across the region. Structurally-deficient bridges will need to be weight-posted or even closed, deteriorated roadways will not get paved, and SEPTA will not be able to serve the region's population - especially the lower-income transit-dependent population - with reliable and regular service.

Our transportation investment needs are great, and while our funding alternatives are constrained, there are options. DVRPC has been assessing needs and evaluating solutions with our member governments and agencies, and we found that funding transit and our roadways at sustainable levels will require changes at the local, state, and federal levels. At the federal level, this means support from our Congressional members to continue this level of funding when the IIJA expires in two years and a reevaluation of how federal transportation bills are funded. At the state level, in Pennsylvania, the state legislature must pass the current budget proposal to increase the sales tax revenue allocated to transit to increase state operating funding in order to ensure that SEPTA service is able to continue at current levels. Pennsylvania also needs to support regions across the Commonwealth to fully take advantage of the IIJA resources. Additionally, local governments need to be able to contribute and work in partnership with the federal government to secure predictable and adequate long-term funding to meet transportation needs.

Each of the five counties in southeastern Pennsylvania has shown a willingness to increase local transportation funding, as evidenced by enacting the local vehicle registration fee as allowed under Act 89. Over the past several years, that funding has generated additional millions in roadway investments annually in each of the counties. DVRPC and the five counties of southeastern Pennsylvania have been working together to establish guiding principles, investigate potential administrative structures, and identify funding mechanisms that could be enacted to collect additional local transportation-dedicated revenue to supplement available state and federal funding. The collaborative process identified the need for broad flexibility for both transportation investments and a wide array of funding mechanisms. Other emerging priorities included the ability to have tandem programs for county and regional investment with flexible participation in any regional program; an equitable tax or fee structure with equitable benefits for the public, and ease of implementation and administration with public transparency and buy-in.

Each of the five counties in southeastern Pennsylvania has unique transportation needs and tax structures, so the desire for flexibility in the types of projects that could be funded and access to a variety of funding mechanisms was paramount to the counties. Some counties have a transportation system and population more reliant on transit or active transportation, while others are more automobile-reliant for mobility. They also each have different county tax structures. For example, some already pay a higher sales tax or border tax-free states, and are therefore less interested in the sales tax as a local funding mechanism. A broader array of options will allow counties to mix-and-match local revenue sources because multiple approaches will likely be necessary to generate sufficient revenue without overburdening one source.

Such an effort would first require state-enabling legislation, such as House Bill 902. We look forward to working with you to help advance that initiative, and add more flexibility to the toolbox to raise funds at the state and local level to invest in our transportation system. These local funding options are crucial for SEPTA as every $1 in local match allows SEPTA to leverage $7 in state funding for operating, and more than $26 for capital improvements.

Transit is at a particularly vulnerable junction, coming out of the COVID pandemic. This is a time where we need to be able to increase service and demonstrate how transit can be the most affordable, convenient, and accessible way to travel around our region. If service is cut due to budget challenges, even fewer individuals will be able to rely on transit to commute to work and home, causing wages and tax revenues to further decline.The impact would have a disproportionate impact on lower-income residents who are more likely to be dependent on transit to get to jobs, schools, medical appointments, and other services, especially as the cost of car ownership continues to rise, outpacing inflation.

Maintaining transit is critically important to our communities, economy, and environment. It provides multiple benefits for people in the region and the Commonwealth by:

- **Providing Economic Benefits to our Diverse Communities** - Every dollar invested in public transportation can yield around $4 in economic gains in the community. This includes supporting a workforce for needed improvements, fostering business clusters, and attracting tourists for both business and pleasure. People can more easily stop for a snack or a cup of coffee when walking to a transit stop as opposed to driving. This means small businesses can benefit as well.
- **Improving Community Mobility and Providing an Equitable Transportation System** Equitability in transportation means ensuring that every person in a community — regardless of socioeconomic status or background — is able to access an affordable, safe, and reliable local transportation network. Residents are unable to succeed when transportation barriers limit access to affordable housing, job opportunities, health care, education, and other services.Transit allows individuals to access work and a paycheck without needing to be able to afford a car, therefore, giving more people the ability to get to a job, expanding the workforce and enhancing the economy.
- **Reducing Air Pollution -** Transit is a core strategy in our effort to transition to cleaner transportation infrastructure and achieve net zero greenhouse gas (GHG) emissions. More transit means more commuters can leave their cars at home, resulting in fewer vehicle miles traveled, and as a result, fewer vehicles combusting fossil fuels and cleaner air quality
- **Alleviating Roadway Congestion -** The more people riding on buses, trains, and other public systems, the fewer vehicles on the road to cause congestion, exacerbate air quality issues, degrade roads, and contribute to commuter stress.

In closing, when it comes to supporting our transportation network, especially transit, there is no question that the cost of doing nothing is too high. Our region and state's unfunded needs do not just go away, but rather become a debt on future generations and a drag on the economy. Investment into transit and our multi-modal transportation system is a public responsibility, and it is also a positive investment in our future with a proven return on that investment. I urge each of you to work with the Governor, and your colleagues, to advance a strategy to provide sufficient and sustainable transportation investment for our future. Thank you for your time and attention.

Written Testimony provided by Transit for All PA
Thursday, February 14, 2024
Public Hearing, Tuesday February 20, 2024
Pennsylvania House Democratic Policy Committee
Delivered by Connor Descheemaker, Coalition Manager, Transit Forward Philadelphia; Co-Convenor, Transit For All PA

Good Morning to Chair Bizzarro, Vice Chair Isaacson, and members of the House Democratic Policy Committee. Thank you for hosting today's hearing, and inviting Transit For All PA to testify. It's a pleasure to provide a voice of advocates and transit riders across the Commonwealth, alongside SEPTA General Manager Leslie Richards and Ariella Maron of the Delaware Valley Regional Planning Commission in their official capacities.

As has been mentioned, this hearing is extremely timely - with unprecedented federal transportation infrastructure investment, the expiration of federal operating relief, and Governor Shapiro's announced prioritization of a new, permanent increase in operating support for public transportation agencies across the state. Transit for All PA is here today to offer testimony in explicit support of enabling legislation for local governments to fund public transportation infrastructure in Pennsylvania, as proposed by HB 902.

Without local match dollars, our local agencies do not even qualify for transformative investments offered by the federal government to restore rail connections along the Reading-Scranton line, construct Allegheny County's East Busway, complete Trolley Modernization, nor begin the Roosevelt Boulevard Subway in southeastern Pennsylvania. The legislature has the opportunity to finally implement one of the primary recommendations that surfaced from Representative Martina White's 2019 House Transportation Infrastructure Task Force. This policy meets bipartisan goals for renewed and resilient infrastructure, while allowing each local government to self-determine the tools it will utilize to meet their needs.

The Commonwealth's decaying transportation infrastructure is no secret, nor is our historic lack of capital funding. Alongside the sunsetting of Act 89, this has resulted in a major backlog of maintenance and construction projects to create the transportation infrastructure necessary for Pennsylvania's economy to flourish. For the SEPTA service area, this state-of-good-repair backlog now tallies above $5 billion, while in Allegheny County the light rail system is long overdue for maintenance, with more than 50 rail cars needing replacement at a project cost of between $400-$500 million. Taken together, this creates a poor rider experience that includes infrequent and unreliable transit service, extensive issues of cleanliness and safety, and a lack of accessible stations and vehicles - especially unacceptable for public infrastructure over 30 years after the passage of the Americans with Disabilities Act.

The proposed legislation would give these local municipalities the freedom to increase local funding to supplement existing state funding and help solve these challenges. And it is critical that we tackle this problem now, with the wealth of new federal funding available to Pennsylvania through the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA). These federal funding packages can offer our region billions of dollars, but our transit agencies require additional local matching dollars to qualify. Without this money, cities in other states will be more competitive to the business community and receive greater investment, putting Pennsylvania further behind.

In Philadelphia as an example, SEPTA earns the seventh-highest amount of revenue of any system in the country, yet sits at 35th in the amount of local funding - lower than peer cities as disparate as Phoenix, Chicago and Seattle. Unfortunately, local governments cannot simply decide to raise more funds for public transit; they need state authorization to do so. This local funding will not replace the state's contributions, which remain vital for operations, but it can serve as a pivotal supplement to yield the transformative projects our state deserves. Elected officials and business leaders have begun lining up behind projects like the Roosevelt Boulevard Subway in the Philadelphia region, and the East Busway Extension to the East Suburbs and Mon Valley in Allegheny County. Projects like these can become a reality, but only if we raise local dollars now; every day we delay, these investments become more expensive and harder to achieve, while federal investment gets closer to exhaustion.

By enabling local control over additional funding mechanisms, the municipal governments affected by this legislation can maximize the return on investments brought to their region and the state as a whole - estimated at 5 to 1 from public transit alone. Moreover, local transportation funding initiatives have yielded greater public support for public transit and enhanced ridership–reducing congestion and improving air quality– in a diverse array of cities like Cincinnati and Phoenix.

The Transit For All PA coalition formed in 2020 in the thick of the pandemic and quarantine, with transit facing then-unprecedented headwinds and desperate need for support. Essential workers still needed to get around, infrastructure could still be built, and operators and transit support staff still needed work. We rapidly gathered the support of over two dozen elected officials across Pennsylvania, alongside 14 labor unions and 68 community and business organizations, who all understood the vital social and economic power of public transportation.

We continued to grow with the release of our Transit Funding Platform to Move All Pennsylvanians in the spring of 2021, which included local enabling legislation as a core tool for stabilizing and improving service across the Commonwealth. In June of 2023, we brought two dozen transit riders, operators, and advocates to Harrisburg for a joint press conference in support of this local enabling legislation. Immediately, HB 902 and HB 1307 (which addresses this same idea) attracted the endorsement of over 20 community-based organizations, again representing the entirety of Pennsylvania.

Riders, advocates, and operators across lines of class, race, and geography see this as a path forward for public transportation.

The investments local governments would be allowed to make will create good, union jobs to build, maintain, and run public transportation. They will serve as key attractions to major employers like WaWa, Penn Medicine, and Drexel University who have invested in programs like SEPTA Key Advantage. They provide flexibility and capacity to the hosts of major, globally-attractive events like the World Cup, MLB All-Star Game, and WrestleMania. They will build out the shared-ride and other essential transportation services our elders and disabled community members daily depend on in every county. And most importantly, they will provide clean, reliable transportation for the millions of workers, students, and residents of the Commonwealth who use it every day to access the essentials like medical appointments and jobs, but also the cultural attractions that make Pennsylvania world-class including our parks, historic structures, and arts and culture institutions.

Thank you for the consideration of HB 902. We are so eager to work together with the legislature to pass this winning bill, simply freeing local governments to control their own destiny and invest in the transportation infrastructure they need to succeed. The competitiveness, accessibility, and growth of Pennsylvania depends on it.