



SEPTA Welcomes the Pennsylvania House Transportation Committee Members and Guests

September 12, 2023

○ Safety on the SEPTA System

Customer and Employee Safety is a Core Value and Top Priority



- Safety Stand Down began on August 14 – Mandatory refresher training for ALL employees
- FTA representatives arrived September 11 to help strengthen SEPTA safety practices and policies
- Working jointly with the unions

- Thorough investigations are being conducted into the recent accidents involving SEPTA buses and trolleys
- SEPTA’s Board and Leadership are fully engaged
- Supervisors and frontline employees are having one-on-one meetings about safety
- Increasing Training on policies, procedures, and reporting



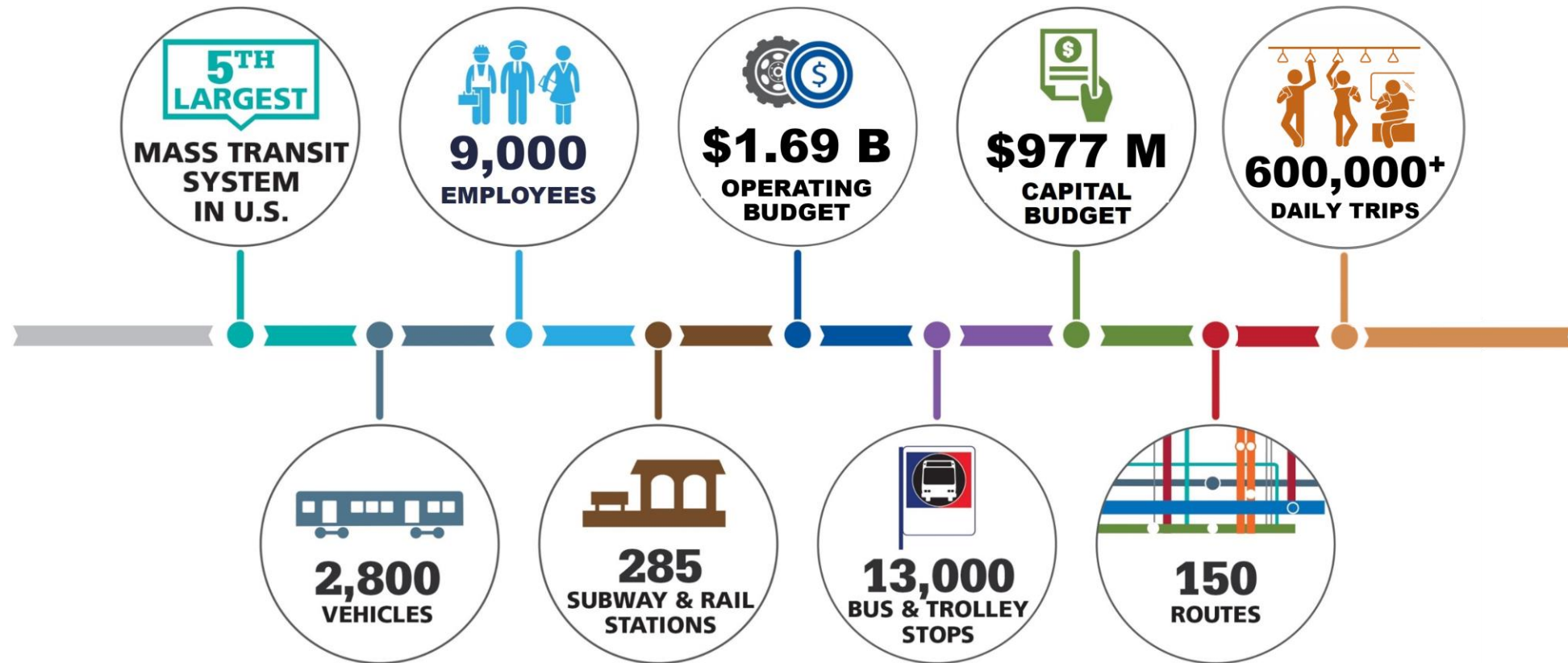
Federal Transit Administration



pennsylvania
DEPARTMENT OF TRANSPORTATION

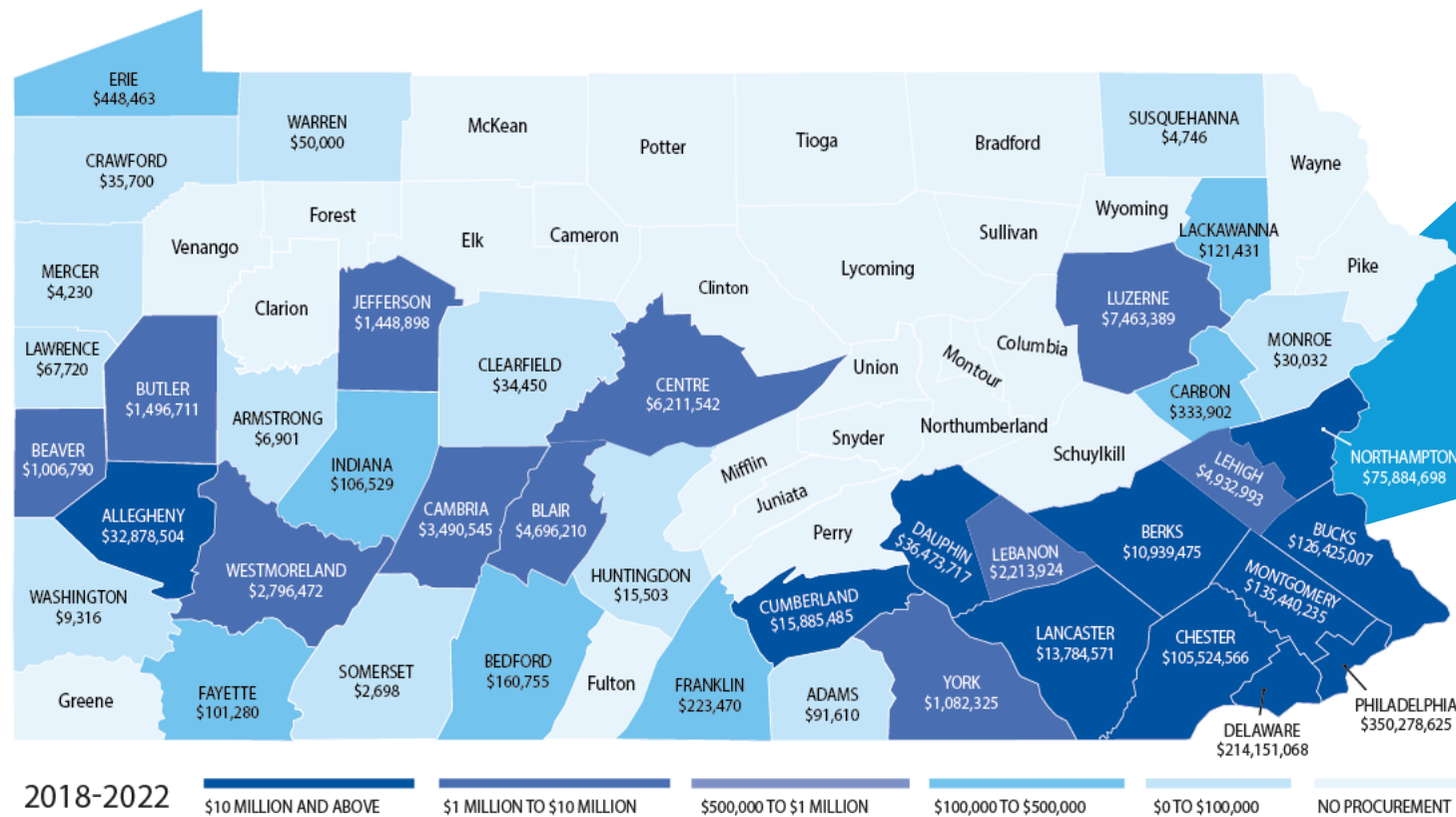


SEPTA Serves 4.2 Million Residents in Southeast PA



SEPTA and Southeastern PA Drive the Statewide Economy

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.

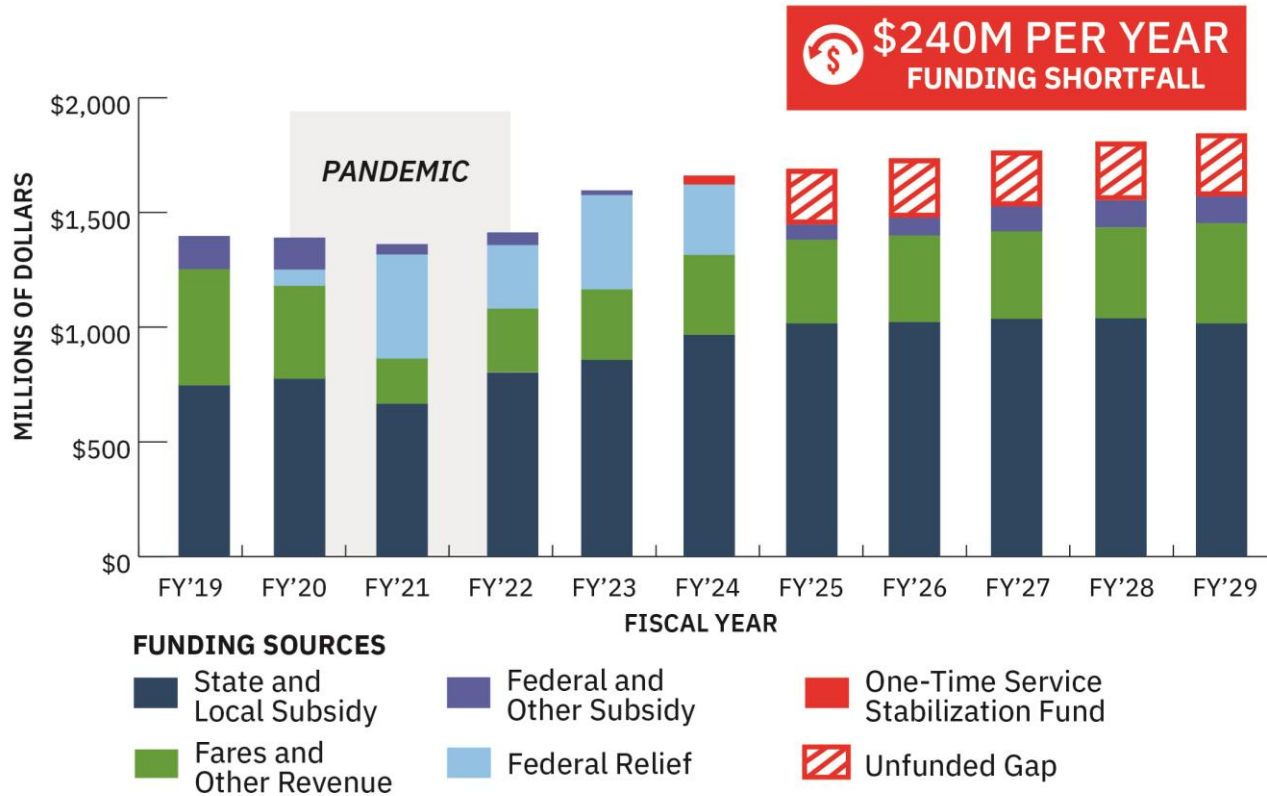


Over the past five years (2018-2022), SEPTA has issued over **\$1.15 BILLION** IN CONTRACTS to PA companies, an average annual investment of **\$231 MILLION PER YEAR.**

Region on the Brink – A Fiscal Cliff Looms

Requiring SEPTA Fare Increases, Service Cuts and Job Reductions

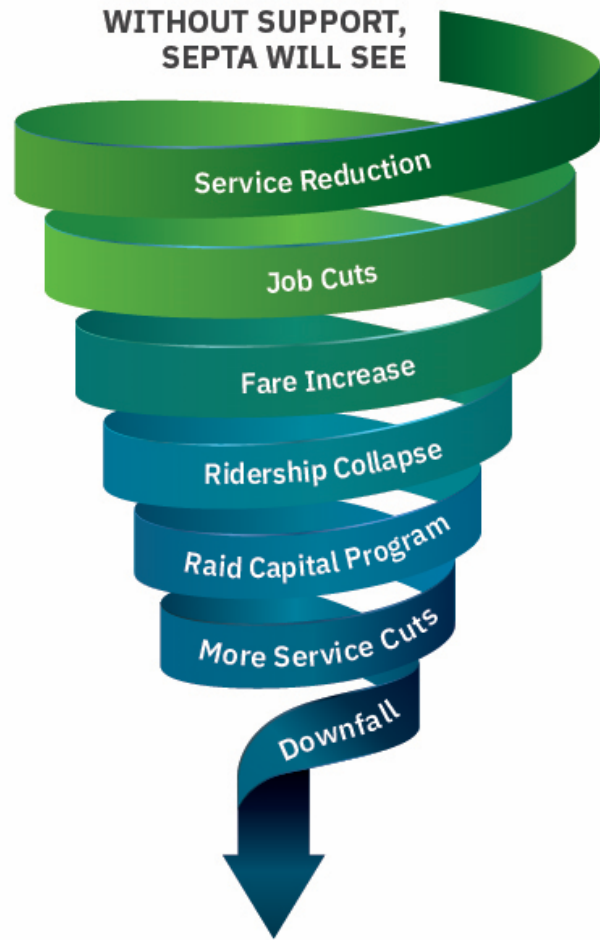
OPERATING FUNDING GAP OUTCOME OF PANDEMIC RELIEF EXHAUSTION, HISTORIC INFLATION, AND DECREASED RIDERSHIP



- Federal COVID relief funds will run out before ridership and farebox revenues fully return. Forecast to be Exhausted: April 2024.
- SEPTA will face a recurring deficit of \$240 million per year starting in FY 2025 (July 1, 2024).
- 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.
- Savings alone cannot balance SEPTA’s budget.

Cost of Inaction to SEPTA

SEPTA Fiscal Cliff will trigger a Death Spiral



Insufficient funding will lead to service reductions



Service reductions mean that fewer workers are needed, triggering job cuts, layoffs, hiring freezes, and furloughs



Insufficient funding will also require inequitable fare increases, forcing more riders to abandon transit



Ridership collapse will reduce farebox revenues, forcing SEPTA to raid the capital program, which delays projects and increases the repair backlog

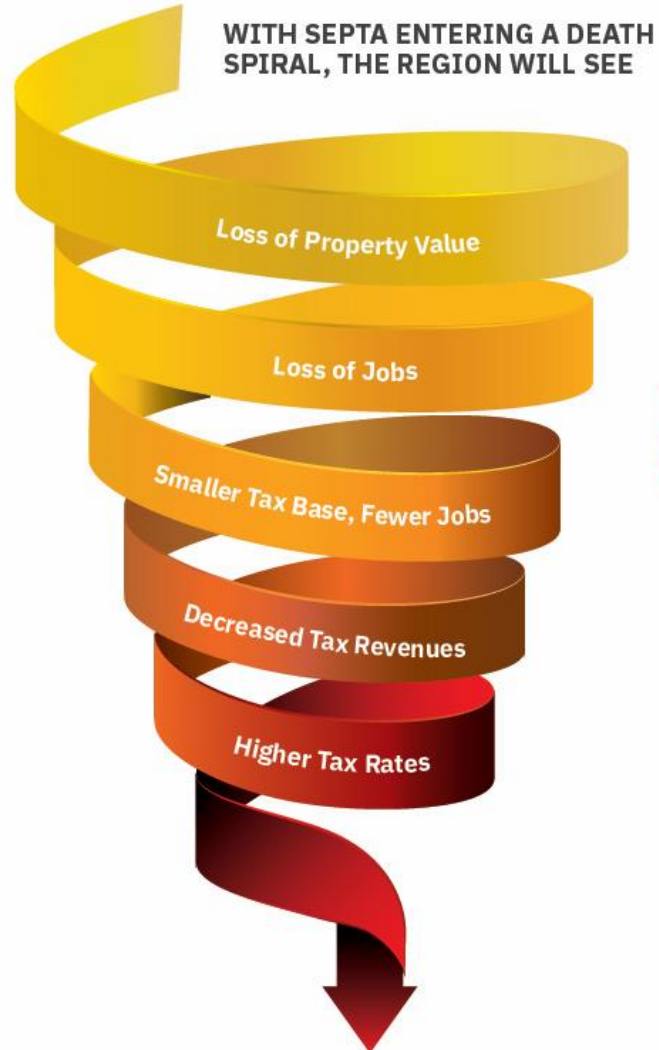


Insufficient capital funding to keep the system safe and reliable will lead to additional service cuts and contribute to SEPTA's decline

**SERVICE CUTS WILL
TRIGGER A SEPTA DEATH SPIRAL**

Cost of Inaction to the Region and PA

\$254.7 Million in Tax Losses to State & Local Governments Each Year



SEPTA's death spiral will trigger reductions in household values and local tax bases, especially near transit



Transit ridership collapse will increase congestion and drive jobs out of the region

Fewer jobs, smaller tax base will result in up to \$254.7M in lower tax revenues to state and local governments

- \$134.3M income, sales and business taxes
- \$112M property taxes
- \$8.4M real estate transfer taxes



Local and state governments must seek higher tax rate solutions to balance budgets, making the region less competitive and contributing to its decline



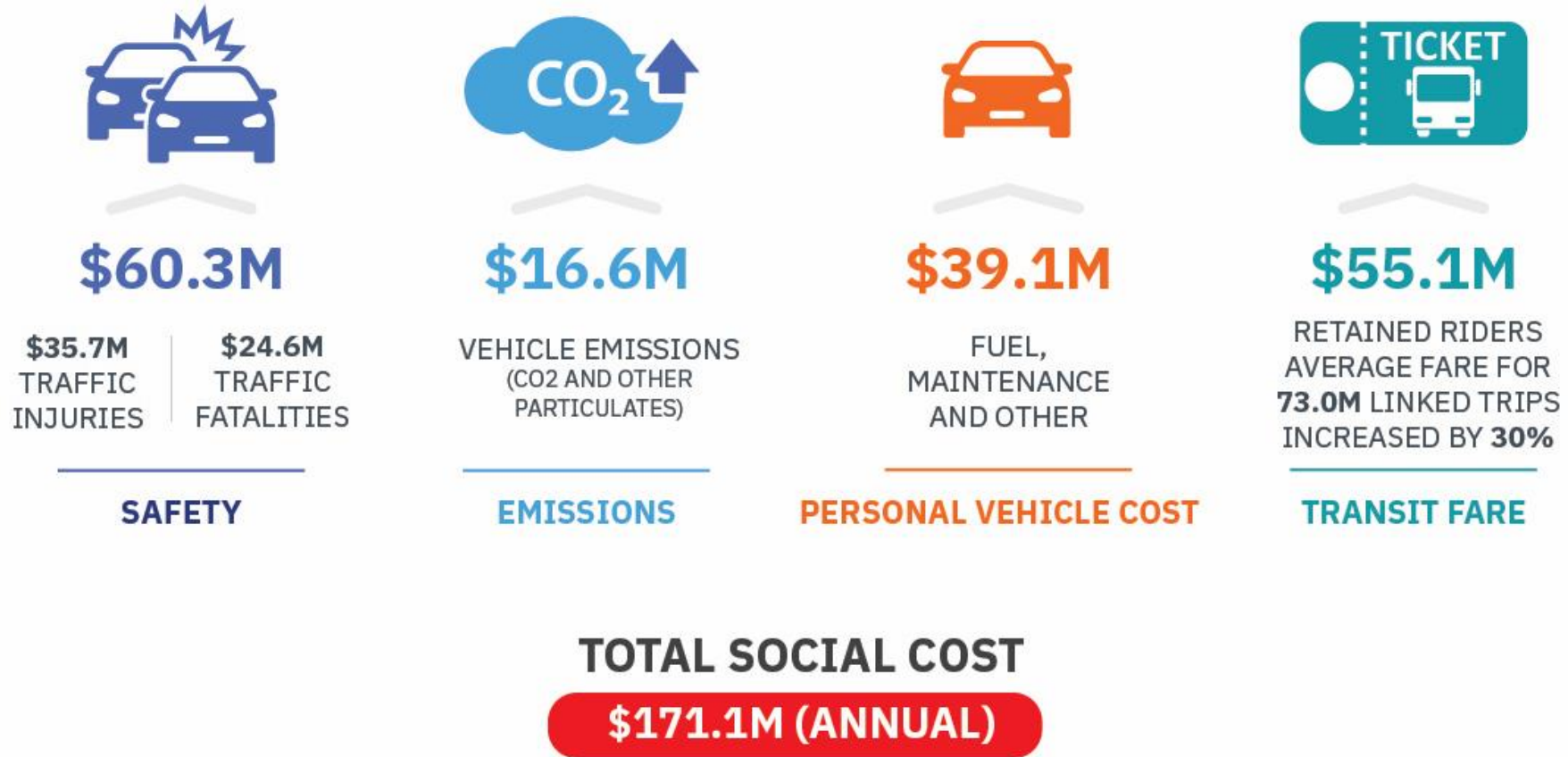
Without additional transit funding, southeastern Pennsylvania will be less productive and less prosperous

**TOTAL TAX REVENUE LOSS
TO THE REGION AND PA**

\$254.7M (ANNUAL)

Cost of Inaction to Customers, Residents & Visitors

\$171.1 Million in Social Costs Because of Less Transit and More Vehicles on the Road



Cost of Inaction is Higher than the Solution

Transit is a Sound Investment

TOTAL TAX REVENUE LOSS
TO THE REGION AND PA

\$254.7M (ANNUAL)

+

TOTAL SOCIAL COST

\$171.1M (ANNUAL)

=

**\$425.8M
(ANNUAL)**

TOTAL COST
OF INACTION

SEPTA FUNDING SHORTFALL

=

**\$240M
(ANNUAL)**

Proposed fiscal cliff solutions will cost taxpayers far less than the total cost of inaction.

SEPTA Operating Budget Outlook – Solutions are Needed

Urgent Action Needed by Governor Shapiro and PA General Assembly

Proposal to amend the Fiscal Code this Fall to increase the allocation of state sales tax receipts to public transportation agencies statewide to meet immediate and future needs.

- **Increase allocation from 4.4%, set in 2007, to 6.4%**
- Adds an additional \$295 million to the Public Transportation Trust Fund
- This is **not a tax increase**

Annually, this reallocation would prevent a fiscal cliff and provide an additional:

- \$190 million for SEPTA
- \$66 million for Pittsburgh Regional Transit (PRT)
- \$39 million for other Pennsylvania transit systems

With this increased allocation, local match and other fiscal measures, SEPTA can close the \$240 million gap.

Lawmakers elsewhere are earning praise for efforts to save transit



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.

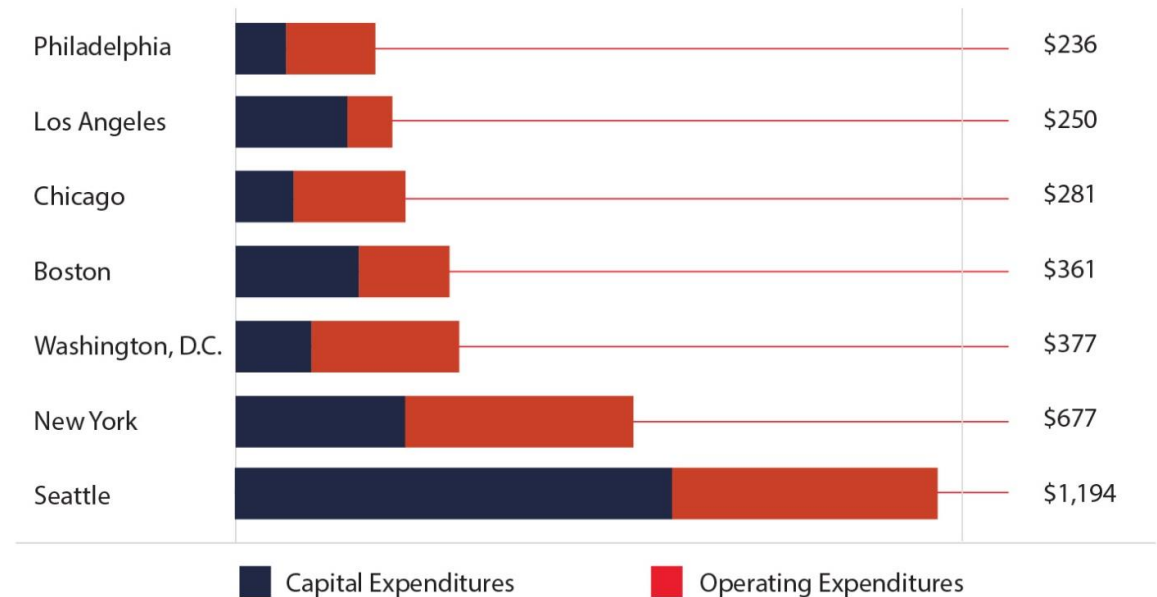
○ Raiding Capital Program is Not an Operating Budget Solution

Competitor Regions are Investing More in Transit and Winning Large Federal Grants

- Boston, Washington D.C. and New York spend 52% – 186% more per capita on transit annually to leverage significant federal investment.
- Time is running out to compete for once in a generation federal IIJA infrastructure funding.
- New state and local matching funds are essential to secure large federal competitive grants that can fund one half of project costs.
- 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.

ANNUAL CAPITAL AND OPERATING EXPENDITURES PER REGIONAL RESIDENT

Greater Philadelphia & Peer Regions (2020)



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

Action is needed on PA HB 1307/HB 902 to provide local funding options to county governments to generate revenues locally and invest in projects that drive local priorities.

REGION ON THE BRINK

- Urgent action is needed by Pennsylvania lawmakers to preserve affordable, reliable transit service

WITHOUT SUPPORT,
SEPTA WILL SEE



WITH SEPTA ENTERING A DEATH SPIRAL,
THE REGION WILL SEE



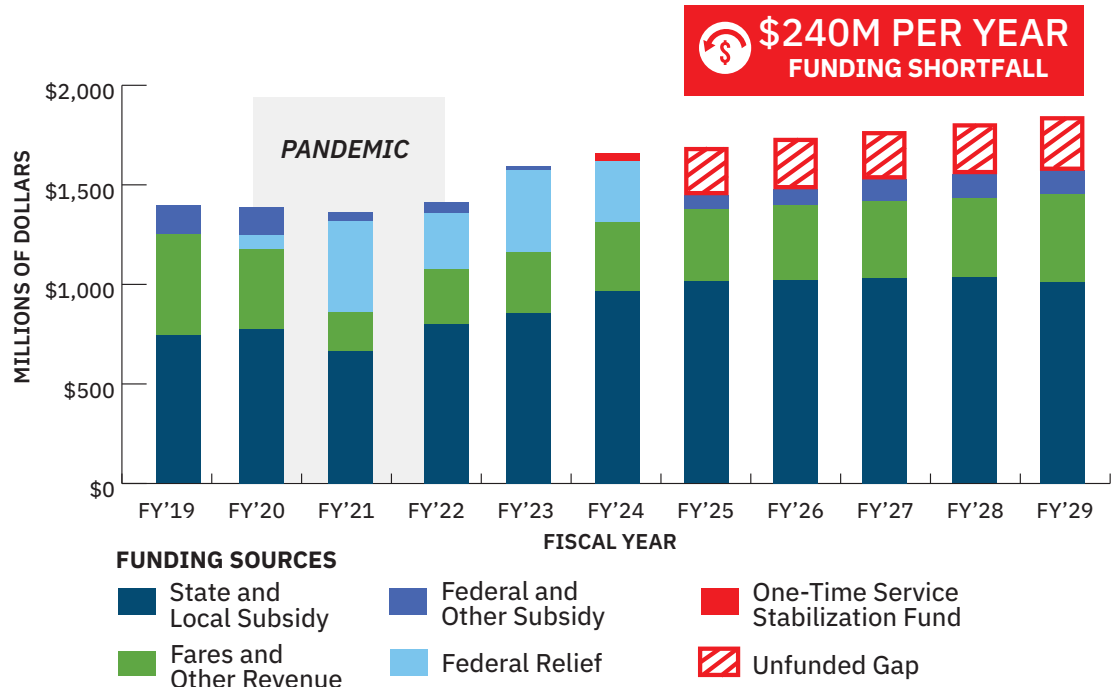
**OUR FUTURE
IS AT STAKE RIGHT NOW.**

REGION ON THE BRINK

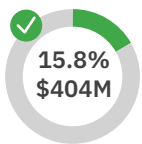
THE FISCAL CLIFF SEPTA'S LOOMING OPERATING BUDGET CRISIS

SEPTA has entered the final year of its one-time, non-recurring federal COVID relief funding, which will be exhausted by April 2024.

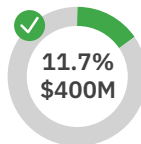
Without the COVID relief funding, SEPTA will be facing a "fiscal cliff" starting in FY'2025 which begins on July 1, 2024. The magnitude of the resulting budget deficit is forecast to be approximately \$240 million, representing 14.2% of SEPTA's operating expenses.



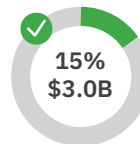
Transit agencies around the country are facing a similar dilemma, with more than two-thirds of large agencies projecting deficits between 10-35% of annual operating expenses by FY'2026.



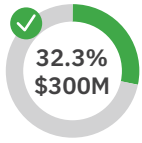
MBTA (BOSTON)
FUNDING ENDS MID 2024
Ridership Recovery: 65%
Funding Status: State funding approved



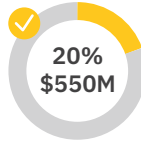
LA METRO (LOS ANGELES)
FUNDING ENDS MID 2024
Ridership Recovery: 74%
Funding Status: Additional State funding approved



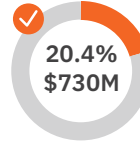
NY MTA (NEW YORK)
FUNDING ENDS EARLY 2025
Ridership Recovery: 77%
Funding Status: City/State funding approved 4% fare increase



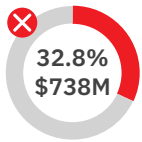
BART (SAN FRANCISCO)
FUNDING ENDS MARCH 2025
Ridership Recovery: 41%
Funding Status: Additional State funding approved; ballot in 2026



NJ TRANSIT (NEW JERSEY)
FUNDING ENDS EARLY 2025
Ridership Recovery: 79%
Funding Status: Flexing capital



CTA/METRA/PACE (CHICAGO)
FUNDING ENDS EARLY 2026
Ridership Recovery: 60%
Funding Status: Cash reserves prohibited



WMATA (WASHINGTON DC)
FUNDING ENDS EARLY 2024
Ridership Recovery: 66%
Funding Status: Funding TBD; additional 5% fare increase

Additional State/Local funding approved

Flexing Capital

Cash Reserves Prohibited

Additional funding to be determined

SEPTA (PHILADELPHIA)



FUNDING ENDS
APRIL 2024



RIDERSHIP RECOVERY
64%



FUNDS NEEDED IN FIRST YEAR
14.2% (\$240M)



FUNDING STATUS
TO BE DETERMINED

SEPTA

FORWARD >>>

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Like its peers, SEPTA has put in place several programs to mitigate this deficit. Most notably, a highly successful Key Advantage program is increasing revenue through ridership growth, and an Efficiency & Accountability Program is cutting costs and creating value across the organization. **However, the magnitude and immediacy of the fiscal cliff is such that no amount of ridership growth or efficiency gains can fully close the gap that SEPTA is facing.**



WITHOUT ADDITIONAL STATE AND LOCAL FUNDING, SEPTA WILL HAVE NO CHOICE BUT TO IMPLEMENT SIGNIFICANT SERVICE CUTS OF UP TO 20% AND/OR FARE INCREASES OF UP TO 31%.



SEPTA could temporarily avoid doing so by raiding its capital program or rainy day fund, or cutting programs designed to enhance the customer experience. Hundreds of layoffs and furloughs, hiring or pay freezes would be considered in any scenario where SEPTA crosses the fiscal cliff. These measures to balance the deficit will create a death spiral of higher fares and degraded service, denying Southeastern Pennsylvania – the Commonwealth’s most productive region – safe, efficient, affordable and accessible mass

transit. Without SEPTA, \$254.7 million in tax revenue will evaporate from state and local coffers as property values will decline, jobs will disappear, and the region will become more congested and less competitive. In addition, \$171.1 million will accrue in social and environmental costs associated with less transit ridership and more highway congestion. Combined, the \$425.8 million impact of service cuts and fare increases far exceeds the magnitude of SEPTA’s \$240 million operating budget deficit.

In other words, allowing SEPTA to go over the fiscal cliff and forcing service cuts and fare increases to close the operating budget deficit will result in a net loss to society – less transit, and a less economically productive, socially equitable, environmentally sustainable region moving forward.

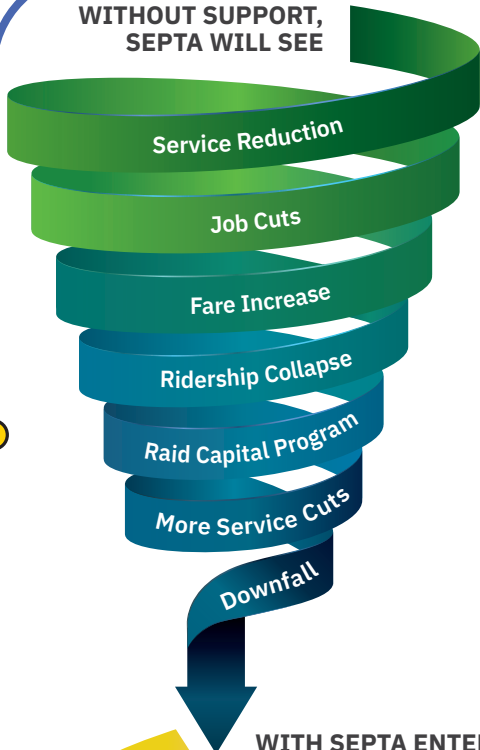
Providing additional funding is the preferred alternative. In 2026, the eyes of the world will be on Philadelphia, which will be an American epicenter for the celebration of the **United States’ 250th birthday**. Philadelphia and the region will be hosting up to a **half-dozen World Cup games**, the **Major League**

Baseball Allstar game, the **PGA Championship** and **US Amateur Golf Tournaments**. Without additional state/local funding come 2026, SEPTA will be amid dismantling the region’s transit system as people arrive from all over the globe. Once this dismantling begins, it will **be nearly impossible to reverse**.



SEPTA IS ASKING PENNSYLVANIA LAWMAKERS TO ACT NOW TO INCREASE THE ALLOCATION OF PA SALES TAX RECEIPTS FROM 4.4% TO 6.4% TO PUBLIC TRANSPORTATION SO THAT SEPTA AND TRANSIT SYSTEMS ACROSS THE STATE CAN MEET THE IMMEDIATE AND FUTURE NEEDS OF OUR SYSTEMS AND OUR COMMUNITIES.

WITHOUT SUPPORT, SEPTA WILL SEE



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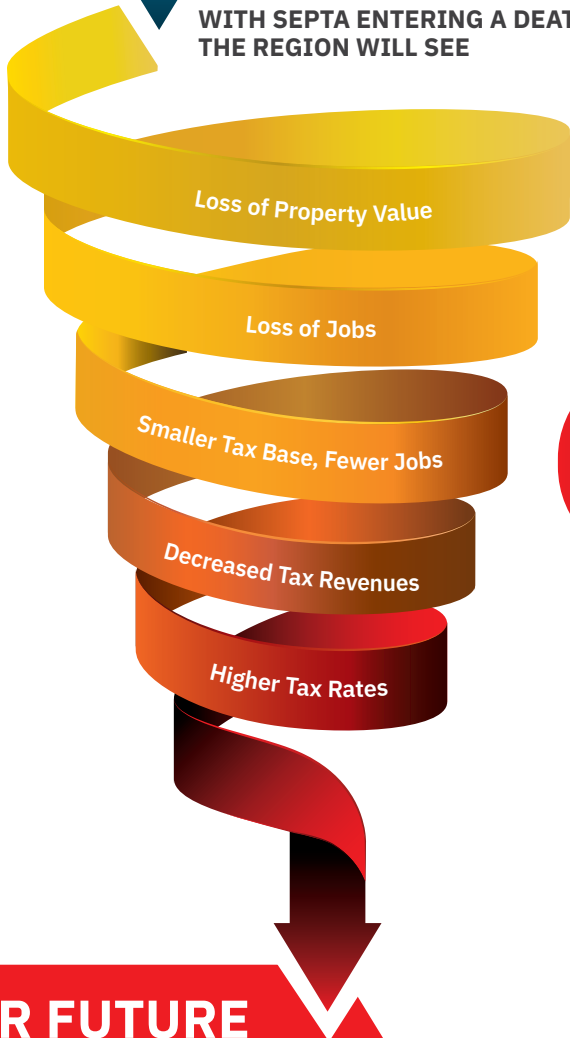
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TOTAL TAX REVENUE LOSS TO THE REGION AND PA

\$254.7M (ANNUAL)

OUR FUTURE IS AT STAKE RIGHT NOW.

SEPTA IS DOING ITS PART. STAKEHOLDERS HAVE LINED UP IN SUPPORT OF THIS REQUEST. WE NOW NEED OUR PARTNERS IN HARRISBURG TO TAKE ACTION.