

The Case for Investment in SEPTA and PA Public Transportation

The Need for a Permanent Funding Solution is Urgent to Maintain Service & Progress



Under the Pennsylvania budget enacted in July, SEPTA received a one-time distribution of \$46.2 million

- Combined with \$6.9 million in local matching funds already committed by the five southeast counties, the additional \$53 million total is supporting operating expenses into the fall
- Amount is less than one-fourth of the needed funding SEPTA originally requested and less than one-third of the \$161 million proposed by Governor Shapiro



SEPTA's COVID-induced budget deficit of \$240 million now includes added costs related to a recent Federal Transit Administration (FTA) report on SEPTA's safety practices and prescribed improvements

- The recommendations and required actions carry a price tag of more than \$35 million annually
- Includes new initiatives and work already underway to address staffing levels, training and operational practices

SEPTA is Taking Steps to Strengthen and Improve the System



CLEAN, SAFE, AND SECURE

SEPTA recorded a **47% decrease in violent crimes on the system** during the first half of 2024 compared to the same period in 2023

Criminal assaults on employees have been **reduced by 36% through the first half of the year** compared to last year

SEPTA Transit Police clearance rate (crimes solved) on violent crime is **20% higher than the national average**

Hiring **30 more operational safety professionals, 40 more Transit Police officers, and 100 more cleaners**

New, taller fare gates are reducing fare evasion – **Expanding to an additional nine (9) stations this year**



RIDERSHIP AND SERVICE

Ridership is now at **76% of pre-COVID levels, with over 700,000 trips every weekday**

- August 2024 ridership was 19% higher than August 2023. Every month this year, average daily ridership has increased by double-digit percent over last year
- 24 Bus routes now have a ridership recovery rate equal to or greater than 90% of Pre-COVID levels
- Mid-day and evening bus ridership and weekend Regional Rail ridership are showing the strongest recovery

With over **55 employer partners and 95,000 participants**, SEPTA's Key Advantage program is building back ridership through partnerships with large institutions that are bringing employees, students, and tenants onto transit

SEPTA is Taking Steps to Reduce Expenses and Generate Revenue



FISCAL STEWARDSHIP

In September, SEPTA announced fare proposal that will generate a minimum of \$14 million

- Hearings are scheduled
- New fares would go into effect as early as December 1

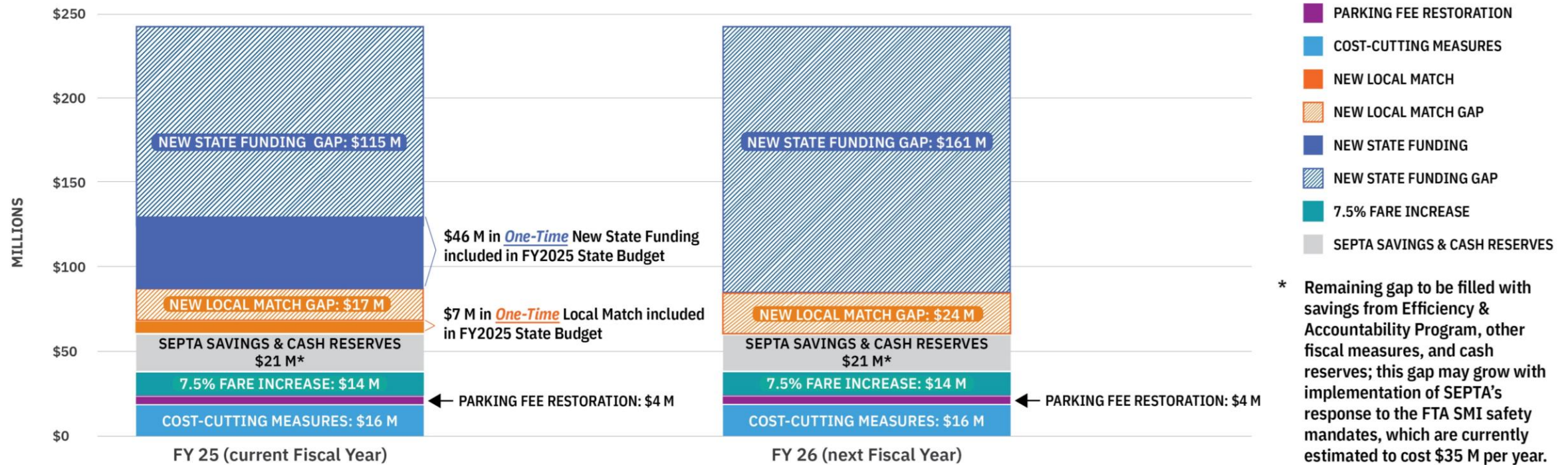
SEPTA initiated fiscal measures in July to reduce budgeted spending in FY 2024-25 by \$20 million, building on an ongoing Efficiency & Accountability Program that has already realized \$50.2 million in recurring annual revenues and cost savings

- Ongoing cost savings include a hold on employee travel, hiring and other expenses, except those related to safety measures

SEPTA is reinstating and increasing parking fees at surface lots and parking garages. Prior to the COVID-19 pandemic, parking brought in \$4.7 million in annual revenue to SEPTA

SEPTA is Doing Everything It Can to Avoid Service Cuts

Immediate Measures Are Being Taken to Fill \$240 M Recurring Annual Budget Deficit



Without a state funding solution, SEPTA will have no choice but to initiate service cuts of at least 20% and fare increases of at least 30% beginning in January ... triggering a “death spiral” that would be difficult to reverse.

Testimony

Of

**Leslie S. Richards
CEO & General Manager**

Southeastern Pennsylvania Transportation Authority

**Pennsylvania Senate Transportation Committee Hearing
“Optimizing PA’s Multimodal Transportation System”**

October 1, 2024

Good morning, Chairman Langerholc, Minority Chair Flynn and members of the Pennsylvania Senate Transportation Committee. Thank you for your leadership and the Committee's attention to policies that strengthen the Commonwealth's transportation network, which is so fundamental to Pennsylvania's success.

I appreciate you holding this second hearing on "Optimizing Pennsylvania's Multimodal Transportation System" and for focusing on the critical needs of Pennsylvania's transit systems. The Governor and legislative leaders pledged to resume work on a transit funding solution during the current legislative work period, and this hearing sets the stage for your important work ahead.

I also want to acknowledge this Committee's work to help protect transit operators across Pennsylvania by advancing and securing Senate passage of the Bernard N. Gribbin Law (SB 977). This law, named in memory of SEPTA bus operator Bernard Gribbin – who was murdered last October while operating a SEPTA bus – will strengthen penalties for assaults committed against public transit operators and provide additional deterrence for acts of violence that interfere with the safe operation of public transit vehicle. As we near the one-year anniversary of this senseless tragedy, I join leadership from Transport Workers Local (TWU) 234 who are also here today in continuing to urge final passage of this important legislation.

The Need for a Permanent Funding Solution is Urgent

Public transit provides essential service in each of Pennsylvania's 67 counties – connecting employees and customers to businesses, students to school, and seniors to essential services. I am pleased to share this panel with my counterpart at Pittsburgh Regional Transit (PRT), Katharine Kelleman, but the challenges facing public transportation – and more critically, the riders who depend on it every day – are not limited to Philadelphia and Pittsburgh.

For those members of the Committee who do not represent southeastern Pennsylvania you have still, no doubt, felt the impact of SEPTA service. Maybe you represent one of the 39 Pennsylvania counties from which SEPTA has procured more than \$1.14 billion in goods and services over the last five years. Or in completing this year's budget, you recognized how southeastern Pennsylvania generates 41% of the state's economic output with 32% of its population on just 5% of its land – density and productivity that is only possible because SEPTA service gets people to work and prevents productivity crushing congestion by removing thousands of cars from the region's roads every day.

In testimony earlier today from Tim Geibel, Executive Director at the Crawford Area Transportation Authority and Rich Farr, Executive Director at Susquehanna Regional Transportation Authority, as well as in your previous hearing, you heard that while the timing and degree of each transit agency's fiscal cliff is different, every system and region will face deficits of varying levels of severity. The remedies, however, will all be similar – unsustainable service reductions and fare increases.

This is a critical time for SEPTA. After 22 consecutive years of balanced budgets, SEPTA began its fiscal year on July 1 with a \$240 million annual budget deficit, following the exhaustion of one-time federal COVID relief funding in April. I am grateful for the opportunity to testify before you today to continue to urge passage of a statewide transit funding plan and to discuss everything SEPTA is doing to balance its budget and avoid devastating service cuts as the Authority navigates the most serious financial crisis in its history.

When the General Assembly adjourned in July without enacting Governor Shapiro's proposal, the Governor and legislative leaders committed publicly to returning this fall to continue work on a long-term, dedicated transit funding plan. SEPTA is already underway with efforts to do our part with a spending freeze, reinstated and increased parking fees, and a proposed fare increase that will generate at least \$14 million to help fill some of the budget gap and preserve current service levels. There is urgent need, and we are down to a handful of legislative days.

Failure to act this legislative session will be catastrophic. SEPTA will be forced to increase fares by at least 30% and begin the process of major service cuts of at least 20%. Service cuts of the magnitude needed to balance SEPTA's budget would be nearly impossible to reverse once put into motion and would trigger a death spiral of less service and higher costs, critically compromising individual mobility and economic productivity in our region and across the Commonwealth.

Today, SEPTA is averaging more than 700,000 trips every day – that's nearly seven sold out Beaver Stadiums. Or put another way, SEPTA's buses, trains and trolleys collectively would be the second largest city in Pennsylvania. The hundreds of thousands of riders who use SEPTA every day are the engines of our region – filling essential jobs, fueling innovation at the region's leading universities and healthcare centers, or providing care for those in need.

The SEPTA Board and leadership worked closely with our regional delegation, legislative leaders, other transit stakeholders over the past year to push for passage of Governor Shapiro's statewide transit funding plan as part of the final FY 2024-25 state budget. The Governor's proposal, which was approved with a bipartisan vote in the House in March, represents a vital lifeline for SEPTA and transit agencies across Pennsylvania. By increasing the state share of transit operating funding by 1.75 % – the first such increase since 2007 – the Governor's plan would generate an additional \$282 million per year for all transit systems without raising taxes. The \$161 million in dedicated funding for SEPTA is the minimum amount needed to balance its budget and preserve critical service in the current fiscal year and beyond.

SEPTA must now also budget for added costs related to a recent Federal Transit Administration (FTA) report on SEPTA's safety practices and improvements needed. The FTA's recommendations and required actions carry a price tag of more than \$35 million annually to advance new initiatives and work already underway to address key safety and security matters, staffing levels, training and operational practices.

The final state budget that passed in July, however, did not include the Governor's full transit funding proposal. It provided a one-time investment of \$80.5 million to public transportation agencies across the state, including \$46 million for SEPTA. This is less than one-fourth of the needed funding SEPTA originally requested, and less than one-third of the \$161 million that Governor Shapiro's proposal would generate.

While SEPTA is grateful for this temporary relief, the recurring structural deficit can only be addressed through enactment of a permanent transit funding solution.

It is important to note that our local funding partners – the City of Philadelphia and Bucks, Chester, Delaware and Montgomery counties – have already fully committed to providing local funds to match the increased state operating assistance. All they are waiting for now is the General Assembly to complete their work to ensure that their investment can support SEPTA service.

SEPTA is Taking Steps to Fill the \$240 M Recurring Annual Budget Deficit

While we continue to work with our delegation and legislative leaders to secure passage of a transportation plan, SEPTA is implementing immediate cost saving and revenue generating measures to preserve current service levels and fund the investments in customer and employee safety and security, operational safety, cleaning and improving the customer experience that are included in SEPTA's FY 2024-25 budget. These are all vital priorities for our customers, employees and stakeholders.

In addition to the fare increase announced last month that will generate at least \$14 million, SEPTA in August announced fiscal measures to reduce budgeted spending along with the reinstatement of parking fees. A hold on non-essential employee travel, hiring, and other expenses, except those related to safety measures is expected to save \$20 million in the current fiscal year. These efforts build on SEPTA's Efficiency and Accountability Program, which has already realized \$50.2 million in recurring annual revenues and cost savings.

SEPTA is also reinstating and increasing parking fees at its surface lots and garages. Prior to the COVID-19 pandemic, parking brought in \$4.7 million in annual revenue to SEPTA.

These measures – combined with the one-time funding provided by the Commonwealth and increased matching funds from our county partners – have supported operations through the summer. However, they are not a complete or long-term solution. Once all measures are in place, SEPTA will still have a \$115 million budget gap in FY 2025. We need long-term action in Harrisburg to ensure that we can continue to deliver the SEPTA service our region needs and deserves.

SEPTA is Taking Steps to Strengthen and Improve the System

SEPTA is making measurable progress on a number of safe, clean, and secure efforts. In the first half of calendar year 2024, SEPTA reported a 47% decrease in violent crime on the system compared to the same period in 2023. SEPTA is committed to growing its police force. The current headcount of uniformed officers is the highest in years, and as many as 40 new officers are included in this year's budget.

SEPTA's Virtual Patrol Unit monitors activities in real-time – extending the reach and effectiveness of SEPTA's 30,000 cameras in stations and vehicles – and quickly dispatching officers to any potential issues. With more officers deployed strategically and with the support of technology, SEPTA Transit Police have a clearance rate (crimes solved) on violent crime that is 20% higher than the national average.

SEPTA is also addressing fare evasion and quality of life violations through better enforcement of existing laws and the acquisition of taller fare gates at stations. Following the successful piloting of the new fare gates at 69th Street Transportation Center, the SEPTA Board last week approved the expansion of the fare gate program to nine additional stations by next July. SEPTA's budget also includes the hiring of 100 additional station and vehicle cleaning personnel, and the second phase "Smoke Free SEPTA" – a partnership with the City of Philadelphia commences this week. Combined, these efforts are intended to create a more secure and welcoming environment for customers and employees traveling on the SEPTA system.

SEPTA is also meeting its obligation to serve the region's mobility needs at a time when SEPTA service remains as important as ever and riders are returning in record numbers. Every month this year, average

daily ridership has seen double-digit percent increases over the previous year. SEPTA reached its highest post-pandemic daily average ridership in May with nearly 720,000 daily trips, and in August, we set a post-pandemic record ridership recovery of 76%.

To support customer needs, despite budget challenges, SEPTA is restoring and reinventing our service for the state's most economically diverse and productive region. SEPTA is continuing to expand its highly successful and industry leading Key Advantage program, which allows participating employers and institutions of higher education to provide free or greatly reduced transit fares to employees and students. Employers have a value-added benefit to recruit and retain employees while SEPTA has a budget neutral way to cultivate new customers and grow ridership. With over 55 employer partners and 95,000 participants, the program is generating increased ridership. For instance, City of Philadelphia employees – a Key Advantage partner – will take one million additional trips this year because of the benefit coupled with the return to office policy.

Next summer, SEPTA will begin implementing a new – budget neutral – bus network designed to deliver more customers to more destinations more efficiently. Through the new bus network, SEPTA is responding to changing ridership by redeploying current personnel and vehicles in a way that makes the service more efficient and induces ridership growth. Without increasing service costs, the new network increases the number of frequent bus routes (15 minutes or better, 7 days a week) by 30% while ensuring that 99% of riders within a 5-minute walk of a bus route today will still be within a 5-minute walk.

SEPTA is Doing Everything It Can to Avoid Service Cuts

Without legislative action this fall, SEPTA will need to move quickly to develop a balanced budget for the remainder of FY 2025, which currently has a \$115 million deficit, and address the projected \$161 million funding gap in FY 2026 that begins next July 1. Across the board service reductions of at least 20% and fare increases of more than 30% would be required, adding barriers to mobility for those who need SEPTA most. On top of the current fare proposal, cash fares, which are currently \$2.50, could increase to at least \$3.00 per ride, and TransPasses, currently \$96.00, could rise to \$120.00 per month.

Everything we have done leading up to this point has been to avoid service cuts, but they would be unavoidable. Service on every mode would be degraded in every part of the region. Immediately, transit riders will have less reliable options to get to work, school or essential services while businesses will be less accessible to employees and customers.

In the near term, the region's ability to serve as a world-class host for major global gatherings such as the World Cup and other events and celebrations connected to the nation's 250th birthday celebration in 2026 will be gutted. Over the long term, job losses and congestion increases will make the region permanently less competitive. The service cuts and fare increases of a scale necessary to balance SEPTA's budget will be nearly impossible to undo and will have serious long-lasting impacts on our customers and the region's economy. Restoring staffing levels, fleet sizes, and service patterns once they are cut will take years.

As mentioned earlier, the City of Philadelphia and our county partners have all committed to providing local funds to match the increased state transit operating investment, and SEPTA is grateful that they have stepped forward in such a prominent way. We also join them in support of legislation that would expand the menu of options available for counties to invest in transit service and capital projects that are

needed to make Pennsylvania more competitive in the future. SEPTA works closely with each county to prioritize state of good repair needs and projects of regional significance, but these projects cannot advance if counties are not granted the flexibility to develop funding models that best fit their needs.

During your series of hearings, this Committee has heard experts and advocates tell you how critical this moment is for transportation in Pennsylvania, particularly public transportation. I am grateful for the many businesses, labor unions, organizations and advocates who have added their voices to the growing call for immediate action on dedicated, long-term transit funding.

The coming weeks are pivotal for public transportation in Pennsylvania. With legislative action this month, SEPTA can maintain existing service and continue making progress on critical initiatives that the General Assembly, the Governor and our customers have asked for. Without a solution, we will be forced to set in motion severe service cuts, the impacts from which our region and the Commonwealth will likely never recover.

The cost of inaction is too high.

I look forward to working closely with the members of this Committee, legislative leaders and the Governor to advance a long-term funding solution that provides the investments Pennsylvania needs to build a 21st century transportation system across our Commonwealth that supports economic growth and expands mobility options for working families.

Thank you.

The Need for a Permanent Funding Solution Grows More Urgent by the Day

Under the Pennsylvania budget enacted in July, SEPTA received a one-time distribution of \$46.2 million that will help fund operating expenses into the fall. When combined with \$6.9 million in local matching funds already committed by the five southeast counties, **the additional \$53 million total provided to SEPTA is less than one-fourth of the needed funding SEPTA originally requested, and less than one-third of the \$161 million proposed by Governor Shapiro.**

SEPTA's COVID-induced budget deficit of \$240 million now includes added costs related to a recent Federal Transit Administration (FTA) report on SEPTA's safety practices and improvements needed. The FTA's recommendations and required actions carry a **price tag of more than \$35 million annually** to advance new initiatives and work already underway to address key safety and security matters, staffing levels, training and operational practices.

SEPTA is Taking Steps to Strengthen and Improve the System.



Clean, Safe, and Secure

SEPTA had a 37% decrease in serious crimes on the system during the first half of 2024 compared to the same period in 2023.

SEPTA will continue progress on safe, clean, and secure efforts, including the hiring of 30 more operational safety professionals, 40 more Transit Police officers, and 100 more cleaners. SEPTA also installed new fare gates at 69th Street Transit Center as part of a pilot program to reduce fare evasions. SEPTA will expand the fare gate program to eleven additional stations.



Ridership and Service

Ridership is now at 75% of pre-COVID levels, with over 700,000 trips every weekday.

Despite this funding crisis, SEPTA is not putting critical investments on hold and is moving forward with efforts to make our system more reliable. As employees return to the office, SEPTA is adapting service levels to support economic activity in the City of Philadelphia and in communities across the region. With over 55 employer partners and 95,000 participants, SEPTA's Key Advantage program generates new riders and new trips through partnerships with large institutions bringing employees, students, and tenants onto transit.



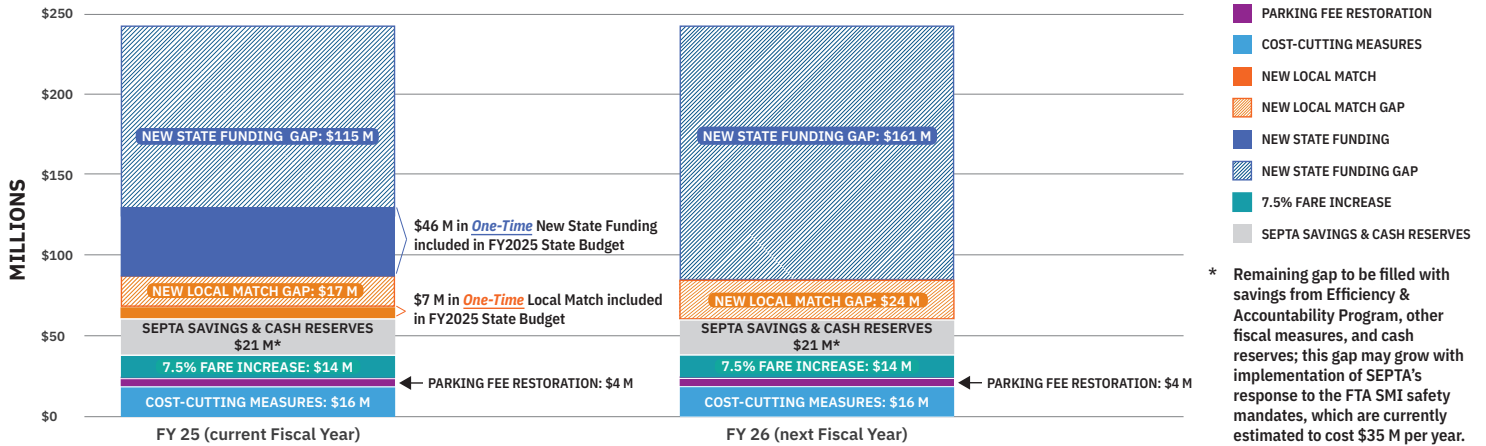
Fiscal Stewardship

SEPTA initiated fiscal measures in July to reduce budgeted spending in FY 2024-25 by \$20 million, building on an ongoing Efficiency & Accountability Program that has already realized \$50.2 million in recurring annual revenues and cost savings.

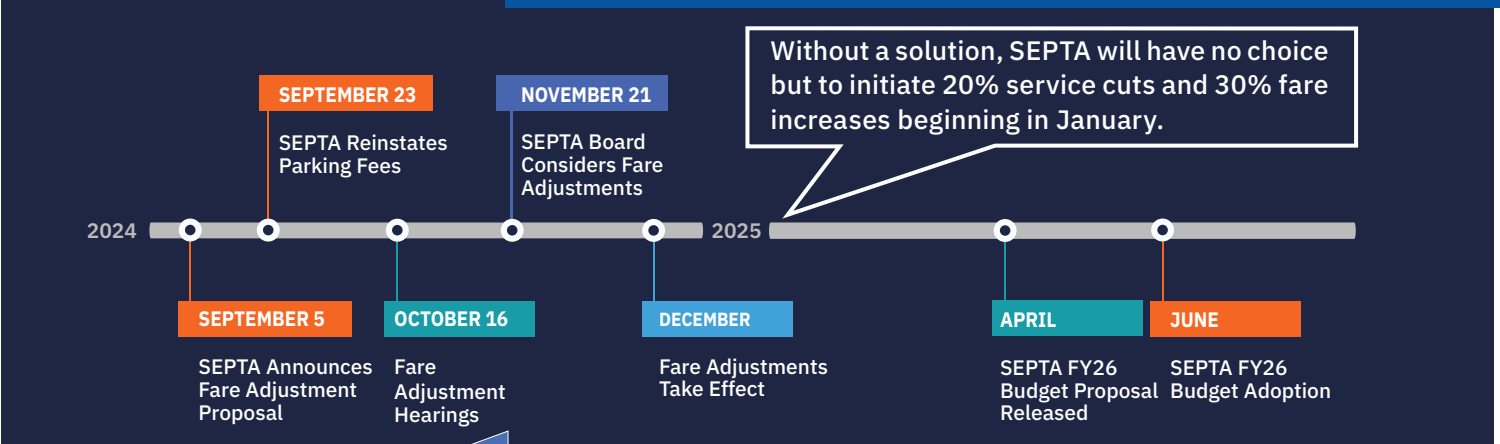
Ongoing cost savings initiatives includes a hold on employee travel, hiring and other expenses, except those related to safety measures. To help bridge the gap and ensure the continuation of reliable service across the region, SEPTA has proposed several fare increases and is reinstating and increasing parking fees this fall.

SEPTA is Taking Steps to Fill the \$240 M Recurring Annual Budget Deficit

Swift Action on New State Funding Will Preserve Progress and Service



SEPTA is Doing Everything It Can to Avoid Service Cuts



SEPTA Procurement Supports Jobs and Businesses Across PA

The five counties of Southeastern PA generate 41% of the state's economic output with 32% of its population on just 5% of its land. This degree of density and economic productivity is only possible with a robust, financially healthy transit system.

