



September 27, 2024

RE: September 18th, 2024 Pennsylvania House Transportation Committee Hearing

Dear Chairman Neilson, Republican Chairman Benninghoff, and members of the Pennsylvania House Transportation Committee:

On behalf of the five southeastern Pennsylvania counties that are members of the Delaware Valley Regional Planning Commission (DVRPC), we want to communicate the critical need to adequately fund both transit and roadway transportation infrastructure in the Commonwealth. Transportation infrastructure is the backbone of the region's and state's economy, carrying workers to jobs, goods to markets, and students to schools.

Ridership on SEPTA and transit agencies across the country plummeted during the COVID pandemic. Fortunately, the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and American Rescue Plan Act (ARPA) of 2021 provided transit agencies with operating assistance as they worked to regain riders in the ensuing years. SEPTA's ridership continues to rebound but the expiration of federal stimulus funds has left SEPTA with a \$240 million annual operating budget deficit through no fault of its own.

In response, Governor Shapiro proposed a substantial increase in funding for mass transit as part of his FY2024-25 Executive Budget, asking the General Assembly to raise the Commonwealth's annual transit investment by \$283 million to support buses, subways, and medical transportation. The budget that was ultimately signed into law only included a one-time infusion of \$80.5 million to transit agencies, including \$46.2 million for SEPTA, which combined with the required local match from our counties, results in \$53 million in additional funds for SEPTA this year. This is one-fourth of SEPTA's operating expense shortfall, and one-third of what the Governor proposed. While this funding provides critical near-term help for this fall, it is insufficient to close the current fiscal year budget deficit and fails to provide a sustained solution that would allow SEPTA to make long-term investments in the 21st century transit system our constituents and region need.

Southeastern Pennsylvania was developed around transit, and we have inherited a transit network that would have a staggering cost if constructed today. Our transit network has allowed the region to flourish, enabling it to generate 42% of Pennsylvania's entire economy, with 32% of its population on just 5% of its land area. This level of economic productivity and density is only possible with a robust, efficient mass transit network to move people

throughout the region. The firm Econsult Solutions, Inc. estimates that SEPTA's total economic activity in Pennsylvania was \$3.4 billion in 2020 as a result of direct and spillover effects from its capital and operating expenditures.

If not addressed, SEPTA's operating budget crisis risks reversing recent progress on safety, security, and ridership. SEPTA would have to depend upon fare increases of up to 30% to balance its operating budget, and would need to implement a 20% cut in service across the region. These service cuts and fare increases are not enough to fill the budget gap, and future additional cuts and fare increases could trigger a death spiral that undermines the ability of this vital service to function effectively. Service cuts will negatively impact the more than 750,000 daily riders who rely on SEPTA to get to work, school, doctor appointments, and grocery stores, to visit family members, or access recreation and open space. It would also impact those who do not use transit across the entire region, given the resulting increases in traffic congestion and related consequences to air quality, public health, job access, and economic development.

It is worth noting that the historic investment requested by the Governor of \$283 million annually for transit across Pennsylvania, including \$161 million for SEPTA, would have allowed the Commonwealth's transit agencies to continue to provide current levels of service. However, service levels in some areas are currently insufficient to meet demand, and many potential "lifeline" services to connect our region's most vulnerable residents with jobs and essential services are simply not available at current levels of operating funding. Increasing funding to sustain operations now is essential, and growing operating funding to allow for more frequent and convenient service is critical to our region's long-term planning and economic growth.

On March 20, 2024, the Pennsylvania House amended and passed HB 654, which, if approved in its current form, would enact the Governor's transit funding recommendations by increasing the transfer of sales tax revenue to the Public Transportation Trust Fund by an additional 1.75 percent to a total of 6.15 percent. This is estimated to generate nearly \$300 million in additional funding for all mass transit systems throughout the Commonwealth.

While transit operating funding is the most critical need, additional capital funding for both roadway and transit infrastructure is also needed. DVRPC's *Connections 2050* Plan identified \$64 billion in roadway capital investment needs in order to achieve and maintain a state-of-good repair for existing roads and bridges; build out multimodal bicycle, sidewalk, and trail infrastructure; make physical and technological safety and operational improvements; and allow for limited system expansion. The Plan projected just \$24 billion to pay for these projects through 2050, leaving a \$40 billion funding gap. These unfunded needs will show up in the future as more roads and bridges in poor condition and as a lack of non-motorized infrastructure to support options in how we get around. Local roads and bridges are currently twice as likely to be in poor condition as state-maintained facilities.

Transit infrastructure faces a similar situation. SEPTA has a current state-of-good repair backlog of more than \$5.2 billion for capital improvements. This backlog of capital improvements is reflected in trains running well past their useful life, leading to increased breakdowns that cause

commuters to be late to work, appointments, or to pick up their kids. Less reliability causes riders to stop using this service and can harm the region's economy through increased driving and congestion. Key fleet replacements, such as new Silverliner VI Regional Rail cars, cannot be fully funded within existing revenue projections.

As part of our formal arrangement with SEPTA, our county governments all currently bear the cost of a portion of SEPTA's operational and capital needs, and do so with a full understanding of the critical role mass transit plays in our lives. The Governor's proposal, when fully funded by the General Assembly, would require each of the regional partners to substantially increase its contribution to SEPTA.

While we all support the proposed increase in state funding, which would still represent a smaller share than is appropriate in light of the contribution that SEPTA and other transit systems make to the Commonwealth's economy, we want to ensure that our county and city governments have more options for providing the required local match than simply adding to our residents' property tax burden, such as those set out in 2023-24 House Bills 902 and 1307, and in the DVRPC's *2021 Southeastern Pennsylvania Transportation Funding Options Study* (the "*DVRPC Study*").

HB902 and HB1307 expand the menu of options available to counties to support their share of mass transit costs and allow each local partner to manage the fiscal burden in a way that more equitably allocates responsibility. We believe that the approach taken by both bills would allow us to fashion a funding model that best serves our needs, without forcing us to depend on already overextended resources. Passing these bills would also help the Greater Philadelphia region to fix and improve our transportation network to meet the needs of our growing population and economy.

While these bills represent a good start, it is possible to include even more potential options for empowering county governments to support the capital and operational needs of our transportation network. The *DVRPC Study* recommends over a dozen revenue sources. While HB902 and HB1307 contain many of the study's options, there are a few not included in either bill, including a Local Gasoline Tax, Cigarette and Cigar Tax, Hotel Occupancy Tax, and Malt Beverage or Liquor Tax. We support the inclusion of all of these potential revenue sources as options, in addition to those identified in HB902 and HB1307. Having more revenue options in the final legislation can allow each county to best determine the appropriate mix of revenue sources for their constituents.

The county leaders in the five southeastern Pennsylvania counties are in agreement that the Commonwealth should increase contributions to transit operations; seek additional capital funding resources; and allow local funding opportunities that will enable counties to shoulder an increase in our SEPTA operational contributions, while also investing in needed roadway, transit, and bicycle and pedestrian capital infrastructure. Our ability to do so is dependent upon our access to the entire universe of options as presented in the *DVRPC Study* and the proposed bills. Taken together, these approaches can resolve SEPTA's transit operating funding shortfall,

while also supporting badly needed investments in the region's aging and insufficient infrastructure.

This funding to support robust transit service in our region has never been more vital as Philadelphia and Pennsylvania prepare for 2026, and the scores of events celebrating our nation's 250th anniversary, as well as major sporting events, including FIFA World Cup Soccer, the MLB All-Star Game, and major golf tournaments. We urge you to act to ensure the region, and the entire Commonwealth, are ready for this spotlight, and are able to meet our economic, equity, and environmental goals. I urge each of you to work with the Governor and your colleagues to advance a strategy to provide sufficient and sustainable transportation investments for our future.

Thank you for your attention.



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**Robert J. Harvie, Jr.**

*Vice-Chair, Bucks County Commissioners*



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**Josh Maxwell**

*Chair, Chester County Commissioners*



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**Christine A. Reuther**

*Delaware County Council Member*



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**Neil K. Makhija**

*Vice-Chair, Montgomery County Commissioners*



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**Mark Squilla**

*Philadelphia City Councilman*