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## SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY

## PENNSYLVANIA HOUSE OF REPRESENTATIVES

## TRANSPORTATION COMMITTEE

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### 205 RYAN OFFICE BUILDING

Good morning Chairman Hess, Chairman McGeehan, and Members of the House Transportation Committee. Thank you for the opportunity to appear on behalf of the Southeastern Pennsylvania Transportation Authority (SEPTA) and provide testimony regarding the urgent need for comprehensive, dedicated, statewide investment in Pennsylvania's transportation network, particularly public transportation.

Pennsylvania's economic competitiveness depends on a safe, efficient, interdependent and multimodal network of roadways, transit, freight rail, aviation, ports and intercity passenger rail. After years of underinvestment, however, the infrastructure that moves people and commerce throughout the Commonwealth and connects Pennsylvania to the nation and the world is unable to adequately meet current usage, let alone future demand.

The unsatisfactory condition of the Commonwealth's transportation assets, widespread public support, and manifest political resolve have coalesced at this moment to create an opportunity to make a lasting investment in Pennsylvania's prosperity and shape transportation for the next half-century. The Governor, the Senate, and now the House of Representatives are to be commended for making transportation funding a legislative priority.

The need for immediate and substantive investment in Pennsylvania's transportation infrastructure is well documented. A decade's worth of state and national analyses, including reports conducted by Pennsylvania's own Transportation Funding and Reform Commission, Transportation Advisory Committee, and Transportation Funding Advisory Commission, all depict the

widening gap between asset conditions and the funding available to bring them to a state of good repair.

Most recently, the 2011 TFAC report concluded that Pennsylvania's annual highway, bridge, and transit needs outstrip funding by $3.5 billion. This gap grows at an annual rate of $320 million and now stands above $4 billion. Put another way, since February 25th of this year when I testified before the House Appropriations Committee on the need for transportation investment, the gap has grown by another $97 million – approximately $1 million per day.

As the Commonwealth's largest public transportation system, SEPTA is an essential partner in the southeastern Pennsylvania region's economy, safely and efficiently moving more than one million daily passengers to and from places of employment, education, services, and recreation.

Over the past six years, ridership has grown by 14 percent – reaching 339 million in FY 2012. SEPTA provides 77 percent of all public transportation trips in Pennsylvania, and more Pennsylvanians are riding SEPTA than at any time in the last 23 years. This ridership growth reveals two things: residents of southeastern Pennsylvania are increasingly choosing public transportation as their principal mobility option, and SEPTA's effective use of public investment is paying great dividends in customer satisfaction and rider retention.

But the benefits of investment in SEPTA transcend regional boundaries. Pennsylvania Department of Transportation Secretary Schoch recently described as "unfortunate" efforts to frame the transportation funding discussion in regional or

modal terms. I could not agree more. SEPTA is the engine that keeps southeastern Pennsylvania's economy moving. The region's 32 percent share of Pennsylvania's population sits on just five percent of its land mass, density that is only possible to sustain with a comprehensive network of roads and regional public transportation. Put the million riders SEPTA carries each day on the region's roadways and its economy would grind to a halt. The entire Commonwealth would pay the price.

A recent study by the Pennsylvania Economy League and Econsult Solutions found that SEPTA's annual economic impact supports 26,000 jobs, contributes more than $3 billion in economic activity, and generates $62.5 million in state tax revenue. Hundreds of companies – large and small – across the Commonwealth also benefit from doing business with SEPTA. Each year, SEPTA procurement returns hundreds of millions of dollars to the state economy. Between 2009 and 2012, SEPTA purchased more than $1 billion in goods and services from Pennsylvania companies.

These investments have a lasting impact. The recent procurement of SEPTA's new Silverliner V railcars, for instance, resulted in the private construction of a new $27 million railcar manufacturing facility in south Philadelphia and $74 million in direct business for Pennsylvania manufacturers. While the last Silverliner V railcar was delivered in March, the manufacturing facility remains in operation, continuing to build railcars for transit agencies in Boston and Denver and generating another $100 million in business for Pennsylvania suppliers. SEPTA's investment and commitment to creating local jobs at the facility has resulted in the return of the railcar production industry to southeastern Pennsylvania.

And one only has to look to last week's United States Open Golf Championship to appreciate SEPTA's important role in making the region a destination for prominent national events and businesses looking to locate or expand in Pennsylvania. This $100 million infusion into the regional and state economy would not have been possible if not for SEPTA delivering nearly half of the US Open's visitor each day.

Despite record ridership and widespread economic impact, SEPTA's ability to meet the region's growing reliance on public transportation is constrained by operating and capital budgets that have not grown to reflect the needs of an aging system. The Authority's continued commitment to fiscal discipline and long-term stability has produced 13 consecutive years of balanced operating budgets. Since 2007, SEPTA has implemented a policy of smaller, regularly scheduled inflation-based fare increases. This policy will continue in 2013 with the Authority's recently announced fare increase, which goes into effect on July 1, 2013.

In spite of these efforts, and primarily because the anticipated growth of Act 44 operating assistance failed to materialize, SEPTA is projecting a $38 million operating budget shortfall for Fiscal Year 2014. Without action, that shortfall is projected to grow to $90 million in Fiscal Year 2015. If operating funding assistance remains stagnant, SEPTA will be forced to make extensive service cuts at a time when our customers are demanding more service.

At the same time, SEPTA's backlog of state of good repair needs is approaching $5 billion. SEPTA's system is extensive, and much of the infrastructure that supports it – more than 350 bridges and 400 miles of track, 77 power substations,

some 300 passenger stations, and dozens of vehicle maintenance and support facilities – has exceeded its useful life and requires replacement. At current funding levels, SEPTA's state of good repair backlog will almost double to $8.5 billion by 2032 unless there is an increase in capital investment.

By focusing on safety and adopting a "fix-it-first" approach, the Authority has been successful in maintaining service levels by directing capital resources to its most critically deficient infrastructure. But the capital needs of the system are growing faster than available funding. The cumulative effect of growing needs and stagnant funding is that SEPTA will soon have no choice but to reduce the size of the system as safety and reliability concerns arise.

In the current Fiscal Year, SEPTA's capital budget is approximately $303 million – its lowest level in fifteen years. The proposed FY 2014 capital budget anticipates a fourth consecutive year of capital funding below 1998 levels. By comparison, SEPTA's peer agencies, such as New Jersey Transit and WMATA located in Washington, DC, each have capital budgets in the $1 billion range. Because SEPTA's capital budget relies so heavily on its now-decreasing share of federal funding, the discrepancy is more pronounced when comparing SEPTA's non-federal sources of funding to those of its peers.

Without adequate capital funding, SEPTA is unable to advance mission-critical projects. The most pressing example is the Bridgeport Viaduct, a 3,000 foot-long bridge carrying 2,400 passengers per day to and from the Norristown Transportation Center across the Schuylkill River via the Norristown High Speed Line (NHSL). The viaduct was originally built by the Philadelphia and Western Railway in 1911. The 100 year old bridge is now exhibiting signs of severe

deterioration. The combined cost of bridge structural repairs and track renewal totals $33.8 million, money that SEPTA does not have given current capital funding levels.

The designs for reconstructing the bridge have been complete since 2011, but inadequate capital funding has forced SEPTA to defer the required timber deck replacement and structural rehabilitation. SEPTA engineering and system safety personnel were recently forced to make the difficult but necessary decision to close the Viaduct for approximately four months, which will begin in early July. The emergency work will temporarily extend the life of the bridge, but nearly three-quarters of the project remains unfunded.

The Bridgeport Viaduct is but one of SEPTA's 36 shovel-ready state of good repair projects totaling more than $500 million. The projects are located across all five counties of southeastern Pennsylvania and would immediately infuse the local and state economy with thousands of jobs to rebuild significant portions of the regional transit network.

Rebuilding the transit network would strengthen the backbone of Pennsylvania's most productive economic engine and one of the nation's premier urban centers. SEPTA's operations are the lifeblood of a region that is home to 40 percent of the state's economic activity. Less than 30 percent of the state's transportation revenues are returned to the five counties of southeastern Pennsylvania. Such economic productivity is only possible with a robust public transportation system, and it ultimately benefits residents and businesses across all corners of the Commonwealth.

But the reality is that SEPTA's ability to sustain this economic advantage and keep Pennsylvania's most productive region moving is beginning to erode. The consequences of continued underinvestment in SEPTA and its infrastructure are already being felt and will only become more pervasive and permanent if steps are not immediately taken to begin to bring the system to a state of good repair.

In the wake of Act 44's unfulfilled promise, there is near-universal agreement that Pennsylvania must invest in its transportation infrastructure. The work that the General Assembly is now undertaking will shape transportation in Pennsylvania for the next half-century, and public transportation will have an important role in that future.

In closing, I am pleased, then, to join my fellow public transportation counterparts here today, as well as the members of the Keystone Transportation Funding Coalition, in urging the House of Representatives to implement a long-term transportation funding plan that dedicates the necessary resources to public transportation, one of Pennsylvania's most important economic resources.

Thank you again for the opportunity to provide testimony today.