Testimony Submitted By

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Good morning Chairman Hennessey, Chairman Carroll, members of the House Transportation Committee and guests. My name is Leslie Richards, and I am pleased to join my colleagues from the Port Authority of Allegheny County and the Pennsylvania Public Transportation Association (PPTA). I have had the honor of appearing before this Committee many times as the Secretary of Transportation, and I am pleased to submit testimony regarding the House Transportation Task Force Report's Recommendations in my new role as General Manager of the Southeastern Pennsylvania Transportation Authority (SEPTA). I would also like to thank Representative Martina White and the members of the Task Force for their leadership and for introducing the package of bills being discussed today.

I commend the Committee for hosting this important hearing on the future of transportation investment in Pennsylvania – it comes at a crucial moment. For the first time in SEPTA's history, the Authority is facing simultaneous operating and capital funding crises that are intersecting at the very time when SEPTA is, and will be, so urgently needed – to provide essential service through the coronavirus pandemic and to help drive southeastern Pennsylvania and the Commonwealth's economic recovery.

It is difficult to summarize how much has changed for SEPTA in the five months since this hearing was originally scheduled. Throughout the coronavirus pandemic, SEPTA has continued to adjust in so many ways, from providing health and safety materials and equipment for employees working on the front lines, to implementing new facility and vehicle cleaning protocols, to modifying our essential service in response to rapidly changing conditions and the evolving transportation needs of the region. The COVID-19 crisis has also affected SEPTA in heartbreaking ways. The SEPTA family mourns the loss of seven friends and co-workers due to complications from this disease, and I would like to include their names in the formal record of this hearing:

- Ted Nixon: Mechanic, Elmwood Shop – More than 30 years of service
- Phil Williams: Fueler, Southern Depot – 24 years of service
- Michael Holt: Mechanic, Midvale Shop – 21 years of service
- Michael Hill: Regional Rail Conductor – More than 30 years of service
- Yolanda Woodberry: Bus Operator, Frankford Depot – 17 years of service
- Steve McFadden: Regional Rail Conductor – 29 years of service
- Terrance Burton: Bus Operator, Midvale Depot – 18 years of service

Through the end of February, SEPTA was providing one million daily trips and had accrued a $7 million operating budget surplus through the first eight months of the Fiscal Year. In the months since, SEPTA service has ensured that medical and other essential workers could get to their jobs and that residents could access life-sustaining services. As a direct result of COVID-

19, even with the immediate enactment of cost saving measures, SEPTA's $7 million surplus has been erased by $124 million in revenue losses.

SEPTA is the fifth largest public transportation system in the United States. In 2019, SEPTA's 2,800 vehicles provided one million weekday passenger trips on 156 fixed bus and rail routes, serving a region that is home to more than four million Pennsylvanians. With the Fiscal Year that ended on June 30, SEPTA completed its 21st consecutive year with a balanced budget, and SEPTA operating and capital activities combine to generate more than $3 billion in annual state-wide economic activity.

The SEPTA service area is the economic engine of the Commonwealth of Pennsylvania. Together, our five counties – Bucks, Chester, Delaware, Montgomery and Philadelphia – generate 42 percent of the state's economic activity, with 32 percent of its population on just five percent of its land. Southeastern Pennsylvania produces 38 percent of annual General Fund revenues, and since 2010, this region has accounted for 133 percent of the state's population growth. A region as dense and economically productive as southeastern Pennsylvania simply cannot function without high-capacity mass transit to keep people moving.

As the region's businesses, institutions, employees, and families continue to adjust to temporary work, school and recreation dynamics, SEPTA service will undoubtedly look different, but it will be no less vital. Eventually, people will resume their normal routines, and riders will return to SEPTA. The question is: what kind of transit system will they be returning to?

Will SEPTA service provide critical mobility that drives the state's most vital economic region? Or will it be a system devastated by disinvestment that limits mobility today and will prevent southeastern Pennsylvania's continued growth potential in the future?

Transportation is not a cost, it is an investment in creating jobs, growing the economy, and improving quality of life. Sustained investment is necessary to meet the demands of a recovering and resurging economy. We are looking for leadership and guidance from our elected leaders at this critical time to deliver transportation funding solutions to ensure that SEPTA can maintain the service on which the southeast region and the Commonwealth of Pennsylvania rely.

From the outset of the coronavirus pandemic, SEPTA operators, vehicle and signal maintainers, maintenance of way personnel, cleaners and other mission-critical employees throughout the Authority have been working tirelessly on the frontlines to keep the system running. However, the immediate financial impact of COVID-19 on SEPTA's operating budget has been nothing short of devastating, and we are bracing for multiple years of operating funding uncertainty that will challenge our ability to serve the diverse needs of our region.

During the peak of the pandemic this spring, with statewide stay-at-home orders in place, ridership on buses, subways and trolleys declined by 92 percent and by 98 percent on Regional Rail. While customers are gradually returning – system-wide ridership is now roughly 30 percent of pre-COVID levels – SEPTA is losing an average of $1 million every day, and we anticipate hundreds of millions of dollars in annual fare revenue losses through Fiscal Year 2023.

We continue to do everything we can to both reduce costs and to welcome riders back with clean vehicles and stations and enhanced social distancing protocols to support the region's reopening efforts. We are also working with our funding partners and the regional business community to assess health data and employer return-to-work plans in developing projections regarding when and how riders will return to SEPTA. The link between regional reopening and SEPTA's operating budget cannot be overstated. Until Pennsylvanians are able to safely congregate and participate in normal activities outside their residences, SEPTA's revenue from all sources will continue to be compromised.

In June, SEPTA received $644 million in emergency assistance through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which will enable SEPTA to operate through this critical period and offset some of the extraordinary expenses and revenue losses we are incurring. As ridership fell to unprecedented levels, SEPTA incurred $124 million in revenue losses over the final four months of Fiscal Year 2020. The Authority was able to offset this shortfall using $66.6 million in CARES Act assistance, $50 million in cost savings achieved through a variety of proactive measures, including executive pay reductions, and eliminating overtime wherever possible, and the application of $7 million in prior budget surplus. By the end of August, SEPTA expects to have drawn down a total of $96 million in CARES Act funding and will have expended or committed 20% of its total CARES Act funds in just under three months.

The remaining funds will be needed for continued operating expenses and for the ongoing replacement of anticipated revenue losses. Based on current ridership and farebox projections – informed by recent increases in positive COVID-19 cases and decisions by area schools to begin the school year virtually, likely prolonging parental teleworking – SEPTA anticipates it will exhaust its CARES Act funding sometime in late calendar year 2021.

Under the current best-case recovery scenario, which assumes full state and local operating assistance, SEPTA will exhaust all of its CARES Act funding and face a minimum unfunded revenue shortfall of approximately $360 million at the end of Fiscal Year 2023. Any reduction of state and local operating subsidies would accelerate the use of CARES Act funds and increase SEPTA's unfunded operating shortfall, significantly impacting operations.

The challenges facing SEPTA as a result of COVID-19 will require the full amount of CARES Act funding, as well as continued support and resources from all levels of government to preserve SEPTA service now and in the future. As we continue to advocate for additional emergency operating assistance at the federal level, we are grateful for the General Assembly's commitment to public transportation and continue to ask lawmakers to provide funding as established through existing formula programs.

Without continued state operating funding and additional federal assistance, the options available to SEPTA to maintain a balanced budget in subsequent Fiscal Years will be painful for our customers and the broader state economy. Unfunded revenue shortfalls that are projected to begin accruing next Fiscal Year could trigger service reductions, potentially disenfranchising hundreds of thousands of bus and rail customers. Service cuts would hamper efforts to achieve social distancing on vehicles and would hit precisely when recovery is expected to pick up. Reduced service would also impede the efforts of businesses to resume normal operations and force SEPTA customers into longer commutes or off the system entirely.

We project at least 300,000 people would lose the availability of convenient transit access to the region's three largest employment centers and others. And another 200,000 jobs across the region would no longer be accessible by transit. To give you a sense of what 300,000 represents, that is:

- The total number of jobs in Center City Philadelphia
- A day's worth of cars on the Schuylkill Expressway
- More than the population of 54 of Pennsylvania's 67 counties

For the one-third of Philadelphia households without access to a car, this would be a devastating disruption of mobility and access to opportunity.

Pennsylvania's transportation funding crisis existed well before COVID-19. The unsustainability of state public transportation funding mechanisms, including continued uncertainty regarding the Turnpike's annual $450 million payments for transit capital assistance, is jeopardizing the ability of public transportation systems to plan and execute critical infrastructure rehabilitation and vehicle replacements. Additionally, the lack of funding options available for regions to invest in new transportation projects is costing Pennsylvania communities to lose out to competitor regions that are investing billions to attract companies and win new jobs. SEPTA was preparing to testify on these challenges in March – the pandemic has only made them more acute.

Seven years ago, this Committee held a similar hearing in the run-up to the passage of Act 89 of 2013, a historic moment for transportation in the Commonwealth. The capital investments made possible by Act 89 came at a crucial time. SEPTA's backlog of capital repair needs had grown to $5 billion, and the Authority was confronting the prospect of shuttering rail lines and cutting back service. With funding from Act 89 in place, SEPTA rapidly ramped up a wide-ranging program of infrastructure projects across southeastern Pennsylvania. Since, SEPTA has replaced Civil War-era bridges and power substations dating to the original electrification of the railroad. Significant progress has been made on station accessibility and signal safety system improvements, and SEPTA projects undertaken with state funding provided by Act 89 have reduced the Authority's backlog of capital repair needs by $400 million.

Many of the contracts to advance these projects were awarded to Pennsylvania companies. Since 2015, SEPTA has awarded 19,000 contracts totaling $1.3 billion in value to 989 different Pennsylvania companies – an annual average of $260 million in contract value to companies located in 38 of Pennsylvania's 67 counties.

Act 89 gave SEPTA a future, and the entire Commonwealth's economy has benefitted. As reported in a 2020 Econsult Solutions study, SEPTA stimulates more than $3 billion in annual statewide economic activity, supports 23,370 jobs, and generates $1.7 billion in earnings. SEPTA's annual capital program alone contributes more than $1 billion to the state economy.

As Pennsylvania turns to recovery, the region and the Commonwealth will need SEPTA to help lead that renewal – moving people, investing in the rebuilding of its infrastructure, creating jobs, and driving the economy. But all of that is at risk. For the second time in two years, just as SEPTA was catching up from the disruption caused by a 2018 trucking industry lawsuit against the Turnpike that delayed nearly 40 SEPTA projects, instability related to state transit infrastructure funding is jeopardizing SEPTA's capital program.

Similar to transit farebox revenue, Pennsylvania Turnpike tolls, which support bonds that fund transit capital investments, have been severely impacted by the coronavirus. As a result, the PTC delayed its July quarterly payment to PennDOT, and the status of future payments is uncertain. In FY 2021, the Pennsylvania Department of Transportation can only commit to provide SEPTA $97 million in capital funds from a budgeted total of $349 million. This requires that SEPTA immediately delay and stop altogether $250 million in capital projects – including bridges, station accessibility, and electric bus procurements – impacting jobs and economic activity when both are greatly needed.

These immediate, coronavirus-related challenges, however, are merely a precursor of the serious capital crisis SEPTA faces if the General Assembly does not preserve the critical infrastructure investments made possible by Act 89.

Without prompt legislative action assuring $450 million in sustainable, bondable funds, to replace the annual Turnpike obligation to PennDOT for statewide transit capital improvements, SEPTA's capital budget would fall to near pre-Act 89 levels beginning next spring. Capital funding reductions to this extent would suppress SEPTA's ability to rehabilitate and replace vehicles, signal systems, substations, track, bridges, facilities, or make stations ADA accessible. Eliminating these core infrastructure investments will make it impossible for SEPTA to maintain the system in a state of good repair and safely operate existing levels of service. Just when the state and region will be looking for SEPTA to help drive the recovery, SEPTA will be forced to initiate a service reduction plan that over the next ten years will result in:

- Converting all six (6) City Trolley Routes and the Sharon Hill Line (Route 102) to bus service
- Suspending service on four (4) of 13 Regional Rail Lines
- Truncating service and eliminating more than 100 stations on nine (9) of 13 Regional Rail Lines
- Suspending service on the Broad-Ridge Spur on the Broad Street Line and reduce service frequency on the Broad Street and Market-Frankford Lines
- Truncating service on the Norristown High Speed Line

Act 89 has been a lifeline, providing long-needed funding for transit agencies across the state to address infrastructure and vehicle needs. For SEPTA it provided a path to make critical infrastructure investments to keep the existing system safe and reliable and substantially eliminate its $5 billion state of good repair backlog over a period of 20 years.

While Act 89 provided Pennsylvania's transportation agencies with funding to reduce their backlog of capital repair needs, it has become clear that additional investment is needed. In our growing region, more work must be done to ensure that southeastern Pennsylvania's 21st

Century economic story is not short-circuited by the capacity of public transportation. Other regions facing this dilemma have turned to mass transit as the answer. Notably, Maryland, Virginia, and the District of Columbia recently invested an additional $500 million per year in their transit system to address the Washington D.C region's growing congestion issues. The investment supports the economic growth expected with Amazon's "HQ2" headquarters.

High quality mass transit has become a key differentiator for employers making investment decisions. While southeastern Pennsylvania is now one of the top 10 most congested regions in the United States, with the Schuylkill Expressway near the top of most congested corridors, and highways such as Interstates 95 and 476 experiencing similar levels of traffic, SEPTA's peer agencies such as MBTA in Boston, CTA in Chicago, and WMATA in Washington D.C. are each investing close to twice as much as SEPTA is in capital projects each year. These regions are realizing tremendous advantages from additional transit capacity to unclog streets and catalyze the next round of economic growth – opportunities that southeastern Pennsylvania is missing out on.

Without additional investment, transportation will become a limiter to southeastern Pennsylvania's continued growth potential. Recognizing the economic urgency of this situation, in 2017 a cross-sector coalition called the "Mobility Partnership" was convened to develop a blueprint to meet the region's growing mobility challenges and to develop potential solutions. The partnership was guided by an Advisory Council comprised of leaders representing the region's major employers, civic associations, elected offices, and transportation agencies. After a 15-month study, the Partnership issued a report in April 2019 that provides lawmakers and local elected officials with the necessary background to provide state and local solutions. A similar effort was undertaken in southwestern PA.

The Mobility Partnership concluded that transportation is not a cost – it is an investment that creates jobs, grows the economy, and improves quality of life. It called on elected officials to:

- Guarantee Act 89 by securing a statewide source of funding for public transportation that replaces the Pennsylvania Turnpike's ongoing obligation. Despite recent progress, SEPTA still must work to bring the system to a state of good repair. Act 89 is a foundational source of funding for capital investment that must be preserved.
- Pass enabling legislation allowing new local sources of revenue to be generated to invest in projects of significance to support and accelerate regional growth. SEPTA's projects of significance, including King of Prussia Rail, Trolley Modernization, and rail capacity improvements, would help accommodate existing demand and significantly accelerate the rate of job growth in southeastern Pennsylvania.

The House Transportation Task Force's Recommendations are consistent with the Mobility Partnership's principles and its call to action. SEPTA supports its work and recommendations to strengthen transportation and mobility throughout the Commonwealth. In particular, SEPTA urges members of the House Transportation Committee to grant prompt and favorable consideration to, in our view, the most critical measures in this package: Representative Mizgorski's bill to begin the gradual transfer of Turnpike obligations to the Motor Vehicle Sales and Use Tax; Representative Hennessey's bill to enable county and local governments to invest in transportation projects that will make their communities stronger, and Representatives Culver and Gabler's bill to limit the diversion of Motor License Funds from highway, road and bridge projects.

This is a critical time for the Commonwealth of Pennsylvania, and all Pennsylvanians have been well served by the General Assembly's efforts to lead the state through the coronavirus pandemic. In advancing policies to ensure that Pennsylvania will emerge from this public health crisis stronger, it is important to remember that safe, efficient and accessible public transportation has always been a cornerstone for economic growth, job access and creation, equity, and quality of life in communities across Pennsylvania.

In southeastern Pennsylvania – where SEPTA buses, trains and trolleys transport the equivalent of 10 sold out Beaver Stadiums every day – public transportation is indispensable. If the region is to continue to play its leading role in the state economy, it will need strong SEPTA service to ensure access to opportunity and provide relief from debilitating congestion.

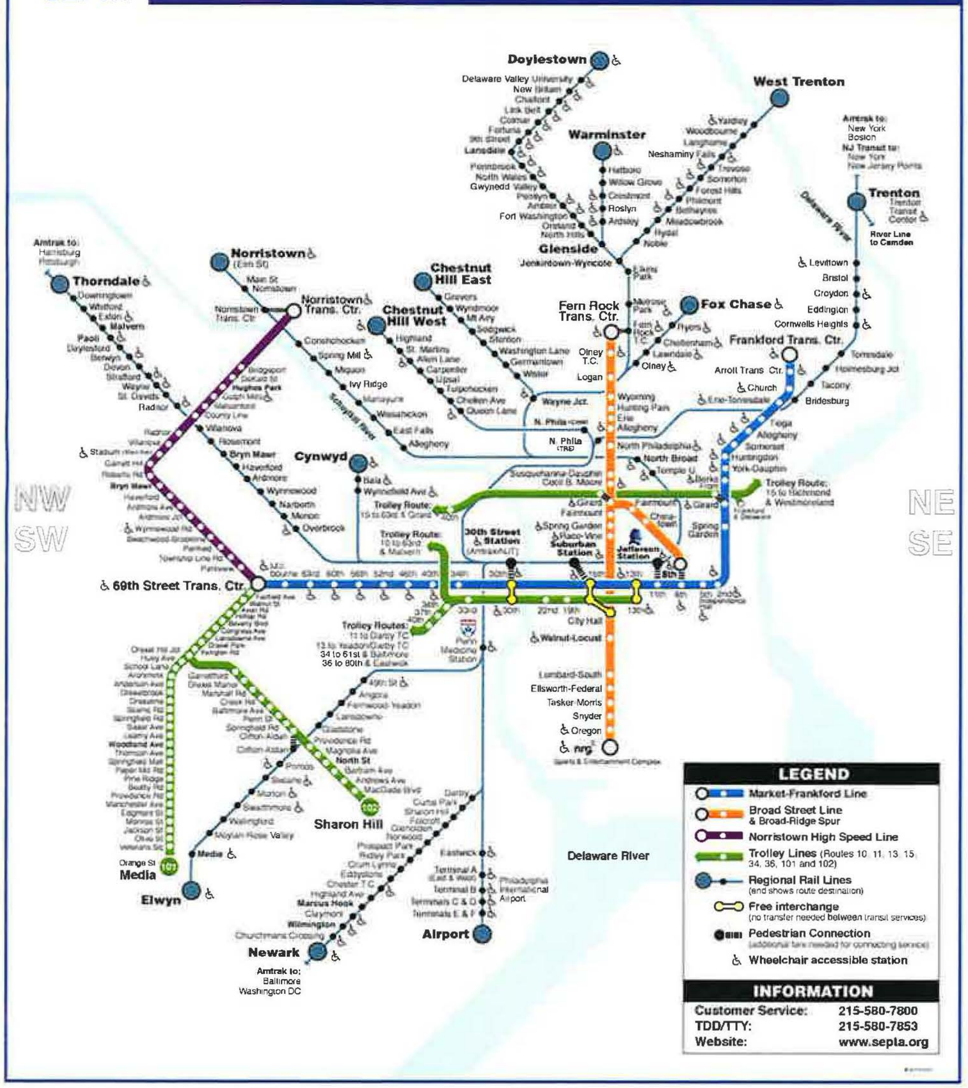
Again, we are asking for leadership and guidance on our next steps. Does SEPTA continue to serve as the backbone of the state's most dynamic economy, or do we begin moving in the direction of service reductions – shutting rail lines, shrinking fleets, reducing staff levels, cutting routes, closing stations, limiting accessibility? Those actions cannot be easily reversed and would do irreparable harm to the state economy.

We are grateful for the Committee's thorough analysis of the House Transportation Task Force's Recommendations and urge prompt action. This package of bills – especially measures that would secure sustainable and bondable funding to preserve Act 89 investments, and that would also give regions the ability to raise funds locally to advance projects that are important to community growth – will ensure SEPTA service can continue to meet the transportation needs of the region.

Thank you again for hosting this hearing and the opportunity to testify on this important topic. I am happy to answer any questions.

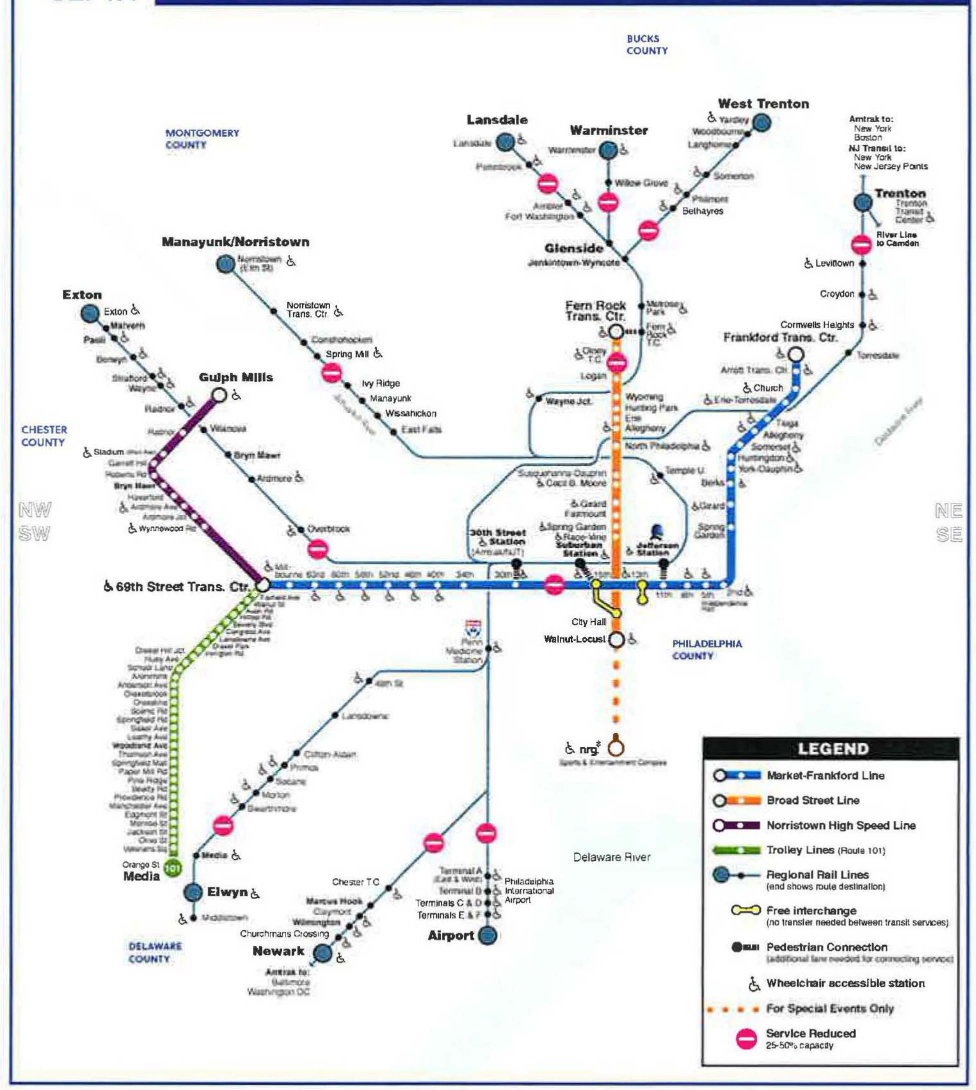
SEPTA

Regional Rail & Rail Transit 2020



SEPTA

WITHOUT CRITICAL FUNDING...
What Happens to SEPTA Rail Network by 2030



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