Senate Transportation Committee
June 30, 2010

Testimony of Joseph M. Casey
General Manager, Southeastern Pennsylvania Transportation Authority

Good morning, I am Joe Casey, General Manager of the Southeastern Pennsylvania Transportation Authority (SEPTA). SEPTA is the largest transit property in the Commonwealth serving a 5 county region in southeastern PA including Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties as well as selected destinations in New Jersey and the State of Delaware. The Authority provides more than 300 million annual trips on one of our 117 bus, 9 trolley, 2 subway, or 13 regional rail routes. Created from the assets of bankrupt transit operations, a significant portion of the Authority's operational network is comprised of legacy routes, stations, and infrastructure close to or more than 100 years old.

Capital investment is essential to ensure that we can maintain safe, efficient operations and provide service that meets the needs of customers. These investments fall into four major categories: State of Good Repair, Normal Replacement of Assets, System Improvement, and System Expansion.

SEPTA's annual Capital Budget allocates millions of dollars to upgrade vehicles, stations, and infrastructure; and our long range, 12 year outlook identifies projected planned for the future. Need consistently far out paces resources and even with careful planning critical infrastructure and facility upgrade projects cannot be completed due to a lack of adequate funding.

This situation was borne out by a 2006 Report Card on Infrastructure in Pennsylvania published by the American Society of Civil Engineers (ASCE) that only gave transit a D+ grade; ASCE recently downgraded this rating to a D. These problems were also well documented by the Governor's Pennsylvania Transportation Funding Reform Commission. Established to look at the issues confronting all aspects of transportation in Pennsylvania, including public transit, the Commission's exhaustive study found that funding for transit was fundamentally inadequate and that…"Pennsylvania public transportation and highway and bridge systems are in crisis, both in terms of inadequate funding for operations, capital improvements, as well as decaying physical conditions."

This past April, the Federal Transit Administration (FTA) published the findings of its own two year study that investigated the capital needs of the nation's largest rail systems including Chicago, Boston, New York, New Jersey Transit, San Francisco, Washington, and Philadelphia. The FTA found the same conditions nationwide that the Reform Commission found in Pennsylvania. They identified a $50 billion backlog in critically needed capital projects and identified a pressing need for adequate resources, especially in older rail cities, such as Philadelphia, to address state of good repair upgrades, infrastructure renewal station rehabilitation, and critical systems modernization. Of that, SEPTA represents $4.2 billion to complete upgrades at maintenance shops, bridges and tracks, stations and parking facilities, substations, catenary, signals, vehicles, and a modern fare collection system. Just last month this need was again confirmed by the Pennsylvania State Transportation Advisory Committee's Transportation Funding Study. This report's recommended funding levels for public transit at $484 million in 2010 with an anticipated growth to $3 billion by 2030.

Recognizing the need to resolve these longstanding structural funding issues, in 2007 the Legislature passed Act 44 and created the Transportation Trust Fund. For SEPTA, Act 44 created fiscal stability for the first time in more than a decade and the benefits from the Transit Trust Fund, which have accrued for our riders, are clearly visible in the capital projects that advanced including the completion of the Market Street Elevated and the purchase of new vehicles that support our sustainability program.

The Authority's Board and Management team have worked diligently to maintain a balanced budget. Thanks to this fiscal discipline we are not experiencing the pressure to cut service and significantly increase fares that many of our peers across the state and the nation have been forced to contemplate. The fare increase recently approved by the SEPTA Board that will go into effect on July 1 reflects the Authority's compliance with the recommendations of the Transportation Funding Reform Commission for regular increases and is not a based on the need to meet a crushing budget deficit.

Yet, the U.S. Department of Transportation's recent rejection of the application to toll Interstate 80 will have an immediate and significant impact on SEPTA's Capital investment program. In Fiscal Year 2010, the Authority's budget consisted of 23 projects totaling $418 million. Without full funding of the Act 44 Public Transportation Program, the Authority will experience a 25% -- or $110 million -- loss in capital funding annually, beginning July 1 of this year.

These reductions will negatively impact the Authority's ability to replace deteriorated assets. Of SEPTA's 347 railroad bridges, 96 bridges are over 100 years old, 192 are 50-100 years old, and 15% are rated in "poor condition." SEPTA has 153 Regional Rail Stations, and 67 Suburban and 60 City Transit Stations. Of these customer facilities, 75 Regional Rail stations need rehabilitation or replacement. Fifteen of nineteen power substations are over 75 years old and a portion of the Authority's catenary structure dates back to the 1930's. The longer station and systems replacement and rehabilitation work is delayed the more difficult it becomes to maintain and that creates a threat to daily rail service operations. For example, if the Wayne Junction traction substation, constructed in 1931, fails the consequences for Regional Rail service are catastrophic and immediate. All service on 7 of SEPTA's 13 rail lines would stop operating, impacting more than 17 million annual passenger trips. Additionally, the Wayne Junction failure would cut off access to a key rail yard, which would severely limit service capacity on the remaining 6 rail lines. The net effect would be the loss of Regional Rail as a viable service option. Moreover, deferring bridge, power distribution, station, and other critical infrastructure improvements only serves to increase expenses and tax an already constrained operating budget.

The loss in capital funding for FY2011 forces SEPTA to defer twenty-two major capital projects totaling over $700 million including reconstruction of the 95 year old Chestnut Hill West Bridge, implementation of a new fare collection system designed to offer convenient fare payment choices to all riders; the rehabilitation of deteriorated passenger stations and power substations, and the restoration of service to Wawa. These projects where slated to advance to construction and/or be substantially complete during Fiscal Year 2011 through Fiscal Year 2014

With the reduced level of funding, SEPTA must focus its efforts to honor current financial and contractual obligations, comply with federally mandated requirements; and continue to advance safety related, and essential vehicle replacement and rehabilitation programs.

What are the choices and solutions that we should consider? As outlined in the TAC report, European nations frequently employ a tax on gas as a means to pay for transportation infrastructure. For example the price of fuel in Norway is $8.73 vs average costs of $3.45 per gallon in the US. Other dedicated taxes have been established to support transit including:

- **London:** Congestion fee
- **Paris:** Regional payroll tax
- **Barcelona:** Value-added & personal income tax
- **Rome:** Property taxes
- **Madrid:** Personal income, value-added, & business taxes

In evaluating the potential for revenue generators in Pennsylvania, the TAC Report identified a series of possible options. The two with the highest yield potential – a state sales tax on fuel and tolling of state roads – both have significant issues to consider – the volatility of pricing for fuel and the need for federal approval for road tolling. Other possible revenue generators – taxes on vehicles, vehicle leasing and rentals, and tires, and real estate transfers have moderate or low yield potentials.

Whatever the option or options, I believe that some action must be taken because transit plays such a critically important role in the economic viability and vitality of Pennsylvania, especially in the southeastern region.

SEPTA has been a careful financial steward, wisely investing the capital resources received from Federal and State sources. With this funding we have advanced many initiatives addressing useful life, state of good repair, vehicle replacement, and system improvements including fleet modernization and upgrade. Without sufficient capital resources, the Authority will not be able to sustain current level of investment in vital transit assets.

The loss of Act 44 funding will deal a major blow to public transit and highways that will translate into fewer ***permanent*** jobs and significantly reduced opportunities for contractors and engineers who support public transit and highway construction and revitalization initiatives.

The Commonwealth cannot afford to sustain such job losses or reduced capital investment in its vital transportation infrastructure.