

TRANSPORTATION



SEPTA explores service cuts and fare hikes after Harrisburg lawmakers denied more transit funding

The agency failed to get \$190M more in state funding it desperately needed. The search is on, but cuts are likely.



Travelers wait for the Broad Street Line train at the South City Hall station in the fall of 2021.

JOSE F. MORENO / Staff Photographer

by Thomas Fitzgerald

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From her seventh-floor office on Market Street, SEPTA chief executive Leslie S. Richards had no view into the Harrisburg back rooms where lawmakers were stapling together the last parts of the budget in mid-December. But in the days leading up to the budget's passing, the agency's government relations team paced Capitol halls and worked their contacts, desperate to secure a piece.

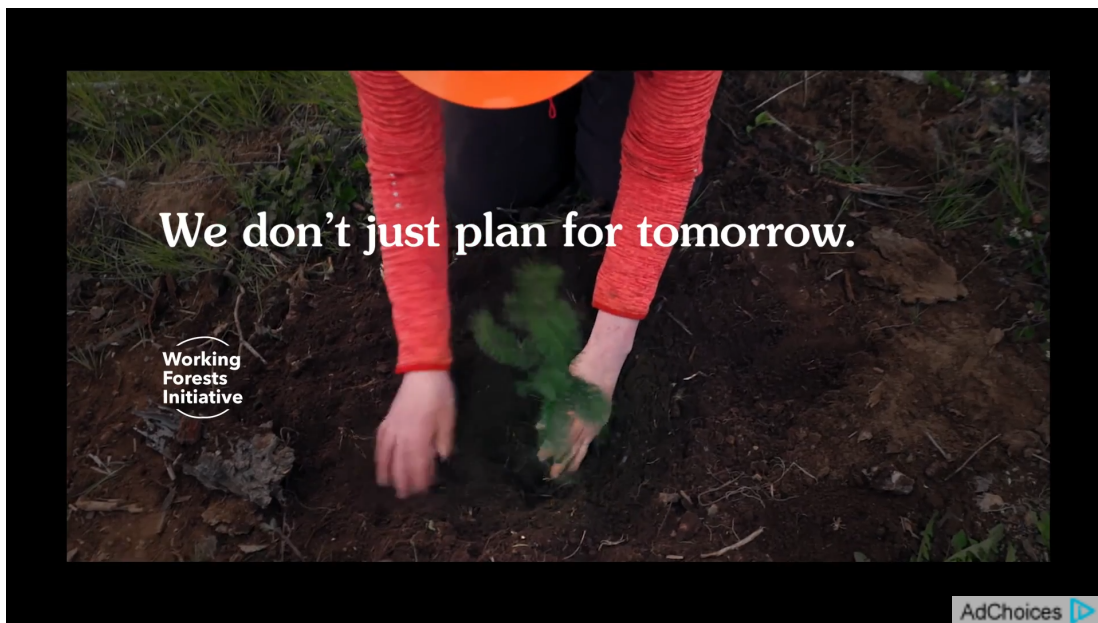
When the budget was passed, after a five-month impasse, it didn't include the \$295 million increase in state transit funding that SEPTA hoped to tap into to stop deep service cuts and a likely fare increase. Other priorities made the deal amid the furious horse-trading.

Now the race is on to see whether SEPTA, transit advocates, and political leaders can get a solid source of transit funding passed before the cuts kick in.

"I hate to say it, but I just feel like I'm old enough to know that anything can happen," Richards said about SEPTA's fate in the budget, having survived years of state budget scrambles as a Montgomery County commissioner, secretary of PennDot and SEPTA chief.

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“There’s a lot that you can’t see, and so you can never know the result,” Richards said.

SEPTA projects annual operating deficits of \$240 million beginning July 1, when the last of its federal pandemic aid will have been spent. The agency reported an uptick in ridership as of November, carrying a weekday average of 699,000 passengers — 68% of 2019’s number.

In the weeks since the budget passed, SEPTA officials have been drawing up options, all of which they consider bad, for trimming or slashing the frequency of service on buses, subways, trolleys and Regional Rail. It’s too early for specifics but the cuts could be as deep as 20% fewer rides overall, officials have estimated.

Stakes are high.

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A depleted SEPTA would, at the least, disrupt the lives of thousands of Philadelphians and deal a blow to the region's economy.

Politically, SEPTA's shaky finances present a leadership test for Gov. Josh Shapiro, who also served as a state representative and Montgomery County commissioner. A possible SEPTA collapse adds another crisis to those already faced by Philadelphia Mayor Cherelle L. Parker, [whose term formally began Tuesday](#). She stressed close City Hall-Harrisburg relations in her campaign.

So it all comes down to three savvy and experienced Democratic political figures from the region who know each other well: Richards, who served with Shapiro in Montgomery County; the governor himself; and Parker, who was in the House with Shapiro and has a good working relationship with him. A lot is riding on those ties.

How SEPTA got here

At the end of a legislative session, leaders of the Democratic and Republican caucuses in the Pennsylvania House and Senate meet along with the governor's staff, and sometimes the governor, to decide the final shape of big, controversial legislation.



In December, the unfinished portions of the state budget went into this grinder after an impasse of nearly six months. Among the proposals in the mix: a bill that would **increase the allocation of state sales tax revenue for public transit to 6.4%, up from 4.4%. That would raise an additional \$295 million, with \$190 million for SEPTA — but not increase the sales tax.**

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But the money didn't show up in the final budget.

“It just never made it in. From what I saw, it didn't have enough oomph and the trade-off price was too high,” said State Rep. Ed Neilson (D., Philadelphia), chairman of the House Transportation Committee.

Senate Republicans had resisted the proposal for months, but people working on the issue and tracking the bill thought prospects were looking better. The final budget package had some top priorities of Shapiro and legislative Democrats, including a large increase in state aid to local schools and a child and dependent care tax credit for working families.

Republicans got an increase in tax credits for donors to a state fund that gives private school scholarships to children in impoverished school districts. They also got \$900 million for the rainy day fund.

“Josh focused his political capital elsewhere,” said a Harrisburg lobbyist familiar with the budget negotiations who spoke anonymously to preserve relationships with members of the administration.



Pennsylvania Gov. Josh Shapiro shakes hands on the House floor before his first budget address in March 2023. SEPTA leaders were hopeful that the governor's next budget prioritized transit.

DAN GLEITER / AP

Shapiro is due to introduce his proposed budget for next year in February

and public transportation advocates from across the state are lobbying to get the transit money a prominent place in the speech.

Neilson said more stable funding for transit is not dead. “We know the [fiscal] cliff is there,” he said. “We know we have to do something. ... We’re back in budget season before we know it.”

What it means for riders

The potential fallout from state legislators’ lack of action is complicated.

SEPTA says it will know more precisely in the next month or two what potential cuts it will propose — but a fare increase and severe service cuts are likely. In part, the calculus depends on a decision about a fare increase — the higher it is, the less service would need to be cut, but if it’s too high that could drive away some customers in one of the nation’s poorest cities.

Making cuts is also complicated by union contracts. [SEPTA’s deal with the Transport Workers Union Local 238](#) allows operators of buses, subways and trolleys to choose their shifts and route assignments every few months.

By the time it’s clear whether SEPTA will get more state money, the agency will be locked in to current service levels for the summer, said Erik Johanson, the

agency's senior director of budgets and transformation. Any cuts, if needed, would start in the fall, he said.

"If you're going to cut services you have to layer it in. It's hard to go from 0 to 60," Johanson said. "That's why it's so critical that we get clarity on whether we're going to get or not get this funding. We need to know what to plan for."

As a stopgap, SEPTA may use money from its \$530 million Service Stabilization Fund. PennDot says the agency should have three months of expenses in reserve each year.

But SEPTA officials say this comes with its own complications.

"It's used throughout the year to pay bills. It's not like it's in a lockbox," Johanson said. SEPTA often has to pay bills up front while waiting for federal and state grant money to be deposited in its accounts. "You have to manage your cash flow in between."

Richards said the fund is widely misunderstood as a savings account, and she added she has contributed to that by mistakenly referring to it as a "rainy day fund" in public.

If SEPTA were to use the money in one go, it could fund current operations for about three months but would have nothing for other bills that come due, or

Can our elected leaders fix it?

The governor and mayor have some big incentives to prioritize transit funding this year, the lobbyist said, saying a severely weakened SEPTA could “destroy” the economy of the Philadelphia region, Shapiro’s political and donor base, and a linchpin of the state’s prosperity.

“We’re grateful to have two individuals who know the value of SEPTA,” Richards said.

And some political analysts note that high voter turnout in Southeastern Pennsylvania, and especially Philadelphia, is critical for President Joe Biden’s chances of reelection next fall.

The southeast region generates [42% of statewide economic activity and 38% of state government’s tax base](#), according to a 2020 report by Econsult Solutions, a Philadelphia firm that advises businesses and policymakers.

But it’s long been [hard for many outstate legislators to vote for transit funding](#) and other measures seen as favoring Philadelphia. SEPTA has not helped its cause with some financial decisions such as the Key Card contract with Conduent, which bloomed to \$285 million, more than twice what was budgeted.

[Rep. Kerry Benninghoff \(R-Centre\) said rural members of his party ask him](#)

footing and also expressed concerns about crime and spending.

“It’s hard to get them excited to vote to fund ... another financial investment package,” Benninghoff said during a September hearing at SEPTA headquarters about funding. He stressed that he favored some aid.

Transit agencies around the country have been facing budgetary challenges as they spend the last of the \$69 billion handed out in three rounds of pandemic aid. Some are worse off than SEPTA, with the Washington Metropolitan Area Transit Authority reporting that it faces a gap of \$1 billion. It serves the District of Columbia and its suburbs in northern Virginia and Maryland.

But Boston, which like Philadelphia has a sprawling and old transit system, just got \$392.8 million in additional funding from Massachusetts, including \$187 million to hire new workers. The state also created a new \$1 billion fund for transit and education, paid for with a new 4% surtax on incomes of more than \$1 million.

“I just wish we had their operating budget and their capital budget. We could be such a different SEPTA,” Richards said, “instead of having the conversations we’ve been stuck with year after year of how we are going to survive with limited resources.”

This story has been updated to correct the tax-credit provision won by Democrats in the state budget negotiations. It is a child and dependent care tax credit for working families.

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