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TRANSPORTATION

Philadelphia Demands City Workers Return to the Office. Can They Get There?

Philadelphia's mayor has ordered city workers back to the office. Unfortunately for them, the state is not providing the amount of funding that local transit needs.

Aug. 1, 2024 • **Jared Brey**

SEPTA, Philadelphia's bus and commuter train system, is running a $240 million deficit. Shutterstock

In Brief:

- Philadelphia's transit agency is facing a $240 million budget deficit in the wake of the COVID-19 pandemic.

- The Pennsylvania legislature approved about $46 million in one-time funds, well short of a proposal from Gov. Josh Shapiro to increase dedicated funding for public transit.

- Lawmakers say they'll take up the issue in the fall, but SEPTA is planning fare hikes and service cuts in case new funding doesn't come through.

Philadelphia city employees are required to report to the office five days a week under a policy implemented this month by Mayor Cherelle Parker. But they could find it increasingly difficult to get to work if the city's transit system can't come with new revenue.

Like other systems, the Southeastern Pennsylvania Transportation Authority (SEPTA) lost thousands of riders during the pandemic, and hasn't yet brought them back to previous levels. Partly as a result, the authority is facing a gap in its annual operating budget of about $240 million.

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Earlier this year, Pennsylvania Democratic Gov. Josh Shapiro proposed increasing the share of a state sales tax dedicated to transit. The proposal would have meant about $161 million annually for SEPTA — not the entirety of what the agency requested, but close to it. But last month, the state legislature instead passed a budget with one-time funds for SEPTA of about $46 million, punting on the question of longer-term increases in support for transit.

Although lawmakers have said they plan to take up the question again in the fall, SEPTA says it will be forced to implement steep fare hikes and service cuts if they don't get additional funding soon.

"This is less than a quarter of what we originally requested and less than a third of what Gov. Shapiro proposed, so we're really evaluating where we are," says Leslie Richards, SEPTA's general manager. "We're facing both an operating and capital fiscal crisis like we've never faced before."

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State Help for Ailing Transit Agencies

SEPTA is far from alone in looking to its state government for help navigating fiscal challenges. All of the biggest transit systems faced budget crises in the wake of the pandemic. Some states have stepped in with new operating support. New York state, for example, essentially resolved the Metropolitan Transportation Authority's fiscal cliff in a deal last year, before Democratic Gov. Kathy Hochul's decision to cancel congestion pricing put the system back in a tight financial spot.

Minnesota lawmakers delivered record increases to transit funding in the Twin Cities. The Illinois legislature commissioned a report on ways to stabilize Chicago's transit systems in the long term.

Philadelphia's transit system is in as tough a spot as any. The system's buses, subways, trolleys and commuter trains still provide critical service to regional workers. Riders made an average of around 717,000 trips a day last month, according to Richards.

The agency has already announced a partial hiring freeze in response to the financial uncertainty. Without new funding, cuts to transit service won't be small. The agency will have to "start dismantling and giving up pieces of the system" if state lawmakers don't provide more operating support, Richards warns.

Service reductions could be on the order of 20 percent. Whole lines could be suspended. People accustomed to waiting 15 minutes for a bus might have to wait an hour.

To balance the budget without substantial new revenue, says Erik Johanson, SEPTA's budget director, will require cuts that are "truly draconian and tough to come back from."

Political Challenges to Transit Funding

Richards, who formerly served as Pennsylvania's transportation secretary, has been involved in fights over transportation funding for years. She says this year started off as hopeful as any for public transit. Shapiro's proposal was the first time she'd seen a governor include new support for transit in a budget address. Throughout the spring, key legislators in the Republican-controlled state Senate and the Democrat-led House seemed open to adopting the proposal, or a modified version of it.

"It was the best start we've ever had in budget discussions," Richards says. "At the end, it kind of just fell apart."

piro said the funding for transit in the budget was "just a start," and that

legislative leaders in both parties are “all committed to returning in the fall and finding a permanent solution for mass transit.” But transit funding generally faces an uphill battle in a divided legislature.

“The main sticking point is that I represent a caucus that primarily represents rural Pennsylvania, and so our reliance on transit is much less,” says Joe Pittman, the Republican majority leader in the state Senate. “We don’t see transit as the critical issue that our friends on the other side of the aisle see it as.”

When the state legislature considers transit funding, it typically also considers more funding for other types of transportation infrastructure, including investments in rural roads and highways, Pittman says. There isn’t “any way we can have this conversation without both,” he says. But it’s also difficult to talk about increasing funding for both transit and roads because the Republicans don’t want to increase the existing taxes or fees that pay for infrastructure, he says.

Even Shapiro’s proposal, to give transit more of the share of an existing tax, didn’t land well in the Republican Senate. “The governor was basically suggesting we forego revenue we use to balance our budget, and we’re very concerned that while we have a surplus, we are in a negative-balance situation year over year,” Pittman says. “I don’t believe there’s any appetite to provide additional funding for transit and infrastructure through existing revenue streams.”

Pittman says one option he’s open to would be adopting a tax on so-called skill games, a type of gambling where the outcome is based on players’ skills rather than chance or luck. It is untaxed and poorly regulated in Pennsylvania, and the option would direct a portion of the revenue to public transit systems.

But lawmakers won’t have much time to strike a deal before SEPTA and other transit systems will need to start implementing service cuts and fare hikes. If that happens, advocates say it will leave riders stranded, stifle the recovery of the city’s downtown and office sector, and cause logistical challenges for big events such as the World Cup and the nation's 250th Independence Day celebration in [illegible]S.

“In order to step back from the abyss, we need a real commitment from House and Senate leadership across party lines, and from the governor’s office, that transit and transportation are the most important things to accomplish right now,” says Connor Descheemaker, a coalition manager at the advocacy group Transit Forward Philadelphia. “We need to put their feet to the fire a little bit.”

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