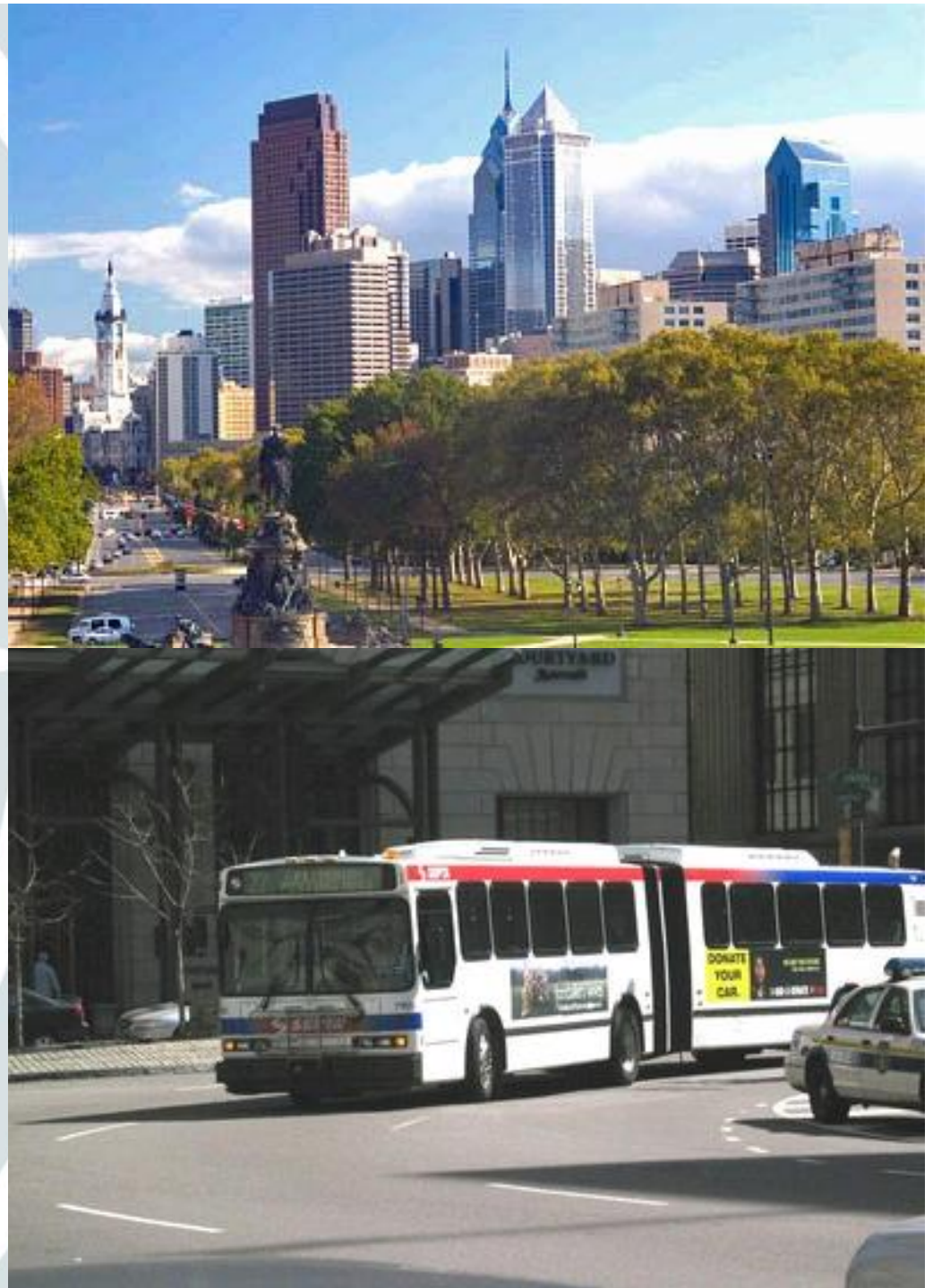


The Price of Inaction


Economic Impact of
SEPTA's "Plan B" Service
Cuts and Fare Increases

May 2007

Economy League of
Greater Philadelphia

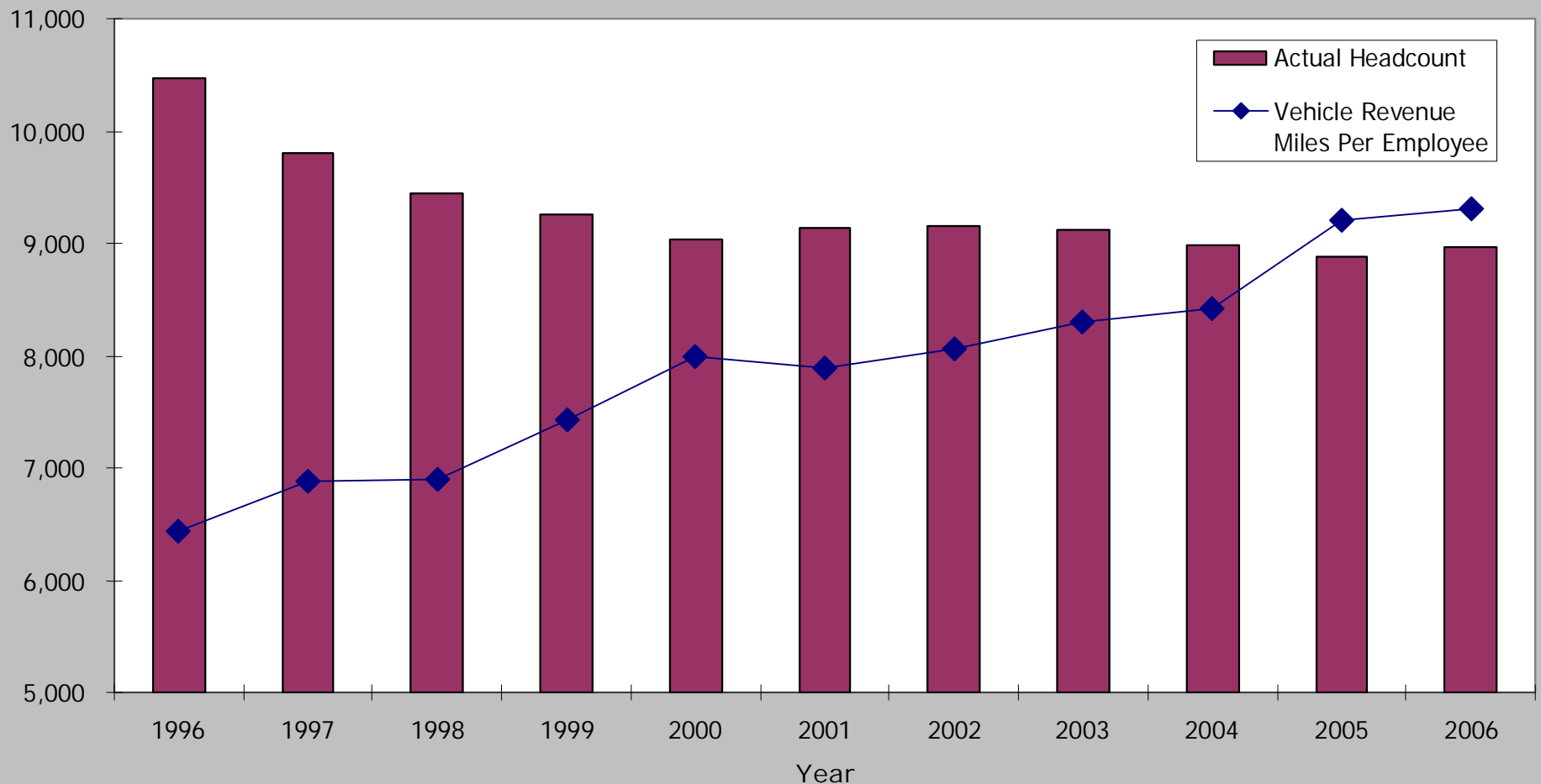


Agenda

- 
1. Background: How did SEPTA get here?
 2. The SEPTA funding crisis
 3. Economic impacts of SEPTA's proposed service contraction

Over the last decade, SEPTA has improved operating efficiency.

SEPTA Operating Efficiency



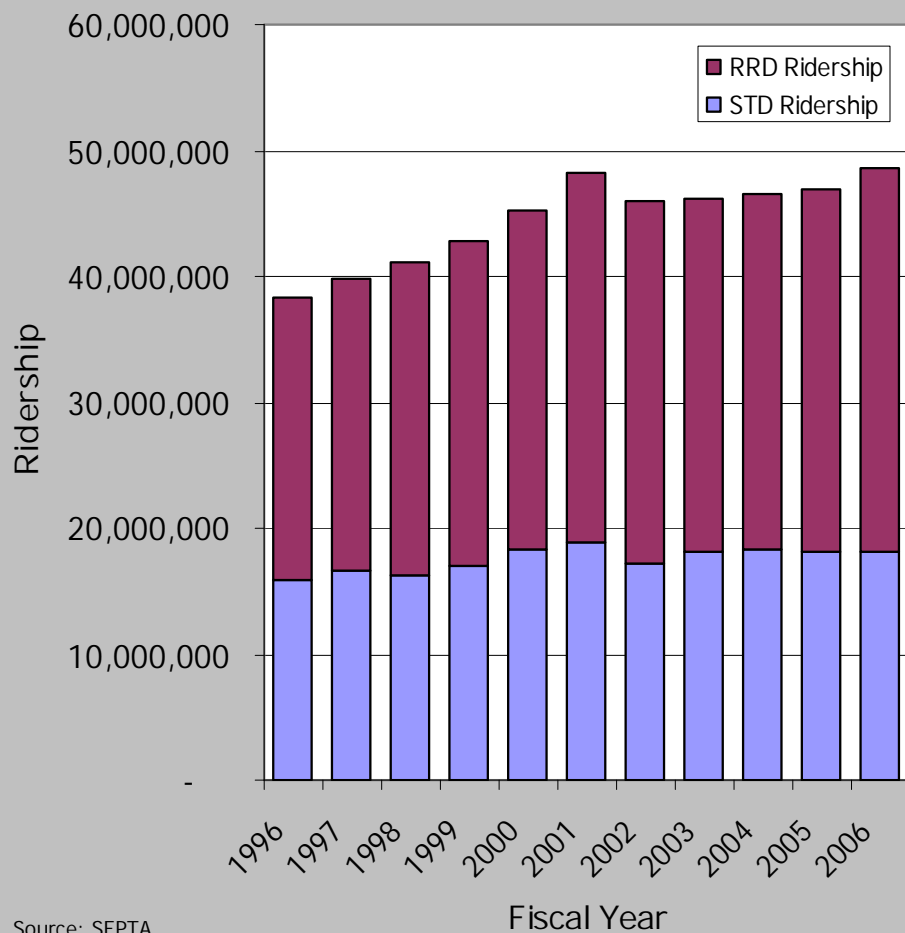
Only NY/NJ systems recover more revenue from fares.

Large Transit Systems in the U.S. Fare Receipts as a Percent of Operating Expenses

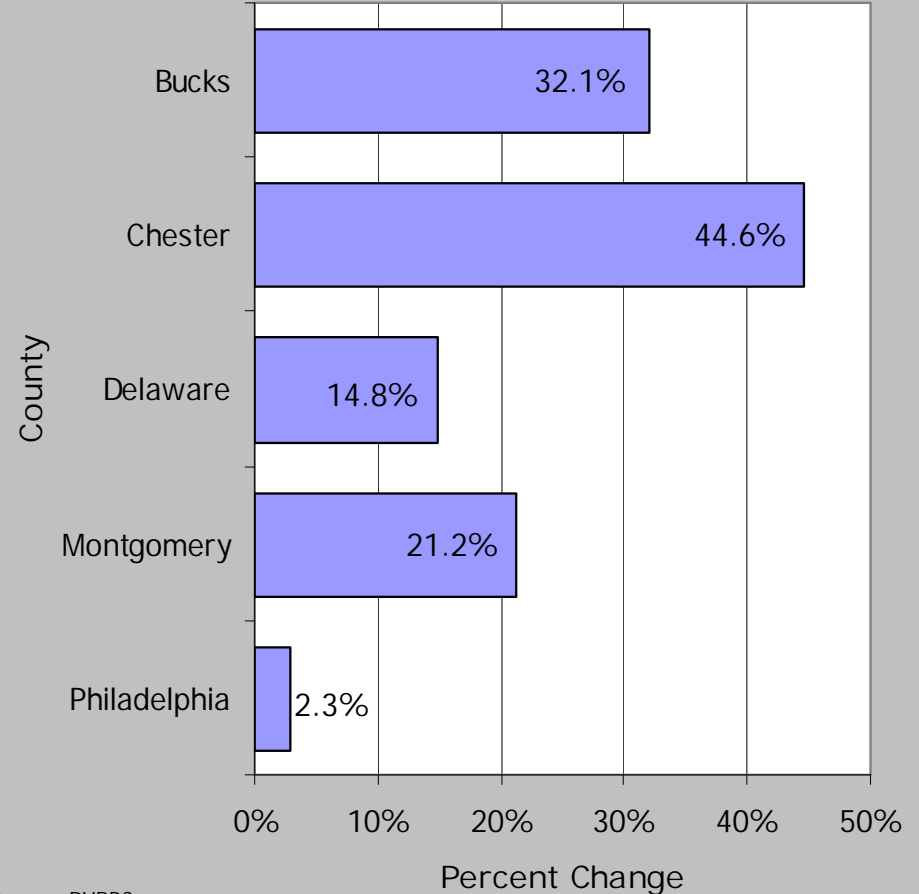
System	Region	Fare Recovery
MTA Metro-North Commuter Railroad	New York	54.8%
MTA New York City Transit	New York	53.1%
MTA Long Island Railroad	New York	44.6%
New Jersey Transit	NJ (State)	44.6%
SEPTA	Philadelphia	41.9%
CTA	Chicago	41.8%
Metra	Chicago	40.7%
Metro Transit	Minneapolis-St. Paul	40.7%
WMATA	Washington, D.C.	40.6%
PATH	New York	32.2%
MBTA	Boston	29.0%
MTA Maryland	Baltimore	28.7%
MARTA	Atlanta	27.4%
LACMTA	Los Angeles	27.3%
Miami-Dade Transit	Miami	25.0%
PAAC	Pittsburgh	24.1%
MUNI	San Francisco	22.3%
MTA of Harris County	Houston	21.3%
King County Transit	Seattle	21.2%
Tri-County Metropolitan District of Oregon	Portland	20.8%
RTD	Denver	18.2%

As the region expands, SEPTA is being asked to serve a larger area.

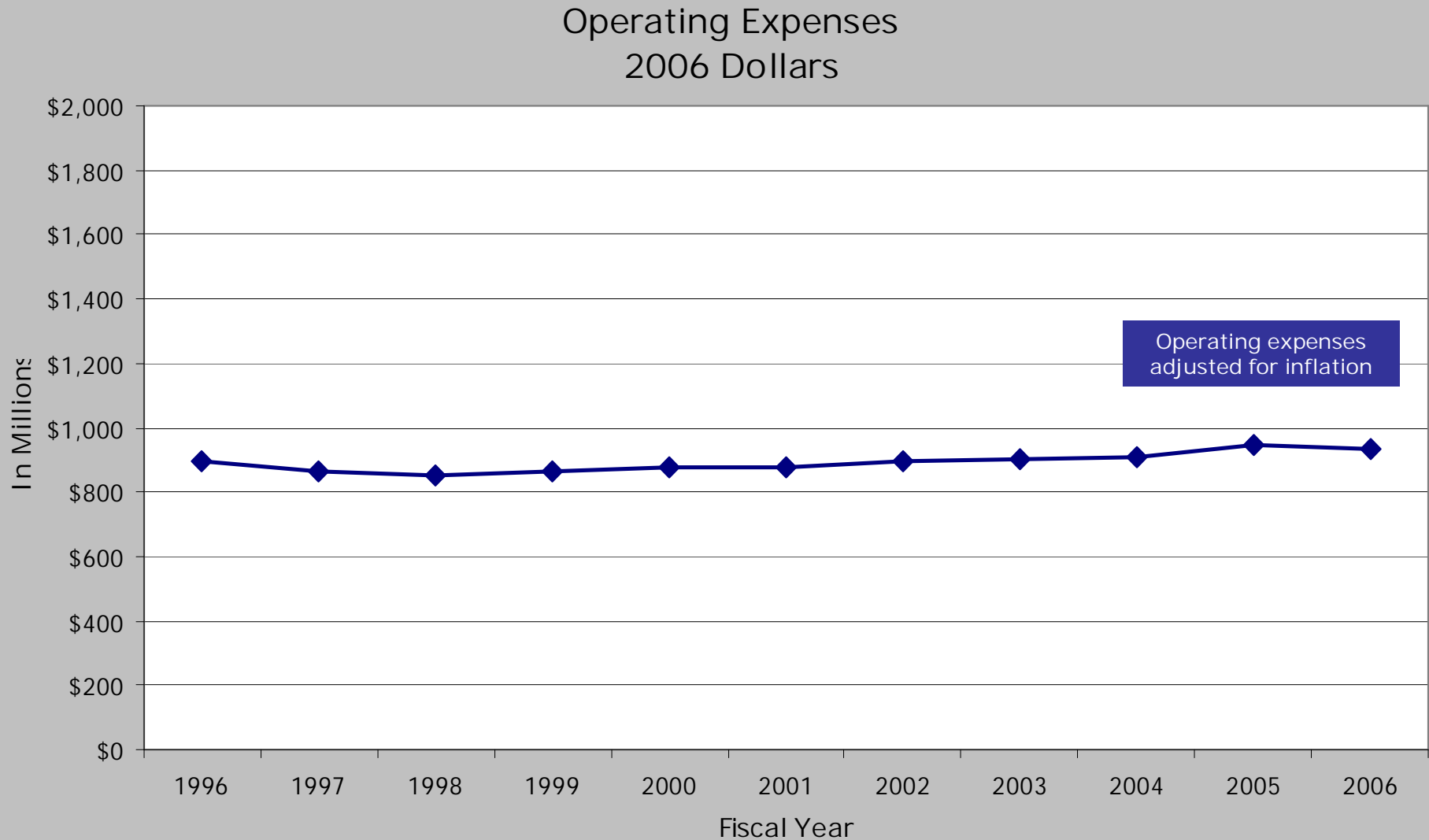
Suburban Transit and Regional Rail Ridership



Projected Employment Level Change by County, 2000-2030



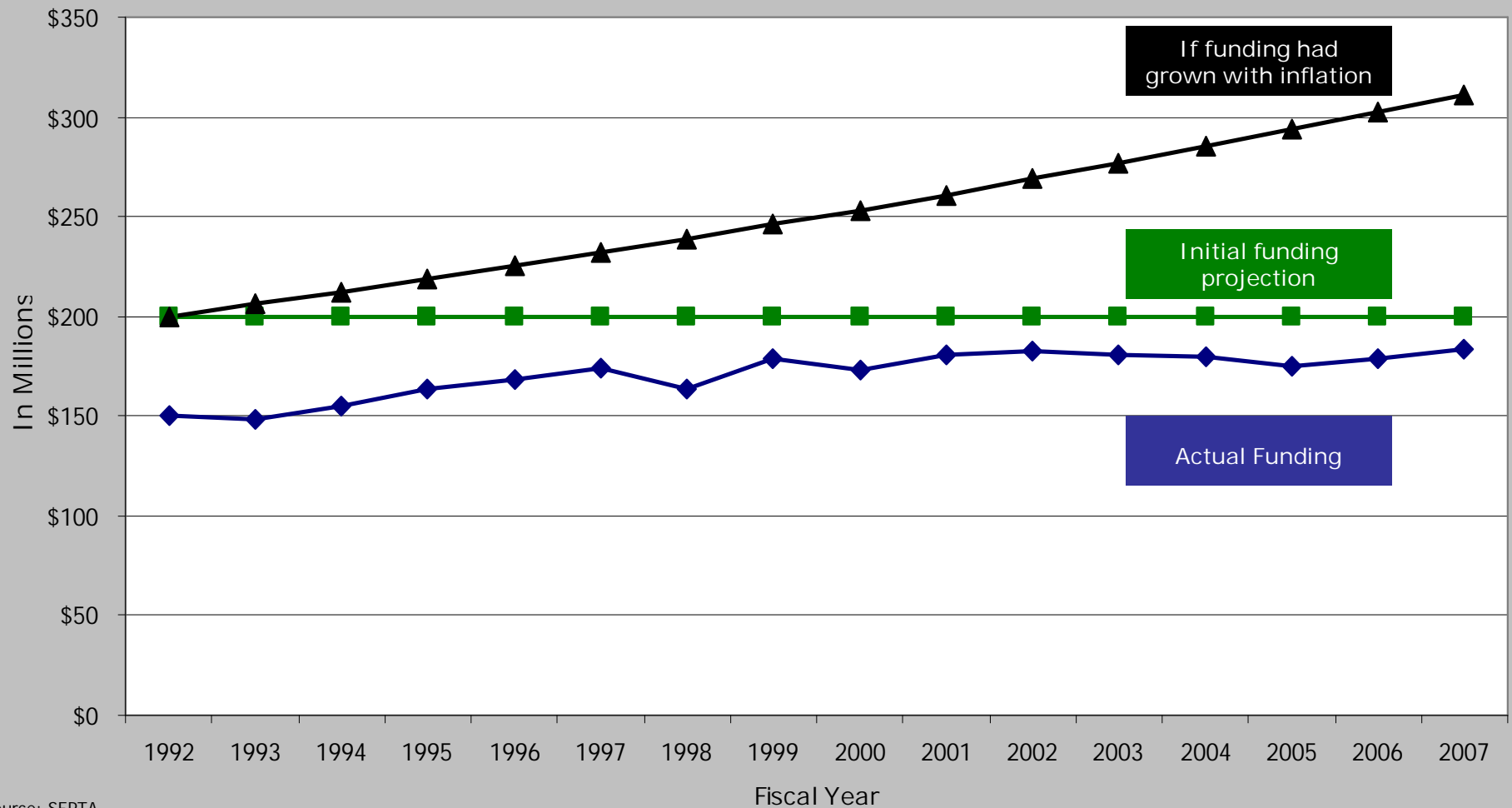
SEPTA has managed to control operating costs.



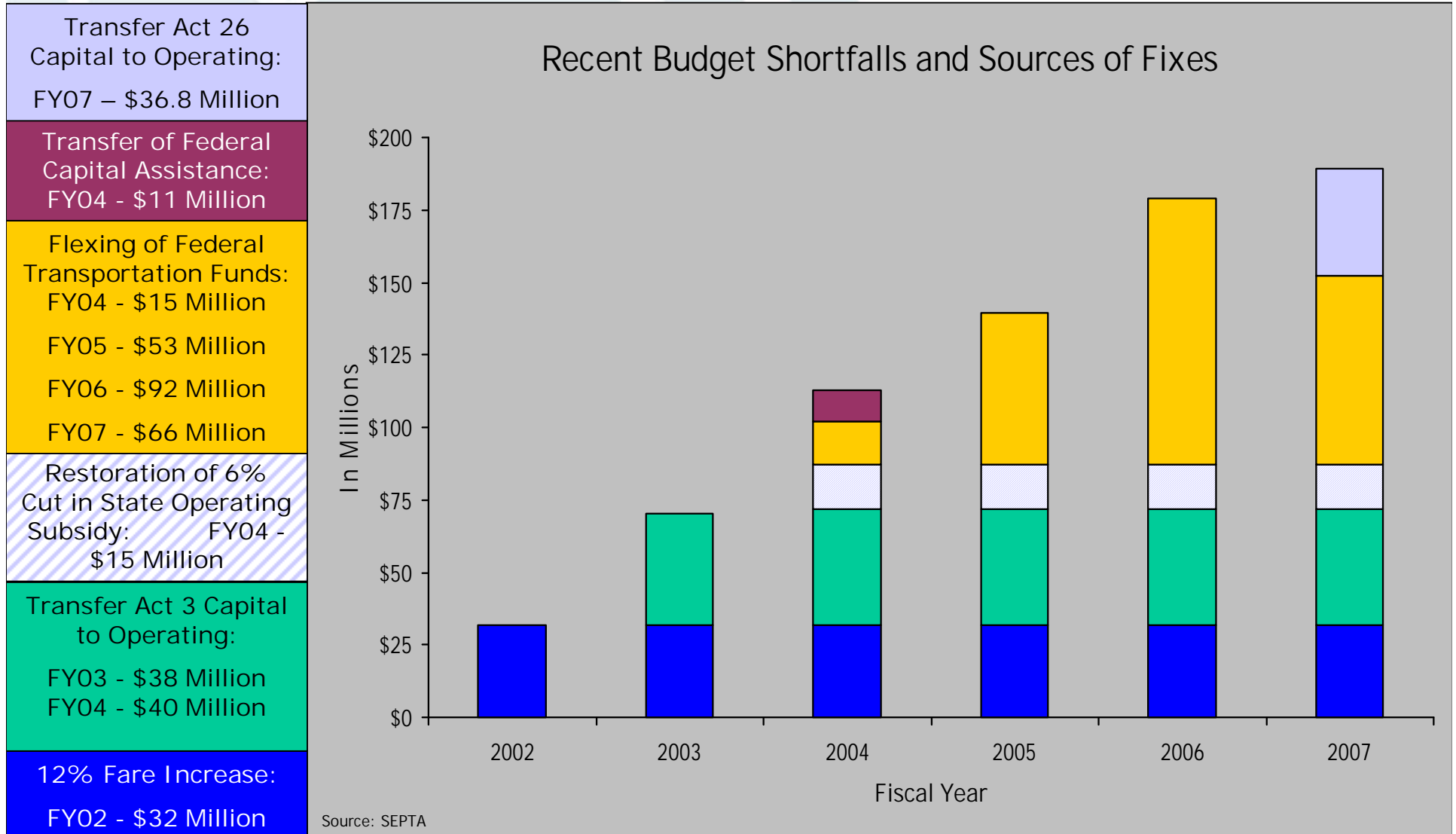
Source: SEPTA

State funding has not grown with inflation.

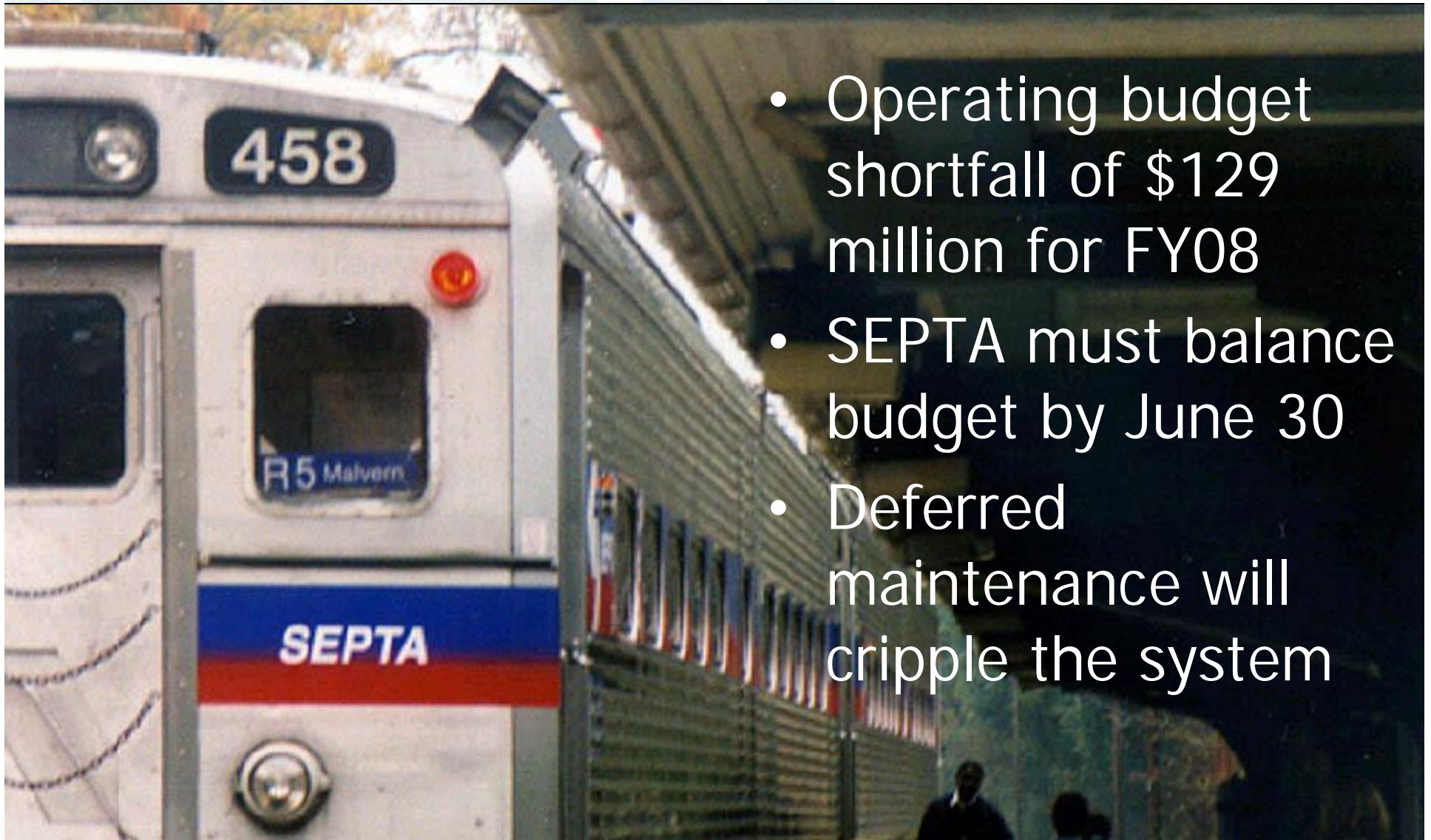
History of Act 26 Dedicated Funding



The result: Growing budget shortfalls – and a series of short-term fixes.

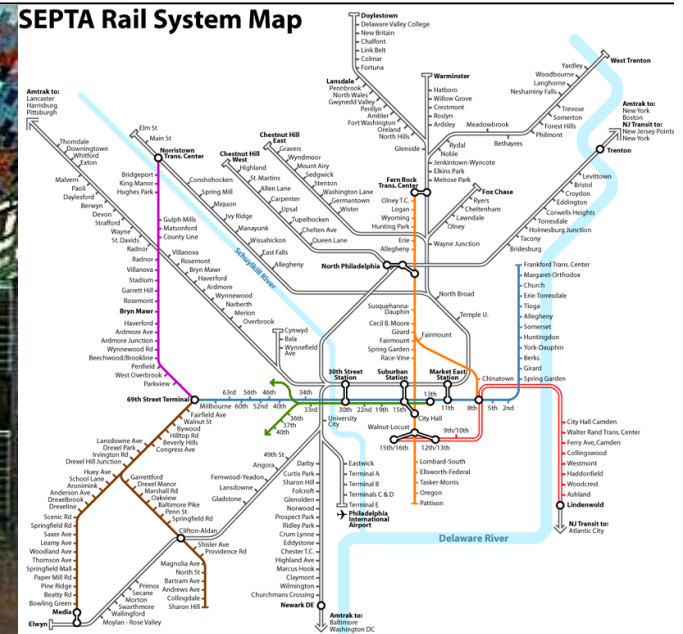


After years of Band-Aid fixes, SEPTA is in a state of crisis.



- Operating budget shortfall of \$129 million for FY08
- SEPTA must balance budget by June 30
- Deferred maintenance will cripple the system

Putting decades of transit investment at risk.



As well as private investment.



Audit after audit says this crisis cannot be solved by SEPTA alone.



- House Transportation Committee Audit
 - "SEPTA can do little more than it does now until its financial environment changes"
- Transportation Funding & Reform Commission (TFRC) Audit
 - "SEPTA's need of government subsidies for operating and capital for existing and expanded service are significant"

TFRC recommended serious actions to fix PA transportation.

Statewide transportation funding needs

- Transit: \$760 million
- Highways and Bridges: \$965 million

Proposed funding sources

- Transit: combination of state and local taxes
- Highways: gas tax and motor vehicle fees



Governor Rendell responded with his own funding proposal.




Determining criteria

- Refusal to flex highway funds
- Agreement with TFRC funding levels

Proposed funding sources

- Highways: Lease PA Turnpike
- Transit: 6.17% oil company profits tax through "combined reporting"

If the state fails to act, SEPTA will have no choice but to adopt Plan B.



Proposed Contraction and Fare Changes			
	Present	Plan A	Plan B
Layoffs		Targeted	1,000
Service Cuts		Efficiency	20%
Fare Increases		11%	31%
Cash	\$2.00	\$2.00	\$2.50
Token	\$1.30	\$1.45	\$1.80
Transfer	\$0.60	\$0.75	\$0.80
Zone 3-Peak	\$4.50	\$5.00	\$5.50
Off Peak	\$3.75	\$4.25	\$5.50

Taking transit will cost more...

- Tokens -- \$1.30 to \$1.80
- Cash fares -- \$2.00 to \$2.50
- Zone 3 -- \$4.50 to \$5.50

And be less convenient.

- Extended times between trips on all modes of transit
- Reduced hours of operation
- Weekend service at Sunday service levels only with some route enhancements

Econsult analyzed the economic impacts of Plan B.

Individuals



Government



Businesses




Region



Methodology

- Inputs – Increased costs to transit riders and drivers from fare increases, waiting time, traffic time and parking costs works like a tax increase
- Used 2 models
 - Jobs and wage model created by Econsult for Philadelphia Tax Reform Commission
 - City property value model created by Econsult for Philadelphia Tax Reform Commission
 - Suburban property value model from 1999 study by Voith
- Outputs – Change in jobs, wages, property values and tax revenues

Impacts on Individuals and Businesses

- 
- Commute costs
 - Commute time
 - Workforce costs
 - Relocation costs

- Mobility
- Property values
- Accessibility

Transit riders will incur greater costs and wait times.

- \$68 million in fare hikes
 - \$92 million in additional wait times
 - \$22 million from choosing to drive
-
- \$182 million total cost to transit riders
 - Equivalent to a 31 percent increase in city wage tax for transit riders

A TYPICAL TRANSIT RIDER WILL PAY AN
ADDITIONAL \$1.20 PER DAY

Current drivers will incur greater costs and longer commutes.

- \$25 million in extra traffic time
 - \$14 million in higher parking prices
-
- \$39 million total cost to current drivers
 - New parking costs equivalent to a 21 percent increase in commuter wage tax

A TYPICAL CENTER CITY DRIVER WILL PAY AN
ADDITIONAL \$1.06 PER DAY TO PARK

Access to employment will be significantly compromised.

- Off-peak service severely contracted, including early morning, post-8 p.m., and weekend cuts
- Hospitals, service workers, hospitality, and educational institutions among those most impacted
- Costs to business will rise

Impacts on the Region

- 
- Decentralization and sprawl

- Population
- Jobs
- Property values

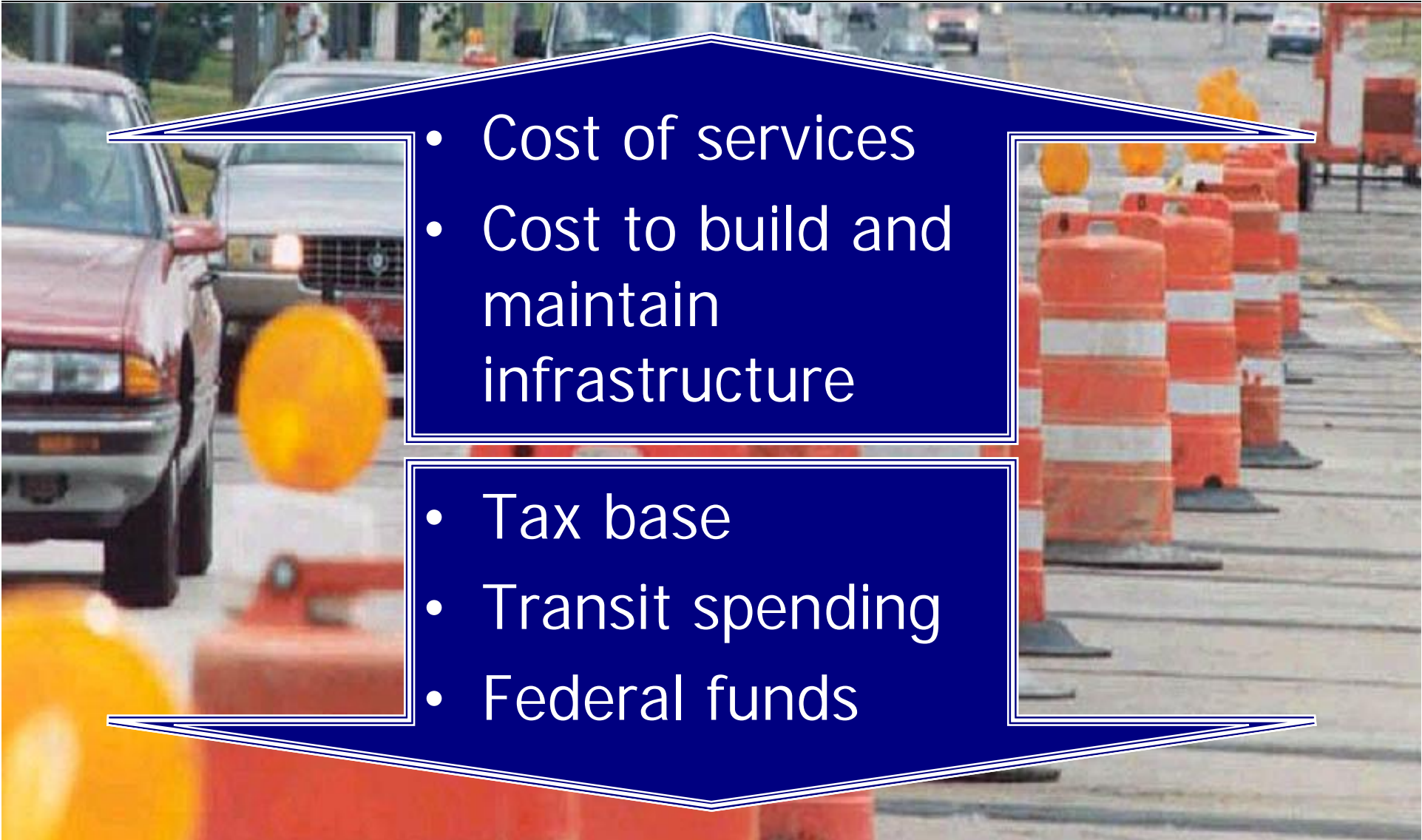
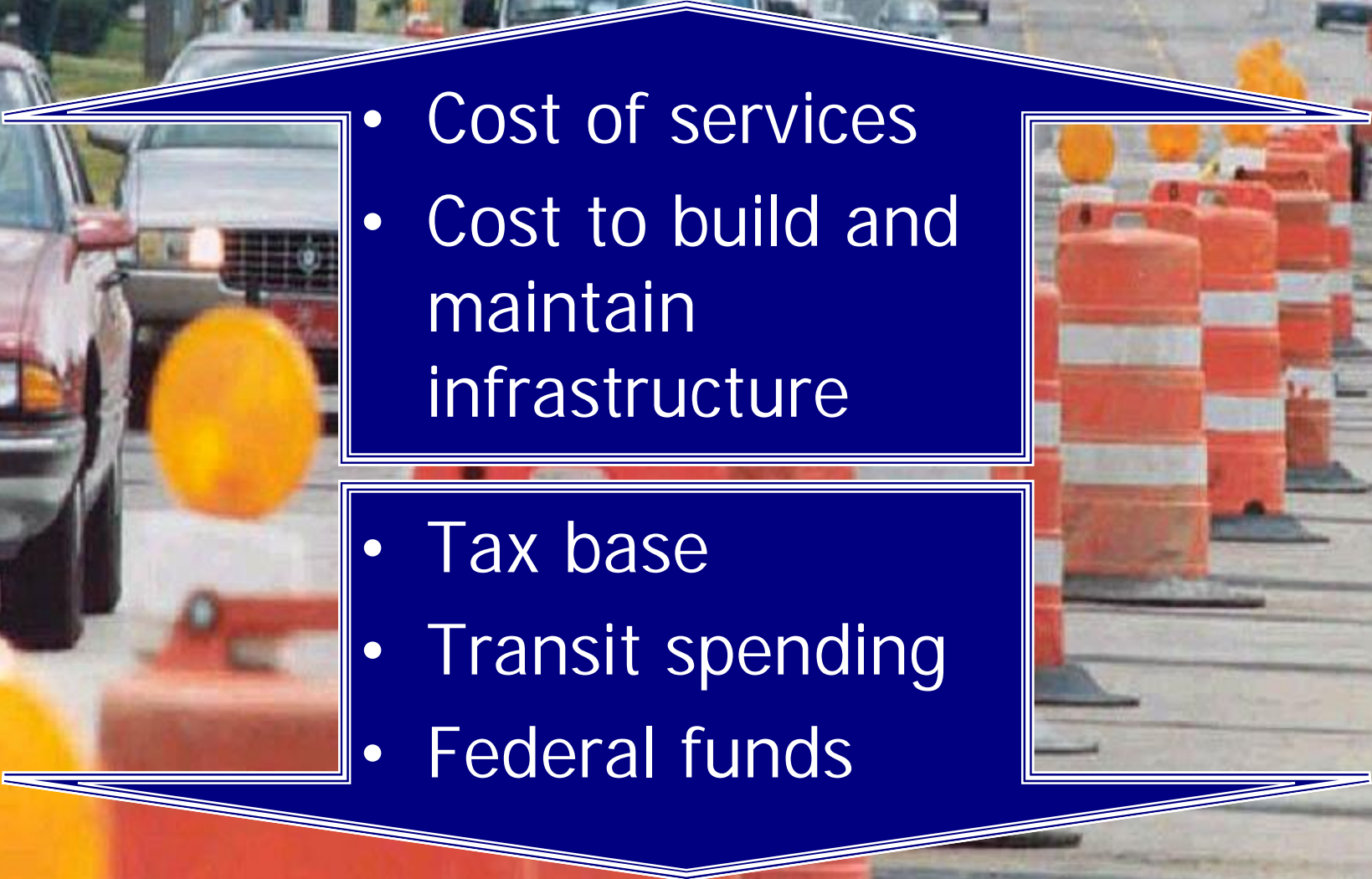
The region will become less competitive.

- As many as 14,500 regional jobs lost
- Up to \$870 million regional earnings lost
- Up to 6.6 percent, or \$4.5 billion reduction in property values in Bucks, Chester, Delaware, and Montgomery Counties
- Up to \$6,900 reduction in value of a typical suburban home

The core of the region will be hit hardest.

- As many as 44,000 city jobs lost
- Up to \$1.7 billion city earnings lost
- 6.5 percent, or \$2.8 billion reduction in city property values
- \$7,400 reduction in value of a typical city home
- Inner-ring suburban property values are linked to transit access and city economy

Impacts on Government

- 
- 
- Cost of services
 - Cost to build and maintain infrastructure
 - Tax base
 - Transit spending
 - Federal funds

The state and regional tax base will shrink.

- \$27 million reduction in state personal income tax revenues
- County, municipal and school district property tax bases will decline

City tax revenues will decline.

- \$45-60 million reduction in city wage tax revenues
- Will slice in half the projected \$106 million in gambling revenues
- Property tax revenues will fall

Underfunding transit will have consequences.



Commuters will spend more time stuck in traffic.



Workers will have a harder time finding – and getting to – jobs.



Crucial sectors will be hurt.



Some businesses and residents will relocate.



Home values will fall.



Government services will be squeezed.



Kids will have more trouble getting to school.



Families will spend less time together.



Older residents and non-drivers' life choices will be limited.



The region will be a less attractive place to live and work.





This could be our future –
but it doesn't have to be.

Growing regions have recognized the benefits of investing in public transit.



Neighboring regions are investing billions in transit infrastructure as well.





What will be our
future?

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