Federal Highway Flex Funding Can Support Public Transportation in Philadelphia & Across PA

November 8, 2024

Background

In April 2024, SEPTA spent down the federal American Rescue Plan dollars it used to support public transportation operations that move 791,000 riders in Southeastern Pennsylvania each day. The end of that funding in combination with recovering ridership, record inflation and legislative gridlock has left SEPTA with a $240 million structural deficit. Fare increases & service cuts are proposed to go into effect in early 2025, which will kick off a “transit death spiral” that will have dire impacts on PA’s economy.

Immediately, **Federal Highway Flex Funding can avoid SEPTA fare increases (+30%), and service cuts (~20%).** In the long term, Flex Funding can play a part in improving transit access across Pennsylvania.

Though SEPTA received one-time funding in the July state budget, there remains a $153 million gap to deliver current service through the remainder of the budget year. SEPTA's recent investments have increased ridership & produced:

- **37% decrease in violent crime**
- **100 new cleaning staff hired**
- **Dozens more safety and police staff hired**

AND made tens of thousands of touches of unhoused and addicted riders via the SCOPE program

Losing operations funding now would stymie these improvements, leading to a “death spiral” of rising fares, declining ridership, and worsening service.

The 2023-24 legislative session has concluded with no action in sight, and SEPTA nears the end of stopgap measures. **Governor Shapiro can direct PennDOT to allocate funding from the Federal Highway Administration (FHWA) and "flex" it to the Federal Transit Administration (FTA) to fund transit.** What is flexing? →

Transit For All PA!

Nearly 800,000 people per day ride SEPTA - four times that of I-95 - and service disruption would mortally wound the economy, mobility, efficiency, and sustainability of Philadelphia.

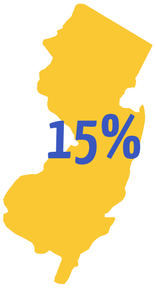
What is flex funding?

Pennsylvania has received about $4 billion in transportation formula funding from the federal bipartisan infrastructure law, traditionally termed "highway funding." However, Federal Highway Administration guidelines permit state governments to flex — or reallocate — this funding toward public transportation and multimodal capital projects overseen by the Federal Transit Administration. Though flexed funds can’t generally be used directly for operations, they would allow SEPTA to free up its own capital funds for use in its operating budget.

Flex funds can come from nearly a dozen formula funding locations. The flex option is also available to metropolitan planning organizations like the Delaware Valley Regional Planning Commission (DVRPC), which oversees some project selection and prioritization. DVRPC can take this action of its own accord as the designated MPO for the region, or it can wait till they are directed by Governor Shapiro and PennDOT.

Local Precedent for Flexing Federal Highway Funding for Transit

Pennsylvania has already flexed about 2% of this formula funding to transit projects since 2013, but other states do much more.



In particular, New Jersey has flexed 15% of its highway formula funding to public transportation.

In 2005, Governor Ed Rendell flexed money to avert transit cuts. He then threatened to do it again in 2010, successfully compelling the legislature to pass Act 89, with dedicated, sustainable transportation funding.

What Can Be Done?

During times of crisis, PennDOT and local MPOs like DVRPC must prioritize essential service. Governor Shapiro can take leadership and direct PennDOT to allocate funding from the Federal Highway Administration (FHWA) and “flex” it to the Federal Transit Administration (FTA) to fund transit. This would allow action across PA.

Additionally, Shapiro has multiple appointees on DVRPC’s board who can influence decisions more locally. MPO boards would need to vote to support certain changes. A waiver request from the Shapiro administration or DVRPC, individually, could be approved within as little as three months, according to the Federal Highway Administration.

The Philadelphia region's economic recovery from the pandemic remains tenuous, while we prepare for a 2026 filled with the Semiquincentennial celebration, World Cup soccer, March Madness, and the MLB All-Star Game. SEPTA must be well-prepared to scale up to keep the region mobile for visitors and residents during major events.

When transit service is cut and fares increase, ridership suffers. **SEPTA's own estimates around a second fare increase anticipate $40-50 million in lost revenue annually.** Far from a virtuous cycle, service cuts and fare increases will feed one another and produce a death spiral for transit service in the sixth-largest transit system in the country.

Urgent action to flex will prevent preemptive cuts and fare increases, and give time to produce a long-term funding solution to ensure the growth and future success of SEPTA.

JANUARY 2024

Governor Shapiro proposes an increase in state sales tax allocation to Public Transportation Trust Fund of 1.75%

APRIL 2024

SEPTA runs out of federal American Rescue Plan to support public transportation operations

JULY 2024

SEPTA receives one-time funding, but a $153 million gap remains for 2024

NOVEMBER 2024

PA Legislature ends its session with no action, and SEPTA officially announces fare increases for January and service cuts in the months to follow

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