

Transit Politics and Fiscal Crises

The Southeastern Pennsylvania Transportation Authority and its 2004-2005 Budget Crisis

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The Political Context Within Which SEPTA Operates

In September 2004, the Southeastern Pennsylvania Transportation Authority (SEPTA), the primary transit organization servicing the greater Philadelphia area, announced that it had incurred a \$62 million budget deficit. In order to close the deficit, transit authority officials would need to convince the Pennsylvania State Legislature to supplement the system's funding. But when presented with SEPTA's financial predicament, the state legislature balked. Without the necessary financial means to operate at its current level, SEPTA developed a so-called "doomsday scenario." The plan called for an increase in fares on all modes of service to what would be the highest in the nation, while also cutting weekend bus service and thousands of jobs across the region. The implementation of such a scenario would have truly spelled doom for the region's overall transportation network.

After a five-month political battle wrought with strife and uncertainty, funds were transferred from the state highway budget to bail out the transit system, balancing its budget through 2006. But while SEPTA eventually averted doomsday, its 2004-2005 budget crisis is at least partly indicative of a deeper pathology that has come to characterize mass transit systems across the country. In general, transit systems have found it increasingly difficult to avoid running budget deficits. With the growth of operating expenses outpacing the intake of fare receipts, transit systems have become increasingly reliant on government subsidization. In a report to the U.S. Department of Transportation, Don Pickrell (1983) investigated this problem through the 1970s and found seven factors that seemed to have an influence in rising transit system budget

deficits: first, rising unit labor costs; second, increasing energy prices and consumption rates; third, expanding service; fourth, declining utilization of transit service; fifth, shrinking fare revenue per passenger carried; sixth, varying deficit growth among urban areas; and seventh, existing problems with institutional policies and structure. Similarly, Jose Gomez-Ibanez (1996) outlines four distinct groups of factors that may contribute to this phenomenon: first, inadequate fare and service policies; second, inflation that may hamper the ability for a transit authority to maintain its assets; third, an inability to control service costs; and fourth, miscellaneous forces that lower ridership and revenues. These forces may include per-capita income and unemployment.

Curiously, the analysis of both authors seems to circumvent the all-encompassing nature of politics, instead including it as a tangential aspect that may marginally contribute to the drastic escalation of budget deficits. Their treatment of politics in this way is representative of the existing scholarship on mass transit. Instead of recommending substantive corrections to fundamental problems, the literature has focused on short-term solutions. Politicians have generally followed this track, choosing to periodically enact fiscal stopgaps rather than attempting meaningful reform.

While Gomez-Ibanez does argue that fundamental changes are necessary to mend the deficit problem, he discounts such substantive changes as impractical from a political standpoint.

“The problem, of course, is that the most promising policies for controlling the deficit while maintaining ridership are also among the most politically unpalatable. The simple explanation usually offered is that tolling autos, controlling transit labor costs, cutting less productive services, or raising fares, even selectively, imposes highly visible costs that are focused on often well-organized and easily mobilized groups. The gains in reduced deficits are, by contrast, often far less visible or concentrated. This is especially true because in most metropolitan areas,...the burden of the transit deficit is now shared by the

state and numerous local jurisdictions; no one local government pays a very large share, ... and the jurisdiction paying the largest share (the state) also has a large budget and diverse interests” (p. 47).

For these reasons, the problems associated with mass transit systems ultimately stem from the political context within which systems operate. The effects of enacting such substantive reforms to reduce budget deficits are considered unfeasible because they would be concentrated on individual segments of the population, making them politically indigestible. Strangely, the alternative has actually been more attractive to lawmakers: allow budget deficits to fester and, when they get out of control, to patch them up with increasingly large amounts of state funding. Doing so, as Gomez-Ibanez suggests, is more politically tenable because the effects are more equally dispersed over the general population. Most transit systems have sustained operations in this manner. As a result, massive government subsidization has become the backbone of public transit finance.

SEPTA, however, has not benefited from the blind government financial support other transit systems have received. While most systems continually receive additional subsidies to close their periodic budget deficits, SEPTA’s increasing deficits have resulted in considerable political strife. Why has this been the case? This study asks fundamental questions in search of an answer. These questions fall into two basic categories. The first category consists of questions focusing on why SEPTA has accumulated such massive budget deficits. What aspects of the system are most responsible for the budget deficits from a financial standpoint? The second category consists of questions considering the all-encompassing nature of politics in SEPTA’s financial instability. Why has SEPTA allowed costly services to fester and cause such deficits? What specific political elements factor in to SEPTA’s service and operations?

These questions focus on a number of SEPTA's organizational features, including ridership, expenses, subsidies, and fare receipts. Each feature will be analyzed in the context of SEPTA's political strife, and more specifically the 2004-2005 budget crisis.

This study represents a concerted effort to disclose the roots of SEPTA's financial plight. In particular, it first focuses on an apparent disparity between the funding for services provided to Philadelphia and its suburbs. Suburban service modes (typically consisting of commuter rail, light rail, and buses) are generally more expensive to operate than city service modes (typically subway, trolleys, and buses). Since its inception, SEPTA has evolved as a system oriented towards the suburbs, providing a vast network of services to a sprawling metropolitan region. This paper hypothesizes that SEPTA's funding for city and suburban services has become increasingly disparate as the region's suburbs have expanded, and that the resulting city-suburban funding disparity has been an exacerbating factor in SEPTA's increasing budget deficits.

Secondly, the paper focuses on the political elements that form the context within which SEPTA operates. Politics are at the root of all financial decisions made by any mass transit system. SEPTA is no different. Specifically, this paper details two political actors that have influenced SEPTA's development: the state government and the SEPTA board.

The first political element is influence at the state level. Gomez-Ibanez suggests that state government consistently bears the greatest financial burden for supporting mass transit. This role has naturally fallen on the legislature, the state's appropriating body. State legislatures are comprised of a diverse base of interests and a wide-reaching population. These segments of the population can be divided into three

basic groups: urban interests, suburban interests, and rural interests. Metropolitan mass transit systems generate varying degrees of support from these three segments of the population, as legislators generally tend to support what is best for their constituencies. Rural communities get little to no value from such transit systems and are thus less likely to support transit initiatives. Suburban communities only benefit from the aspects of the system that services their area. Urban communities are generally the most dependent on mass transit and thus have the most at stake when it comes to provision of services.

The tendency for legislators to support constituent interests has a profound influence on mass transit systems. Widespread demographic realignments in metropolitan populations have caused a shift of power in state legislatures, increasing the influence of rural and suburban delegates at the expense of inner cities. SEPTA has not been immune from this, as Philadelphia's regional population has dramatically shifted from the city and into the suburbs over the second half of the twentieth century. The result has been an increased urban dependency on coalitions with suburban legislators for political support. This paper investigates the evolving levels of state representation from the Philadelphia region since 1970 to determine the true breadth of the regional population shift and the impact it has had on power in the state legislature. It then speculates as to how this shift has specifically affected SEPTA's political support at the state level.

The second political element is mass transit system governing boards. In the majority of transit authorities, a board of directors is responsible for the policy-making aspect of the system's operations. For this reason, transit boards have an enormous influence on the evolution of transit systems' operations. From this, it can be reasoned that who is on transit boards, and by extension what populations are represented on

transit boards, is a vitally important political consideration. If the transit authority is inherently disproportionate in representation, one segment of the system's ridership will likely be favored at the expense of another.

This paper investigates typical transit authority organizational features, including the method of determining representation and levels of autonomy that characterize transit boards in general. It examines how members of transit boards are chosen, who the members of transit boards typically are, and what constituencies they typically represent. The study then evaluates the SEPTA board in this context to determine if and to what extent its board is misrepresentative of the Philadelphia metropolitan area's general population and, more specifically, SEPTA's ridership. From this evaluation, the study speculates as to how SEPTA board representation has affected the system's overall provision of services to the region.

Together, variances in regional power in the state legislature and transit authority organizational features form the political context within which SEPTA operates. The expectation of this paper is that these elements have contributed in some way to a city-suburban funding disparity favoring suburban transit services, and further that there is a connection between this disparity and SEPTA's unruly budget deficits. While transit systems all across the country have fallen into deficits, in the case of SEPTA the reflexive political support needed deficits to close deficits has not been generated. The 2004-2005 budget crisis is one example of this reality. Thus, after discussing the city-suburban disparity and its potential political causes, the paper will close by providing a detailed analysis of the crisis, indicating various manifestations of each political element.

While a sizeable base of literature exists on issues of transportation planning, policymaking and economics, there is a surprisingly large void of scholarly research regarding the aggregate effects of the political context within which transportation decisions are made. This paper will expand on the current research in this regard, discussing how both political elements have been integral to the development of one transit system in particular. There is a conspicuous lack of scholarly research on SEPTA's plight, a system that has faced intense difficulty in garnering consistent political support or any degree of financial stability. SEPTA has experienced the consequences of these political forces in a uniquely profound way, finding itself in seemingly perpetual battles with the state legislature for necessary additional funding. Investigating SEPTA's 2004-2005 budget crisis should provide valuable insights into the nature of political structures that will play a part in seemingly inevitable future crises.

Current Scholarly Work Regarding Mass Transit Politics

Existing literature on transit policymaking focuses on the broader context of how transportation funding decisions are made as a whole. Brian Taylor (2003) suggests that evaluating the distribution of transportation funding provides lessons regarding the creation and perpetuation of increasing transit service disparities. To illustrate this point, Taylor addresses some of the key inherent political influences in transportation funding that affect mass transit service, outlining the various policymakers, policy rationales, and the financial means by which officials make transportation funding decisions.

Taylor has come to the conclusion that ideological divides have muddled transportation policymaking, creating various obstacles for enacting effective policies. He indicates that these political stumbling blocks have had a particularly profound impact on mass transit systems. An article by Paul Weyrich and Bill Lind (1996) discusses some of the issues causing conservatives to object to providing large government subsidizations for mass transit systems. Such subsidies have become a more significant revenue stream with budget deficits that grow larger each year. Weyrich and Lind assert that conservatives are generally opposed to subsidizing mass transit systems because they believe transit to be an inefficient, expensive government entity. Conservatives also believe that transit does not serve conservative constituencies nor does it serve any conservative ideals. Mass transit is and always has been perceived as an urban entity, primarily servicing low income and minority citizens, neither of which is typically a conservative stronghold. Further, mass transit has been perceived by some as irrelevant to economic development, generally a point of interest for conservative politicians. Finally,

conservatives prefer to increase the private sector's role in transportation, while liberals prefer increasing government control. Each conservative inclination has resulted in difficulties for mass transit funding to garner bipartisan legislative support.

This political polarization is a vital concern for mass transit because such systems are often at the mercy of state legislative bodies that are representative of a wide population, not of transit riders. State legislatures are mandated to allocate transportation funding to both highways and mass transit systems. This funding has tended to be allocated relatively equally across the state's population. The result, however, has not been equal in terms of transportation usage, but rather a disparity in the way that transportation is financed. According to Taylor:

“Given the overriding political concern with geographic equity, distortions arise when transportation use or demand does not vary somewhat equally across jurisdictions. Public transit is perhaps the most striking example of this. ... The reason for these disparities is quite straightforward: representation in Congress and most state legislatures (with the exception of the U.S. Senate) match the geographic distribution of voters, not urban transit patrons. Geographic equity, therefore allocates public transit funding ‘equally’ among jurisdictions, regardless of how it is utilized. The centrality of the imperative of geographic equity to transportation policy and planning can hardly be overemphasized” (p. 301).

Thus, the state control has been a detrimental influence for mass transit systems, which have heavily relied on ever-growing subsidies from an institution that is stacked against them to from the start. These inequities, which Taylor calls “geographic disparities,” are at the heart of the mass transit's funding problem.

Taylor also discusses various solutions to such disparities. These solutions have been exclusively economic in nature. Specifically, Taylor outlines pricing schemes such as user fees, sales tax increases, parking pricing, and motor taxes as potential options. He concedes, however, that the result of these measures has been an increasingly large gap

between transportation finance and operating costs. “Legislators have responded by enacting periodic stopgap revenue-enhancement measures, *but no meaningful structural reforms have emerged to stabilize the transportation finance system*” (emphasis mine) (p. 309). Thus, such temporary economic solutions have exacerbated budget problems by increasing mass transit’s reliance on government subsidization. These measures have been completely ineffective as long-term answers, failing to address fundamental funding pathologies.

While much of the existing literature concedes that short-term solutions have been ineffective, long-term reforms are regarded as impractical. For this reason, the literature contains a significant gap regarding the political context within which transit systems operate. Instead of aggressively evaluating the impact politics have had on transit, they have been regarded as constant, as resistant to change, and therefore as a side note to any discussion of reform. This paper will fill this gap, attempting to draw a causal connection between politics and the overall financial state of mass transit systems. Understanding the direct link between politics and transit budget woes is necessary before a discussion of how to reform these structural deficiencies.

Some studies have skirted the issue of political shortfalls and how they have resulted in quickly accumulating budget deficits. Jose Gomez-Ibanez (1996) does this, using Boston’s Massachusetts Bay Transportation Authority (MBTA) as a case study. Gomez-Ibanez studies the intrinsic problems that characterize mass transit systems, criticizing the MBTA for relying on short-term solutions, such as new taxes. This approach has led to even more substantial budget deficits.

Similar to Taylor, Gomez-Ibanez asserts that the political culture of mass transit systems has tied the hands of policymakers, conceding that the most potent reforms to budgetary problems of transit systems are unfeasible from a political perspective. According to Gomez-Ibanez, political obstacles such as visibility and concentration of costs and benefits to specific geographic regions make implementation of long-term changes impossible.

Gomez-Ibanez's focus, however, is how the escalating deficits have in turn affected ridership change. His discussion on the political elements that form transit's political culture is superficial and lacks substantive analysis. This paper will expand on this aspect Gomez-Ibanez's discussion. Rather than studying the connection between the deficits and ridership change, this paper will draw an explicit connection between political elements and escalating budget deficits. In addition, rather than discounting institutional changes as infeasible, this paper will go a step farther by detailing the specific political elements that govern mass transit policy. These political elements will be divided into three categories: power at the state level, public authorities, and equity versus efficiency.

Influence at the state level

Existing literature indicates that cities have lost influence at the state level, and that the suburbs have absorbed this loss. According to Margaret Weir (1996), the power shift from cities to suburbs has occurred for two overarching reasons. First, by and large, cities have experienced a decline in population over the last half-century relative to both suburban areas and the state as a whole. Second, a number of institutional changes have occurred in state government that has compounded the effects of the population shift. The

combined effect has been to the detriment of urban agendas at the state level, including mass transit.

Weir investigates two institutional changes in state government that have crippled urban initiatives. The first is a decline in the power of political parties and a concurrent rise of interest-based politics in state legislatures. The second is the increasing role of governors in the legislative process. According to Weir, these two changes have loosened the connection between state and local government, an effect that has proven significant for cities. “Increasingly, State politics are driven by political considerations that have little connection with the problems of local governance” (pp. 23-24). Both the increasing role of governors and a shift to interest-based politics have contributed to this separation of state and local government.

Due to this shift, cities have become more dependent on assistance from out-state delegations to forward urban initiatives. This assistance has not been forthcoming. Weir’s study asserts that state governments have never been bastions of support for city agendas, largely due to representative dominance of rural areas. In recent years, however, a second factor has arisen to further suppress urban agendas. Suburban population growth in the second half of the twentieth century dwarfed the growth of inner cities, increasing suburban representation at the expense of urban representation. The combination of rural representative dominance and increasingly powerful suburban areas has combined to cripple urban influence at the state level.

While state legislatures have typically been comprised of a majority of rural representatives, it has been the rise of suburban legislative power that has particularly exacerbated the problems of urban areas. According to Weir, suburbanites, who have

long seen themselves as merely a source of revenue for city agendas, are now having their revenge on cities. Through two case studies, Weir illustrates her fundamental point: “State politics are increasingly driven by a suburban-based politics of ‘defensive localism’ that seeks to limit State action in addressing urban economic and social problems” (p. 23). Weir outlines how both institutional and population changes have negatively affected city agendas at the state level. This paper will expand on Weir’s premise that suburbanites are unsympathetic to the needs of urban entities. As mass transit agencies are generally seen as urban entities and are largely dependent on state financing, it is reasonable to surmise that this prejudice has negatively affected political support for mass transit systems.

More recently, Weir, Harold Wolman, and Todd Swanstrom (2005) further detail the loss of power for cities at the state level. The study takes Weir’s initial analysis a step further, outlining three specific types of coalitions through which cities are able to influence state legislatures. These include party-based coalitions, interest-based coalitions, and governor-brokered coalitions. The authors assert that each has become less potent means of influence for cities due to the institutional and population shifts that have occurred at the state level, therefore decreasing the ability for representatives of cities to forward urban agendas. Four case studies are used to illustrate the nature of these power shifts. The paper also provides data on population shifts in all fifty states, showing that the shift in population away from cities to the suburbs and rural areas has been pervasive across the country.

First, cities, which are typically more liberal and Democratic than states as a whole, have in the past been able to exert influence at the state level through the

Democratic caucus. But the urban control over the Democratic Party has faded for two reasons. City population declines have resulted in a legislative shift, typically from the city to the suburbs. In addition, urban legislators are not as cohesive of a group as they once were. Thus, not only has the Democratic caucus lost strength as a whole, but also the ability for urban delegations to exert influence within the caucus itself has decreased.

Secondly, cities have been able to influence the state legislature through support from the governor. Governors are often more sympathetic to the needs of a city than state legislators because they have an interest in the vitality of the state as a whole, and generally the economy of a state as a whole is intrinsically tied to the vibrancy of its urban centers. Additionally, governors will typically need at least a portion of the urban vote to garner reelection. While this seems to provide a potentially promising means of exacting influence, the results of such coalitions have not been entirely beneficial from the city's perspective. Governors have been increasingly apt to support only city initiatives that benefit the entire state, leaving urban priorities at the mercy of rural needs. Further, suburban population growth at the expense of cities has made them relatively more important in terms of votes. In this way, suburban growth has further decreased the utility of governor-brokered coalitions for cities.

Finally, cities have been able to exert influence through interest-based coalitions, primarily through a partnership with surrounding suburban lawmakers. The ability for city legislators to influence the state legislature has also faded in this regard. According to Weir et al., both divergent interests and term limits have undercut seniority, trust, and strong ties among regional legislators. Thus, city-suburban coalitions are no longer a reliable source of influence for cities.

The inability of city delegations to influence state government through this interest-based coalition process is particularly troubling for proponents of mass transit systems, which provide service to entire metropolitan areas encompassing both urban and suburban areas. While regional legislators inherently share transit as a common interest, according to Weir et al., historically city and suburban legislators have been at odds, subverting the opportunity for regional cooperation. “For many suburban political leaders coming to power during this period, an anti-urban message was central to their political careers. The ability of these leaders to monopolize resources and restrict the legislative agenda left little room for less senior legislators who wish to explore city-suburban commonalities” (p. 747). The authors cite various factors as contributing to this suburban mindset, including racial animosity, fear of being overlooked, and general distrust. Mass transit proponents will likely need to overcome these factors to achieve city-suburban partnership.

While current literature on cities and their increasing difficulty to pursue urban agendas at the state level is fairly complete, it fails to address the specific implications that this has for transit authorities, which naturally develop based largely on the relationship between city and suburban codependence. This codependence has generally been to the detriment of mass transit systems, as suburban legislators have been less than forthcoming with political support. If any aspect of transit systems has prospered, however, it has naturally been suburban transit services, benefiting from their growth of political support in state government. This has generally occurred at the expense of city transit services, whose political support has waned.

Mass transit authority governing boards

Mass transit systems are typically controlled by public authorities. Public authorities are generally formed in response to the needs of operating government entities with some degree of autonomy. Existing literature suggests the authority governing boards absorb much of the responsibility that comes with this autonomy. These responsibilities are generally characterized by the implementation of policies and procedures.

Carolyn Bourdeaux (2005) investigates the means by which public authorities arise, delving into some important concerns that are raised by the existence of such authorities regarding their accountability and efficiency. Bourdeaux defines a public authority as “a subset of special purpose governments with particular independent features” (p. 442). From this, she argues that public authorities are created for two purposes: first, they are developed to handle specific aspects of public finance; and second, they are developed to determine necessary resolutions for public policy issues outside the scope of a generally politically accountable culture. Thus, the two most important aspects of public authorities are budgetary and revenue-raising abilities and governing autonomy relatively free from external influences.

But Bourdeaux suggests this autonomy raises poignant questions regarding the accountability of public authorities and therefore their ability to appropriately serve constituent interests. In particular, concerns have been raised because appointed authorities have the unique ability to avoid massive debts and other financial limitations that typically control elected governmental bodies. Instead of managing these debts, as an elected body might do, authorities have typically let them fester. According to Bourdeaux, this is because of an inherent lack of Democratic accountability. Eventually,

constituents are affected by this lack of accountability. For example, Bourdeaux asserts: “Public authorities may allow the capture of governmental authorities by a special interest or particular constituency, such as developers, and the funds might go to assist this particular constituency at the expense of social service programs that benefit more vulnerable populations” (pp. 444-445).

In this way, Bourdeaux’s concerns are particularly relevant to mass transit authority boards. According to Sbragia (1996), transit systems are generally operated as “service authorities” responsible for both the implementation of policies and then the provision of the policies. Simon and Simon Research Associates (2002) cite specific responsibilities, including “selecting the chief executive, setting fare levels, approving budgets, selecting auditors, approving major purchasing decisions and establishing service standards” (p. 21).

According to Simon and Simon, transit authority board members are generally selected by political appointment from regional governing bodies, although some appointments come from state government officials, including the governor. Appointees vary from members of the business community to public officials. Most have term limits, varying from one to five years. The average size of a board is seven members, with a range of five members to twenty-three members. Boards are typically organized in a committee format and meet on a monthly basis.

Robert Smith (1987) focuses on the delicate nature of organizing a transit authority, asserting that the structure of such governing bodies needs to be arranged to “provide the authority with enough flexibility to carry out its assigned functions effectively, but, at the same time, to subject it to the proper degree of accountability

expected of agencies performing public functions” (p. 171). Transit boards should be balanced based on the demands of constituencies, ridership, and population. According to Smith, unbalanced boards cannot adequately fulfill these principal functions. Smith calls for greater organizational introspection and a concentration on institutional features of transit authorities to ensure this balance.

The existing literature regarding transit boards has several glaring weaknesses. For example, while Smith’s study begins to speak to the issues of a city and suburban organizational imbalance, its cursory investigation fails to produce a concrete understanding of how such an imbalance affects the development of transit authorities and the services such systems provide to metropolitan areas. His study is indicative of what has been written on the topic. While research has included discussions regarding the various ways transit boards are organized, very few even begin to discuss how such features tangibly and explicitly affect service provisions.

The trend to value expediency over equity

Current literature indicates that mass transit systems serve two basic social goals. On one hand, systems are expected to provide mobility to “transit dependents.” These riders are generally low income, inner city patrons that rely on the availability of transit for daily functions, including work, school, and medical care. Many of these transit dependents are members of minority groups. On the other hand, transit systems are expected to provide service to more affluent suburbs as a means to alleviate traffic congestion and pollution. In this way, transit’s purpose is to provide an additional option of service, essentially to entice commuters out of their cars and onto trains and buses.

Joe Grengs (2004) investigates the various ways that transit policy has neglected transit dependents. He argues that the core question facing legislators is one of efficiency versus equity, defining efficiency as goals that promote metropolitan economic development, alleviate congestion, and satisfy environmental goals. Conversely, Grengs defines equity as goals that promote social justice and provide service to transit dependents. He argues that the political agenda of metropolitan areas has evolved from an emphasis on equity to efficiency.

According to Grengs, these two purposes are inherently in conflict for three fundamental reasons. First, providing service for both equity and efficiency requires a variety of service designs to different areas and by different modes. It is not fiscally feasible to concurrently fulfill the needs of both because there is very little overlap in terms of service and infrastructure. Second, to satisfy suburbanites and entice people with other commuting options to choose transit, transit services must be aesthetically pleasing. Conversely, transit dependents have no choice and will ride no matter what the services looks like. Thus, emphasizing the former is a more expensive policy both to finance and maintain and limits the funds available for the latter. Third, the goal of efficiency as defined by Grengs is actually inefficient. Providing transit for economic development, environmental goals and congestion alleviation implies increasing services to suburban communities. Such areas generally have a lower population density and require higher costs to operate. Thus, for the purposes of this paper, the term “expediency” will be substituted for efficiency, as research has not shown this shift in priority to actually increase efficiency *per se*.

Mark Garrett and Brian Taylor (1999) investigate the tension created by the changing roles of transit service provided to metropolitan areas. While both equity and expediency serve important social concerns, the service provided for transit dependents has increasingly fallen victim to a greater emphasis on service for suburbanites.

According to Garrett and Taylor:

“Inner-city residents, who on average are much poorer and more often from minority groups than the general population, rely far more on buses and subways, while suburban commuters are by and large white, comparatively well-off and more likely to use automobiles, express buses, and commuter rail. Policy makers and planners have generally failed, however, to acknowledge these distinct patterns in transit ridership demographics. In fact, more and more, transit subsidy policies favor investment in suburban transit ... that disproportionately serve[s] a wealthier, less transit-dependent population than do central city transit services” (p. 13).

In general, this shift in priority has resulted in more transportation choices for affluent commuters and less for transit dependents. The overall effect has been an increase in funding for suburban services and a neglect of city services.

Garrett and Taylor outline explanations for the shift to suburban services. First, many inner city riders have no choice but to ride the transit services provided to them. Thus, there is less political consequence to politicians by shortchanging such transit dependents. Furthermore, transit dependents are generally less politically active and are more likely to not be registered to vote, especially compared to suburban commuters. In general, suburbanites are more likely to exert influence in politics and therefore politicians are more likely to support policies that will pacify this constituency. Other issues the authors suggest that may influence this shift are legal mandates for improved air quality, dissatisfaction with metropolitan highway traffic, and other changes in the nature of politics within the context of the metropolitan area, including shifts in

population. Each factor focuses on the incentives that individual politicians have for enacting certain transit policies. All of them favor suburban transit services.

Not only has this greater emphasis on suburban services been at the expense of services to transit dependent areas, but it has also decreased the financial stability of transit organizations as a whole. In general, suburban services have higher per rider costs than city services due to operations that cover a larger area (more service miles) and a lower population density. This has increased financial difficulty for already heavily subsidized transit systems. According to Garrett and Taylor:

“From an operational standpoint, these trends are particularly problematic since the total per-passenger subsidies needed to operate these new suburban lines are typically much higher than those for inner-city buses. While providing larger subsidies to certain lines or modes in an effort to attract new riders may make sense politically, such policies tend to decrease both efficiency and equity because low-income, central city riders are, on average, less costly to serve than suburban commuters. Research has shown that the poor actually require lower subsidies per rider than do wealthier patrons” (p. 22).

Therefore, not only does the shift to suburban services result in neglect of city services, it perpetuates transit’s already deteriorating fiscal stability by augmenting system-wide expenses.

While the existing literature on this priority shift is fairly comprehensive, there has been a paucity of scholarly research that tangibly addresses how this shift has perpetuated budget deficits and massive government subsidizations. In general, the literature has detailed the impacts of this service dilemma in the abstract. While this study will not specifically operationalize the shift from equity to expediency, it is understood as an all-encompassing, albeit intangible political factor. Data provided in this paper are considered to suggest indirectly how this shift has affected SEPTA’s financial state in some way.

Methodological Structure for the Study

Hypothesis 1: Since 1984, SEPTA’s suburban transit services have been progressively more expensive to operate than city transit services, as measured by expense per rider.

The independent variables for all hypotheses will be SEPTA’s three divisions of transit service: the City Transit Division (CTD), the Suburban Transit Division (STD) (encompassing both the Frontier and Victory Divisions), and the Regional Rail Division (RRD). These three divisions will be grouped into two categories: “suburban services” will refer to transit operations of the Regional Rail Division and the Suburban Transit Division, while “city services” will refer strictly to the City Transit Division. All modes of service, including bus, subway, trolley, heavy rail, light rail will be included in the analysis.¹ Paratransit has been excluded for two reasons. First, SEPTA’s small paratransit operation is not included with the organization’s annual operating budget expenses. Second, paratransit does not fall in any one particular division, but instead operates across all divisions.

For this hypothesis, SEPTA’s annual expenses will serve as the dependent variable, as measured by expense per rider. For the purposes of the study, a ride will be defined as an unlinked passenger trip.² The annual expenses for both city and suburban services will be computed and compared, with the prediction that suburban services have exhibited a progressively higher expense per rider than city services. Support to reject the

¹ While SEPTA also provides minimal service to areas of southern New Jersey and Delaware, controlling for service within the state is necessary to illustrate the pervasiveness of the political elements in the state context. Because the out-of-state service is so minimal, this should not skew the results of the study in any significant way.

² An unlinked passenger trip is defined by a single rider on one mode of transport without a transfer. A trip by one rider that includes a transfer onto a different service mode is considered multiple trips.

hypothesis will be indicated by either comparable expense per rider for the city and suburban services or an increase in expenses per rider for the city relative to the suburbs.

All data will be analyzed over time to evaluate possible changes or trends of various financial indicators. Each measure will be reported from 1984, the first full fiscal year after SEPTA purchased ConRail and thus took the form in which it currently operates today. All data will be generated from SEPTA annual operating budgets and the organization's transit ridership reports.

Hypothesis 2: Since 1984, SEPTA has progressively required greater subsidization for suburban transit services than city transit services to cover its higher expenses, as measured by subsidy per rider.

SEPTA's three service divisions – CTD, STD, and RRD – will again serve as independent variables, grouping the divisions into suburban and city services. For this hypothesis, the dependent variable will be SEPTA's level of funding, specifically government subsidization, as measured by subsidy per rider. The prediction is that subsidies have been substantially and progressively higher for suburban services than city services on a per rider basis. Support to reject the hypothesis will be indicated by either comparable subsidy per rider for the city and suburban services or an increase in subsidy per rider for the city relative to the suburbs.

Hypothesis 3: Suburban transit services have progressively been more responsible than city transit services for SEPTA's increasingly large budget deficits, as measured by a higher ratio of expenses plus subsidies divided by fare receipts.

Again, SEPTA's three transit divisions will serve as independent variables, grouped into suburban and city services. For this hypothesis, three dependent variables will be utilized: fare receipts, expenses, and subsidies. All three categories will be

integrated into a single metric that will add expenses to subsidies and divide by fare receipts. The idea is that this “cost ratio” will more accurately measure the relative amounts that the suburban and city services are responsible for the system’s budget deficits, with the prediction that the cost ratio has been significantly higher for suburban than city services. Support to reject the hypothesis will be shown by any similarities in suburban and city cost ratios or an indication that the city’s ratio is increasing relative to the suburbs.

Explanations

I will then discuss the political forces potentially rooted in SEPTA’s predicted disparity between suburban and city services. The focus will be on two overarching elements: The SEPTA board and the state legislature.

Explanation 1: The SEPTA board’s disproportional representation

The first potential explanation is a city-suburban representative disparity on the SEPTA board. Evaluated on a per capita and per rider basis, the board has favored suburban interests and therefore has likely been a pervasive factor in SEPTA’s disproportionately high levels of suburban funding. While the Philadelphia region’s four suburban counties each have a significantly smaller population and proportion of transit ridership relative to the city, each of the five counties has equal representation on the board. Thus, the suburban counties hold eight of ten county-appointed representative seats. To evaluate the extent of this representative disparity, this section will analyze demographics and ridership data for each county. The expectation is that the data will

exhibit a greater representation on the SEPTA board per capita and per rider for the suburbs than the city.

Explanation 2: A regional shift in legislative power at the state level

The second potential explanation is a regional population shift from the city to the suburbs that has altered the balance of the Philadelphia region's state legislative power. While the region's overall population has remained quite consistent, Philadelphia's legislative seats have been dwindling throughout SEPTA's existence. The suburbs have absorbed these losses, benefiting from a migration that has profoundly undermined Philadelphia's state legislative weight. The population shift has increased the suburbs' regional political authority and has likely solidified suburban services as a state-level priority. As a state-chartered agency, SEPTA has naturally developed with a high level of dependence on state funding. Thus, the power shift has further enhanced the suburbs' influence over SEPTA's funding process through an increase in its relative regional prowess in the state legislature. This section will investigate how the representation of the five-county area has changed over time and speculate as to how this could potentially be affecting SEPTA's policies in both the regional and state context.

A Case Study of the 2004-2005 Budget Crisis

Lastly, SEPTA's 2004-2005 budget crisis will be examined to illustrate the pervasiveness of these political elements. This section will utilize a detailed description of the four-month long political struggle, including the cuts proposed in the "doomsday scenario," to investigate the various players and power struggles that occurred during the crisis. An analysis of the inner-workings during the crisis will indicate its contentious

nature and pervasive political forces at play, including: 1) A regional split on the SEPTA board regarding how to deal with the budget deficit; 2) Apparent suburban apathy to the gravity of the situation; 3) A failure of the region to provide unified political advocacy; 4) Antipathy between urban and rural delegates in the state legislature; and 5) The governor's role in the negotiations. Information for this section will come largely from articles published during and following the crisis as well as interviews with those intimately involved in the proceedings.

SEPTA, its Services, and the Philadelphia Region

Overview and Origins

The Southeastern Pennsylvania Transportation Authority is the nation's fifth largest public transportation agency, providing mass transit services over 2,184 square miles to 3.9 million residents in the five counties that comprise the greater Philadelphia region. SEPTA spans this area with a multimodal network of bus, subway, trolley, light rail, and commuter rail lines operated by 9,000 employees, making SEPTA one of the Philadelphia region's largest employers.

SEPTA's finances were on unsure footing from the organization's inception. Created in 1964 by the Pennsylvania State Legislature, SEPTA grew to its present state through the incremental acquisition of the city's bankrupt private transit companies. The authority first purchased the Philadelphia Transportation Company (PTC) in 1968, the Philadelphia Suburban Transportation Company in 1969, the Schuylkill Valley Lines in 1976, and Conrail in 1983.³ Today, the assets of these four companies comprise the heart of SEPTA's service network. Save for minor alterations, the PTC has become the City Transit Division (CTD), the Suburban Transportation Company (now referred to as "Victory") and Schuylkill Valley Lines (now referred to as "Frontier") have come to form the Suburban Transit Division (STD), and Conrail has become the Regional Rail Division (RRD). Currently, SEPTA operates 1389 buses, 185 light rail trains, 345 subway trains, 349 regional rail trains, and 65 trackless trolleys along 137 routes.

³ "Victory" was referred to as "Red Arrow" from its absorption into SEPTA until 1992.

SEPTA's expansive infrastructure has provided the basis for a vast network of service that has become a lifeline to citizens of the Philadelphia region. Each day, over 400,000 commuters rely on SEPTA's services, including over 300,000 workers, 35,000 Philadelphia public middle and high school students (over half of the public middle and high school student body at large), 15,000 college students at 70 local colleges and universities, 50,000 senior citizens, and 5,000 citizens with disabilities. According to the Pennsylvania Transit Coalition (2004), approximately 70 percent of Center City Philadelphia's workforce regularly rode public transportation to work in 2004. In total, 301 million riders relied on SEPTA for transport over the course of 2004.

Demographics of the Philadelphia region

This paper defines the Philadelphia region as the five-county southeastern Pennsylvania area. Bucks, Chester, Delaware, and Montgomery counties will be considered the suburbs, while Philadelphia County will be considered the city. For the purpose of this paper, the terms "city" and "county" will be used interchangeably to refer to Philadelphia. Current population figures are from the year 2004.

Over the past half century, the Philadelphia region has experienced a substantial demographical shift. In general, this migration has been away from the city and towards the suburbs. Since 1960, Philadelphia has lost 532,361 people, or 26.58 percent of the city's total population.⁴ Philadelphia has remained the densest county in the region, however, with 1,470,151 people living over 142.6 square miles, or 10,307 people per square mile. That density is down from its 14,039 people per square mile when Philadelphia had a population of 2,002,512 in 1960.

⁴ Current population figures are from the year 2004 and are as estimated by the US Census Bureau.

Table 4.1: Philadelphia regional population shift by county (1960-2004)

	2004	2000	1990	1980	1970	1960
Philadelphia (142.6 sq. mi.)						
Population	1,470,151	1,517,550	1,585,577	1,688,210	1,948,609	2,002,512
Density	10,306.7	10,639.0	11,115.9	11,835.5	13,661.0	14,038.9
Population % Change	(26.58)	(24.22)	(20.82)	(15.70)	(2.69)	-----
Suburban Total (2060.1 sq. mi.)						
Population	2,412,422	2,332,097	2,143,332	1,994,499	1,917,201	1,589,011
Density	1171.0	1132.0	1040.4	968.2	930.6	771.3
Population % Change	51.82	46.76	34.88	25.52	20.66	-----
Bucks (622.1 sq. mi.)						
Population	617,558	597,635	541,174	479,211	415,056	308,567
Density	992.7	960.7	869.9	770.3	667.3	496.0
Population % Change	100.13	93.68	75.38	55.30	34.51	-----
Chester (759.8 sq. mi.)						
Population	465,795	433,501	376,396	316,660	278,311	210,608
Density	613.0	570.5	495.4	416.8	366.3	277.2
Population % Change	121.17	105.83	78.72	50.36	32.15	-----
Delaware (190.7 sq. mi.)						
Population	555,040	550,864	547,651	555,007	600,035	553,154
Density	2909.9	2888.0	2871.2	2909.8	3145.8	2900.0
Population % Change	0.34	(0.41)	(0.99)	0.33	8.47	-----
Montgomery (487.5 sq. mi.)						
Population	774,029	750,097	678,111	643,621	623,799	516,682
Density	1587.9	1538.8	1391.1	1320.4	1279.7	1059.97
Population % Change	3.19	10.62	5.36	3.18	20.73	-----
Region (2202.7 sq. mi.)						
Population	3,882,573	3,849,647	3,728,909	3,682,709	3,865,810	3,591,523
Density	1762.6	1747.7	1692.9	1671.9	1755.0	1630.5
Population % Change	8.10	7.19	3.83	2.53	7.63	-----

Source: US Census Bureau Reports

Notes: The population percent change is measured from 1960 to the year indicated in each column.

Regarding the suburbs, since 1960 Chester has remained the smallest county by population, but has also experienced the highest percentage population growth (121.2 percent), increasing from 210,608 to 465,795 residents. Delaware has remained the densest suburban county, but has also experienced the smallest suburban population growth, barely increasing from 553,154 to 555,040 residents living over its 190.74 square

miles (approximately 2900 people per square mile). As a whole, however, the four suburban counties have gained 823,411 residents, a 51.8 percent increase in population.

Due to the suburban growth, the regional population shift can both be characterized both as a migration away from the city as well as *towards* the suburbs. While Philadelphia has lost 532,361 residents since 1960, the region as a whole has actually experienced marginal growth of 291,050 residents, an 8.1 percent increase. Thus, Philadelphia's share of the region's population has drastically decreased, from 55.75 percent of the five-county region to 37.87 percent, a 17.88 percent decline. Population figures for each of the five counties are displayed in Table 4.1.

Ridership

The large majority of SEPTA's ridership comes from within the Philadelphia city limits. In 2004, 84.5 percent (254,453,028 annual riders) of SEPTA passengers rode the CTD, 9.4 percent (28,246,136 annual riders) rode the RRD, and 6.1 percent (18,319,053 annual riders) rode the STD. These ridership figures have remained fairly consistent over the last 20 years of SEPTA's service. Table 4.2 illustrates the breakdown of SEPTA ridership by division since the year after its final merger (with Conrail), which occurred in 1983.

Over this period, the CTD's proportion of SEPTA's total ridership fell 5.31 percent (from 322,918,885 to 254,453,028 annual riders), the RRD's share increased 4.94 percent (from 15,960,307 to 28,246,136 annual riders), and the STD's share rose by 0.47 percent while actually losing ridership (from 20,544,608 to 18,319,053 annual riders). While the percentage changes may seem to indicate a shift in ridership from the city to the suburbs, due to the regional population shift, the city proportion riding SEPTA has

actually increased relative to the suburbs. Since 1980, Philadelphia’s population decline has outpaced the city’s ridership decline, while the suburbs population growth has outpaced suburban ridership growth. Thus, the city has proportionally become more reliant on mass transit than the suburbs.

Table 4.2: SEPTA ridership by division (1984-2004)

<i>Year</i>	<i>City Transit Division (CTD)</i>		<i>Suburban Transit Division (STD)</i>		<i>Regional Rail Division (RRD)</i>		<i>Suburban Total (STD+RRD)</i>		<i>Total Ridership</i>
	<i>Total</i>	<i>% of System</i>	<i>Total</i>	<i>% of System</i>	<i>Total</i>	<i>% of System</i>	<i>Total</i>	<i>% of System</i>	
1984	322,918,885	89.84	20,544,608	5.72	15,960,307	4.44	36,504,915	10.16	359,423,800
1985	327,605,093	89.43	19,940,740	5.44	18,788,437	5.13	38,729,177	10.57	366,334,270
1986	312,094,571	88.95	16,263,217	4.63	22,522,596	6.42	38,785,813	11.05	350,880,384
1987	311,444,133	88.57	17,258,681	4.91	22,932,834	6.52	40,191,515	11.43	351,635,648
1988	309,784,121	88.14	17,892,483	5.09	23,797,289	6.77	41,689,772	11.86	351,473,893
1989	302,525,081	87.77	18,023,985	5.23	24,143,591	7.00	42,167,576	12.23	344,692,657
1990	290,138,705	87.57	16,819,113	5.08	24,381,416	7.36	41,200,529	12.43	331,339,234
1991	271,584,306	86.98	17,337,425	5.55	23,312,199	7.47	40,649,624	13.02	312,233,930
1992	260,260,020	87.18	17,130,168	5.74	21,128,888	7.08	38,259,056	12.82	298,519,076
1993	272,089,292	88.18	17,289,157	5.60	19,185,111	6.22	36,474,268	11.82	308,563,560
1994	267,920,532	87.52	17,338,782	5.66	20,875,493	6.82	38,214,275	12.48	306,134,807
1995	252,499,436	86.56	16,652,393	5.71	22,558,492	7.73	39,210,885	13.44	291,710,321
1996	251,950,239	86.78	15,827,699	5.45	22,545,896	7.77	38,373,595	13.22	290,323,834
1997	252,309,545	86.40	16,715,559	5.72	23,012,000	7.88	39,727,559	13.60	292,037,104
1998	232,550,456	84.98	16,293,979	5.95	24,804,630	9.06	41,098,609	15.02	273,649,065
1999	241,483,873	84.92	16,924,192	5.95	25,950,023	9.13	42,874,215	15.08	284,358,088
2000	255,462,244	84.95	18,360,066	6.11	26,885,170	8.94	45,245,236	15.05	300,707,480
2001	256,892,305	84.18	18,842,863	6.17	29,436,672	9.65	48,279,535	15.82	305,171,840
2002	249,346,503	84.45	17,252,671	5.84	28,670,985	9.71	45,923,656	15.55	295,270,159
2003	252,164,895	84.53	18,102,683	6.07	28,058,238	9.41	46,160,921	15.47	298,325,816
2004	254,453,028	84.53	18,319,053	6.09	28,246,136	9.38	46,565,189	15.47	301,018,217

Source: SEPTA Operating Budgets (1984-2004)

The SEPTA board

SEPTA, a state-established organization, is naturally led by a state-structured entity. SEPTA’s board, comprised of fifteen political appointees, is responsible for setting organizational public policy and determining SEPTA’s annual expenditures. In general, these expenditures are divided into two main categories: operating and capital. Capital expenditures refer to the costs associated with maintenance, improvement, and revitalization projects, while operating expenditures refer to the costs of running the

system’s daily services. While both operating and capital costs are under the auspices of the board, each budget is agreed upon separately and kept autonomous of the other. This paper exclusively focuses on SEPTA’s operating budget.

Table 4.3: Current SEPTA board appointees

<i>Source of Appointment</i>	<i>Appointee</i>
<i>Bucks</i>	Pasquale T. Deon, Sr.
<i>Bucks</i>	Charles H. Martin
<i>Chester</i>	Karen L. Martynick
<i>Chester</i>	James J. Rohn, Esquire
<i>Delaware</i>	Thomas E. Babcock
<i>Delaware</i>	Daniel J. Kubik
<i>Montgomery</i>	Thomas Jay Ellis, Esq.
<i>Montgomery</i>	Michael J. O’Donoghue, Esq.
<i>Philadelphia</i>	Christian A. DiCicco, Esq.
<i>Philadelphia</i>	Jettie D. Newkirk, Esq.
<i>Governor</i>	Denise J. Smyler, Esq.
<i>Senate Majority Leader</i>	Stewart J. Greenleaf, Esq.
<i>Senate Minority Leader</i>	James C. Schwartzman, Esq.
<i>House Majority Leader</i>	Frank G. McCartney
<i>House Minority Leader</i>	Herman M. Wooden

Source: SEPTA.org

Each of the five Philadelphia-region counties is responsible for appointing two members to the board. The remaining five members are not tied to counties in particular but are instead appointed state officials. Both the majority and minority leaders from the state senate and house each appoint one member respectively. The final seat on the board is filled via an appointment from the governor. SEPTA board members typically come from a variety of professional backgrounds, including but not limited to lawyers, politicians, and economists. Transportation policy expertise is not a prerequisite for membership. At present, the Chairman of the Board is Pasquale T. Deon of Bucks County and the Vice Chairman is James C. Schwartzman, the Senate Minority Leader Appointee. The rest of SEPTA’s current appointees are listed by source of appointment in Table 4.3.

Funding

SEPTA generates revenue for its operational budget from two overarching sources: fare receipts and government subsidies. Over the past two decades, SEPTA's fare receipts have been remarkably consistent based on its "cost recovery" rate, or the percentage of the system's total expenses covered by fares. Typically, the amount of government subsidy is then determined by the difference between the system's expenses and fare receipts. Since 1984, subsidies and fare receipts have split SEPTA's operating costs nearly evenly. As indicated in Table 4.4, both fare receipts and subsidies have consistently hovered around fifty percent of the system's operating expenses.

A large majority of SEPTA's fare receipts have naturally been generated by SEPTA's largest division, the CTD. As Table 4.5 indicates, since 1984 the CTD has produced between 70 and 77 percent of the system's fare revenue, while the STD has generated between 5 and 7 percent, and the RRD between 15 and 24 percent. Combined, suburban services (STD plus RRD) have accounted for 23 to 30 percent of the system's total annual fare receipts.

Similarly, a large majority of SEPTA's expenses are due to CTD services. As Table 4.6 indicates, since 1984 the CTD has produced between 66 and 69 percent of the system's system-wide expenses, while the STD has accounted for between 6 and 9 percent, and the RRD between 24 and 28 percent. Combined, suburban services (STD plus RRD) have accounted for 31 to 34 percent of the system's total annual expenses, substantially higher than the 23 to 30 percent recouped in fare receipts. The difference between these two ranges must be covered by substantial additional subsidies.

Table 4.4: SEPTA total fare receipts, subsidies, and expenses in thousands of nominal dollars (1984-2004)⁵

Year	Fare receipts		Subsidies		Expenses
	Total	% of System	Total	% of System	Total
1984	218,666	51.46	206,282	48.54	424,948
1985	247,553	54.39	207,600	45.61	455,153
1986	294,580	54.08	250,120	45.92	544,700
1987	254,654	47.45	278,355	52.55	536,635
1988	307,543	57.08	231,085	42.92	538,789
1989	307,992	54.22	259,899	45.78	568,014
1990	327,560	53.94	276,897	46.06	607,275
1991	347,014	55.07	282,327	44.93	630,086
1992	329,484	52.44	298,584	47.56	628,285
1993	327,000	54.55	272,433	45.45	599,433
1994	336,761	49.77	322,493	50.23	676,651
1995	347,507	49.67	349,106	50.33	699,613
1996	353,022	49.19	355,277	50.81	717,648
1997	353,500	49.48	360,900	50.52	714,400
1998	340,838	47.93	370,435	52.07	711,079
1999	370,365	49.24	381,749	50.76	752,114
2000	376,238	49.24	388,763	50.76	764,105
2001	384,135	49.04	399,379	50.96	783,247
2002	412,037	50.47	404,976	49.53	816,447
2003	416,690	49.43	426,656	50.57	843,064
2004	420,476	48.46	447,476	51.54	867,752

Source: SEPTA Operating Budgets (1984-2004)

Table 4.5: SEPTA fare receipts by division in thousands of nominal dollars (1984-2004)

Year	City Transit Division (CTD)		Suburban Transit Division (STD)		Regional Rail Division (RRD)		Suburban Total (STD+RRD)		Total Fare Receipts
	Total	% of System	Total	% of System	Total	% of System	Total	% of System	
1984	168,636	77.12	15,590	7.13	34,440	15.75	50,030	22.88	218,666
1985	184,408	74.49	16,800	6.79	46,345	18.72	63,145	25.51	247,553
1986	218,610	74.21	18,533	6.29	57,437	19.50	75,970	25.79	294,580
1987	189,027	74.23	13,800	5.42	51,827	20.35	65,627	25.77	254,654
1988	234,199	76.15	18,460	6.00	54,884	17.85	73,344	23.85	307,543
1989	230,760	74.92	18,566	6.03	58,666	19.05	77,232	25.08	307,992
1990	242,100	73.91	19,161	5.85	66,299	20.24	85,460	26.09	327,560
1991	257,980	74.34	21,375	6.16	67,659	19.50	89,034	25.66	347,014
1992	246,376	74.78	21,537	6.54	61,571	18.69	83,108	25.22	329,484
1993	246,214	75.29	21,727	6.64	59,059	18.06	80,786	24.71	327,000
1994	253,953	75.41	21,259	6.31	61,549	18.28	82,808	24.59	336,761
1995	257,626	74.14	22,554	6.49	67,327	19.37	89,881	25.86	347,507
1996	260,878	73.90	21,030	5.96	71,114	20.14	92,144	26.10	353,022
1997	258,364	73.09	21,826	6.17	73,309	20.74	95,135	26.91	353,500
1998	241,266	70.79	21,020	6.17	78,552	23.05	99,572	29.21	340,838
1999	266,633	71.99	22,611	6.11	81,121	21.90	103,732	28.01	370,365
2000	268,546	71.38	23,184	6.16	84,508	22.46	107,692	28.62	376,238
2001	270,816	70.50	23,324	6.07	89,995	23.43	113,319	29.50	384,135
2002	290,090	70.40	24,437	5.93	97,510	23.67	121,947	29.60	412,037
2003	295,991	71.03	24,647	5.91	96,052	23.05	120,699	28.97	416,690
2004	297,507	70.75	24,925	5.93	98,044	23.32	122,969	29.25	420,476

Source: SEPTA Operating Budgets (1984-2004)

⁵ This paper defines the subsidy percentage values as 100 percent minus the cost recovery percentage.

Table 4.6: SEPTA expenses by division in thousands of nominal dollars (1984-2004)

Year	City Transit Division (CTD)		Suburban Transit Division (STD)		Regional Rail Division (RRD)		Suburban Total (STD+RRD)		Total Expenses
	Total	% of System	Total	% of System	Total	% of System	Total	% of System	
1984	295,320	69.50	27,404	6.45	102,224	24.06	129,628	30.50	424,948
1985	313,347	68.84	32,406	7.12	109,400	24.04	141,806	31.16	455,153
1986	365,000	67.01	36,200	6.65	143,500	26.34	179,700	32.99	544,700
1987	356,913	66.51	35,921	6.69	143,801	26.80	179,722	33.49	536,635
1988	356,610	66.19	32,124	5.96	150,055	27.85	182,179	33.81	538,789
1989	392,341	69.07	35,099	6.18	140,574	24.75	175,673	30.93	568,014
1990	409,831	67.49	39,504	6.51	157,940	26.01	197,444	32.51	607,275
1991	418,201	66.37	41,871	6.65	170,014	26.98	211,885	33.63	630,086
1992	428,829	68.25	42,699	6.80	156,757	24.95	199,456	31.75	628,285
1993	412,683	68.85	41,546	6.93	145,204	24.22	186,750	31.15	599,433
1994	453,554	67.03	48,081	7.11	175,016	25.87	223,097	32.97	676,651
1995	480,920	68.74	52,871	7.56	165,822	23.70	218,693	31.26	699,613
1996	484,123	67.46	56,754	7.91	176,771	24.63	233,525	32.54	717,648
1997	480,793	67.30	59,493	8.33	174,115	24.37	233,608	32.70	714,400
1998	470,493	66.17	57,747	8.12	182,839	25.71	240,586	33.83	711,079
1999	504,529	67.08	60,969	8.11	186,616	24.81	247,585	32.92	752,114
2000	511,926	67.00	62,542	8.19	189,637	24.82	252,179	33.00	764,105
2001	519,422	66.32	67,738	8.65	196,087	25.04	263,825	33.68	783,247
2002	543,217	66.53	70,173	8.59	203,057	24.87	273,230	33.47	816,447
2003	553,351	65.64	76,672	9.09	213,041	25.27	289,713	34.36	843,064
2004	569,058	65.58	78,649	9.06	220,045	25.36	298,694	34.42	867,752

Source: SEPTA Operating Budgets (1984-2004)

Table 4.7: SEPTA subsidy by division in thousands of nominal dollars (1984-2004)

Year	City Transit Division (CTD)		Suburban Transit Division (STD)		Regional Rail Division (RRD)		Suburban Total (STD+RRD)		Total Subsidy
	Total	% of System	Total	% of System	Total	% of System	Total	% of System	
1984	126,684	61.41	11,814	5.72	67,784	32.85	79,598	38.58	206,282
1985	128,939	62.10	15,606	7.51	63,055	30.37	78,661	37.89	207,600
1986	146,390	58.52	17,667	7.06	86,063	34.40	103,730	41.47	250,120
1987	165,917	59.60	21,861	7.85	90,577	32.54	112,438	40.39	278,355
1988	122,326	52.93	13,655	5.90	95,104	41.15	108,759	47.06	231,085
1989	161,507	62.14	16,526	6.35	81,866	31.49	98,392	37.85	259,899
1990	166,038	59.96	20,139	7.27	90,720	32.76	110,859	40.03	276,897
1991	159,799	56.60	20,442	7.24	102,086	36.15	122,528	43.39	282,327
1992	182,320	61.06	21,147	7.08	95,117	31.85	116,264	38.93	298,584
1993	166,469	61.10	19,819	7.27	86,145	31.62	105,964	38.89	272,433
1994	189,339	58.71	25,449	7.89	107,705	33.39	133,154	41.28	322,493
1995	221,424	63.42	30,064	8.61	97,618	27.96	127,682	36.57	349,106
1996	217,674	61.26	34,818	9.80	102,785	28.93	137,603	38.73	355,277
1997	222,429	61.63	37,666	10.43	100,805	27.93	138,471	38.36	360,900
1998	229,345	61.91	36,748	9.92	104,352	28.17	141,100	38.09	370,435
1999	237,896	62.31	38,358	10.04	105,495	27.63	143,853	37.68	381,749
2000	243,925	62.74	39,457	10.14	105,381	27.10	144,838	37.25	388,763
2001	248,768	62.28	44,446	11.12	106,185	26.58	150,631	37.71	399,379
2002	253,471	62.58	45,807	11.31	105,698	26.09	151,505	37.41	404,976
2003	257,525	60.35	52,063	12.20	116,989	27.42	169,052	39.62	426,656
2004	271,669	60.71	53,745	12.01	122,062	27.27	175,807	39.28	447,476

Source: SEPTA Operating Budgets (1984-2004)

The CTD has also commanded a majority of SEPTA's subsidization. As Table 4.7 indicates, since 1984 the CTD has required between 66 and 70 percent of the system's subsidy, while the STD has commanded between 6 and 9 percent, and the RRD between 24 and 28 percent. Combined, suburban services (STD plus RRD) have accounted for 30 to 34 percent of the system's total annual subsidy.

SEPTA is certainly not alone among transit agencies in need of subsidization. Every transit agency across America requires some degree of public financial support. Not a single transit organization is able to cover its operating expenses on fare receipts alone. In fact, SEPTA generates a reasonably high percentage of expenses from fares compared to its peer systems. Table 4.8 displays SEPTA's relative prowess at the fare box. A 50 percent cost recovery rate is actually considerably high for a transit agency.

The other half of SEPTA expenses (not covered by fare receipts) is funded by government subsidies. This annual funding stream is comprised of varying amounts from federal, state, and local sources. Over the past two decades, the percentage of this subsidy for which the state has been responsible has gradually increased, while the percentage of federal and local subsidies have fallen. Table 4.9 displays that the percentage of SEPTA's operating subsidy provided by the federal government reached a low point in 1997 at 3.5 percent, and conversely that the subsidy provided by the state reached a high point that year at 79.2 percent. Since, the federal government's portion of SEPTA's subsidy has steadily been on the rise, ironically due to changes in the state budgetary procedures. This recent resurgence of federal funding, including the 5.5 percent spike experienced in 2004, can be attributed to the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). The act included a provision called "flexible funding," which allows state

governments to transfer federal highway funds to other areas as particular needs arise (ISTEA 1995). State use of flexible funding has therefore increased the federal role in transit funding *de facto* and was a vital resource for SEPTA in solving its most recent budget crisis.

Table 4.8: Transit fares as a percent of operating expenditures (2002)

<i>Rank</i>	<i>System</i>	<i>Fares %</i>
1	MTA Metro-North Commuter Railroad	54.8
2	MTA New York City Transit	53.1
3	SEPTA	50.7
4	MTA Long Island Railroad (LIRR)	44.6
5	New Jersey Transit (NJT)	44.6
6	Chicago Transit Authority (CTA)	41.8
7	Northern Illinois Regional Commuter Railroad Corporation (Metra)	40.7
8	Metro Transit (Minneapolis-St. Paul)	40.7
9	Washington Metropolitan Area Transit Authority (WMATA)	40.6
10	Port Authority Trans-Hudson Corporation	32.2
11	Massachusetts Bay Transportation Authority (MBTA)	29.0
12	Mass Transit Administration, Maryland	28.7
13	Metropolitan Atlanta Rapid Transit Authority (MARTA)	27.4
14	Los Angeles County Metro Transit (LACMTA)	27.3
15	Miami-Dade Transit	25.0
16	Port Authority of Allegheny County	24.1
17	San Francisco Municipal Railway (MUNI)	22.3
18	Metropolitan Transit Authority of Harris County (Houston)	21.3
19	King County Department of Transportation (Seattle)	21.2
20	Tri-County Metropolitan District of Oregon	20.8
21	Denver Regional Transit District (RTD)	18.2
22	Greater Cleveland Regional Transit Authority	17.6
23	Alameda-Contra Costa Transit (AC Transit)	11.6
24	Santa Clara Valley Transportation Authority (VTA)	9.5
25	Dallas Area Rapid Transit (DART)	8.9

Source: Pennsylvania Transit Coalition (2004)

Notes: Data for peer transit agencies was provided by the Pennsylvania Transit Coalition. All data provided is for the year 2002. There was a disparity between SEPTA's percentage used in this figure with the one provided by the transit authority itself. Thus, for the purposes of this paper, the fare percentage provided by SEPTA will be substituted for the one provided by the Pennsylvania Transit Coalition.

Clearly, however, the state plays the most prominent role in SEPTA's annual subsidization. This has played a key role in the evolving relationship between SEPTA and its primary provider, in that ultimately the state legislature has the final say on SEPTA's budget. Unfortunately for SEPTA, a majority of the state legislature is from rural areas and generally does not sympathize with the needs of urban areas. Tenuous

relations have developed as a result. The manifestations of this inherent conflict will be expounded upon in Chapter 7.

Table 4.9: SEPTA percentage of subsidies by source in thousands of nominal dollars (1984-2004)

<i>Year</i>	<i>Federal</i>		<i>State</i>		<i>Local</i>		<i>Total Subsidy</i>
	<i>Total</i>	<i>% of System</i>	<i>Total</i>	<i>% of System</i>	<i>Total</i>	<i>% of System</i>	
<i>1984</i>	45,546	22.1	110,657	53.6	50,079	24.3	206,282
<i>1985</i>	36,800	17.7	120,700	58.1	50,100	24.1	207,600
<i>1986</i>	31,800	14.5	132,600	60.4	55,000	25.1	219,400
<i>1987</i>	30,712	11.0	192,254	69.1	55,389	19.9	278,355
<i>1988</i>	28,149	12.2	150,588	65.2	52,348	22.7	231,085
<i>1989</i>	28,005	10.8	165,749	63.8	66,145	25.5	259,899
<i>1990</i>	18,005	6.5	193,740	70.0	65,152	23.5	276,897
<i>1991</i>	27,387	9.7	199,613	70.7	55,327	19.6	282,327
<i>1992</i>	27,194	9.1	214,090	71.7	57,300	19.2	298,584
<i>1993</i>	28,000	10.3	189,233	69.5	55,200	20.3	272,433
<i>1994</i>	27,221	8.4	234,973	72.9	60,300	18.7	322,493
<i>1995</i>	24,000	6.9	264,942	75.9	60,164	17.2	349,106
<i>1996</i>	12,625	3.6	280,525	79.0	62,127	17.5	355,277
<i>1997</i>	12,500	3.5	285,900	79.2	62,500	17.3	360,900
<i>1998</i>	27,500	7.4	280,235	75.7	62,700	16.9	370,435
<i>1999</i>	27,500	7.2	291,549	76.4	62,700	16.4	381,749
<i>2000</i>	27,500	7.1	294,972	75.9	66,291	17.1	388,763
<i>2001</i>	27,500	6.9	305,588	76.5	66,291	16.6	399,379
<i>2002</i>	30,747	7.6	307,888	76.0	66,341	16.4	404,976
<i>2003</i>	30,205	7.1	329,351	77.2	67,100	15.7	426,656
<i>2004</i>	56,200	12.6	324,276	72.5	67,000	15.0	447,476

Source: SEPTA Operating Budgets (1984-2004)

Summary

Based on steady ridership and relatively strong fare receipts, SEPTA superficially appears to be a relatively healthy transit agency. Despite a large-scale population shift within the region, SEPTA has maintained fairly consistent in its provision of services across the Philadelphia region.

Deeper inspection, however, reveals a much bleaker picture of SEPTA's financial state. Budget crises of recent years are the manifestation of a fiscal pathology that has threatened SEPTA's very essence. Indeed, the roots of the system's financial doldrums beg attention and remedy, lest the transportation lifeline to hundreds of thousands of

Philadelphians be in a perpetual state of endangerment. This paper addresses these concerns in search of explanations for SEPTA's state of fiscal uncertainty.

A Comparative Analysis of SEPTA's City and Suburban Services

Hypothesis 1: Since 1984, SEPTA's suburban transit services have been progressively more expensive to operate than city transit services, as measured by expense per rider, increasing the system's overall expenses.

This hypothesis predicts that suburban services (RRD plus STD) have been more expensive than city transit services (CTD) on a per rider basis resulting from two overarching factors: 1) Suburban services span a wider area and require longer trips that expend more energy and man-hours than city services, which operate within a more narrow service area; and 2) The suburban service area has a lower population density than the city service area, resulting in less ridership for the expense of providing service to the area. Thus, SEPTA's suburban expense per rider would theoretically be substantially higher than the city. The second part of this hypothesis – that the existence city-suburban disparity in expense per rider has progressively increased due to rising costs of operations – is based on a profound population shift from the city to the suburbs. Theoretically, this shift would necessitate a disproportionately larger investment in suburban services at the expense of city services.

The assertion that suburban services have been more expensive per rider than city services is resoundingly supported by SEPTA operating data. As Table 5.1 illustrates, since 1984 the suburban expense per rider has been 270 percent to 390 percent higher than the city. In other words, the average suburban passenger costs SEPTA approximately four to five times more than a ride by a city passenger. Similarly, the suburban expense per rider has been 212 percent to 301 percent more than SEPTA's overall expense per rider. In stark contrast to the disproportionately high suburban

expenses, city services have never exceeded 80 percent of the system’s overall expense per rider, and have fallen as low as 75 percent (1987 and 1988). Suburban services are solely responsible for the difference between the city and system expense per rider, amounting to a 16 to 33 percent increase annually. In 2004, a 29 percent increase (\$0.64) to the system’s per rider expenses cost SEPTA \$193,471,194 in total per rider expenses for the year, over three times the amount of its entire budget deficit. Clearly, SEPTA’s services are properly characterized by a city-suburban disparity in expense per rider.

Table 5.1: SEPTA expense per rider by division in nominal dollars (1984-2004)

<i>Year</i>	<i>STD</i>	<i>RRD</i>	<i>Suburban (STD+RRD)</i>	<i>CTD</i>	<i>Total System</i>	<i>Suburban Difference</i>	<i>Suburban Effect</i>
1984	1.33	6.40	3.55	0.91	1.18	0.27	97,872,342
1985	1.63	5.82	3.66	0.96	1.24	0.28	103,472,101
1986	2.23	6.37	4.63	1.17	1.55	0.38	134,169,951
1987	2.08	6.27	4.47	1.15	1.53	0.38	132,254,005
1988	1.80	6.31	4.37	1.15	1.53	0.38	134,594,023
1989	1.95	5.82	4.17	1.30	1.65	0.35	119,913,546
1990	2.35	6.48	4.79	1.41	1.83	0.42	140,086,680
1991	2.42	7.29	5.21	1.54	2.02	0.48	149,245,748
1992	2.49	7.42	5.21	1.65	2.10	0.45	135,728,525
1993	2.40	7.57	5.12	1.52	1.94	0.42	130,416,389
1994	2.77	8.38	5.84	1.69	2.21	0.52	159,283,176
1995	3.17	7.35	5.58	1.90	2.40	0.50	145,363,390
1996	3.59	7.84	6.09	1.92	2.47	0.55	160,226,239
1997	3.56	7.57	5.88	1.91	2.45	0.54	156,609,131
1998	3.54	7.37	5.85	2.02	2.60	0.58	158,307,889
1999	3.60	7.19	5.77	2.09	2.64	0.55	157,805,596
2000	3.41	7.05	5.77	2.00	2.54	0.54	162,690,040
2001	3.59	6.66	5.46	2.02	2.57	0.55	166,799,883
2002	4.07	7.08	5.95	2.18	2.77	0.59	172,758,053
2003	4.24	7.59	6.28	2.19	2.83	0.64	189,730,463
2004	4.29	7.79	6.41	2.24	2.88	0.64	193,471,194

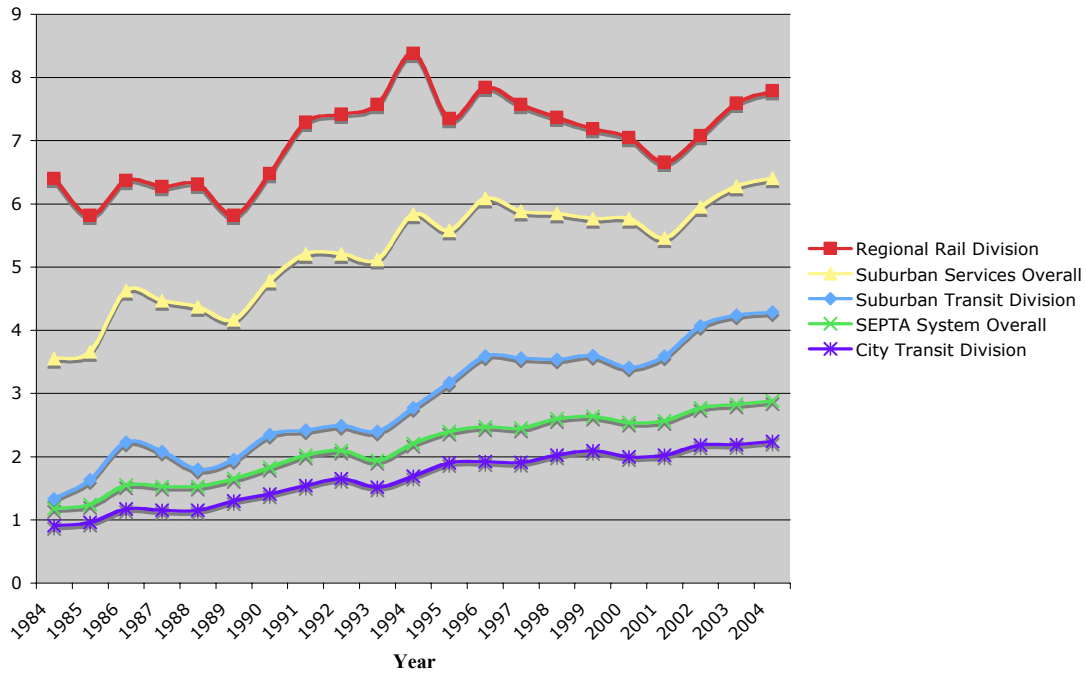
Source: SEPTA Operating Budgets (1984-2004)

Notes: The “suburban difference” is measured by subtracting the city subsidy per rider from the system’s expense per rider. The “suburban effect” is measured by multiplying the suburban increase in expense per rider by the system’s total annual ridership.

However, the prediction that the city-suburban disparity has become progressively wider is not supported by the data. Since 1984, the city expense per rider has grown by 146 percent, compared to a suburban increase of 81 percent. The system’s overall expense per rider has increased by 144 percent during this period. Figure 5.1 displays that

while the suburban expense per rider is substantially higher than that of the city, each divisions has experienced comparable changes in expenses over time.

Figure 5.1: SEPTA expense per rider in nominal dollars (1984-2004)



Hypothesis 2: Since 1984, SEPTA has progressively required greater subsidization for suburban transit services than city transit services to cover its higher expenses, as measured by subsidy per rider, increasing the size of the system’s overall subsidy.

This hypothesis is derived from the previous conjecture that suburban services are more expensive to operate. As a result, it is predicted that SEPTA has required disproportionately larger suburban subsidies to account for its extra expenses. Implied in this is that the suburban fare receipts have failed to sufficiently recoup the costs of its more expensive operations. Government subsidization, then, is required to cover the rest of the system’s costs. The subsidy is allocated based on necessity. For this reason, suburban services would theoretically receive larger subsidies than city services on a per rider basis.

The assertion that suburban services have required larger per rider subsidization than city services is resoundingly supported by SEPTA operating data. As Table 5.2 indicates, since 1984 the suburban subsidy per rider has been 322 percent to 559 percent greater than the city. In other words, taxpayers have paid four to six times as much

Table 5.2: SEPTA subsidy per rider by division in nominal dollars (1984-2004)

<i>Year</i>	<i>STD</i>	<i>RRD</i>	<i>Suburban (STD+RRD)</i>	<i>CTD</i>	<i>System Total</i>	<i>Suburban Difference</i>	<i>Suburban Effect</i>
1984	0.58	4.25	2.18	0.39	0.57	0.18	64,696,284
1985	0.78	3.36	2.03	0.39	0.57	0.18	65,940,169
1986	1.09	3.82	2.67	0.47	0.71	0.24	84,211,292
1987	1.27	4.01	2.80	0.54	0.80	0.26	91,425,268
1988	0.76	4.00	2.61	0.40	0.66	0.26	91,383,212
1989	0.92	3.39	2.33	0.53	0.75	0.22	75,832,385
1990	1.20	3.76	2.69	0.58	0.84	0.26	86,148,201
1991	1.18	4.39	3.01	0.59	0.91	0.32	99,914,858
1992	1.23	4.51	3.04	0.70	1.00	0.30	89,555,723
1993	1.15	4.49	2.91	0.61	0.88	0.27	83,312,161
1994	1.47	5.44	3.48	0.75	1.11	0.36	110,208,531
1995	1.81	4.37	3.26	0.88	1.21	0.33	96,264,406
1996	2.20	4.69	3.59	0.89	1.26	0.37	10,7419,819
1997	2.25	4.38	3.49	0.88	1.24	0.36	105,133,357
1998	2.26	4.20	3.43	0.99	1.35	0.36	98,513,663
1999	2.27	4.07	3.36	0.99	1.34	0.35	99,525,331
2000	2.15	3.91	3.20	0.95	1.29	0.34	102,240,543
2001	2.36	3.60	3.12	0.97	1.31	0.34	103,758,426
2002	2.66	3.68	3.30	1.02	1.37	0.35	103,344,556
2003	2.88	4.17	3.66	1.02	1.43	0.41	122,313,585
2004	2.93	4.32	3.78	1.07	1.49	0.42	126,427,651

Source: SEPTA Operating Budgets (1984-2004)

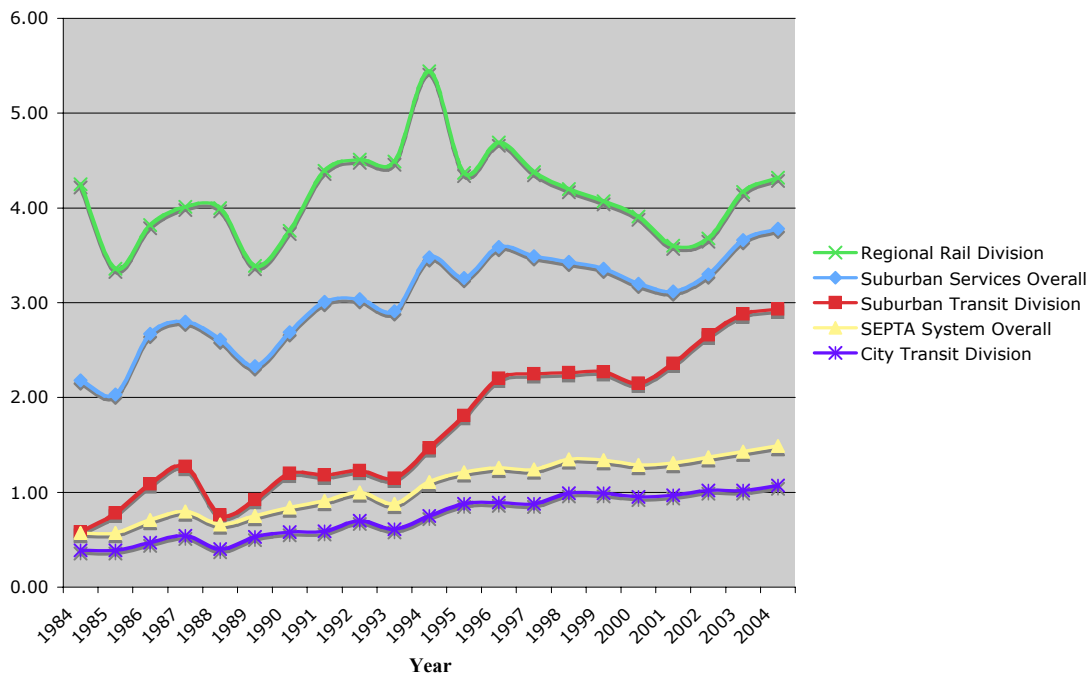
Notes: The “suburban difference” is measured by subtracting the city subsidy per rider from the system’s subsidy per rider. The “suburban effect” is measured by multiplying the suburban increase in subsidy per rider by the system’s total annual ridership.

for each suburban passenger than city passenger on average. Similarly, the suburban subsidy per rider has been 239 percent to 382 percent larger than the system’s overall, while the city subsidy per rider has been 65 percent to 75 percent of the system. Suburban services are responsible for the difference between the city and system expense per rider, which has amounted to an increase of 35 to 65 percent annually. In 2004, suburban services cost taxpayers an extra \$126,427,651 to support suburban operations. This city-

suburban disparity in subsidies has undoubtedly been an exacerbating factor in the system's financial predicament for the past two decades.

Again, however, the prediction that this city-suburban subsidy disparity has progressively increased is unsupported by budgetary data. Since 1984, the city subsidy per rider has grown by 174 percent, compared to 74 percent for suburban services. The system's overall subsidy per rider has increased by 161 percent. Figure 5.2 illustrates that while the suburban subsidy per rider is substantially higher than the city, each of the system's three transit divisions' subsidy has grown at a comparable rate.

Figure 5.2: SEPTA subsidy per rider in nominal dollars (1984-2004)



Hypothesis 3: Suburban transit services have progressively been more responsible than city transit services for SEPTA’s increasingly large financial shortfalls, as measured by a higher ratio of expenses plus subsidies divided by fare receipts.

This hypothesis attempts to determine the relative responsibility for both the city and suburban services regarding SEPTA’s financial instability. It integrates all three financial measures relevant to the operating budget – expenses, subsidies, and fare receipts – into a metric that is referred to as the “cost ratio”. The measure is generated by adding each division’s expenses and subsidies and dividing that total by fare receipts. The cost ratio sets the two types of transit expenses – those to the system (operating expenses) and those to the taxpayer (government subsidies) – against SEPTA’s fare receipts, the system’s primary source of non-governmental revenue. The prediction is that the aggregate effect of higher costs, larger subsidies, and lower fare receipts would yield a higher cost ratio measure for suburban services, thereby demonstrating their disproportionately large impact on SEPTA’s budget deficits.

Data also supports this hypothesis in part. As Table 5.3 indicates, since 1984 the suburban cost ratio has been 127 to 194 percent larger than the city. Likewise, suburban services have been between 117 to 145 percent of SEPTA’s system-wide cost ratio, while city services have been between 82 and 93 percent of the system. SEPTA’s suburban services are responsible for the difference between the city and system cost ratio, amounting to a 7 to 22 percent increase annually. This measure is an indicator of suburban services’ higher expenses as well as their failure to recoup these additional costs through fare receipts, the aggregate effect of which has been a need for larger public subsidies. Clearly, suburban services have been less cost effective than city services.

Again, the prediction that the city-suburban disparity in cost ratio has progressively increased is not supported by budgetary data. Since 1984, the suburban cost ratio has actually decreased by 8 percent, while the city cost ratio has increased by 13 percent. Despite this, the system’s overall cost ratio has increased by 8.3 percent. Figure 5.3 illustrates that only the STD has experienced a substantial increase in its cost ratio (113 percent), but that this has been tempered by the decrease experienced by the RRD (-29 percent). While the suburban cost ratio has remained substantially higher than the city, the cost ratios of both suburban and city services – and therefore the system as a whole – have remained fairly stable over time.

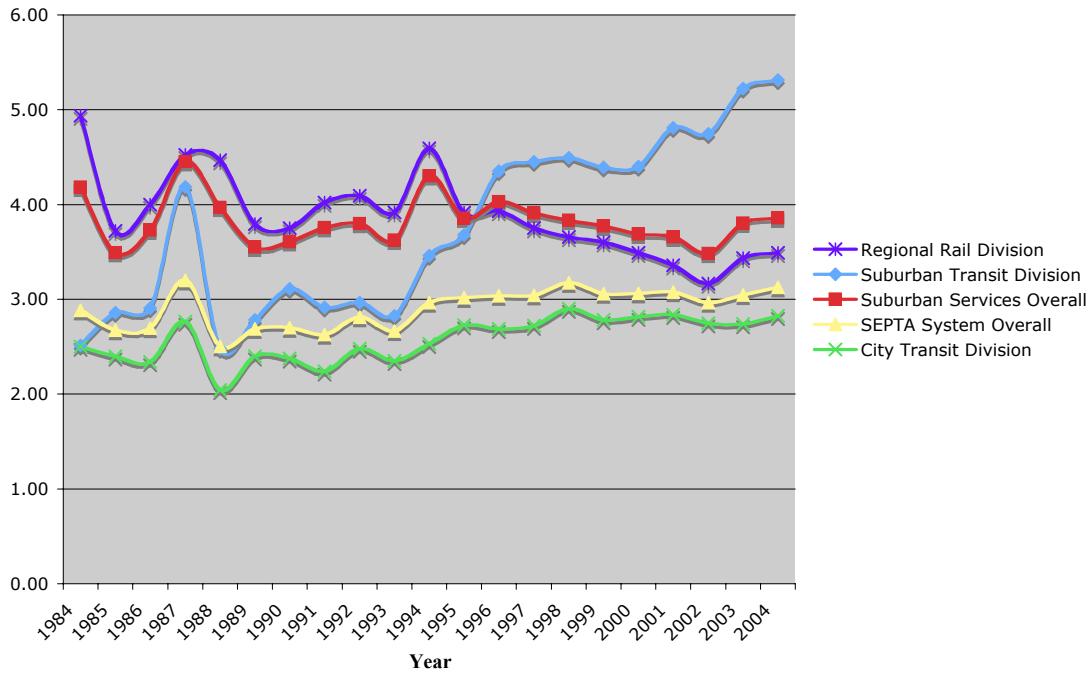
Table 5.3: SEPTA cost ratio by division in nominal dollars (1984-2004)

<i>Year</i>	<i>STD</i>	<i>RRD</i>	<i>Suburban (STD+RRD)</i>	<i>CTD</i>	<i>Total System</i>	<i>Suburban Difference</i>
1984	2.52	4.94	4.18	2.50	2.89	0.38
1985	2.86	3.72	3.49	2.40	2.68	0.28
1986	2.91	4.00	3.73	2.34	2.70	0.36
1987	4.19	4.52	4.45	2.77	3.20	0.43
1988	2.48	4.47	3.97	2.04	2.50	0.46
1989	2.78	3.79	3.55	2.40	2.69	0.29
1990	3.11	3.75	3.61	2.38	2.70	0.32
1991	2.92	4.02	3.76	2.24	2.63	0.39
1992	2.96	4.09	3.80	2.48	2.81	0.33
1993	2.82	3.92	3.62	2.35	2.67	0.31
1994	3.46	4.59	4.30	2.53	2.97	0.44
1995	3.68	3.91	3.85	2.73	3.02	0.29
1996	4.35	3.93	4.03	2.69	3.04	0.35
1997	4.45	3.75	3.91	2.72	3.04	0.32
1998	4.50	3.66	3.83	2.90	3.17	0.27
1999	4.39	3.60	3.77	2.78	3.06	0.28
2000	4.40	3.49	3.69	2.81	3.06	0.25
2001	4.81	3.36	3.66	2.84	3.08	0.24
2002	4.75	3.17	3.48	2.75	2.96	0.22
2003	5.22	3.44	3.80	2.74	3.05	0.31
2004	5.31	3.49	3.86	2.83	3.13	0.30

Source: SEPTA Operating Budgets (1984-2004)

Notes: The “suburban difference” is measured by subtracting the city cost ratio from the system’s cost ratio.

Figure 5.3: SEPTA cost ratio in nominal dollars (1984-2004)



Summary of Results

An analysis of data from SEPTA’s operating budgets, including the system’s expenses, subsidies, and fare receipts, provides resounding support for a city-suburban funding disparity, where SEPTA’s suburban services have been responsible for substantially increasing the system’s per rider operating costs. Data do not suggest, however, that this disparity between city and suburban services has become progressively larger, as had been expected. Since 1984, the city-suburban funding disparity as measured by expense per rider, subsidy per rider, and cost ratio has remained relatively consistent.

Despite this, each measure strongly indicates that suburban services have substantially increased SEPTA’s operating expenses and the subsequent costs to taxpayers to support these additional expenses. While the gap between city and suburban

services has not necessarily increased based on these measures, the fact that the disparity has remained consistent is significant because it indicates SEPTA's failure to address and resolve the roots of its financial plight. Rather, SEPTA's policy has been one of inaction, resorting to contentment with the status quo. The results presented in this chapter beg explanation to determine why SEPTA's financial situation has remained perpetually problematic.

Potential Political Explanations for SEPTA's City-Suburban Funding Disparity

The results in Chapter 5 strongly suggest that a city-suburban funding disparity has been an exacerbating factor in the system's budget pitfalls for the past two decades. This chapter outlines two possible explanations for the perpetuation of this disparity. The first discusses the disproportional representation on the transit authority's governing board, which sets the system's operating policy. The second discusses the political effects of the Philadelphia region's population realignment, particularly in terms of the state legislature.

Explanation 1: The SEPTA board's city-suburban representative disparity

One potential reason SEPTA has granted disproportionately high amounts of funding for suburban services is a city-suburban representative disparity on SEPTA's board. Suburban members have held an overwhelming majority of board seats, especially when evaluated on a per capita and per rider basis. For this reason, the board has tended to favor suburban interests, resulting in the higher levels of support for suburban services relative to city services.

In short, the SEPTA board's consists of two appointed members for each of the region's five counties. In addition, the state senate majority and minority leaders and state house majority and minority leaders each appoint one member. Finally, the governor appoints one member. Chapter 4 contains a more detailed description of SEPTA's board.

In 2004, the year of SEPTA's most recent budget crisis, the suburbs held a vast representative advantage on the SEPTA board. Table 6.1 illustrates that suburban

residents had 135 percent more board representation per capita than Philadelphia residents.

Table 6.1: Per capita representation on the SEPTA board by county (2004)

<i>County</i>	<i>2004 Population</i>	<i>Board Representation</i>	<i>Per capita Representation</i>
<i>Bucks</i>	617,558	2	3.2
<i>Chester</i>	465,795	2	4.3
<i>Delaware</i>	555,040	2	3.6
<i>Montgomery</i>	774,029	2	2.6
<i>Suburban Total</i>	2,412,422	8	3.3
<i>Philadelphia</i>	1,470,151	2	1.4

Sources: US Census Bureau; SEPTA.org

Notes: Each per capita representation is multiplied by 1,000,000 to simplify the results.

While the board’s city-suburban representative disparity is striking when evaluated per capita, two factors suggest that these figures actually vastly *underestimate* the inherent suburban advantage. First, evaluating the board on a per capita basis assumes that the same proportion of each county’s population is riding the system regularly. In reality, a far greater proportion of the city’s population rides the system. A more appropriate measure, then, is per rider representation. SEPTA does not list its ridership by county, but if ridership is separated by division, with STD and RRD riders represented by the eight suburban appointees and CTD riders represented by Philadelphia’s two appointees, a more accurate description of the board’s city-suburban disparity becomes evident. As Table 6.2 illustrates, in 2004 suburban representation was 2074 percent, or nearly 22 times, city representation on the board per rider.

Table 6.2: Per rider representation on the SEPTA board by division (2004)

<i>Division</i>	<i>2004 Ridership</i>	<i>Board representation</i>	<i>Per rider representation</i>
<i>CTD</i>	254,453,028	2	7.9
<i>STD plus RRD</i>	46,565,189	8	171.8

Sources: US Census Bureau; SEPTA.org

Notes: Each per rider representation is multiplied by 1,000,000,000 to simplify the results.

Secondly, neither per capita nor per rider representation accounts for the board's five state-level appointees. While these five board members are not tied to any county in particular, the group has exhibited tendencies that would suggest an alignment with the eight suburban members. This is at least somewhat counterintuitive in that three of the five state-appointed members are Democrats, which typically would suggest a sympathetic stance on generally more liberal, urban matters. But as Chapter 7 will clearly indicate, all five state appointees sided with the suburbs in a time of fiscal crisis, giving credence to the argument that the city-suburban representative disparity in representation on the SEPTA board is significantly more pronounced than Tables 6.1 and 6.2 might otherwise indicate.

The effects of disproportional board representation

Tables 6.1 and 6.2 display the city-suburban representative disparity of the SEPTA board, which is skewed to the suburbs at an astoundingly high level. This characteristic has likely perpetuated the budgetary favoritism of suburban services, which in turn has resulted in more costly system-wide operations.

Dr. Richard Voith, a senior consultant at Econsult Corporation in West Philadelphia, served on the SEPTA board as a city appointee from 1992-2000, including a four-year stint as the vice chairman from 1995-1998. An urban economist, Voith believes that the board's city-suburban representative disparity has had a pervasive affect on its functionality. Board members have tended to support policies that favor their constituencies, a governing mechanism that has benefited the board's suburban majority. This has profoundly affected the board's political posturing. Said Voith (2005):

“In reality, the city’s lack of true power has made it be in opposition to a lot of things that it wouldn’t otherwise be in opposite to, and its lack of power has made it function as a classic outsider. If you have to govern, you have to be responsible. If you don’t have to govern, you oppose. I think that part of the split between city and suburbs is that it is more difficult for the board to function as a unit because the city perceives that its vote really does not matter.”

As a case in point, every board chairman in SEPTA’s history has been a suburban Republican, signifying the city’s striking lack of authority, especially given its 85 percent portion of the system’s ridership. The city appointees’ only option, then, has been to block suburban initiatives, a defensive governing stance that has resulted in a polarized board wrought with internal conflict. Rather than working together to develop policies that focus on improving the system’s overall services, the city and suburbs have fought against each other to determine what SEPTA’s general service policy should be. With a majority of seats, the suburbs have had a clear advantage in these battles. This infighting has been counterproductive to the board’s overall effectiveness and undercut its ability to serve the region’s best interests as a whole.

Voith does not believe that this city-suburban conflict was necessarily an inevitable evolutionary process stemming from divergent interests but rather an inherent flaw in the system’s overall mission, or lack thereof. Chartered by the state as a regional transportation agency, SEPTA received vague guidelines for how it should provide service to the sprawling southeastern Pennsylvania area. Devoid of explicit instructions, quotas, or service standards, the board has been left to determine the system’s overall mission through its own devices. Again, this has been advantageous for suburban appointees, whose representative dominance has no doubt affected the system’s evolution. Said Voith:

“Institutionally, there is no legislative goal, and so there are competing interests. City members have always been interested in minority contracting. The individual [suburban] counties have always been interested in individual projects or contracts being [awarded to] pinstripe patronage. ... If you are going to make the economically sensible choice which is to really reinforce SEPTA’s public transportation mission in delivering people to the region’s urban core, and by that I mean the city and some of the older suburbs, it really means enhancing the competitiveness of these areas and not others, and that is a tough sell. And unless you can put it in the context of having a clear and straightforward, simple measurable set of goals for the authority that aren’t mutually in conflict with one another, it’s really hard to move forward. And I think that’s [an] institutional [problem].”

According to Voith, without clear institutional direction, SEPTA has evolved based on the interests of the board members. It is only natural, then, that SEPTA has developed in a way that provides disproportionately high levels of funding for services to the suburbs.

In view of this, it is understandable that SEPTA has not taken steps to curb costly suburban transit services and alleviate the troublesome city-suburban funding disparity. As history would suggest, the board’s suburban majority will likely preclude such reforms indefinitely. In the same regard, very little has been done to enhance service standards for the city riders that constitute 85 percent of the system’s ridership. With just two city board appointees, any change in the board’s overall orientation would require significant support from suburban and state appointees, an occurrence that past experience has deemed unlikely.

While the overall city-suburban disparity has resulted in disproportionately high levels of support for suburban services, Voith believes that a suburban-oriented board actually benefits SEPTA in two ways. First, as a state-chartered transit agency, SEPTA is dependent on the state for a large portion of its operating subsidy. As Chapter 4 outlined, in 2004 the state covered 72.5 percent of the system’s subsidies. Thus, it is integral that SEPTA be politically tenable to state representatives who are responsible for annually

appropriating those funds. The state government, largely rural and Republican, is more likely to support an agency operated by and oriented towards the interests of suburban constituencies and appointees, which are typically more conservative and Republican than the largely liberal and Democratic inner city. Thus, the system's suburban-orientation may actually increase SEPTA's appeal to the state. Any institutional change increasing urban influence would risk undermining state support for the system overall.

Similarly, any alteration that would compromise the support of the suburban counties themselves would be to the detriment of the system as a whole, as SEPTA depends on its implied partnership with the suburbs to garner state funding. Thus, while a proportional reorganization may theoretically decrease the system's city-suburban funding disparity, doing so may negatively affect the system's standing with the suburbs, risking its regional coalition and therefore state support for the system. In this regard, SEPTA may be caught in an impossible, no-win political predicament between cost effectiveness and political tenability, both worthy concerns regarding long-term fiscal health.

Therefore, while the SEPTA board's city-suburban disparity has exacerbated disproportional levels of support for city and suburban services, the fact that SEPTA operates within the context of state dependency has also been a pervasive factor. The extent of the state's continuing influence in SEPTA's fiscal plight will now be examined.

Explanation 2: A regional shift in legislative clout at the state level

As a state-chartered agency, SEPTA is highly dependent on funding from the state. Because of this, another potential factor leading to the disproportionately high levels of funding for SEPTA's suburban services is a population shift from the city to the

suburbs that has altered the balance of the region's state representation. In general, this can be characterized as a loss in the city's legislative clout relative to both the suburbs and the state as a whole.

First and foremost, Philadelphia has experienced a decline in regional political authority at the state level. Table 6.3 displays the pervasiveness of these losses. Since 1975, the city has lost 10 state representatives while the suburbs have gained 10. This has amounted to a 16 percent loss (58 to 42 percent) in the city's proportion of regional house representation. Similarly, since 1975 the city has lost one senate seat while the suburbs have gained one, a 6 percent loss (50 to 44 percent) for the city. In total, this has amounted to a 14 percent decline (56 to 42 percent) in the city's overall regional legislative weight.

Table 6.3: Philadelphia state legislative representation by county (1975-2004)

<i>Year</i>	Bucks County	Chester County	Delaware County	Montgomery County	Suburban Total	Philadelphia County	Phila % of region
<i>State House</i>							
<i>1975</i>	5	4	9	8	26	36	58.06
<i>1985</i>	8	5	9	11	33	29	46.77
<i>1995</i>	11	7	9	12	39	28	41.79
<i>2004</i>	10	6	9	11	36	26	41.94
<i>% Change</i>	100.00	50.00	0.00	37.50	38.46	(27.78)	
<i>State Senate</i>							
<i>1975</i>	2	1	2	3	8	8	50.00
<i>1985</i>	2	1	2	3	8	7	46.67
<i>1995</i>	2	3	2	3	10	6	37.50
<i>2004</i>	2	1	2	4	9	7	43.75
<i>% Change</i>	0.00	0.00	0.00	33.33	12.50	(12.50)	
<i>State Legislature</i>							
<i>1975</i>	7	5	11	11	34	44	56.41
<i>1985</i>	10	6	11	14	41	36	46.75
<i>1995</i>	13	10	11	15	49	34	40.96
<i>2004</i>	12	7	11	15	45	33	42.31
<i>% Change</i>	71.43	40.00	0.00	36.36	32.35	(25.00)	

Source: The Pennsylvania Manual (2006)

Additionally, Philadelphia's decline has resulted in a power loss in the context of the state legislature as a whole. As Table 6.4 illustrates, since 1975 the city has lost 4.9

percent of its overall weight in the house (17.7 to 12.8 percent) and two percent in the senate (16 to 14 percent). Between the two chambers, Philadelphia’s state legislative weight has declined 4.4 percent (17.4 to 13 percent). During this time, the size of the region’s overall legislative delegation has remained constant, as the suburbs have fully absorbed the city’s representative losses.

Table 6.4: Philadelphia region’s proportion of the state legislature (1975-2004)

Year	Suburban Total	Philadelphia County	Total Region	State House	Suburban % of State House	Philadelphia % of State House	Region % of State House
State House							
1975	26	36	52	203	12.8	17.7	25.6
1985	33	29	52	203	16.3	14.3	25.6
1995	39	28	57	203	19.2	13.8	28.1
2004	36	26	52	203	17.7	12.8	25.6
State Senate							
1975	8	8	16	50	16.0	16.0	32.0
1985	8	7	15	50	16.0	14.0	30.0
1995	10	6	16	50	20.0	12.0	32.0
2004	9	7	16	50	18.0	14.0	32.0
State Legislature							
1975	34	44	78	253	13.4	17.4	30.8
1985	41	36	77	253	16.2	14.2	30.4
1995	49	34	83	253	19.4	13.4	32.8
2004	45	33	78	253	17.8	13.0	30.8

Source: The Pennsylvania Manual (2006)

Aside from Philadelphia’s regional and state legislative power losses, two aspects of the city’s relationship with the state are made clear by these tables. First, Philadelphia has always represented a small proportion of the state as a whole. Even before the population migration, the city’s legislative delegation amounted to less than one-sixth of the legislature, certainly not enough for the Philadelphia legislative delegation to wield much power. Second, the regional delegation has never amounted to more than one-third of the state legislature. Even when acting in regional unison, its minority status has made the Philadelphia region somewhat of an outsider when it has come to state politics. The rural majority of the state has typically taken an oppositional stance on city issues. What

has developed is an acutely polarized, urban versus rural struggle for state control, with the suburbs acting as a wildcard somewhere in between. As Chapter 7 will show, Philadelphia, and by relation SEPTA, has fallen on the short end of this power struggle.

The effects of SEPTA's regional and state legislative power losses

According to Voith, Philadelphia's regional and state legislative power losses have played an integral role in SEPTA's fiscal pathology. The regional legislative power shift from the city to the suburbs has proven particularly problematic because the suburbs have chosen to shirk their responsibility to the system. Two examples illustrate this tendency.

First, while the region as a whole provides very little financial support for the system, the suburban counties have been particularly negligent in this regard. In Chapter 4, Table 4.9 displays the varying levels of federal, state, and local subsidies that SEPTA receives on an annual basis. In 2004, local sources (the five regional counties) only provided 15 percent (\$70 million) of the total operating subsidy. Of the local portion, 80 percent (\$56 million) came from Philadelphia, while the four suburban counties combined provided 20 percent (\$14 million). This division of local financial responsibility does not accurately represent the system's expense breakdown. In 2004, suburban services were responsible for 34 percent of the system's total expenses. In this regard, the suburban counties have fallen significantly short of their proportional responsibility of covering the system's costs.

Second, despite the fact that over one-third of SEPTA's expenses are derived from suburban services, suburban legislators have been hesitant to participate in a regional coalition to politically support SEPTA state subsidization. Even though the

region as a whole still only represents less than a third of the state's total legislative votes, the unity of such a coalition could potentially be a powerful state force. Philadelphia's legislative decline has necessitated such a regional partnership to defend its interests against rural legislators, who tend to support interests generally counter to those of the city. But regional unity in this regard has not been forthcoming. Despite the fact that suburban growth has overcome the city's decline, thereby maintaining the region's overall legislative pull, the suburban legislative delegation has been unwilling to use its increasing prowess to advocate for SEPTA. In the same way that suburban counties have paid a disproportionately small amount of SEPTA's local subsidy, so too have the suburban legislators come up small in supporting SEPTA politically. Chapter 7 will examine suburban disinterest in providing political support for SEPTA, particularly in a time of crisis.

To summarize, a legislative power decline has profoundly affected Philadelphia's regional and state political clout. SEPTA, which exists within both a regional and state context, has suffered as a result of the city's losses and the subsequent unwillingness of the suburbs to provide adequate financial or political support. According to Voith, SEPTA's pathology in this regard is somewhat unique:

“In many other regions, the city or whatever the region is has opted to pay for [its transit system] locally, so you haven't had this overlay [of state control]. So all this is a factor of the region avoiding paying for this directly from the very outset. ... It's not just state funding. State funding has not grown. They do give a lot of money, but the region itself contributes very little to its own public transportation system.”

Thus, while the state has been negligent in sufficiently funding the system, allowing system expenses to increase faster than subsidies, Voith keys on the failure of the

region to appropriately support the system both politically and financially. The suburbs have been particularly delinquent in this regard.

Combined, these factors have contributed to SEPTA's fiscal pathology and seemingly perpetual budget strife. In crisis situations, the state has been called upon to step in and cover SEPTA's additional annual operating costs. This is something the legislature only begrudgingly did in the past. In 2004, however, the state reneged on this task, and SEPTA found itself in crisis mode.

A Case Study of SEPTA's 2004-2005 Budget Crisis

On September 9, 2004, SEPTA announced that it was running a \$62 million budget deficit for fiscal year 2005. Unless additional subsidization was provided by the state to close this deficit, SEPTA would be forced to drastically downsize operations and increase fares to balance its budget (Downs & Cattabiani 2004).

Members of Philadelphia's state legislative delegation began pushing for a transit bailout package. Some called for short-term solutions, providing the \$62 million for fiscal 2005 but no relief for projected future deficits. Others believed SEPTA should receive long-term relief, closing not only the current deficit but ensuring more consistent funding to prevent future deficits. But the state legislature, a majority of which represented largely rural constituencies unsympathetic to the expensive needs of city organizations like SEPTA, was utterly unresponsive.

On November 11, after over two months of political wrangling, SEPTA announced that it had developed a plan to close the deficit absent a solution from the state. The specific measures of the proposal sent shockwaves throughout the region, so severe in nature that they became known as the "doomsday scenario." Privately agreed upon by the SEPTA board, the plan featured an incremental increase in SEPTA's fares, massive layoffs of its workforce, and a significant elimination of service. The fare increases, layoffs, and service cuts were to take place in two stages. The first stage, to be implemented on January 23, 2005, would raise fares by 25 percent and cut weekday service by 20 percent. The second stage, to be implemented on March 1, 2005, would finalize the fare increases, raising them to the highest rates in the country, while also

completely eliminating weekend service (Downs 2004b). Table 7.1 indicates the specifics of the original doomsday plan.

Table 7.1: SEPTA’s original doomsday scenario proposal

	<i>Pre-Doomsday</i>	<i>January 23, 2005</i>	<i>March 1, 2005</i>
<i>Token (in dollars)</i>	1.30	1.70	2.00
<i>Cash Fare (in dollars)</i>	2.00	2.50	3.00
<i>Transfer (in dollars)</i>	0.60	0.75	0.75
<i>Layoffs</i>	-----	500	1400
<i>Service Cuts</i>	-----	20 % of weekday	100 % of weekend

Source: *The Philadelphia Inquirer*

Such cuts would have immobilized the Philadelphia region as a whole, but would have had an especially devastating effect on the many transit dependents from the inner city. Recognizing this, Philadelphia County’s two representatives on the SEPTA board, Christian DiCicco and Jettie Newkirk, vetoed the board’s proposal (Downs 2004a). This veto proved to be merely symbolic and would be overridden by the board just weeks later.

While SEPTA’s budget dilemma had been public for nine weeks, notice of the doomsday scenario seemed to certify the gravity of the crisis. The announcement forced the Philadelphia contingency at the Capitol in Harrisburg into action, including former Philadelphia mayor and current Pennsylvania Governor Edward G. Rendell. Rendell entered the fray by endorsing a plan by State Senator Dwight Evans, a Democrat from Philadelphia, which proposed to raise \$110 million for all of the state’s transit agencies. Evans’ bill would generate \$41.3 million from an increased driver’s record fee, \$30.6 million from an increase in motor-vehicle rental taxes, \$24.2 million from an increase in tire surcharges, and \$14 million from the institution of an emissions inspection sticker fee (Downs & Cattabiani 2004).

Although the Evans plan provided some impetus for a solution, it was considered highly unlikely to stimulate bipartisan support because it failed to offer anything to rural Republican legislators from automotive-dependent districts. Thus, a bill such as Evans', which would generate funding strictly from automotive fees, would ultimately be doomed to failure, as some degree of rural support would be necessary for a transit bill to pass. Additionally, even some SEPTA advocates were lukewarm towards Evans' proposal, as it only generated \$36 million for SEPTA, or slightly more than half of the \$62 million needed (Downs 2004c).

The Evans bill failure proved particularly frustrating for SEPTA, as time was growing short for a fiscal solution. With the legislature due to go on recess for the holidays on November 21, there was a limited period of time to achieve bipartisan support for any bailout. Furthermore, a new session of representatives was to be sworn in on January 4, 2005. If the legislature could not achieve some measure of stopgap funding by the end of the current session, the new legislature would have just weeks to do so before the first stage of the doomsday scenario was to go into effect. And in truth, very little was accomplished during the week before the legislative recess. Rural legislators became frustrated with both the Governor, who had yet to come up with a funding package of his own, and with the Philadelphia legislative delegation, which kept the lawmakers in session through the early-morning hours of November 22 discussing the issue (Blanchard 2004). As the legislature went into recess, SEPTA's doomsday appeared imminent.

The complexity of the issue extended far beyond the question of whether to subsidize or not to subsidize. Several other factors clouded the debate. First, SEPTA was

not the only transit agency in the state experiencing financial difficulties. Therefore, any bailout funding for SEPTA would also have to include additional money for Pennsylvania's forty-plus transit agencies in order to become a politically viable option. Second, how such additional funding should be generated became quite contentious. While both sides seemed to agree that additional funding was necessary, rural Republicans and urban Democrats were at odds as to from where such subsidization should be derived. Third, it had become clear that a bailout would have to include significant compromises between urban and rural lawmakers. Essentially, this would require that transit funding be accompanied by additional money for road projects. Fourth, lawmakers were at odds regarding whether to grant a one-year stopgap subsidy or a dedicated, reliable annual source of revenue that would provide future fiscal stability for the state's transit systems. Realists understood that SEPTA, while in dire straits in fiscal 2005, would be in the same situation come fiscal 2006 without long-term relief. Pragmatists questioned, however, whether passing a long-term bill was possible at all. Finally, compounding all of these issues was the general disdain towards Philadelphia lawmakers among Pennsylvania rural Republicans who insinuated that a lack of trust in the city's politicians was an impediment to earnest debate. This prejudice was yet another obstacle for the Philadelphia delegation.

A closer look at history indicates that the root of SEPTA's budget crisis can be traced to a failed attempt by the state legislature in the early-1990s to stimulate a source of "dedicated funds" for statewide mass transit systems. Dedicated funds refer to the mechanism by which governments specifically tag a stream of revenue to a specific purpose. The state legislature designated the revenues from new taxes on public utilities

and real estate, or “PURTA”, to be specifically dedicated and divided between the state’s transit agencies. However, PURTA fell far short of its projected revenue totals, resulting in a large gap in funding for the state legislature to annually fill. According to the Pennsylvania Transit Coalition (2004), in 2002 only 22.7 percent of SEPTA’s total subsidy was derived from a dedicated funding source, among the lowest in the nation. The failure of PURTA was compounded by the fact that since 1996, SEPTA’s expenditures had risen over twice as fast as state funding, 28 percent to 13 percent. Massive budget deficits and fiscal uncertainty ensued. Rather than resolving the problem by assuring a steady, dedicated source of revenue, the state legislature forced SEPTA to live from hand to mouth in relying on annual state budgeting procedures for its survival. Surely, insufficient dedicated funding has been a crucial failure in SEPTA’s funding stream.

While they understood the nature of SEPTA’s fiscal pathology, transit advocates were realistic regarding the system’s most recent crisis. While nearly all stakeholders recognized the need for long-term solutions for SEPTA’s survival, the system had grown increasingly desperate for a short-term fix given the nature of the legislature and its funding methods. The task remained clear: stave off doomsday at all costs.

On December 18, Philadelphia Mayor John Street tried to buy some time by suing SEPTA on behalf of the city to delay the implementation of doomsday. In the suit, the city’s lawyers argued that the SEPTA board’s vote to institute the doomsday plan was illegal on two counts. First, the city argued that the vote was illegal because it happened behind closed doors in a private setting. Second, the city argued that the board did not properly bring the vote to the public’s attention. Both of these allegations claimed a

violation of the Sunshine Law, which requires public meetings and votes to be open and on the public record. The November 11 decision to pass the doomsday scenario had not been included in SEPTA's meeting notes that were made available to the public (Gelbart 2004).

On December 21, Governor Rendell did buy SEPTA advocates some time, transferring \$18.8 million dollars out of Pennsylvania's federal and state highway funds for the state's transit agencies. \$13.3 million (70 percent) of the transfer would go towards SEPTA and the continuation of its operations while the legislature wrangled with a more complete solution to the budget crisis. In lieu of the additional funding, SEPTA announced on December 29 that it would postpone implementation of doomsday's first stage to February 27, affording the state an additional five weeks from the original deadline of January 23. Still, the grace period would go for naught without \$49 million more for fiscal 2005. SEPTA general manager Faye Moore voiced this concern: "I would definitely not describe it as breathing room. It's a reprieve. It gives us an additional thirty days or five weeks to try to convince [legislators in] Harrisburg that dedicated funding is needed for transit" (Smith 2004).

As a new session of the General Assembly was sworn in on January 4, 2005, Philadelphia's legislative delegation, with the support of Governor Rendell, began an all-out drive for more substantial transit bailout. Senator Evans reintroduced his bill to produce additional funds through the taxation of motor vehicles. Rendell attempted to reason with rural legislators by inviting leaders from both the house and the senate to the Governor's Mansion on January 10. Both attempts proved fruitless. Evans' bill was again destined for failure primarily because it exclusively drew from automotive fees, thereby

alienating essential rural votes. Rendell's efforts annoyed Republicans because of his inability to introduce his own bill for which he could be held accountable (Downs & Budoff 2005).

Republican leadership then began criticizing the Governor, blaming him for the political mess that SEPTA's crisis had created. Senate Majority Leader David Brightbill from rural Lebanon County reversed his public stance on the crisis, using the Governor's apparent ineptitude in handling the SEPTA budget crisis as a means for a Republican rally. "Shame on us for not letting the public know that we [Republicans] tried to develop funding for mass transit during the last two budget cycles but the governor said, 'No.' We didn't make a big stink about it. We should have," said Erik Arneson, Brightbill's chief of staff. "The Republican leadership in the senate wants to make sure there is a healthy and thriving SEPTA and Port Authority [Pittsburgh] and smaller systems. We will get there. I don't know when we will resolve it in a permanent way but it will be in the first half of the calendar year. Meanwhile, I believe we will find patchwork funding soon - by the end of February or sometime in March" (Geringer 2005b). Sam Smith, a Republican from Punxatawney County in rural Pennsylvania and the House Majority Leader, echoed Brightbill's intention to support SEPTA. "We will allow that the mass transit system has legitimate [money] pressures on it and that time is an issue," said Smith. "So we foresee putting some monies into place with the caveat or contingency that we will look further at doing an audit. We're willing to help [mass transit] through the rough times, but we want to make sure we're not throwing more money at it without getting a good bang for the buck by making it run more efficiently" (Geringer 2005a).

While critical of Rendell, such comments were seen as a major breakthrough for negotiations. The fact that rural Republicans indicated they recognized the need for a transit bailout was encouraging to the Philadelphia delegation regardless of underlying motivations. The momentum seemed to intensify on January 13 when Senator Vincent Fumo, a Democrat from Philadelphia, introduced Senate Bill 49. Fumo's bill proposed to generate \$200 million annually for the state's transit agencies through a half-percent raise in the Pennsylvania Real Estate Transfer Tax. Such a tax would only affect people when they chose to buy or sell a home. The majority of such transfers occurred in the Philadelphia area; thus, the bill seemed palatable for the rest of the state's lawmakers (Downs & Sullivan 2005). But Republican leaders again went on the defensive, insisting that any bill for mass transit be linked to additional funding for roads and highways. If rural legislators held to this stance, formulating any sort of bipartisan bill to appease both sides would be virtually impossible to achieve before the February 27 deadline. Indeed, it seemed as though the previous Republican pledge to secure a transit bailout had been an empty promise.

The 189th session of the Pennsylvania General Assembly opened on January 24 with starkly different messages from preeminent state officials. While the Governor's office indicated it believed an agreement was achievable, Republicans continued in their criticism of Rendell, suggesting they would be interested in working towards a transit solution if Rendell himself would actually offer one. Republican leaders cited "mixed messages" from the Governor as the source of the tenuous relationship between the two. "What lingers is distrust," said Drew Crompton, chief counsel for Senate President Pro Tempore Robert Jubelire, a Republican from rural Blair County. "It doesn't help the

overall mood” (Worden 2005). The Governor would likely need to overcome this inclination to be an effective advocate for SEPTA.

On February 9, Rendell delivered the state’s annual budget address to the General Assembly. While he did not put forth a specific proposal for a transit bailout, the budget included a 2 percent (\$5.8 million) “down payment” in dedicated funding for mass transit. Rendell encouraged state lawmakers to make transit funding a top priority, but failed to announce any new substantive proposals for such funding (Worden & Cattabiani 2005).

Rendell’s budget address coincided with the first proposal for transit funding offered up by a rural legislator. Representative Keith McCall, a Democrat from rural Carbon County, proposed a massive \$600 million bill that would theoretically appease both rural legislators interested in highway and road funding while fulfilling the needs of the state’s transit agencies. A combination of the Evans and Fumo proposals, McCall’s bill would raise \$200 million for transit agencies by increasing the state Real Estate Transfer Tax, \$280 million for highways and roads from a 3.8 cent-per-gallon increase in the Oil Company Franchise Tax, \$100 million for local government highway and bridge repair through an increase in a variety of driver and vehicle fees, and \$20 million for county highway maintenance through a redirection of money from the Motor License Fund (Geringer 2005c).

The McCall bill represented the opportunity for a compromise in what had become a particularly polarized debate between urban Democrats and rural Republicans. It was the first explicit attempt to coalesce the both groups’ interests, and it seemed to successfully appease the desires on both sides. Patrick B. Gillespie, business agent for the

Building and Construction Trades Council of the AFL-CIO, told McCall that his was “the only plan that really deals with the problem.” Kate Phillips, spokesperson for Governor Rendell, said the bill “has a lot of what legislative leaders have said they would like to see” (Downs 2005b). Democrats seemed unified in their support for the bill. Republicans, on the other hand, were silent.

On February 14, Mayor Street and a labor delegation of an estimated 2,000 Philadelphia union members led by Philadelphia AFL-CIO leader Pat Eiding traveled to Harrisburg for a Valentine’s Day meeting designed to encourage state lawmakers to support a bill for transit funding. However, the Philadelphia contingent found that it had been stood up. While Mayor Street was able to meet with three members of the legislature, only McCall would talk to Eiding (Downs 2005). State legislative leaders had turned a cold shoulder to Philadelphia. With less than two weeks until the first stage of doomsday was scheduled for implementation, the disappointed group traveled back to Philadelphia no closer to solution for SEPTA’s woes.

Two days later, SEPTA again postponed doomsday, this time to March 6. A Common Pleas Court judge decided to postpone a hearing on the suit filed by Mayor Street on behalf of the city against SEPTA (Geringer 2005d). The Court would not allow the doomsday scenario to go into effect until the case had been heard.

Finally, three-and-a-half months after the doomsday scenario had been announced, Rendell put his name to a plan, exactly what Republican leadership had been demanding of him. The Governor’s proposal, announced on February 23, was a combination of several previous bills. It called for additional revenue totaling \$562 million, including \$355 million for the roads, highways, and bridge projects and \$207

million for the state's mass transit agencies. Much like the McCall bill, the funding for Rendell's plan would be generated from the state Real Estate Transfer Tax, the Oil Company Franchise Tax, and motor vehicle fees. Attached to his proposal was a letter to the Republican leadership indicating that he was willing to entertain other demands that his proposal might not have considered, signifying his eagerness to compromise (Sullivan 2005).

A day later, on February 24, Rendell announced that he would, in the absence of a legislative transit bailout, provide SEPTA with financial relief through June by further flexing federal highway funds. In doing this, Rendell took an enormous amount of pressure off of the transit agency and placed the onus for a bailout package on the state legislature, which now stood to lose millions of dollars in highway funding. Still, Rendell encouraged the legislature to pass a more permanent solution, saying that he would immediately renege on flexing highway funds if a viable alternative could be passed before the March 6 deadline. It does not make sense, said a Rendell spokesperson, to continue revisiting this problem every half year or year. But Rendell was not about to let the people of Philadelphia suffer the consequences of state level politics. Republican leaders conceded, telling the Governor to go ahead and flex more highway funds to tide SEPTA over until June, at which point the legislature would review transit funding proposals as part of the overall state budget for fiscal 2006 (Downs 2005a).

But Rendell had other ideas. On February 28, the Governor shocked the state, its legislators, and other stakeholders in the crisis when he announced that he would flex \$412 million in federal highway funds over the next *two* years to fund all of Pennsylvania's transit agencies, therefore closing SEPTA's budget deficit for the current

fiscal year and its projected deficit for its following fiscal year. This additional funding would come from an unanticipated but welcomed \$666 million in extra federal highway funds. Rendell stressed that the funding would only be diverted to cover transit costs for all of the state's transit agencies so long as the legislature failed to come up with a permanent alternative. Thus, not only did Rendell save SEPTA from doomsday and provide much-needed assistance to the rest of the state's transit agencies, the money would essentially come from the constituencies of the antagonistic rural Republican legislators who had proven unsympathetic to transit needs from the outset (Sullivan & Downs 2005).

Rendell's flexing of nearly two-thirds of the additional federal highway funds sparked controversy as to the action's legality. Republicans claimed that Rendell knew about the additional federal highway funds as early as October of 2004 but had failed to mention the windfall of money in his annual budget address on February 9, 2005. The Rendell administration, which had learned that it would be able to spend the money as of February 3, countered by asserting that the Pennsylvania Department of Transportation had announced the extra funds on its website and that the legislators had simply failed to notice (Sullivan & Downs 2005).

While the alleged lack of disclosure resulted in no legal action, the conclusion of the budget crisis left many Republicans with a bitter taste and ill will towards the Governor. "Trust took a big shot," said Representative Rick Geist, a Republican from rural Blair County (Sullivan & Downs 2005). According to many, dishonesty is a mark that has come to characterize Philadelphia's politicians in Harrisburg. For these critics, the conclusion of SEPTA's budget crisis further validated this reputation.

On the other hand, Rendell supporters noted that the Governor's effort was an indication of his recognition that Pennsylvania state politics is ruthless, partisan, and majority Republican. The only way that Rendell could have won this political battle on SEPTA's behalf was to outsmart his opponents. Said Senate Minority Leader Robert J. Mellow: "[The Republicans] will never give him anything, and they never have. They want him to bow down and kiss the ring. He was just a bit smarter than them this time" (Sullivan & Downs 2005).

Political implications of the budget crisis

The power politics exemplified by SEPTA's 2004-2005 budget crisis is a paradigmatic example of Pennsylvania's political landscape and therefore the context within which SEPTA operates. A close analysis of the players' actions – and non-players' inactions – throughout the ordeal provide a plethora of lessons as to how SEPTA fell into crisis and eventually was rescued from its doomsday, at least for the time being.

First, Philadelphia received no support throughout the crisis from the region at large. In many respects, the suburban leadership was indifferent to SEPTA's plight. The most powerful message in this regard was delivered in the early stages of the crisis by the SEPTA board's vote on the doomsday proposal, which passed 13-2. The eight suburban and five state appointees voted in favor of the proposal, while the two city members dissented. When the two city members vetoed the proposal, the board overrode the veto by the same margin.

While doomsday would have been a destructive event for the entire transit system, the proposed fare increases, layoffs, and service cuts would have been most devastating to the highly transit-dependent inner-city population. As unpleasant as

doomsday was for the region, such a proposal seemed to be much more palatable for the suburbs, as indicated by the fact that the crisis failed to precipitate any kind of response from the suburban communities. Through their vote, suburban board appointees appeared unmoved by the city's desperate situation. Instead of reaching out in solidarity to combat the city's plight, suburban appointees voted alongside the state appointees.

Similarly, the crisis brought to the forefront the pervasive weakness of the city's state legislative delegation and its ineptitude at pushing through what was a vitally important Philadelphia agenda item. In general, the delegation's failure in this matter indicates that Pennsylvania politics have become increasingly a matter of Philadelphia versus the rest of the state, a battle that Philadelphia is clearly losing. In part due to a significant population loss over the better part of the last half-century, Philadelphia's political weight in the state legislature has rapidly declined. That fact, combined with an emboldened group of rural legislators with a lack of trust in Philadelphia's politicians, was a recipe for a polarized, partisan battle over transit funding. Without a coalition to fight the rural members, Philadelphia can be expected to lose any legislative battle for additional funding.

One would reasonably assume that such a coalition would take root among legislators with similar interests, namely those representing Philadelphia's suburbs. But this group was notably silent. It became evident throughout the crisis that Philadelphia's antagonistic political nature had also extended to the city's relationship with its surrounding suburbs. Through their silence, suburban state legislators also seemed uninterested in SEPTA's grave budget situation. Suburban representatives from the city's four surrounding counties failed to offer even a modicum of public support for the city's

efforts to save SEPTA. Mayor Street was outspoken in his criticism of the lack of suburban effort throughout the ordeal. “I am disappointed that we haven't heard more of an outcry from the region,” Street said in a news conference on January 6 (McDonald 2005).

Suburban county leaders countered by asserting that they understood that the SEPTA budget crisis was a major problem but that they preferred to work behind the scenes. Whether anything materialized from this effort remains to be seen. But for whatever reason, the inability for Philadelphia’s delegation to develop a strong coalition with regional lawmakers did not bode well for any transit-funding bill having a chance at passage. The suburban legislators, while largely Republican and less bound to the needs of the inner city, still understood SEPTA’s vital role to the region as a whole. Further, as this study has shown, SEPTA’s suburban service was a large reason for SEPTA’s budget problems. But the suburbs have not taken responsibility for this. Rather than partaking in an active partnership to pass a transit bailout package, the suburban legislative delegation did nothing.

In lieu of the region’s failure as an effective bastion of support for SEPTA, Governor Rendell emerged as a key factor in the crisis, assuming the role as Philadelphia’s most potent state advocate. As one Rendell supporter would later muse, the Governor truly became Philadelphia’s knight in shining armor. While the Governor represents the entire state in his official political position, Rendell has developed a reputation as Philadelphia’s most effective and ardent supporter in Harrisburg. Consequently, Rendell’s actions have generated a tremendous amount of resentment among rural Republicans in the Capitol, something that could come back to haunt SEPTA

when its flexed highway funding expires in November of 2006. With the lack of trust brooding in the legislature, the utility of such a windfall of additional money, even if it is available, will be diminished. Furthermore, while the Governor's last-minute heroics had saved SEPTA, most agreed that the way the transit agency was eventually rescued was lucky, if not miraculous.

Thus, while Rendell's bailout was certainly a boon for SEPTA's finances and postponed its doomsday, an in depth analysis of how SEPTA's financial plight was temporarily alleviated has painted a much more bleak outlook for the organization's future. A more permanent transit fix is still necessary for long-term financial stability, lest a similar budget crisis be revisited. Such a fix may only be possible through a substantive partnership with suburban legislators. Rendell is up for reelection and may not be in office the next time to save Philadelphia from transit despair. Banking on a windfall of extra money to suddenly appear again would be foolish and potentially devastating for SEPTA's future.

Conclusions, Reform Opportunities, and Suggestions for Future Research

The city-suburban funding disparity has clearly been an exacerbating factor in massive deficits that ultimately resulted in the 2004-2005 budget crisis. Disproportionately expensive suburban services, as measured by expense per rider, have required excessive subsidization, as measured by subsidy per rider, to cover the costs that could not be recovered from fare receipts alone. While this city-suburban disparity has not increased as had been predicted, it has remained consistent over time.

Evidence suggests that two specific political elements have perpetuated this disparity. These factors include both a city-suburban representative disparity on the SEPTA board and a city-suburban population shift resulting in a state legislative power change. While the suggestion that the funding disparity is causally related to the political elements is based on circumstantial evidence, the apparent connection between the two is strong enough to conclude that they are related in some tangible way.

This study does not conclude that the city-suburban funding disparity is SEPTA's only pathology, but rather that it is one pervasive element affecting the system's budgetary plight. Indeed, a number of other issues have likely contributed to SEPTA's financial disarray. For example, system-wide annual ridership has been stagnant. As a result, fare receipts have been flat and failed to keep pace with naturally increasing expenses. The resulting growth in the gap between expenses and fare receipts has necessitated increasingly large subsidies.

One potential explanation for the stagnant ridership is the city's parking policy. Philadelphia is by-and-large an accessible driving city with a high level of parking

availability, something that has likely created an incentive for commuters to drive to work and by extension to not use SEPTA. According to Marc Stier, a Professor at Temple University in Philadelphia and founder of the Pennsylvania Transit Coalition, the Philadelphia Parking Authority has compounded this incentive to drive by allowing the perpetuation of a pricing scheme that rewards long-term parking in the city with lower prices. This has undermined a portion of SEPTA's potential ridership base.

Additionally, SEPTA has developed a reputation as a poorly-run organization, often despised by the same Philadelphians who depend on its services. Stier (2005) asserts that this has led to the outsider perception that SEPTA does not deserve to be supported. "The Executive Director of the [Pennsylvania] Senate Transportation Committee Craig Shuey [told me] that it's hard to support an organization with such a terrible reputation," recalled Stier. "I asked why they have such a terrible reputation. He said because you guys are always screaming at them." In this way, Philadelphia's advocates for SEPTA have likely hindered state support for SEPTA in the past by attacking rather than promoting it, giving the state an excuse to deny the system in its pleas for additional funding. Stier believes that understanding and correcting this problem by collectively fighting on behalf of SEPTA was a major reason why its doomsday was eventually averted.

However, over and above the issue of assigning blame for SEPTA's pathological state is the reality that the system has found itself in an annual state of financial disarray, operating hand-to-mouth and simply desperate for survival. Therefore, reforming the system in an expeditious manner is of the utmost importance. Without a heroic effort by Governor Rendell, SEPTA would have undoubtedly met its doomsday, an event that

would have fundamentally weakened Philadelphia's transportation system. For SEPTA, the sobering truth is that the state legislature was willing to see that event happen and that this is a fact that is unlikely to change. If Rendell is voted out of office in the upcoming 2006 elections, he will be unable to rescue SEPTA again, leaving Philadelphians with the unthinkable possibility of facing another doomsday scenario as soon as November of 2006.

Suggestions for reform

SEPTA's 2004-2005 budget crisis was not the first of its kind. Without significant reforms to fundamental problems, it will also not be the system's last. However, despite the seemingly imminent nature of future crises, as long as SEPTA exists within the context of the state, the city-suburban funding disparity is not likely to change and therefore should not be considered a realistic option for reform. As this study has shown, the disparity has stubbornly persisted for at least twenty years and will likely continue at its current rate so long as the largely Republican state legislature has the final say in the system's funding stream. Furthermore, the city is strapped in that it must make SEPTA an attractive entity to the suburbs to ensure that they can be a trusted ally for funding, though whether the suburbs truly act as an ally is questionable. In this regard, it is also unrealistic to consider any change to the board's membership structure as feasible for reform. Any alteration that would jeopardize the suburbs' standing in SEPTA's operations would concurrently jeopardize this already fragile regional support system.

That being said, SEPTA simply needs more money to stave off future budget crises. If the city-suburban disparity persists, SEPTA will have to explore alternative

opportunities for institutional, political, and funding reform provide to pursue financial stability.

Institutionally, SEPTA could become a more cost effective by increasing accountability. Voith believes that procedural alterations could accomplish this and thereby improve the board's ability to serve the region's transportation needs. For instance, adding a clear mission statement to the board's charter would theoretically mitigate political squabbling over the system's goals, leaving board meetings to substantive issues regarding transit operations. An explicit set of goals defined by measurable indicators would increase the SEPTA's overall accountability by tying the allocation of state subsidies to performance. In this way, divisions that perform well would receive more money, creating a mechanism for accountability.

Politically, SEPTA would benefit from stronger regional support. As illustrated in Chapter 6, the suburban counties have been allowed to provide a disproportionately low local share of the system's subsidy compared to their proportion of system-wide expenses. In this way, the suburbs have acted as free riders, benefiting from the system's services but unaccountable for sufficiently supporting its services. Tangibly, developing a more concrete, involved partnership with the suburbs could stimulate greater local funding for the system, reducing SEPTA's dependency on its unstable state-funding stream. Intangibly, increasing the suburban role in funding would likely increase the suburbs' political interest in the system's well being, theoretically enhancing the strength of SEPTA's political coalition.

The difficulty in accomplishing such a partnership is to create incentives for the suburbs to become more involved. Philadelphia's leadership has failed to engage the

suburbs in this way. If SEPTA is to continue operating in its present state, the suburbs must be enticed into playing a more active role. Accomplishing this could be as simple as having a proactive Philadelphia mayor who is willing to engage the suburban counties. Theoretically, a mayor could arrange meetings with suburban leadership, opening a dialogue regarding SEPTA's importance to the region and how each of the five counties can work together to improve the system's services. Such conversations could potentially begin the process of developing a strong sense of regionalism that has never truly existed in the area. However, until a leader steps up to push stronger regional cooperation, it will remain only speculation as to whether such a support system in the Philadelphia area is even possible.

Another way to increase suburban participation includes targeting suburban ridership through policies that make riding SEPTA more attractive to commuters. For example, if the city increased parking prices, it would make a commute from the suburbs into the city more costly and possibly coax more suburban drivers onto SEPTA. This would accomplish two goals. First, the additional ridership would increase the suburban service's cost-effectiveness, as more riders means more fare receipts. Second, additional suburban riders would also theoretically enhance the system's suburban political relevancy, as more voters would be depending on SEPTA and would have a stake in its services, thereby pressuring suburban leadership to improve its overall support for the system.

A final way to encourage suburban participation would be to develop an explicit set of goals that tie performance measures to subsidization (as mentioned before). While it may not be politically feasible to punish poor performance, finding a way to reward

improving or outstanding performance with extra funding may push the traditionally passive suburbs to play a more aggressive role in SEPTA's operations, or at least those that effect suburban constituencies. While this approach may still lead to a city-suburban polarization, any suburban participation in the system would ultimately benefit SEPTA as a whole.

Unfortunately for SEPTA, its status as a state-chartered agency would serve as a major impediment to both institutional and political reforms, as any structural or procedural alteration would have to be approved by the state legislature. While such reforms would theoretically take the funding pressure off of the state legislature, the state would be hesitant to relinquish any degree of control over the system that it currently holds. For this reason, any kind of structural reform would seem unlikely.

It seems, then, that the most plausible reform is an alteration in SEPTA's current state funding stream. Stier believes that the most effective way to solve the system's funding woes is to develop a steady, annually dedicated stream of state funding specifically tagged for SEPTA's operational budget. As discussed in Chapter 4, the state legislature recognized this need in the early-1990s and attempted to institute such dedicated funding through PURTA. According to Stier: "If PURTA had lived up to its projections, not only would there not have been a deficit [for SEPTA's fiscal year 2005], there would have been a surplus." Dedicated funding would theoretically provide a reliable source of annual subsidization, allowing SEPTA to escape its perpetual fight for survival. While such stability would not necessarily solve the city-suburban funding disparity, it would mitigate its detrimental effects on the system by providing sufficient

state funding to cover the system's additional operating costs. It is an example of the long-term financial solution SEPTA desperately needs.

As with the institutional and political reforms, the implementation of a dedicated funding stream has and likely will meet resistance in a state legislature consisting primarily of tax-averse rural Republicans. Even those proposals designed to appease rural legislators, such as Representative Evans' that combined additional highway funding with money for mass transit, have been met coldly by the state legislature's Republican majority. According to Stier, further efforts geared towards reform have been made since the crisis has ended, including the formation of a commission by Governor Rendell to analyze potential transit funding reform proposals. But the state legislature's aversion to taxation for any purpose is a monumental impediment that SEPTA advocates must address if it is to secure any dedicated funding in the future.

Suggestions for future research

When the flexed federal highway funds currently sustaining the system's operating budget expire in November of 2006, SEPTA will again be fighting for its life. Future research into SEPTA's financial woes must focus on future budget crises as inevitability and evaluate proposals for reform appropriately. It is not acceptable for a mass transit system so integral to the lives of Philadelphians to be embroiled in a perpetual fight for survival, with doomsday looming in its not-so-distant future. Permanent solutions must be addressed to fix SEPTA's financial pathology.

Future research should compare SEPTA with other transit systems to determine the true extent of SEPTA's financial predicament. While this study concedes that SEPTA is typical of transit systems that require substantial subsidization to cover its operating

expenses, it asserts that it is unlike other systems in the political difficulty it has experienced in garnering adequate subsidization. Comparing SEPTA with other systems would illustrate the relative gravity of its situation, thus determining whether similar situations exist, and if they do, how other systems have dealt with them. Such information could prove instrumental to future reform efforts.

One potential source of comparison is the Port Authority Transit Corporation (PATCO)⁶, which provides transit service to Southern New Jersey and connecting service to many SEPTA lines in Philadelphia. In essence, PATCO is a *de facto* regional rail line for SEPTA (even though it is not technically part of the system) and could reasonably be compared to SEPTA's own regional rail division. Such a comparison would be fruitful because SEPTA and PATCO are independent entities but service the same general metropolitan area. For instance, a comparison of the systems' funding streams, particularly the amount of dedicated funding each receives, would be useful to determine how that funding has affected the financial stability of each system. In addition, perhaps measures such as the expense per rider, subsidy per rider, and fare receipts per rider of PATCO and SEPTA RRD could be compared to determine whether one system is more cost-effective than the other. If there is a significant difference between the systems in this regard, it may be useful to explore roots of the disparity. Such comparisons and analyses may provide valuable insights regarding remedies to the bevy of budgetary problems SEPTA has experienced and to which its regional rail has contributed.

Alternatively, comparing SEPTA to a similarly sized transit authority of another U.S. metropolitan area may bear important lessons as to how organizational structure

⁶ PATCO is operated by the Delaware River Port Authority and receives the majority of its subsidization from the State of New Jersey.

influences transit operations. One such agency, the Massachusetts Bay Transportation Authority (MBTA) servicing greater Boston and the eastern Massachusetts region, provides similar transit services to a similarly sized area, but its institutional structure is quite different. While SEPTA is one agency with three separate divisions, the MBTA is divided into two distinct entities, one providing subway, trolley, and bus service to the inner-city and one providing commuter rail service to the outlying suburbs. The operations of each are controlled by a separate body. Whether this institutional structure is more effective remains to be seen. But comparing SEPTA to an agency arranged like the MBTA may shed light on how the institutional differences have effected the provision of transit services to similar metropolitan areas.

Implications of reform

All indications suggest that Philadelphia is a city with an enormous amount of untapped potential. Recently dubbed “America’s next great city” by *National Geographic Traveler* (Nelson 2005) magazine, the city seems to be ready to emerge from a half-century of urban decay and once again be heralded as a world-class metropolis. Philadelphia will never realize this potential with a second-rate mass transit system. An unreliable, ineffective, embattled transit system will inevitably stymie projected development, especially in areas of the city that need it most.

The implementation of the doomsday scenario would have had a devastating effect on the Philadelphia region. SEPTA is the lifeblood of the Philadelphia region, providing transportation to hundreds of thousands of daily patrons that depend on SEPTA’s services to reach daily destinations. Doomsday would have fundamentally undermined both the system’s availability and affordability, thereby imposing a colossal

strain on the region's mobility. For this reason, Philadelphia's leaders must take immediate action to limit future budget crises and protect the region from this fate. Reforming SEPTA must become a top priority, as the future of Philadelphia depends on it.

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