



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF TRANSPORTATION
HARRISBURG, PENNSYLVANIA 17101-1900

OFFICE OF
SECRETARY OF TRANSPORTATION

September 8, 2025

Mr. Scott Sauer, General Manager
Southeastern Pennsylvania Transportation Authority
1234 Market Street
Philadelphia, Pennsylvania 19107-3780

Re: Approval to Use Capital Assistance Funds for Operating

Dear Mr. Sauer:

This letter is in response to the Southeastern Pennsylvania Transportation Authority's (SEPTA) letter dated September 5, 2025 requesting the Pennsylvania Department of Transportation's (Department) approval for the one-time use of SEPTA's state capital assistance funding allocated under 74 Pa.C.S. § 1514(e.1)(1) to fund SEPTA's operations in order to prevent service reductions.

As stated in your letter, Section 427.6(b) of the Department's Regulations, 67 Pa. Code § 427.6(b), allows the use, with Department approval, of capital assistance funds for operating assistance for one year to prevent one or more of the following:

- to prevent a reduction in service.
- to prevent an unreasonable fare increase.
- to prevent a projected one-time unbalanced operating budget.

The use of capital assistance funds for operating assistance must include a written justification stating that the proposed one-time use of capital funds for operating assistance will not result in the deferral of any important capital project that could have been funded if the capital funds were not transferred to operations. In your letter, you made clear that after review of SEPTA's capital program, you do not believe this one-time deferral of capital projects will jeopardize the safety of riders on the system.

The Shapiro Administration appreciates the steps that the system has taken to date – including a freeze on hiring and other administrative cuts – to reduce the size of the system's deficit. In your letter you also highlight the significant steps the Shapiro Administration has taken within the Administration's Executive power to support SEPTA and give the General Assembly more time to pass legislation providing additional

ongoing, recurring revenue to mass transit. Unfortunately, Senate Republicans have refused to agree to a long-term solution that provides certainty and does not also unfairly raid mass transit capital dollars for unrelated expenditures – and the Shapiro Administration believes Pennsylvanians who rely on SEPTA deserve service that helps them get to work, school, or wherever they need to go.

The five counties where SEPTA operates support nearly 45% of the Commonwealth's overall economy. Any disruption in the ability to utilize transportation networks in the area will slow down economic growth and have profound impacts on the rest of the Commonwealth. The Administration has been, and will continue advocating for a long-term, recurring, funding solution to ensure the Commonwealth's transportation services can provide reliable service for Pennsylvanians to get where they need to go in a safe and efficient manner.

As you know, Governor Shapiro called for nearly \$300 million of new, recurring revenue for transit operations in his Fiscal Year 2025-2026 Executive Budget Proposal in February, without requiring systems to use any of their existing available funding and preserving the current funding structure for the Public Transportation Trust Fund (PTTF) to continue to meet the capital needs of systems. At an August 13, 2025 hearing of the Pennsylvania House of Representatives Rules Committee on the Senate-passed version of HB 257, you and I both testified to the importance of keeping mass transportation funding for mass transportation purposes.

It is important to restate the clear problems with the Senate's version of HB 257. First, it would have provided a fraction of the funding that the Governor proposed as part of his proposal to provide new funding for system operations. Second, it would have required these systems to utilize their capital funding over two fiscal years to fill the gap without a revenue source to replace the lost funding they are already relying on for capital projects. Third, it would have taken funding away from capital projects already underway, thereby compromising the safety and efficiency of the transit system. Fourth, this Senate-passed bill would have only provided a temporary fix, at a time when systems are seeking assurance that the Commonwealth can provide long term sustainability to their operations. Fifth and most concerning, this bill would have taken existing resources out of the PTTF, in the amount of \$419 million, and sent them to the Motor License Fund for road paving projects. While PennDOT and the Shapiro Administration support funding for road repair projects and have allocated significant resources to that work, we do not believe utilizing mass transit funding for such purposes is sound public policy.

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In light of the Pennsylvania Senate's unwillingness to advance legislative proposals during the past two years to provide additional recurring revenue for transit agencies despite dire warnings from transit agencies, families, and businesses all across the Commonwealth, this request from SEPTA is both predictable and rueful.

It is the Department's understanding that the request made by SEPTA in the September 5, 2025 letter is to use up to \$394,000,000 of SEPTA's current FY 2025-26 capital assistance allocation that has yet to be obligated – not previously committed funding. As a result, this request will not redirect PTF dollars that are committed as was contemplated in the Senate-passed legislation. As I have stated, it is imperative to preserve the current dollars in the PTF to ensure the Department's ability to fund essential operations of the Commonwealth's transit agencies and associated capital projects.

I want to again emphasize that the one-time use of SEPTA's capital assistance allocation is not a long-term or sustainable solution to SEPTA's budget crisis. A funding solution with predictable and recurring revenue is critical for transit agencies to continue the essential service they provide to their riders. Over half of PA's transit users for both fixed-route and the shared-ride, curb-to-curb service in every county say they have no other transportation option.

Understanding that even with the measures to reduce the deficit the system has undertaken, SEPTA is still facing a significant budget deficit that will result in service reductions and the potential for the elimination of routes, and that the Pennsylvania Senate is unwilling to pass stable long-term, recurring funding for mass transit, the Department approves SEPTA request to use up to \$394,000,000 of capital assistance funding to support its operations. This approval presupposes that SEPTA will continue to address its structural challenges and report to PennDOT every 120 days the steps taken and progress made to increase efficiencies within the system.

If you have any questions concerning this matter, please contact Meredith Biggica, Deputy Secretary for Multimodal Transportation, at 717.705.6305 or mebiggica@pa.gov.

Sincerely,



Michael B. Carroll, Secretary
Pennsylvania Department of Transportation