



Supporting New York Transit Services

The Need for New Revenue

Introduction

The New York Public Transit Association (NYPTA) is the voice for the transit industry across the state. The association represents more than 100 transit systems that connect New York communities and serve as a critical component of our state's economic development strategy. New Yorkers across the state use transit to get to work, to school, to healthcare appointments and more. The success of these systems is vital for the continued development of New York communities.

Our transit systems have made focused efforts to develop innovative services to improve mobility for customers and their communities. This work has resulted in increased ridership and a demand for more service, more innovation, and better connections throughout New York.

Providing quality transportation service requires significant investment. NYPTA members have a proven record of success and the investments have paid dividends for their communities. In order to continue this work and improve the quality of service provided; more investment is needed. Realizing the importance of transit service, the State of New York has made significant investments in transit operations and infrastructure development. The State Transit Operating Assistance (STOA) program is the funding cornerstone of this effort and it is key to the development of New York transit systems. This whitepaper discusses the cost to operate transit service, the impact of the STOA program, and the need for expansion and diversification of fund sources.

Cost to Operate Transit Service

The total cost for upstate systems to operate vehicles, to pay employees, provide benefits and accommodate other business costs for operations is \$728 million in FY 2025-26. About 58% of their costs are for wages and benefits for regular transit service. The cost to operate paratransit services, which is largely labor cost, accounts for more than 12% of all operating costs for upstate systems. The cost for this service is not often highlighted but it is significant, with a high cost per trip and very little customer revenue. It is a critical component of what systems do – connecting people with disabilities to jobs, to school and to medical appointments – it is mandated by the federal government but receives no specific federal or state funding. As our population continues to age, the cost for these services will increase. The other costs to operate transit services include fuel, parts, supplies, utilities and insurances. This makes up almost 30% of all operating costs.

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The operating costs for upstate transit systems forecasted for FY 2026-27 are shown below. The forecast accommodates increased costs for labor and any needed adjustments to workforces. It forecasts the cost to operate paratransit service and includes the estimated cost for expenses like fuel and insurance, which are extremely volatile. The forecasts assume no growth in service or expansions of service territory or infrastructure.

	<u>FY 2025-26</u>	<u>FY 2026-27</u>
Total Operating Cost	\$728m	\$780m (7.2%)
Wages/Benefits	\$419m	\$449m
Paratransit	\$88m	\$94m
Other Costs	\$221m	\$237m

State Transit Operating Assistance Program

The cost to operate transit service is funded by customer revenue, federal, state and local government assistance. State transit operating assistance is by far the largest funding source for New York transit systems, covering about 50% of their operating expenses. It is also the only revenue source that has been consistently growing. Customer revenue, which represents 15-25% of operating revenue, is growing slowly as ridership returns to pre-pandemic levels. Federal assistance for transit has been flat and future levels are uncertain. Federal covid relief funds that sustained transit operations when ridership and revenue plummeted, are now exhausted. Aid from local governments, which is minimal, has also remained flat.

The state funds the STOA program through a combination of dedicated taxes and general funds. Dedicated revenues are largely from statewide petroleum-based taxes that are not growing and will decline as vehicles continue to be more efficient and with greater use of electric cars. A small amount of revenue is generated from a fee on upstate auto rentals. State general funds now make up over 50% of STOA program revenues for upstate transit.

Lack of predictable revenue has hampered the growth of upstate transit service. Systems cannot plan when future financial support is unknown. This dampens opportunities to initiate new service and grow ridership. Upstate systems and the communities they serve need sustainable, dedicated revenues, similar to what the state provides to the MTA and other downstate transit systems.

Funding Transit Operations in FY 2026-27

The cost to maintain transit services in upstate communities is estimated to increase by 7.2% in FY 2026-27. This will allow most systems to maintain/optimize transit services across the State but provide no additional travel opportunities for customers or communities. Given the lack of growth in other revenue sources, filling the funding gap will fall largely on the STOA program. NYPTA projects that a revenue gap of \$52 million in FY 2026-27 will require a 15% increase in STOA.

Based on this work, NYPTA recommends a 15% increase in STOA in FY 2026-27 and continuing that rate of increase over the following two years. Understanding the strain that this will put on

the state's general fund, NYPTA further recommends that new fund sources be identified and implemented to enhance the State Operating Assistance program. Adding dedicated funding sources will move the STOA program towards the MTA model in downstate New York.

Expanding Transit Service

Communities across the state are demanding more transit service and better mobility options. Enhanced service frequencies, later evening and weekend service, connections to new developments (Micron in Syracuse, new development in Saratoga County and office parks in suburban Binghamton and Rochester) all require more investment.

Bus Rapid Transit lines and on-demand service can provide better connections and support economic growth. These exciting new options require infrastructure investment and will be significant additions in operations and related costs. This is above what is required to maintain existing services. NYPTA members have provided specific examples of new services that they can implement when resources are available. Implementing these service expansions in upstate communities will require an additional \$60-80 million in annual operating assistance.

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