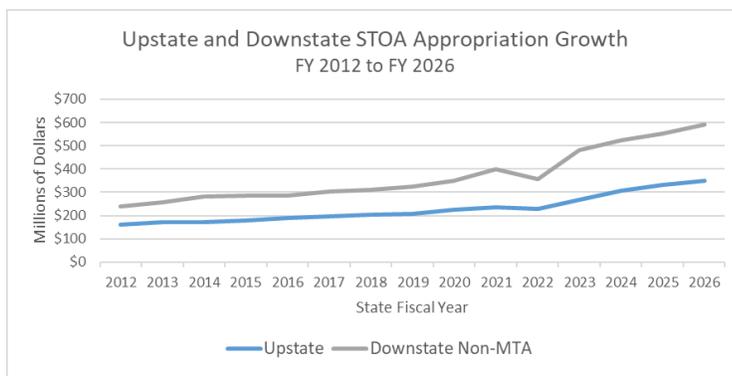




Addressing Upstate Transit Funding

State Transit Operating Assistance (STOA)

State aid is the largest revenue source for most upstate public transit systems, comprising as much as 50% of regional transportation authority budgets. The FY 2026-27 Executive Budget proposes that State operating aid to upstate systems grow by 5.75% and downstate transit aid by 7.45%. This is a great first step, but more investment is needed to address the financial challenges facing all systems.



The STOA increase proposed for upstate transit highlights the inequity in how the state funds public transit. The difference in STOA increases between upstate and downstate is not related to financial need, but rather the lack of sustainable dedicated revenue to fund upstate transit. The result is that the growth in upstate STOA funding lags well behind the growth in downstate aid, with **upstate aid growing by 115% over the past 15 years while downstate**

aid grew by almost 150%. And when looking at the difference in the state revenues that the MTA receives versus the revenues that all non-MTA systems receive, non-MTA systems revenue is 80% lower per resident. The MTA region needs this strong state investment to provide the services that move the NYC metro area. Residents in communities throughout the rest of the state deserve increased investment as well.

NYPTA recommends an increase in STOA appropriations for all upstate and suburban downstate transit systems by at least 15% in FY 2026-27 and continue that rate of increase over the following two years. Delaying increases in STOA come with a heavy cost – riders not served, businesses without access, and economic opportunities lost.

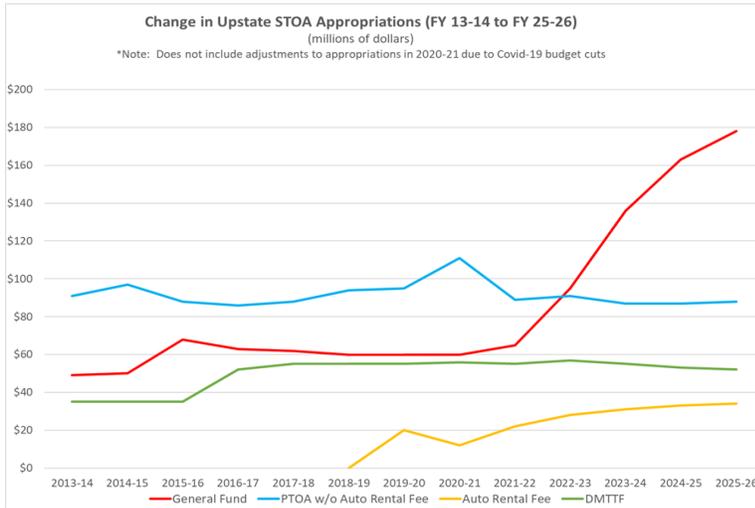
Upstate Transit Deserves Dedicated Funding

Transit systems across the state face financial challenges to keep pace with inflation, rising capital needs, and demand for more and better service. **Upstate systems face a further hurdle in being reliant on state general funds, which comprise over 50% of transit aid. At the same time, only 1% of transit aid for the MTA or other downstate systems comes from the general fund;** the remainder is from state enacted dedicated taxes. NYPTA has highlighted this broken funding system in the past, and it requires immediate attention. The chart below shows the lack of growth of the dedicated revenue sources that fund upstate transit (including PTOA, Auto Rental Fee, and Dedicated Mass Transportation Trust Fund), and the more recent rapid growth (and increased reliance) on the state general fund to achieve increased funding.

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In the short term, Upstate systems need additional dedicated revenues to avoid service reductions, and in the long-term provide the expanded services their communities need. Fixing the upstate transit funding problem requires new, growing dedicated revenues to replace or supplement underperforming sources such as motor fuels taxes.

Shown below is a list of the current state enacted dedicated revenues that fund upstate and downstate transit, including sources dedicated only to the MTA. Downstate transit enjoys many

sustainable, growing sources of dedicated revenues; upstate transit does not have the benefit of these sources. The MTA benefits from 18 dedicated funding sources, upstate transit relies on just four, two of which are declining. The existence of state enacted revenue sources for downstate transit provides proven models for supplementing upstate transit funding, just as the MTA region auto rental fee was extended in 2018 to fund upstate transit.

STATE ENACTED DEDICATED REVENUE SOURCES FOR PUBLIC TRANSIT

Upstate Transit

- Petroleum Business Tax
- Corporate & Utilities Tax
- Portion of State Gas Tax & Vehicle Fees

Downstate Transit

- Petroleum Business Tax
- Corporate & Utilities Tax
- Portion of State Gas Tax & Vehicle Fees
- Regional Corporate Franchise Tax Surcharge
- Regional Sales Tax (0.375%)
- Insurance Tax

Auto Rental Fee (6%)

MTA Only

- Auto Rental Fee (6%)
- Supplemental Veh Registration Fee (\$25/yr)
- Supplemental Veh License Fee (\$2.00/yr)
- Taxi Surcharge (\$0.50)
- For Hire Vehicle Surcharge (variable)
- Payroll Mobility Tax (variable)
- Urban Tax (Real Property Transfer Tax)
- Mansion Tax
- Internet Marketplace Tax
- Central Business District Tolling
- Downstate Casino License Fee (One time)
- Downstate Casino Tax (Future)

NYPTA recommends the enactment of sustainable and dedicated revenues to allow upstate transit systems to meet community demand for service. For example, extending the state enacted MTA region \$25 annual supplemental vehicle registration fee to upstate counties or dedicating a small portion of state taxes on corporations would provide badly needed revenue to support upstate transit service.

Increasing state investment in public transit in the FY 2026-27 budget and providing dedicated revenues to upstate transit supports the state’s goals for economic development, affordable housing, downtown revitalization and access to health care and education. As the state looks for ways to make New York more affordable, increased funding for public transit must be part of the solution.

Background: Public Transit is Vital to Achieving Affordability and Economic Growth

As New York focuses on the important issues of affordability and stimulating our state's economy, one solution is directly in front of us – investing more in public transit. Affordable, reliable, and convenient transportation service is essential to managing rising costs and sustaining local economies throughout New York State. Transit services work for hundreds of thousands of New Yorkers every day, saving them time and money and getting them to where they need to be.

Transit connects people to jobs, education, and health care – without the high costs associated with owning and maintaining a car. The American Public Transportation Association estimates that you can save over \$13,000 annually by using public transit instead of driving. For working families, seniors, students, and people with disabilities, transit is the most affordable way to get to work, school and medical appointments. Even for those who do not ride regularly, transit keeps transportation costs down by reducing traffic congestion, improving air quality, and supporting livable communities.

Transit systems are the backbone of our local economies. Hospitals, supermarkets, banks, colleges and universities, school districts, and nonprofit organizations rely on transit to ensure employees, students, and volunteers arrive on time. Many businesses have negotiated arrangements with local transit systems to ensure the connections that they need. These systems operate seven days a week – early mornings through late nights – supporting workers, employers, and customers alike. At the same time, New York transit system payrolls generate millions of dollars in spending annually and support tens of thousands of jobs across local economies.

Despite the clear economic and affordability benefits of public transit, state funding has not kept pace with the growing demand for more service and infrastructure investment. Aging buses, increased cost of doing business, and workforce pressures threaten reliable service at a time when more New Yorkers are turning to public transit to save money. A strong, sustained investment is needed to ensure transit systems can avoid reductions in service and continue providing affordable travel options for riders.

NYPTA members have invested in improved services, better infrastructure, and strong partnerships in their communities. The result has been increased ridership and demand for more service options. Just 5 years ago, the pandemic decimated transit systems, their ridership, and their network of services. But they have climbed back with some systems seeing ridership that exceeds pre-pandemic levels. This demand requires more service, new travel options, and more funding. However, with federal covid relief funds exhausted, the need is urgent to secure funding that simply maintains existing transit services. We cannot turn our backs on customers who need our service more today than ever before.

To achieve that goal, the state must prioritize fixing how upstate transit systems are funded because the financial situation has dramatically changed. Transit systems now face structural deficits just to stabilize current operations. Additional funds are necessary to grow and improve service. Because of the lack of equitable investment in upstate transit, we have missed tremendous opportunities to strengthen our local communities. The Governor and Legislature have done an excellent job of addressing the MTA's longer-term funding needs over the past few years; now is the time for the state to focus on upstate transit.