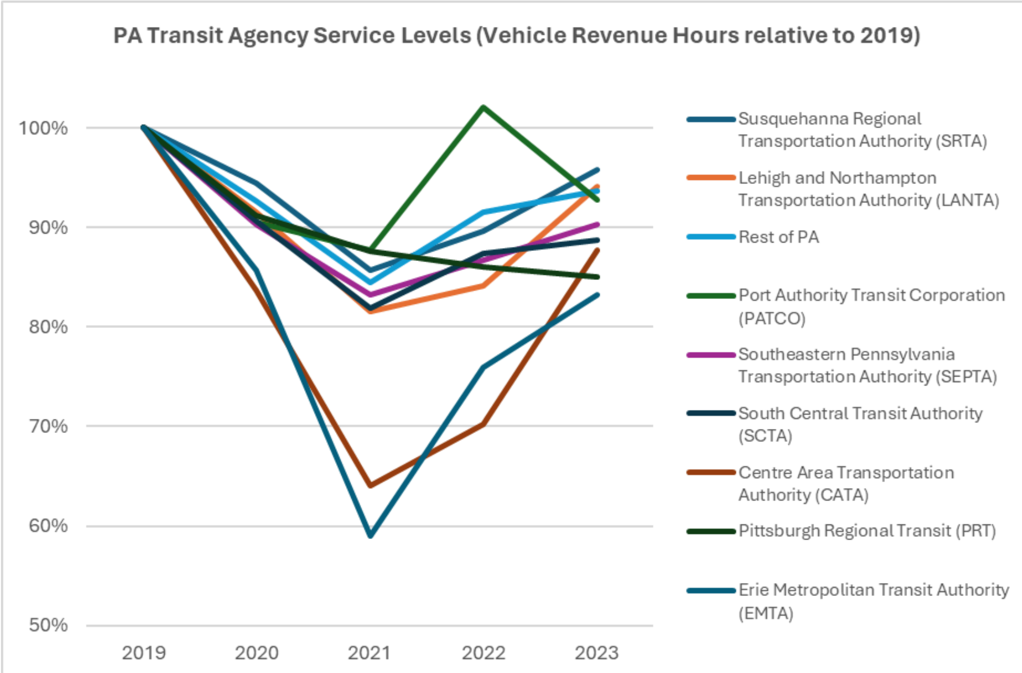
Transit for All PA! Statewide Transit Funding Solution

The Context for PA's Transit Funding Crisis

There is a transit crisis statewide, because our state legislature has failed to increase the allocation for public transit for more than a decade. In FY 2025, approximately 1.5 billion dollars was provided by the state legislature to fund fixed-route transit operations and paratransit services. While that seems like a lot of money, transit and shared ride operations receive less than 13% of PennDOT's total budget. For a fraction of the cost spent on the transportation system primarily for drivers, public transit in PA moves over a million people every day, playing a critical role in easing congestion on our roadways and improving air quality. However, public transit has long been underfunded, especially compared to peer large systems to SEPTA.

The consequences of stagnant funding have been apparent for years. Since the pandemic, transit riders in every transit system across the state have experienced service cuts or fare increases as the cost to run both fixed route and shared ride services has diverged more and more from the amount provided by the state legislature. The graph below illustrates just the cuts to transit service that have happened between 2019-2023, and does not account for additional service reductions that have happened in the last 2 years. **In Allegheny County, 20% of overall transit service has been eliminated over the course of the pandemic.**

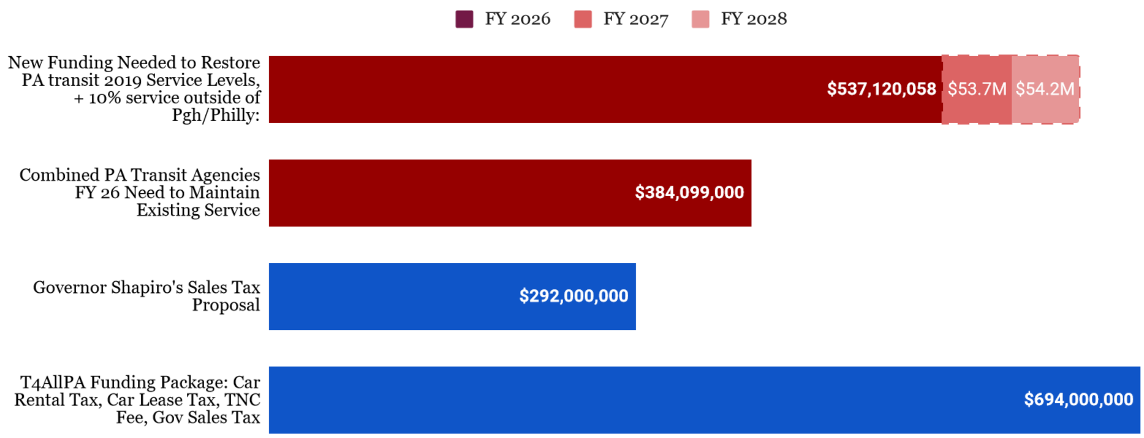


Beginning in FY 2026, transit agencies across Pennsylvania will hit catastrophic funding cliffs, with deep service cuts and fare increases on both fixed route and shared ride services. Pittsburgh Regional Transit has just announced service cuts of up to 40% on fixed-route transit and 62% to paratransit if new funding is not secured this year. The Philadelphia transit agency SEPTA has publicized a similar scenario, which they deem a "death spiral." Though their full announcement of service cuts is forthcoming, the agency has publicly threatened service cuts of at least 20%, alongside fare increases of a similar magnitude. Dozens of other agencies across the state will hit these same breaking points in the months to come, beginning with LANTA in the Lehigh Valley and shared ride services statewide.

On February 4, 2025, to address the current transit funding cliff, **Governor Shapiro proposed a 1.75% increase in the *allocation* of the existing sales tax to fund public transit.** This would not be a new tax, only an increase of the portion of the existing sales tax that goes to transit. This proposal will generate an additional $292 million in funding into the Public Transportation Trust Fund, which disburses to all transit agencies across the state. **However, this proposal falls short of the $384 million in new revenue that would be needed in FY 2026 to just maintain the current austerity levels of service in systems across the Commonwealth.** As a result, even if the Governor's sales tax proposal passed, large transit service cuts and fare revenue increases would still take effect, and systems would deplete their remaining reserves.

Choosing a Solution That Secures PA's Transit Funding Needs

PA's Transit Funding Needs + The Revenue We Can Raise:



We intend to win the passage of a statewide transit funding package of taxes and fees that would raise sufficient revenue to meet our goal of **restoring transit service statewide to 2019 levels, with an additional 10% service expansion in non-Pittsburgh and Philadelphia regions**. To do that, we calculate that **$537,120,058** in FY26 is needed in new funding for the Public Transportation Trust Fund above the current revenue of ~1.5 Billion, with an additional ~$50 million in inflation/COL increases each year. It is important to ensure that the revenue raised by this funding package also increases to meet the year over year inflation increases, or is sufficient to accommodate these annual inflation needs, averaged over a ten year period, so that our transit agencies will have a sustainable and reliable source of funding for a decade. Moreover, these funding mechanisms should be:

- Politically viable
- Quickly enacted
- Not disproportionately burdensome to marginalized, disabled or low income populations
- Related to transportation
- Ideally non-competitive to other basic needs through the General Fund, and dedicated to public transportation

The Pennsylvania legislature has already done critical legwork, in a bipartisan fashion, to find solutions to this anticipated need. In June 2021, the statewide Transportation Revenue Options Commission (TROC) submitted its final report to Governor Wolf, which laid out different funding options and their anticipated revenue including several that we highlight for implementation below. Several organizational members of Transit for All PA including Pittsburghers for Public Transit, the Amalgamated Transit Union Local 85 and the Bicycle Coalition of Greater Philadelphia were members of the TROC, as well as representatives from both Chambers of the legislature and the statewide business community.

Revenue Options to Fund PA's Transit Needs

After considerable research and lengthy discussions with hundreds of stakeholders statewide, we believe that there are three funding mechanisms that collectively could be leveraged to meet our above goal. **We propose a package of increases to the existing Car Rental Tax, the existing Car Lease Tax, and the enactment of a statewide Ride Hailing (otherwise known as TNC) Excise Tax.** Notably, all of these mechanisms are relevant to transportation, and revenue from two of these three mechanisms is already directed towards funding public transportation. **These combined with the Governor's proposed increase to the sales tax allocation will ensure that the impacts of these taxes are not heavily borne by any one source and fund transit for the next five years, at a minimum.** At the bottom, we also share some insights into the possibility of Package Delivery Fee, which could be a valuable and growing revenue source, and should be considered for future implementation. It must have guardrails in place to ensure that essential goods like medicine are not taxed, and to avoid disproportionately penalizing small businesses or rural communities. Finally, we believe that providing local enabling legislation for transportation capital investments will empower municipalities to raise local revenue for long-term infrastructure needs.

Car Rental Tax:

Pennsylvania's car rental fee is set at $2/day, and the revenue from this is already allocated directly into the Public Transportation Trust Fund, which funds all transit systems across the Commonwealth. The car rental fee was established in 1991 at $2/day and has not increased in over 30 years. The majority of car rental users are leisure travelers, followed by business travelers, so we can expect these customers to be most affected by this fee increase.

Car Lease Tax:

Pennsylvania's current 3% car lease tax was established over thirty years ago as part of Act 48 of 1994. Similar to the Car Rental Tax, this tax is already allocated directly to the Public Transportation Trust Fund. While data is relatively sparse around the demographics of car lessees, the majority of lessees are shown to be in a higher income tier, with 75% having prime or super prime credit.

Ridehailing Excise Tax:

Excise taxes on ride-hailing already exist in dozens of states and municipalities across the country, providing clear templates for implementation in support of transportation funding needs. TNCs increase the number of vehicles on the road, leading to a rise in congestion. The expansion of TNCs has also resulted in increased emissions and energy usage due to the increased number of vehicles on the road. According to the Pew Research Center, U.S. adults in urban areas are more likely to use ride-hailing apps than those in rural areas, ensuring that it is a revenue stream both disproportionately generated within and supporting the transit systems of our major municipalities. In addition, demand for ride-hailing is relatively inelastic to price, so adding a per trip percentage fee is unlikely to meaningfully change behaviors and anticipated generated trip revenue.

a. The demographics of ride-hailing users ensure that this will not disproportionately burden already marginalized communities. "TNC riders tend to be younger, earn higher incomes, have higher levels of education, and are more likely to reside in urban areas compared to the aggregate United States population." Moreover, outside of Philadelphia, ride-hailing companies like Uber and Lyft do not make wheelchair accessible vehicles available - as such, this is a way for ride-hailing companies to pay their fair share to support accessible transportation.
b. It is important to note that in 2016 a TNC tax (PA 984) was passed that affected only the City of Philadelphia, in which 1.4% of gross TNC receipts in Philadelphia would be directed towards funding the Philadelphia school system and the Philadelphia Parking Authority. This legislation also prohibited any other TNC tax from being enacted in Pennsylvania. **It is therefore necessary to repeal and replace this existing legislation to allow for a broader and more comprehensive TNC tax to be enacted, and to protect the existing revenue stream that is currently funding the Philadelphia school system and Philadelphia Parking Authority.**

Package Delivery Fee:

The most comprehensive research on taxing package deliveries was published by the Washington State Joint Transportation Committee in June 2024. This report lays out projected revenue over time, the experiences of Colorado and Minnesota in enacting a package delivery fee, the demographics of users, and a roadmap for implementation. This is an appropriate source of revenue to fund transportation, as it adds wear and tear on our roads and bridges, and has substantial impacts on air quality and road congestion as well. From our discussions with members of the public, it would be important to ensure that people with disabilities, older adults, no car households, and rural communities with limited access to goods would not be unduly burdened by such a tax. **We have determined that Package Delivery Fees should be researched further and should not be considered for the urgent timeline we're facing due to the long list of necessary exemptions, potential legal challenges, and slow implementation.**

Revenue Modeling Scenarios

(data available here)

Transit for All PA Funding Package

The Transit for All PA! coalition proposes moderate increases to the Car Rental and Car Lease Taxes, and the implementation of a statewide Ride Hailing Excise Tax, alongside the Governor's proposed 1.75% increase in the allocation of the sales tax to the Public Transportation Trust Fund. This would provide revenue to not only ensure that transit service could return to 2019 levels statewide, with an additional 10% expansion in non Philadelphia and Pittsburgh communities, but that transit service would be stable over the next several years. It also could accommodate some revenue fluctuations if demand falls on any single source.

Transit for all PA Funding Package	Tax Rate	Total
Vehicle Rental Fee Projections	$6.5	$89M
Vehicle Lease Tax Projections	5%	$65M
TNC Excise Tax Projections	6%	$248M
Governor's Sales Tax Proposal	1.75%	$292M
Total		**$694M**

Vehicle Rental Tax Projections

Vehicle rental tax: As a baseline, it is reasonable to raise the car rental fee to $6.50/day, which will generate an additional $89M per year. This is in line with the rental taxes enacted in other states: for the average $65/day rental car, this fee would be effectively increased from a 3% to a 10% surcharge, which matches rental fees with many peer states: Maryland (11.5%), Arkansas (10%), Washington DC (10.25%), Virginia (10%), Nevada (10%), and Texas (10%).

Vehicle Rental Tax Projections						
	Approx. 2023 Tax Rate ($2)	$1	$5	**$6.5**	$10	$15
Gross:	$40M	$20M	$99M	**$129M**	$199M	$298M
Net:	$0M	-$20M	$60M	**$89M**	$159M	$258M

Vehicle Lease Tax Projections

Vehicle lease tax: As a baseline, we could foresee an increase from the current tax of 3% to 5%, which we project would raise an additional $64.56 mil per year. This was the proposal laid out in the bipartisan [Transportation Revenue Options Commission](#) (TROC) convened in 2021 by former Governor Wolf. Note that we slightly revised down the TROC's report's estimated revenue ($67 mil) generated from this source, by comparing the 2023 actual revenues against the estimated revenue.

Vehicle Lease Tax Projections										
	Approx. 2023 Tax Rate (3%)	1%	4%	**5%**	6%	7%	8%	9%	10%	12%
Gross:	$97M	$32M	$129M	**$161M**	$194M	$226M	$258M	$291M	$323M	$387M
Net:	$0M	-$65M	$32M	**$65M**	$97M	$129M	$161M	$194M	$226M	$291M

TNC Excise Tax Projections

TNC excise tax: We would propose a statewide TNC Excise Tax that is modeled after the framework of the existing sales tax, in which 6% of the total per-trip cost is put towards the Public Transportation Trust Fund. Similar to the existing sales tax, there should be an additional 2% in Philadelphia County that is allocated according to the existing framework to Philadelphia schools and the Philadelphia Parking Authority, ensuring that they are not only held harmless but gain additional revenue.

TNC Excise Projections										
	Approx. 2023 Tax Rate (1.4%, Phila. Only)	1%	4%	5%	**6%**	7%	8%	9%	10%	12%
Gross:	$9M	$43M	$172M	$214M	**$257M**	$300M	$343M	$386M	$429M	$515M
Net:	$0M	$34M	$163M	$205M	**$248M**	$291M	$334M	$377M	$420M	$506M

Appendix:

Tax Revenue Range Projections

Knowing that some tax funding mechanisms are new to implement for the state of Pennsylvania, we estimated a range of tax revenue that accounted for possible elasticities.

With ridesharing being the newest funding mechanism proposed, we utilized the National Bureau of Economic Research calculations for Uber consumer elasticities, using Chicago's sub-elasticities.[1]

Vehicle lease and rental elasticities were not widely available for comparison, so a linear estimate was used to estimate reduced demand.

Transit for All PA Funding Package Range (Sans Governor's Proposal)		Demand (at the selected tax level)			
	Tax	**Likely Demand**		**Worst (-10%)**	**Best (-0%)**
TNC	6.00%	-0.27%	$248M	$223M	$248M
Car Lease	5.00%	-2.00%	$61M	$48M	$65M
Car Rental	$6.50	-2.00%	$87M	$77M	$89M
Total			**$396M**	$348M	$402M
Total with Governor's Sales Tax Proposal			**$688M**	$640M	$694M

The Transit for All PA Funding Package: Under the worst case scenario where revenues collected are impacted at a 10% reduction in demand, $348M in tax revenue is raised. However, the more likely reduction in demand falls in a range of -0.27% to -2%, which leads to $396M raised rather than $402M raised.

In combination with the Governor's Sales Tax Proposal, the worst case scenario raises $640M in revenue while the more likely scenario with a reduction in demand results in $688M raised rather than $694M.

[1] https://www.nber.org/system/files/working_papers/w22627/w22627.pdf#page=40