Who Benefits from State Support of Public Transit? All Pennsylvanians!

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The Pennsylvania Budget and the Public Transit Funding Controversy

The Pennsylvania General Assembly has a constitutional responsibility to pass a balanced General Fund budget by the start of each fiscal year on July 1. Today, the budget is eight weeks late as the Republican-controlled Senate has not been able to reach agreement with the Democratic-controlled House and Governor Shapiro.

A central point of contention in the budget is funding for public transit. Governor Shapiro proposed a $292.5 million increase in state support of mass transit in 2025–2026, growing to more than $330 million in 2029–2030.[1] With bipartisan support, the House has repeatedly endorsed the same level of funding through House Bill 1788. That bill mirrors the Governor's proposal by raising the share of sales and use tax revenue dedicated to the Public Transportation Trust Fund from 4.4% to 6.15%, generating the additional $292.5 million annually. It also incorporates operational reforms for SEPTA advanced by Senator Joe Picozzi, a Republican from Philadelphia.[2]

Both of those amounts fall short of what Transit for All Pennsylvania—and we at the Pennsylvania Policy Center —believe is necessary to provide the more than 40 transit agencies across the state with adequate funding to thrive, expand, and move closer to delivering the level of service that best serves the Commonwealth. Still, the Governor and the House have at least put forward funding levels that would prevent the immediate collapse of vital public transit services.

The Republican-led Senate's public transit plan, on the other hand, is a shell game. It does provide $250 million in new operating funds. But it does so by shifting capital funds—those necessary to keep transit systems in a good state of repair by replacing worn-out buses, tracks, electrical lines, signals, and other critical infrastructure—to operating funds, which are needed to subsidize transit lines.[3] Shifting money from capital expenses to operating expenses is not only an exercise in futility but dangerous to the public. Without capital investment, our public transit systems would eventually fall apart, limiting service and reducing operating revenues as a result and risking the safety of passengers. And the longer we delay necessary repairs and improvements, the more expensive those investments will become.

The Senate plan also diverts capital funds from public transit to roads and bridges. While additional investment in roads and bridges is important, it makes no sense to short-change transit capital projects to do so. The policy is self-defeating: If transit systems collapse, more people will be forced into cars

1. Commonwealth of Pennsylvania, *Budget in Brief, 2025–2026*, Commonwealth of Pennsylvania, Office of the Governor, February 4, 2025, accessed August 25, 2025, https://www.pa.gov/content/dam/copapwp-pagov/en/budget/documents/publications-and-reports/commonwealthbudget/2025-26-budget-documents/2025-26%20budget%20in%20brief.webversion.pdf.

2. Pennsylvania General Assembly, *House Bill no. 1788, Session of 2025, Printer's no. 2206,* introduced August 6, 2025, amended August 11, 2025, https://www.palegis.us/legislation/bills/text/PDF/2025/0/HB1788/PN2206.

3. Pennsylvania General Assembly, *Senate Bill no. 160, Session of 2025, Printer's no. 529,* introduced April 3, 2025, https://www.palegis.us/legislation/bills/text/PDF/2025/0/SB0160/PN0529.

to commute, visit family, and shop. That will place a greater burden on roads and bridges, requiring even more capital spending to keep them in a good state of repair.

And finally, the Senate's companion legislation, House Bill 257 as amended, imposes damaging policy conditions on transit agencies. It requires them to implement automatic fare increases every two years tied to the Consumer Price Index, locking in perpetual fare hikes regardless of riders' ability to pay or the financial circumstances of the agencies. It also raises the local match requirement for operating assistance to 20% without granting local governments new revenue tools to meet that obligation. Both provisions shift costs onto riders and municipalities instead of providing sustainable state funding.[4]

One can reasonably debate about what share of the cost of any form of transportation should be borne by individual users—whether through fares, gasoline taxes, or tolls—and what share should be borne by the public at large. But without a plausible reason for thinking that the public share is too great for public transit—which the Republicans never offered—it is simply bad policy to mandate a formulaic increase in transit fares, in this case, every other year. After all, the costs of subsidizing transit and the rationale for lowering the state share will probably change from one year to another.

A policy of mandating fare increases makes about as much sense as the state mandating that the gasoline tax should rise every other year in perpetuity without some serious analysis. Both policies replace serious policy analysis with a knee-jerk decision to place more of the burden for transportation on individual users rather than the general public.

Why All Transportation Is Publicly Supported

Before we turn to the details of the current controversy about public transit funding, we want to discuss some general principles regarding the funding of all transportation.

Ever since US Representative and Speaker of the House Henry Clay introduced his American System at the beginning of the 19th century, the federal government has subsidized "internal improvements" such as transportation infrastructure, starting with the Cumberland Road, which later came to be known as the National Road and ran from the Potomac River in Cumberland, Maryland, through Virginia, Ohio, and Indiana to Vandalia, Illinois. Around this time, state governments, including Pennsylvania's, began subsidizing transportation infrastructure, including roads, bridges, canals, and later railroads either by creating corporations with an exclusive right to create and toll transportation infrastructure (thereby creating monopolies) or by investing state funds in such projects. The best-known early example of such a project is the Erie Canal, which was chartered and subsidized by the state of New York. At that time, Pennsylvania did not have any major project of such scope but did charter, and at times subsidize, roads and bridges.[5]

Why did American politicians at that time call for public subsidy for transportation infrastructure, especially when it could have been (and partly was) paid for by tolling the individual users of the roads, bridges, canals, and railroads? Why, in other words, do we need public provision of these goods instead of relying on private business to build them and charge individual users of the infrastructure to recoup their investment and make a profit?

4. Pennsylvania General Assembly, *House Bill no. 257, Session of 2025, Printer's no. 2211,* Introduced January 22, 2025, Amended August 12, 2025, https://www.palegis.us/legislation/bills/text/PDF/2025/0/HB0257/PN2211.

5. Louis Hartz, *Economic Policy and Democratic Thought: Pennsylvania 1776-1860,* Harvard University Press, 1948.

The main answer is simple but profound: The benefits of public transportation infrastructure don't just go to those who use them. The benefits go to an entire community, region or the entire country. Think, for a moment, of the benefits of an interstate highway—say the Schuylkill Expressway in Philadelphia. There are the people who use it to commute to work or to school. And there are the businesses who can draw on a larger pool of workers because it is possible for employees to travel farther due to the Expressway. A larger pool of workers enables businesses to secure better trained and / or more productive workers, and at possibly lower wages. In addition to workers, the Expressway makes it possible for businesses to secure raw materials or parts less expensively because transportation costs are reduced and the market is expanded. The Expressway also allows businesses to reduce their costs for transporting the goods they produce. In these different ways, the Expressway allows for business development along its route that might not otherwise take place.

Now the workers who travel on the Expressway certainly benefit, as do the businesses that hire them and use the Expressway to secure raw materials and parts and transport their goods. But all of this economic activity spills over to other businesses that provide goods for the business owners and employers who directly benefit from the Expressway. And all of this economic activity generates tax revenues for local and state governments that then provide public goods such as education and health care to their residents. Many of the people who benefit from the spillover economic impact of businesses that use the Expressway, and many of the people who benefit from government spending supported by that economic activity, may not actually drive on the Expressway. They secure possibly substantial benefits from the Expressway but because they don't use it, they never pay for it directly.

And that points to the major problem with purely private financing of transportation infrastructure. Private businesses can only charge the individual users of the transportation infrastructure they build build—but the infrastructure's benefits flow to the public at large, including many people who don't even use it.[6] By failing to gain revenue from a much bigger pool of people—potentially all state taxpayers as opposed to the smaller group, direct users—we wouldn't have the amount of funds needed to provide and maintain all the infrastructure that the entire community needs. Without this public funding, we would all be poorer as a result.

That is why almost all transportation infrastructure—whether roads, bridges, canals, railroads, or airports—are paid for, in part, by tax revenues. Of course, most of them are also paid for by the direct users of this infrastructure. The capital and operating costs of roads, for example, are covered by a combination of gasoline taxes, vehicle registration fees, tire taxes, and tolls. Railroads and buses depend on fares in part. Airports are funded directly by the airlines that use them and, indirectly, by the airline's customers. But in almost no case is any transportation infrastructure paid for entirely by

6. There is a second reason that some public involvement in transportation infrastructure is so important: It stops excessive and unnecessary competition that leads to overbuilding of infrastructure that, in turn, undermines the profitability of infrastructure, leading to its collapse. In early America, many roads and bridges were built by private companies. And there was substantial competition, leading to many competing roads and bridges which drove tolls so low that the companies that built the roads and bridges failed. (Unlike in other markets at the time, such as the markets for agricultural goods, production could not be easily expanded or contracted as economic conditions changed. A road or a bridge is a major investment and once in place, their owners were basically stuck with them.) One of the first ways that American local and state governments helped subsidize public infrastructure was by giving permits to businesses to build roads and bridges and, in doing so, limited destructive competition. Both the panics of 1847 and 1873 were caused by over-building of railroads, which led to mass failure of railroad companies.

its direct users. Rather, these systems are supported significantly—and often predominantly—by general tax revenues, meaning by the public at large.

This same logic explains why the public part of infrastructure spending is often paid for by local, state, and national governments. For the benefits of a road or railroad or a public bus system in one location does not just fall to those who live in the local jurisdiction. To return to our previous example, the Schuylkill Expressway does not just benefit people in Philadelphia or Montgomery County. It is part of an interstate highway system that benefits people and businesses far from Philadelphia and Montgomery County, throughout Pennsylvania and the United States as a whole. And those benefits lead to tax revenues that flow to the state of Pennsylvania and to the federal government as well as local governments.

And, of course, much the same is true of public transit. The SEPTA system of buses, trolleys, and regional rail benefits far more people than those who use it. It benefits the economy of the Greater Philadelphia five-county region. And the economic activity generated by SEPTA in Southeast Pennsylvania generates not only local but state and federal tax revenue, which, as we will see in more detail below, benefits all Pennsylvanians.

So, while Senate Republicans are right that some of the costs of SEPTA and other public transit system fall on riders, there are also very good reasons for not just local governments but the state and federal governments to pay some of the cost. How the costs of any transit agency or more generally any transportation infrastructure should be shared among riders, local governments, the state governments, and the federal governments is an important question, and there is room for debate about this. But such debate should be guided by sound evidence, not by regional animosity or by misinformation about which part of the state is subsidizing the other.

Public Transit and the Urban–Rural Dispute

Those who are following the debate on public transit understand why the fare increase provision was added to the Senate bill. Republican senators, including Senate President Pro Tem Kim Ward and Majority Leader Joe Pittman, have framed the debate on transit as a dispute between urban areas—and especially the Greater Philadelphia and Pittsburgh areas—that receive substantial funds for public transit and rural areas that, they claim, do not.

This is an unfortunate and deceptive way to frame the debate. Even if the claims that all Pennsylvanians pay for transit funding but most of the money goes to Southeast PA and Allegheny County were true, it is misleading and frankly demagogic to pick one kind of public spending—especially spending that is only a few hundred million dollars of a $50 billion budget—and claim that the income and wealth of rural Pennsylvanians are being redirected to Pittsburgh and the Greater Philadelphia area.

There are certainly other programs that cost a great deal more than public transit and rely on the taxes of the cities of Philadelphia and Pittsburgh and their suburbs to provide benefits mainly received by rural communities. Take local policing for example. The people of Philadelphia and Pittsburgh pay local taxes for their own local police forces and also state taxes for the state police, which provides police services to many rural counties and municipalities that have disbanded their local forces.

More broadly, there is strong reason to suspect that, because Southeast Pennsylvania and Allegheny County have the wealthiest and most productive economies in the state, the share of state revenues they contribute far exceeds their share of the state's population. In addition, because the state redistributes some funds from richer to poorer regions of Pennsylvania, the share of state expenditures received by Southeast Pennsylvania and Allegheny County is slightly less than their share of the state's population.

We do not have a recent study that looks at the overall regional distribution of state revenues and expenditures. But a 2011 study by the Economy League of Greater Philadelphia that looked specifically at Southeast Pennsylvania's share of state revenue and expenditures supports the notion that this region contributes far more to the rest of Pennsylvania than it receives. The study reports that with 31% of the state's population at that time, Philadelphia and its collar counties contributed 37% of General Fund revenues, while only receiving 30.7% of the General Fund expenditures covered in the study.[7]

Public Transit in Urban, Suburban, and Rural Areas

We said in the last section that "even if the claims that all Pennsylvanians pay for transit funding but most of the money goes to Southeast PA and Allegheny County were true," the state should still provide substantial funding to the public transit systems in these regions because the state as a whole benefits from them.

Senate Republicans complain that far more state public transit funding goes to urban areas, especially Philadelphia and Pittsburgh, where a substantial number of people get a direct benefit from subsidized public transit. But when we examine this claim in detail, it proves to be greatly overstated. The truth is that

(1) public transit is needed throughout the state because every county has a significant number of households that do not own a car.

(2) Because of this, most Pennsylvania counties (48 out of 67) have public transit agencies.

(3) Per-state funding per capital for public transit is, of course, higher in urban areas where transit is a necessity for a greater number of people.

(4) The state share of funding for public transit is actually higher in counties outside of Philadelphia and Pittsburgh than it is in them.

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7. Economy League of Greater Philadelphia, "Southeastern Pennsylvania and the Commonwealth Budget: An analysis of the region's share of General Fund revenues and expenditures," A Working Paper Prepared for the Metropolitan Caucus, 2011, https://www.economyleague.org/sites/default/files/legacy/47295027548246257-southeastern-pennsylvania-and-the-commonwealth-budget.pdf. While the study is mostly complete with regard to state revenues, it does not examine the regional distribution of all General Fund expenditures. Noticeably absent is any consideration of state expenditures on roads and bridges. We would be shocked if state funds for roads do not go far more to the geographically large but more sparsely populated rural counties of the state than to Philadelphia and its suburbs and Pittsburgh. But we can't be sure without a detailed analysis. Nor do we know if the regional distribution of either General Fund expenditures or revenues has shifted since 2011. Given the growing economic difficulties and population loss in rural Pennsylvania, it is likely that the share of General Fund revenues generated by Southeast Pennsylvania has grown. We are less sure about how the distribution of expenditures may have changed, especially given recent efforts to add new K–12 funding in historically underfunded districts, including Philadelphia. Of course, one other limitation of the Economy League study is that it does not break out General Fund revenues coming from Allegheny County or the expenditures benefiting the county. We hope to revise this study in the near future.

(5) The state share of funding in rural counties is not much lower than the state share of funding in Southeast Pennsylvania and Allegheny County.

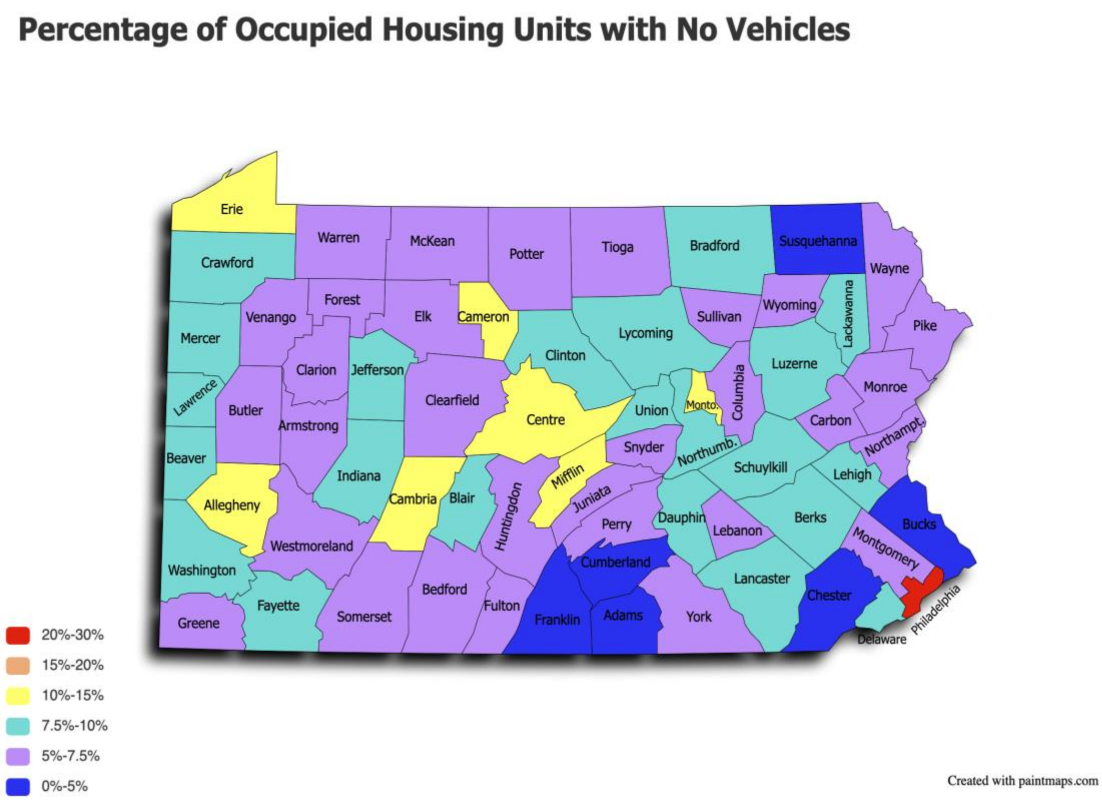
(6) And, the state subsidy for each unlinked transit trip is actually far higher in rural areas than it is in urban areas because the cost per rider is less when there are more transit users.

Philadelphia and Pittsburgh may receive a larger share of state spending on public transit because they have larger populations and are more transit-reliant than rural areas. But the state subsidy for transit riders is substantially higher in rural areas than it is in our urban centers.

Transit Agencies Are Needed and Found Everywhere
Public transit is important throughout the state. There are more than 40 public transit agencies in the Commonwealth, serving urban, suburban, and rural counties alike. In fact, as noted above, 48 of Pennsylvania's 67 counties have transit agencies. Just as in our largest cities, these agencies provide a vital lifeline for workers—especially those with low incomes—and for the businesses that employ them; for children traveling to school; and for seniors who no longer drive. They are not a luxury but an essential part of the state's transportation network, helping to connect communities, support local economies, and ensure mobility for all Pennsylvanians.

Despite the dominance of cars in our transportation infrastructure, substantial numbers of household do not have a car—not just in Philadelphia but in other cities as well as suburban and rural areas (figure 1). In seven counties, between 10% and 15% of households do not own cars. In another 21 counties, between 7.5% and 10% of households do not own cars. And in 31 counties, between 5% and 7.5% of household do not own cars. Drastic cutbacks and shutdowns of transit agencies will harm people in most of these counties.

Figure 1

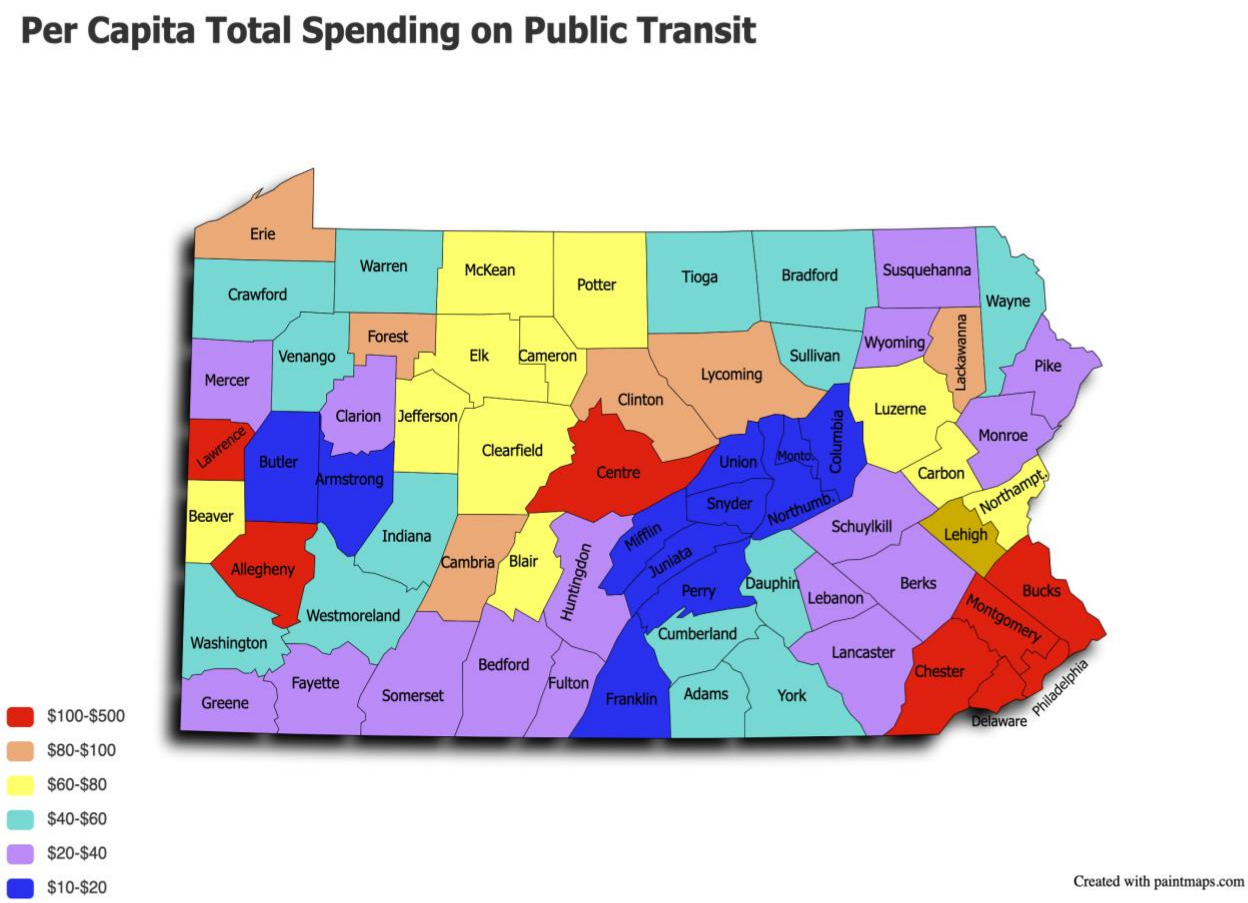


Per-Capita Public Transit Is Higher in Urban Areas but Is Still Substantial Elsewhere

Figure 2 shows that while per-capita total spending on public transit is far higher in Southeast Pennsylvania, Allegheny County, and in Lawrence and Centre Counties than in much of the rest of the state, it is nevertheless substantial across many other regions. The highest per-capita spending occurs in Philadelphia, its surrounding suburban counties, and in Allegheny County—along with Centre County, where Penn State is located. This should come as no surprise: These are areas where large numbers of residents depend on public transit for work, school, and the activities of daily life.

Still, the map makes clear that significant investment exists well beyond the state's major urban centers. Per-capita state spending on public transit is \$80–\$100 in seven counties, and it ranges from \$60 to \$80 in a number of rural areas, including counties in North Central Pennsylvania and the Lehigh Valley. These levels of support demonstrate that public transit is not simply a big city issue. It is a critical service across Pennsylvania, ensuring mobility and economic opportunity in communities of all sizes.

Figure 2

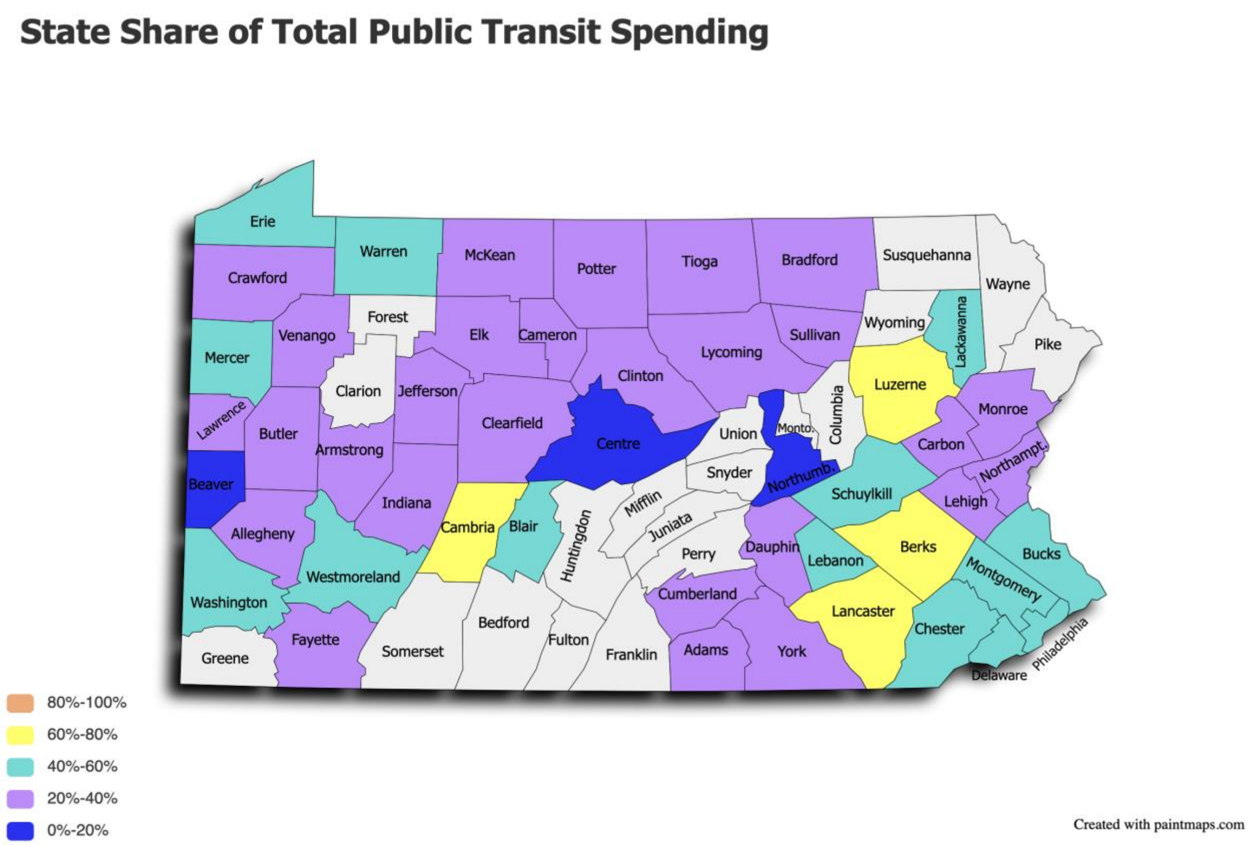


The State's Share of Support for Public Transit Is Greater for Regions Outside Southeast Pennsylvania

While per-capita transit funding is far higher in Pennsylvania's two largest cities than elsewhere, state support for public transit is distributed more evenly than critics suggest. Figure 3 illustrates that the Commonwealth actually covers a higher share of transit costs (60%–80%) in four counties with smaller cities—Luzerne, Berks, Cambria, and Lancaster—than it does in Southeast Pennsylvania. In nine additional counties with small cities and their suburbs—Erie, Warren, Mercer, Washington, Westmoreland, Blair, Schuylkill, Lebanon, and Lackawanna—the state share of funding is on par with that of Southeast Pennsylvania. And in 27 counties—including twelve rural counties in North Central Pennsylvania, four in the Lehigh Valley, four in the East Southcentral region, two in the Northeast, and four in the Southeast—the state share is only slightly below that of the Philadelphia region.

In absolute terms, the state naturally directs more dollars to the transit systems that move the most people just as it provides more funding to school districts with larger student populations. But when measured as a share of local funding, the Commonwealth treats urban, suburban, and rural systems consistently. Far from being disproportionately subsidized, SEPTA actually receives a smaller share of its costs from the state than many smaller systems serving far fewer riders.

Figure 3



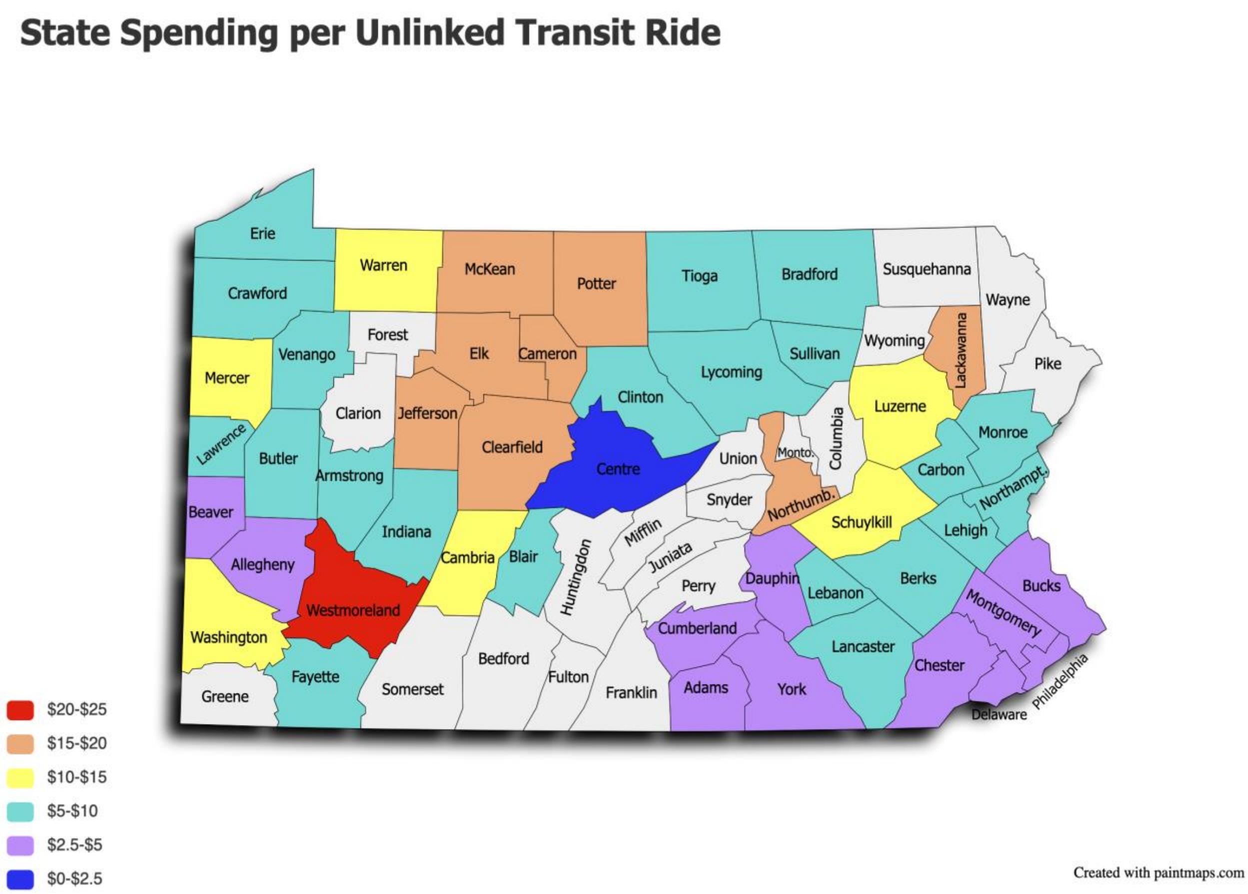
Transit Riders Outside Southeast Pennsylvania and Allegheny Country Receive a Higher Subsidy

We have already seen that the state's share of transit funding is higher outside Southeast Pennsylvania. Now, if we look at the subsidy per unlinked transit ride (where each boarding is counted separately, including transfers), the pattern is even clearer. Riders outside of the state's two largest systems—SEPTA in Philadelphia and PRT in Allegheny County—actually receive much higher subsidies per trip.

Each unlinked ride on SEPTA, PRT, and the systems serving four counties in East South-Central Pennsylvania is subsidized at a rate of just $2.50 to $5. By contrast, in smaller cities and rural areas across 26 counties, state subsidies range from $5 to $15 per ride. And in six counties in North Central Pennsylvania—along with Northumberland and Lackawanna Counties—the state subsidy rises to between $15 and $20 per ride.

In short, the data show that while urban systems move the majority of riders, it is riders in rural and small-city counties who benefit from the highest per-ride subsidies.

Figure 4



Conclusion

Pennsylvania needs a transit solution that is honest, statewide, and sustainable. The evidence shows that public transit is not a "Philadelphia and Pittsburgh issue." Agencies operate in 48 of 67 counties; the state's share of costs is as high or higher in many smaller counties than in the southeast; and the highest per-ride subsidies are in rural and small-city systems. In other words, Pennsylvanians across the map already rely on public support for mobility and local economic vitality.

Using mass transit funding as a bargaining chip in the current budget impasse is nothing more than a Republican attempt to pit rural communities against urban communities in a way that obscures the truth. Public transit benefits the entire Commonwealth, both directly and indirectly. A stronger, more reliable transit system in Philadelphia, Pittsburgh, and in smaller cities and rural areas means more jobs, stronger local economies, safer infrastructure, and greater statewide prosperity.

It is time for legislators to stop the shell games and short-sighted mandates. Instead, they must enact a funding package that stabilizes operations, protects capital investment, and treats transit not as a regional perk but as the essential statewide infrastructure it is. The well-being of millions of Pennsylvanians—and the health of the Commonwealth's economy—depends on it.