



Options to Address the Upstate Dedicated Revenue Shortfall

State operating assistance for upstate transit systems has long been constrained by the lack of growth in dedicated revenues and over-reliance on the state general fund. Upstate motor fuel-based revenues have not grown over the past 10 years and will decline as fossil fuels are phased out. The Executive Budget increases the general fund share of upstate funding to 40%, while downstate systems and the MTA receive 99% of their state operating aid through dedicated funds.

The Executive Budget proposes new dedicated revenues to meet the financial challenges of the MTA. Now is the time to find the small amount of dedicated revenue to help transit systems in all communities and provide sufficient resources to fund future structural deficits and increase service.

Following are two options to provide dedicated funding to upstate transit.

1. Fix the Upstate Transit Account by Substituting Dedicated, Sustainable Revenues for the Current Underperforming Ones

Fixing upstate transit funding will require new, growing dedicated revenues to replace or supplement the current underperforming dedicated sources. State operating aid to upstate transit totals \$289 m. in the Executive Budget, including \$105 m. in “additional general funds.” A robust package is needed that can address transit funding needs into the future to avoid revisiting funding shortfalls annually.

Examples of revenue sources that could be dedicated to upstate transit include:

- Dedicating a portion of one or more statewide revenue sources such as the state sales tax, corporate tax surcharge or sports betting fees.
- Dedicating a portion of the proposed cap and invest program proceeds.
- Extending the MTA region special motor vehicle fee to upstate counties.

2. Add New Dedicated Revenues to the Upstate Account on Top of Existing Revenues

New dedicated, sustainable revenues could be added to existing upstate funding sources to provide growing revenue to meet future operating needs. A package of smaller sources could raise the necessary revenue above the Executive Budget funding level. An additional \$36 m. in new revenue is required above the Executive budget proposal to provide the recommended 20% STOA increase in 2023-24; and \$40 m. to \$50 m. each year thereafter.

Examples of revenue sources to supplement the Upstate Account could include:

- New tax/fee on Transportation Network Companies (TNC use has impacted transit ridership).
- Extending the MTA region special motor vehicle fee to upstate counties.
- Increasing the 1/4% mortgage recording tax in Upstate Regional Authority districts and allowing other counties to opt in.
- Increasing the auto rental fee.
- Dedicating a portion of the proposed cap and invest program proceeds.

Transit Funding Increase Proposals

FY 2023-24

