



## Increasing Funding for Public Transit

Public transit is a vital public service that millions of Americans rely on every day, and public investments in transit have the power to transform state and local economies and generate quality jobs. To realize these benefits in full, transit needs long-term, structural support instead of short-term, cobbled-together solutions. Stable and diverse revenue sources for transit will drive economic growth, increase labor force participation, and reduce congestion.

Investments in transit bring extraordinary returns to our communities. Every public dollar of investment in transit generates five dollars of economic activity.<sup>1</sup> Businesses benefit from transit bringing customers to their doors. Transit also reduces unemployment by making it easier for workers to reach potential jobs. For example, a 2021 study of light rail in 12 US cities found that light rail expansion was associated with a 39% increase in labor market participation in neighborhoods near new stations.<sup>2</sup> When Clayton County, Georgia suddenly eliminated their bus service in 2010 because of budget shortfalls, unemployment nearly doubled in the areas where Clayton cut service. Residents lost their jobs because they couldn't get to work, and Clayton County lost sales tax revenue because unemployed residents don't buy much. Voters recognized this mistake and overwhelmingly approved a ballot measure to have Clayton County join MARTA in 2014 to bring back the bus, because they recognized that public transit is a sound investment.

Public transit doesn't just improve economies; it also improves our quality of life. Investments in transit relieve road congestion, making both transit vehicles and private cars move more smoothly through our communities.<sup>3</sup> Transit usage is also associated with better health outcomes and reduced public healthcare spending.<sup>4</sup> Transit service creates tremendous economic value beyond the revenues brought in through the farebox.



State and local governments must increase public transit funding to take advantage of its many benefits. When service improves, transit systems attract new riders and their accompanying fare revenue. State investment in transit is key to activating a virtuous cycle of growth for transit systems and the communities they move. Transit agencies need stable and secure funding to provide these benefits.

1 American Public Transportation Association, *2025 Public Transportation Fact Book* (Aug. 2025), 2-3, [www.apta.com/wp-content/uploads/APTA-2025-Public-Transportation-Fact-Book.pdf](http://www.apta.com/wp-content/uploads/APTA-2025-Public-Transportation-Fact-Book.pdf)

2 Keuntae Kim, Keunhyun Park, and Arthur C. Nelson, "Impacts of Light Rail Transit on Labor Participation and Housing Affordability in the US: Longitudinal Analysis Using Propensity Score Matching," *Transportation Research Record* 2675, no. 12 (2021): 419-431, <https://doi.org/10.1177/03611981211029650>.

3 When transit service ceased in Los Angeles in 2003 due to a union strike, highway delays increased by 47% during peak hours. Michael L. Anderson, *Subways, Strikes, and Slowdowns: The Impacts of Public Transit on Traffic Congestion* (National Bureau of Economic Research, Feb. 2013), NBER Working Paper No. 18757, 2, [https://www.nber.org/system/files/working\\_papers/w18757/w18757.pdf](https://www.nber.org/system/files/working_papers/w18757/w18757.pdf).

4 P.S. Sriraj, Jin Jang, and Lucas Sreniawski, *Return on Investment for Rural Demand-Response Transit in Illinois* (University of Illinois Chicago, July 2025), 13, <https://utc.uic.edu/research/return-on-investment-for-rural-demand-response-transit-in-illinois/>.

And riders need to know that the services they rely on will be there tomorrow.

State governments currently provide 23% of transit operating funding in America.<sup>5</sup> However, states are wildly divergent in how much funding they provide for public transit. In FY 2023, state funding for public transit ranged from \$7.6 billion in New York to \$0 in Alabama, Hawaii, and Nevada.<sup>6</sup> States should increase funding for public transit, particularly those that are lagging behind their peers.



Public transit is a vital public service that millions of Americans rely on every day, and it is an investment that is proven to boost local economies. ATU supports long-term, dedicated funding for public transit instead of short-term stopgaps. Providing stable and diverse revenue sources for public transit is an investment in economic growth, access to jobs, and enhanced mobility.

## Tennessean.

“Nashville voters overwhelmingly approve  
\$3.1 billion transit plan”

— November 6, 2024

Localities also have an important role to play in paying for public transit. Just ask voters. In 2024, voters approved 87% of the public transit funding initiatives on ballots across the country, greenlighting over \$25 billion in public transportation funding.<sup>7</sup> Those gains would be higher if states did not restrict voters from deciding for themselves if they want to approve new local taxes and fees to support transit. Voters want to pay for transit because they know the value it brings to their communities, and states should listen to the will of the people and allow localities to levy local transit taxes and fees, and experiment with innovative funding solutions like land value taxes and congestion pricing.

To provide the stable funding that transit needs, states and localities should draw on a diverse set of sources, such as gas taxes, sales taxes, property taxes, corporate income taxes, and payroll taxes.<sup>8</sup> Revenue diversification allows states to navigate changing market conditions and provide quality transit service over the long term. Public transit is vital for the people who rely on it, and it should be backed by a diverse array of revenue sources to ensure stable and adequate funding year after year.

## ATU SUPPORTS:

1. **Increasing state and local funding for public transportation;**
2. **Dedicating sources of revenue for public transportation, such as gas taxes, sales taxes, corporate income taxes, payroll taxes, property taxes, congestion pricing, and other motor vehicle taxes, tolls, and fees;**
3. **In those states that currently have restrictions on the use of gas tax revenues, allowing such funds to be used for both highways and transit; and**
4. **Granting cities, counties, and transit authorities the power to levy taxes to fund local public transit systems.**

5 U.S. Library of Congress, Congressional Research Service, *Federal Public Transportation Program: In Brief*, by William J. Mallet, CRS Report No. R47002 (April 18, 2025), 5, <https://www.congress.gov/crs-product/R47900>. 2019 figures are used because emergency operating funds authorized by Congress during the COVID-19 pandemic are now expiring, so pre-pandemic figures are a more accurate picture of the future of transit funding.

6 American Association of State Highway and Transportation Officials, *Survey of State Funding for Public Transportation, Final Report 2025—FY 2023 Data* (2025), 3-1-3-2, <https://store.transportation.org/Item/PublicationDetail?ID=5400>.

7 “Post Election Snapshot: Voters Greenlight \$25+ Billion in Public Transportation Ballot Measures Across U.S. in 2024,” American Public Transportation Association, Nov. 6, 2024, <https://www.apta.com/news-publications/press-releases/releases/post-election-snapshot-voters-greenlight-25-billion-in-public-transportation-ballot-measures-across-u-s-in-2024/>.

8 Yonah Freemark and Lindwe Rennert, *Surmounting the Fiscal Cliff: Identifying Stable Funding Solutions for Public Transportation Systems* (Urban Institute, Nov. 2023), 2, 55-56, <https://www.urban.org/research/publication/surmounting-fiscal-cliff>.