COMMONWEALTH FOUNDATION | FACT SHEET

Deficit Watch: May 2025

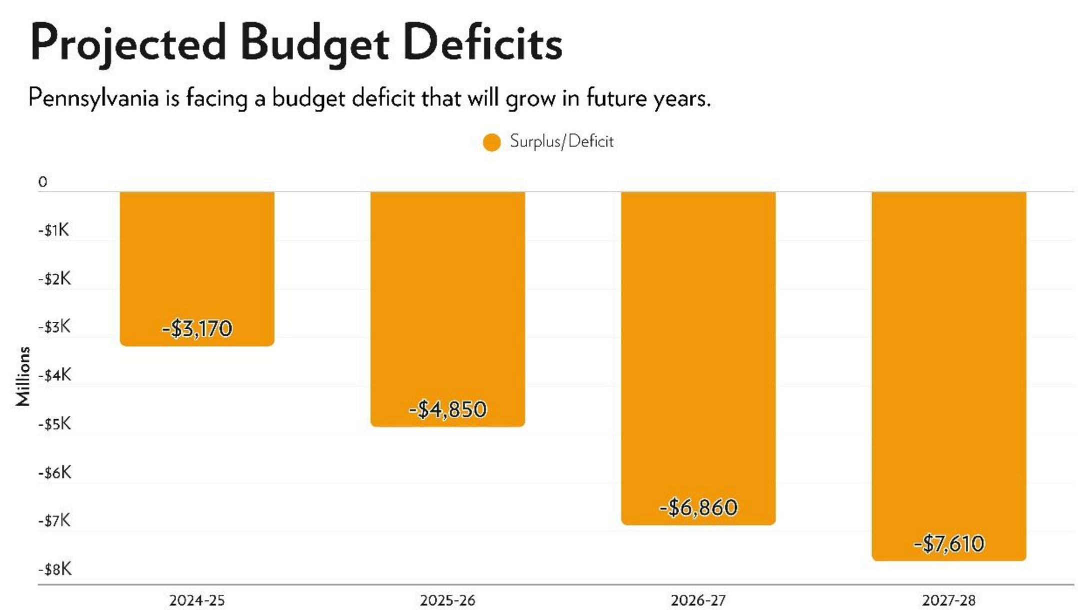
Pennsylvania cannot afford more mass transit bailouts.

BACKGROUND

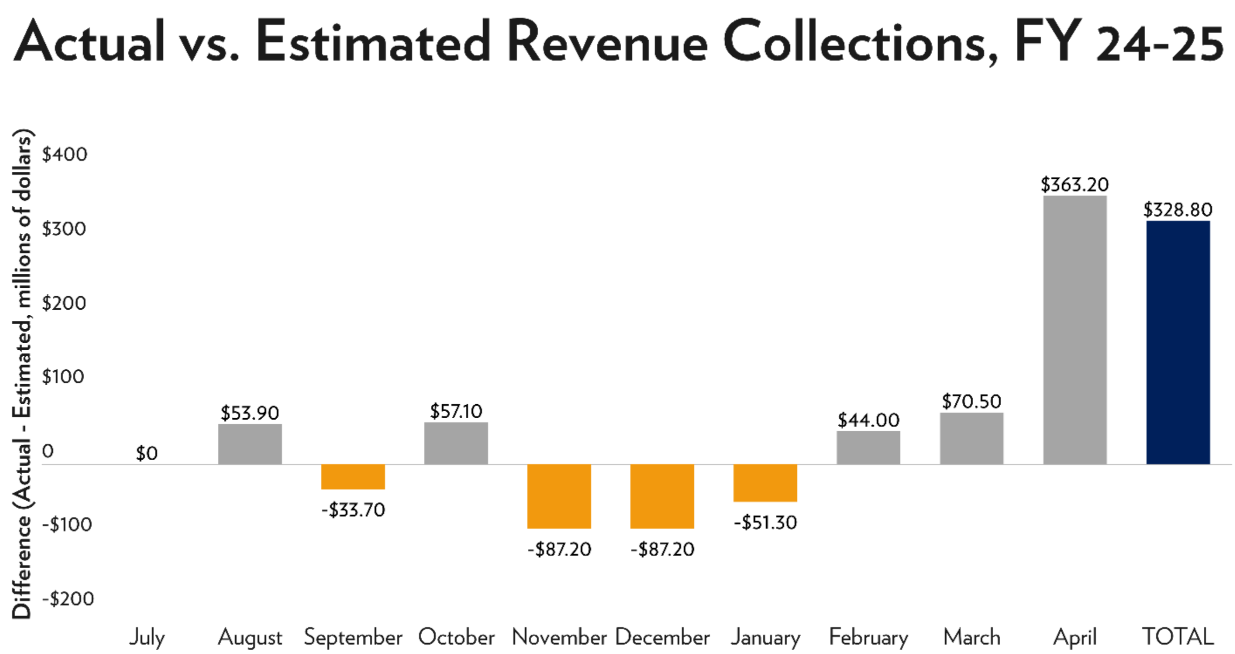
Pennsylvania faces serious fiscal challenges. The enacted 2024–25 General Fund budget created a $3.6 billion structural deficit. Gov. Josh Shapiro's 2025–26 budget proposal would increase the deficit to $4.8 billion.

REVENUE ESTIMATES AND COLLECTIONS

- In April 2025, Pennsylvania collected $6.21 billion in revenue, $363 million above the official revenue estimate. With April's collections, revenue collections now exceed the official revenue estimate for fiscal year (FY) 2024–25. In total, FY-to-date collections are $328.8 million above estimated revenues. However, the state is still spending over $3 billion more than it takes in.
- Shapiro's 2025–26 budget proposal drastically overestimates the impact of his revenue proposals. A March briefing by the Pennsylvania Independent Fiscal Office (IFO) calculates Shapiro's revenue estimates for his marijuana, skill games, and combined reporting proposals exceed IFO estimates by $4 billion over the next three fiscal years. If Shapiro's proposals do not reach his hefty projections, the budget deficit will be even larger than previously expected.



Sources: Pennsylvania Independent Fiscal Office, "Long Term Budget Outlook Update" February 2025. http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/RB_2025_02_Long-Term_Budget_Outlook.pdf
Governor Josh Shapiro. "Executive Budget, 2025-26." February 2025. https://www.pa.gov/content/dam/copapwp-pagov/en/budget/documents/publications-and-reports/commonwealthbudget/2025-26-budget-documents/2025-26%20budget%20book.webversion.pdf
Note: FY 2025-2026 deficit projection is from the Governor's Executive Budget, while FY 2026-27 and 2027-28 projections are from the IFO

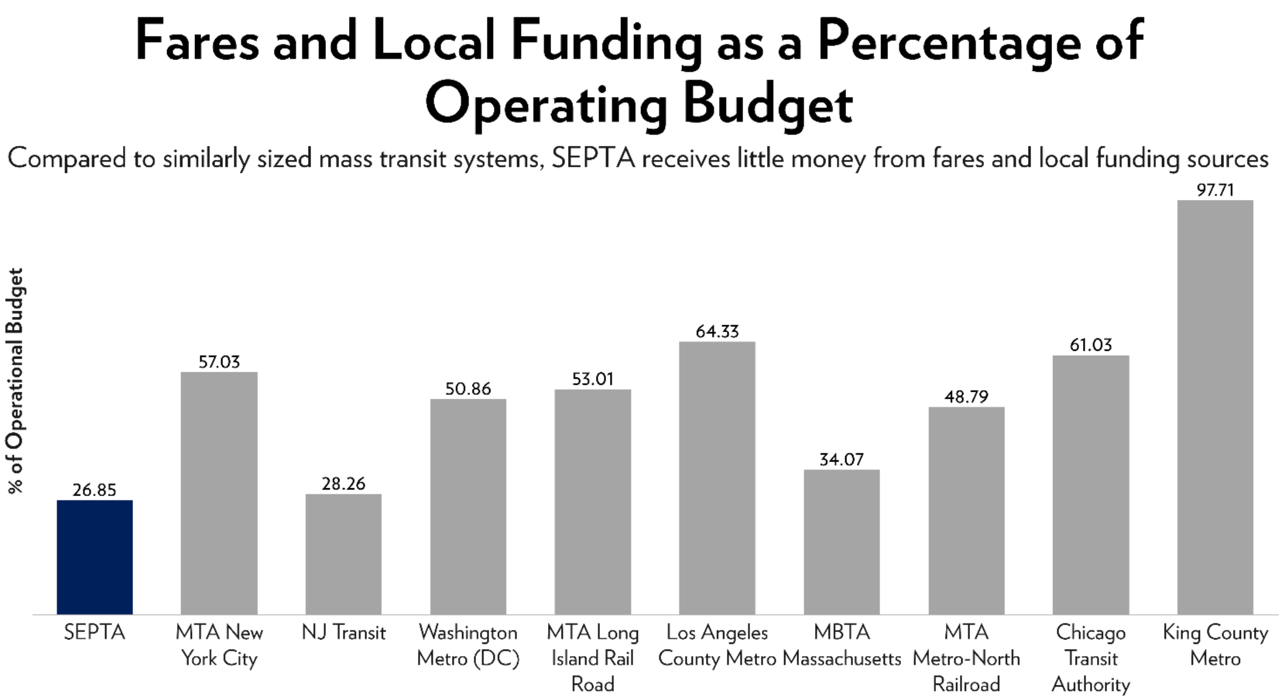


MASS TRANSIT SPENDING

- Mass transit agencies across Pennsylvania are struggling. Most notably, the Southeastern Pennsylvania Transportation Authority (SEPTA) faces a $213 million budget deficit.
  - In response to the budget deficit, SEPTA threatened to cut service by 45 percent and increase fares by over 20 percent.
- Shapiro's budget proposal would direct an additional 1.75 percent of sales and use tax revenue to mass transit agencies, most of which would benefit SEPTA. These agencies already receive over $2.4 billion in state funding.
  - While the share of sales and use tax revenue directed to mass transit agencies has not increased, sales and use tax collections have increased. As a result, state funding directed to mass transit agencies has increased by 36 percent since 2015.
- Five years after the pandemic, mass transit agencies across the state are struggling to recover pre-pandemic ridership.
  - As of March 2025, SEPTA's systemwide ridership is 75 percent of pre-pandemic levels. Ridership on regional rail (72 percent) and metro services (67 percent) lags behind the system. Three regional rail lines have ridership at or below 50 percent of pre-pandemic levels.
  - Likewise, ridership on PRT buses and rail lines is lagging. As of December 2025, weekday bus ridership is 55 percent and weekday rail ridership is 40 percent of their December 2019 levels.
- SEPTA continues to struggle with safety issues that turn away riders. In 2024, there were 87 aggravated assaults and 134 robberies on the system, compared to 46 aggravated assaults and 118 robberies in 2019.

SOLUTIONS: OPTIMIZING MASS TRANSIT

- Using state funds to bail out mass transit agencies will not fix these agencies' post-pandemic woes. To close budget deficits, transit agencies need to attract more riders. To attract more riders, SEPTA must offer safe, clean, efficient, and on-time services.
  - A public-private partnership for bus service would represent significant cost savings, helping SEPTA maintain current service levels without the need for additional state funding.
  - Additionally, partnering with a private company will help SEPTA find the needed innovation to optimize services, improve safety, and attract more riders.
- Federal Transit Administration data reveals that state funding accounts for 45.4 percent of SEPTA's operating budget. Local funding and fares account for only 26.8 percent of SEPTA's operating budget, the lowest share of similar-sized mass transit agencies.
  - Compared to other similar-sized mass transit agencies, SEPTA is over-reliant on state funding and under-reliant on fares and local funding. SEPTA should look to increase funding from local sources and fares.
- Philadelphia and its collar counties reap the largest benefit of SEPTA's services yet only account for 6.8 percent of SEPTA's operating budget. Local governments provide up to 56 percent of the operating budgets of other transit agencies.
  - In FY 2025, the City of Philadelphia, Montgomery County, Delaware County, Bucks County, and Chester County operated on a combined $9.2 billion budget. SEPTA's $213 million budget shortfall represents a mere 2 percent of these localities combined operating budgets.



Source: Federal Transit Authority, "2023 Funding Sources - Funds Expended by Type," accessed April 18, 2025, https://www.transit.dot.gov/ntd/data-product/2023-funding-sources