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Appendix E

Funding Sources and Future Funding Outlook

APPENDIX E — Funding Sources and Future Funding Outlook

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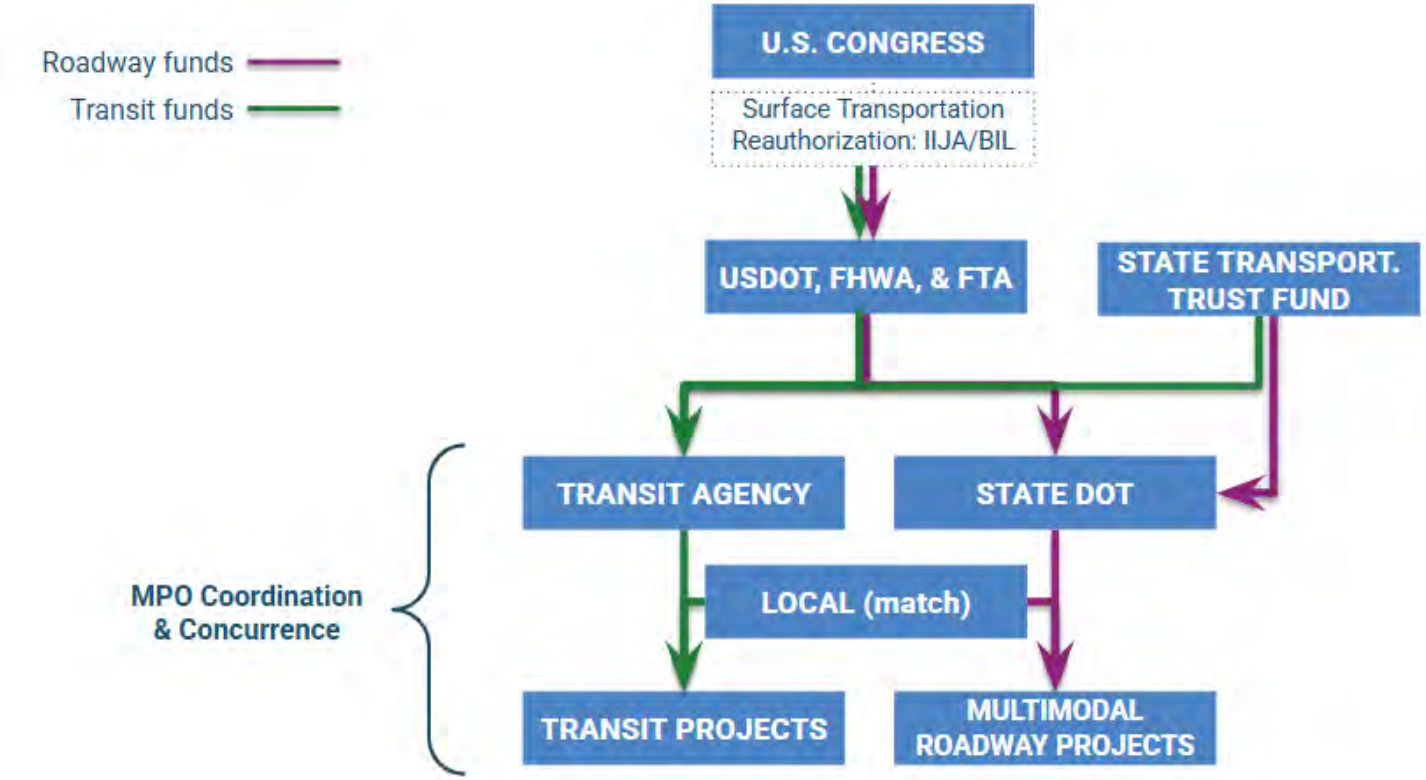
Funding Sources and Future Funding Outlook

The region's future transportation funding outlook is marked by considerable uncertainty. In particular, the Pennsylvania subregion faces significant challenges with transit service at risk due to operating budget shortfalls and a significant state-of-good-repair (SGR) capital backlog. This section provides an overview of current federal, state, local, and other sources of funding for transportation infrastructure. It also presents a forward-looking assessment of potential changes, opportunities, and challenges in the funding landscape.

Figure E-1: Flow of Funding to Regional Projects



Source: DVRPC, 2025

Federal Funding

Federal transportation funding is authorized through multi-year legislation. The current legislation is the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL). Signed into law on November 15, 2021, the IIJA is a five-year, $1.2 trillion bill reauthorizing federal surface transportation, drinking water, and wastewater programs. It includes $550 billion in new infrastructure investments across transportation, broadband, wastewater, and other sectors. Table E-1 presents the $567 billion in contract authority that the IIJA provides to the U.S. Department of Transportation (USDOT), along with more than $70 billion in additional annual Congressional appropriations.

USDOT administers IIJA funds through various agencies, including the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA). Most roadway and bridge funds are distributed via the Highway Trust Fund (HTF), which is supported by the federal fuel tax—18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel—and supplemented by general funds. Twenty percent of fuel tax revenues are allocated to a Mass Transit Account that funds transit projects directly through the FTA.

The IIJA departs from previous surface transportation acts in both scope and structure. It includes investments in water, electricity, and broadband infrastructure, and it expands competitive grant programs. Compared to the prior FAST Act, annualized funding increases 55 percent for highways and 49 percent for transit. Roughly two-thirds of IIJA funds are distributed via formula programs, while the rest are allocated through competitive grants.

The legislation is set to expire on September 30, 2026. Congressional committees began to formally compile input into the reauthorization of the federal surface transportation legislation in April 2025.

Table E-1: Federal IIJA USDOT Program Funding Breakdown

Category	Total Contract Authority	Annual Average	Additional Appropriations
FHWA Highway Programs	$351.3 B	~$70.3 B	+ $2.8 B/year (up to $14.6B total)
FTA Transit Programs	$91.2 B	~$18.2 B	+ $3.2 B/year (up to $15.8B total)
Federal Railroad Administration FRA	$66.0 B	N/A	+ $36.2 B
Federal Aviation Administration FAA	$25.0 B	N/A	N/A
USDOT Other Programs	$34.1 B	N/A	+ $5.3 B

Source: Infrastructure Investment and Jobs Act, Public Law 117–58 (2021), www.congress.gov/bill/117th-congress/house-bill/3684.

Federal Highway Formula Programs

States and metropolitan areas receive the following FHWA-administered funds through formulas based on population, vehicle miles traveled (VMT), and other criteria (see Table E-2).

Table E-2: Federal Highway Formula Programs

Program Name	Acronym	Description
Bridge Formula Program	BFP	To replace, rehabilitate, preserve, protect, and construct highway bridges.
Bridge Off-System	BOF	To replace or rehabilitate non-federal-aid highway system bridges that are structurally deficient or functionally obsolete.
Carbon Reduction Program	CARBON	Supports projects that reduce transportation mobile source air pollution, including electrification, electric vehicle (EV) charging, bicycle/pedestrian corridors, congestion pricing infrastructure, and diesel retrofits.
Congestion Mitigation and Air Quality	CMAQ	Funds projects in nonattainment or maintenance areas for ozone, CO, or PM that improve air quality and/or reduce congestion without expanding highway capacity.
Flexible Funds	FLEX	FHWA funds transferred to FTA for eligible transit or highway projects.
Highway Safety Improvement Program	HSIP	Supports data-driven projects to improve safety. Requires an up-to-date State Strategic Highway Safety Plan (SHSP).
Highway Safety Improvement Program—Vulnerable Road Users	HVRU	Targets safety improvements for non-motorized users. Projects must be included in the SHSP.
National Highway Freight Program	NHFP	Enhances freight movement on the National Highway Freight Network (NHFN), including the Primary Highway Freight System, Critical Rural and Urban Freight Corridors, and interstates.
National Highway Performance Program	NHPP	Maintains and improves National Highway System infrastructure, including bridges, tunnels, ITS, and bicycle and pedestrian facilities.
National Electric Vehicle Infrastructure Formula Program	NEVI-FP	Provides funding to strategically deploy electric vehicle (EV) charging stations and to establish an interconnected national network to facilitate data

Program Name	Acronym	Description
		collection, access, and reliability.
Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation	PROTECT	Offers both formula and discretionary funds to improve transportation system resilience to extreme weather.
Railroad-Highway Grade Crossing	RRX	Funds safety improvements at public highway-rail grade crossings.
Safe Routes to School Federal-Aid	SRTSF	Encourages safe walking/biking to school through infrastructure and education projects.
Surface Transportation Block Grant Program	STBGP	Highly flexible funding for federal-aid highways, public roads, transit capital, and intermodal facilities.
Surface Transportation Block Grant Program—Urban Allocation	STBGP-U	Allocated to urban areas (population >200,000) for locally prioritized projects.
Statewide Planning and Research	SPR	Supports long-range planning and State Transportation Improvement Programs (STIPs).
Transportation Alternatives Set-Aside	TASA	A subset of STBGP for smaller-scale projects, including bike/pedestrian improvements, trail conversions, scenic enhancements, and historic preservation.

Source: Infrastructure Investment and Jobs Act, Public Law 117–58 (2021).

Federal Transit Formula Programs

Table E-3 lists the various formula-based federal transit programs.

Table E-3: Federal Transit Formula Programs

Program Name	Acronym	Description
Congestion Mitigation and Air Quality	CMAQ	Funds transit capital projects with documented air quality benefits. FHWA-origin funds may be flexed to FTA.
Demonstration Funds	DEMO	Earmarks from ISTEA, TEA-21, and SAFETEA-LU are used for transit projects.
Federal Other	FED OTHER	Represents unanticipated federal funds not part of standard apportionments.
Planning	Section 5303/5304/5305	Supports cooperative, comprehensive, and continuing multimodal transportation planning in metropolitan and statewide contexts.
Urbanized Area Formula Grants	Section 5307	Provides capital and planning funds to public transit systems in urban areas. Limited use for operating expenses under certain criteria.
Enhanced Mobility of Seniors and Individuals with Disabilities	Section 5310	Assists private nonprofits in meeting specialized transportation needs.
Technical Assistance and Standards	Section 5314a	Supports technical assistance and workforce development programs.
Human Resources and Training	Section 5314b	Funds public transit workforce development programs.
Emergency Relief	Section 5324	Supports equipment replacement, infrastructure repair, and resilience planning following natural disasters.
State of Good Repair	Section 5337 (SGR)	Provides capital assistance to maintain high-intensity fixed guideway and motorbus systems, including asset management planning.
Bus and Bus Facilities Formula Program	Section 5339a	To replace, rehabilitate, and purchase buses and related infrastructure. Includes discretionary subprograms for major capital needs and low/no-polluting fleets.

Source: Infrastructure Investment and Jobs Act, Public Law 117–58 (2021), www.congress.gov/bill/117th-congress/house-bill/3684.

Federal Competitive Funds

The IIJA introduces a wide array of non-formula, competitive grant programs. These programs are open to states, metropolitan regions, tribal governments, and other eligible entities, depending on the administering agency. Many are subject to annual Congressional appropriations (see Table E-4).

Fixed Guideway Capital Investment Grants (CIG)

FTA's Capital Investment Grants (CIG) program is the federal government's traditional competitive grant source. The CIG program is the main funding mechanism for new and expanded fixed guideway transit infrastructure. Under the IIJA, $4.6 billion is authorized annually from the General Fund for CIGs, subject to Congressional appropriations. CIG Program Categories include:

- *New Starts*—For new fixed guideway projects or extensions costing $400 million or more or seeking $150 million or more in CIG funding.
- *Small Starts*—For similar projects under $400 million total cost and requesting less than $150 million in federal CIG funds.
- *Core Capacity*—For substantial capital investments in existing fixed guideway corridors that are at or near capacity and will increase capacity by 10 percent or more. Core Capacity projects may not include routine SGR elements.

DVRPC includes CIG allocations in the Long-Range Plan when specific projects are identified. Historically, the region has assumed a capacity to secure two New Starts and two Small Starts grants (one per state subregion) over the life of the Plan. Projects must demonstrate strong local financial commitments for both capital and operating costs to be eligible.

As of this update, no major transit expansion project in the region is positioned to enter the CIG pipeline. The King of Prussia Spur has been indefinitely paused. However, Southeastern Pennsylvania Transit Authority (SEPTA)'s Trolley Modernization Project includes a request for a $200 million Core Capacity CIG grant for station upgrades and transit signal priority enhancements.

Table E-4: Selected Competitive Grant Programs

Program Name	Acronym	Description
Advanced Digital Construction Management Systems	ADCMS	Supports the implementation of digital technologies in construction management to improve project delivery and documentation.
Advanced Transportation Technologies and Innovative Mobility Deployment	ATTAIN	Provides grants for deploying advanced transportation technologies to enhance mobility, safety, efficiency, system performance, and return on investment.
Accelerated Innovation Deployment Demonstration Program	AID	Offers grants to pilot innovations in areas such as planning, materials, construction, operations, and finance.
Active Transportation Infrastructure Investment Program	ATIIP	Funds construction of connected biking and walking networks and the planning of active transportation infrastructure. Subject to annual appropriations.
Bridge Investment Program	BRIP	Offers grants for the replacement, rehabilitation, preservation, and construction of bridges over 20 feet long.
Better Utilizing Investments to Leverage Development	BUILD (formerly RAISE/TIGER)	Supports surface transportation projects with significant regional or local impacts.
Charging and Fueling Infrastructure Grant Program (Community)	CFI	Funds development of EV charging and alternative fuel infrastructure in underserved communities, rural areas, and high-density housing zones.
Charging and Fueling Infrastructure Grant Program (Corridor)	CFI	Focuses on EV and alternative fuel infrastructure deployment along federally designated Alternative Fuel Corridors.
Congestion Relief Program	CRP	Supports integrated multimodal solutions in large urban areas (1M+ population) to reduce congestion and its environmental/economic impacts.

Program Name	Acronym	Description
FTA All Stations Accessibility Program	ASAP	Provides funding to retrofit or improve existing transit stations to comply with the Americans with Disabilities Act (ADA).
FTA Discretionary Bus and Bus Facilities	Section 5339b	Offers competitive funding for large-scale capital projects to replace, rehabilitate, or purchase buses and bus-related infrastructure.
FTA Capital Investment Grants	Section 5309	Invests in new fixed guideway transit, including heavy rail, commuter rail, light rail, streetcar, and BRT.
FTA Pilot Program for Transit-Oriented Development Planning	Section 5309	Funds local integration of land use and transit planning for capital investments.
FTA Expedited Project Delivery for CIG Pilot	EPD	Allows up to eight projects to receive accelerated grant approval, subject to public-private partnership participation and state-of-good-repair certification.
FTA Low or No Emission Vehicle Program	Section 5339c	Supports deployment of advanced propulsion transit buses and infrastructure.
FTA Public Transportation Innovation	Section 5312	Funds development and demonstration of innovative transit products and services.
FTA Transit Cooperative Research Program	Section 5312i	Supports applied research, best practices, and prototype development to address near-term transit agency needs.
FTA Passenger Ferry Grant Program	Section 5307h	Makes capital improvements to public ferry systems in urbanized areas.
Infrastructure for Rebuilding America	INFRA	Supports multimodal freight and highway projects of national or regional importance.
National Infrastructure Project Assistance	MEGA	Targets large and complex surface transportation projects beyond the scope of traditional programs.

Program Name	Acronym	Description
National Culvert Removal, Replacement, and Restoration Grants	Culvert AOP Program	Supports ecological restoration by improving fish passage at culvert locations.
NEVI Discretionary Set-Aside	NEVI Set-Aside	Allocates 10 percent of NEVI formula funds for additional deployment of reliable EV infrastructure.
Roadside Pollinator Program	RPP	Provides grants for vegetation and habitat improvements along roadsides to benefit pollinators. Subject to annual appropriations.
Prioritization Process Pilot Program	PPPP	Assists agencies in developing data-driven planning processes with measurable public benefits.
PROTECT Discretionary Grants	PROTECT Grant	Funds transportation resilience projects that address extreme weather vulnerability.
Rail Vehicle Replacement Program	RVR	Supports capital replacement of passenger rail vehicles in revenue service.
Reduction of Truck Emissions at Port Facilities	RTEPF	Funds electrification and other air pollution-reducing technologies at port facilities.
Rural Surface Transportation Grant Program	–	Improves transportation connectivity, reliability, and safety in rural regions.
Safe Streets and Roads for All	SS4A	Funds local safety planning and implementation efforts aligned with “Vision Zero” or “Toward Zero Deaths” strategies.
Strategic Innovation for Revenue Collection	SIRC	Tests road usage charges and other alternative funding models to support the long-term solvency of the HTF.
Transportation Access Pilot Program	APP	Provides technical assistance (not direct funding) to develop access data and performance metrics for transportation planning.

Program Name	Acronym	Description
Wildlife Crossings Pilot Program	WCPP	Supports infrastructure projects to reduce vehicle-wildlife collisions and improve ecological connectivity.

Source: Infrastructure Investment and Jobs Act, Public Law 117–58 (2021), www.congress.gov/bill/117th-congress/house-bill/3684.

Federal Funding Outlook

The IIJA is set to expire on September 30, 2026, and the reauthorization process is underway. Historically, federal surface transportation bills have often required a series of continuing resolutions before reauthorization. Since the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA), reauthorization has taken an average of 18 months. While the current schedule for reauthorization is ambitious, there is a strong commitment among federal policymakers to complete the process on time and avoid the need for continuing resolutions.

Highway Trust Fund (HTF) Solvency

The federal motor fuel tax has not increased since 1993. Over time, rising vehicle fuel efficiency, the adoption of electric vehicles, and a modest decline in VMT since the COVID pandemic have suppressed fuel tax revenues. Inflation has further reduced the value of the gas tax, eroding 64 percent of its purchasing power. To keep the HTF solvent, Congress has transferred $271.5 billion from the general fund and $3.7 billion from the Leaking Underground Storage Tank Fund since 2008. Specific transfers:

- $215 billion to the Highway Account
- $60.1 billion to the Transit Account

Looking ahead, the Congressional Budget Office (CBO) projects both the Highway and Transit Accounts of the HTF will be exhausted by 2028 if no new funding is authorized. Under current law, the HTF cannot run negative balances, but CBO estimates a combined $284 billion shortfall in both accounts from 2028–2034 if current spending and tax structures continue. Table E-5 includes projected start-of-year balances, revenues, outlays, and resulting balances for both the Highway Account and Transit Account.

Table E-5: CBO Baseline Projections for HTF Accounts (2023–2034)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Highway Account Start-of-Year Balance	$98.9	$89.6	$79.4	$64.1	$44.1	$20.6	a	a	a	a	a	a
Revenues and Interest and Intergovernmental Transfers	$42.0	$43.9	$42.8	$41.4	$40.3	$39.3	$38.6	$37.9	$37.0	$36.2	$35.5	$35.0
Outlays and Flexed Balances[b]	–$51.2	–$54.1	–$58.0	–$61.4	–$63.8	–$66.0	–$67.6	–$68.8	–$70.1	–$71.4	–$72.8	–$74.2
Highway Account End-of-Year Balance	$89.6	$79.4	$64.1	$44.1	$20.6	–$6.2[a]	–$35.1[a]	–$66.0[a]	–$99.1[a]	–$134.3[a]	–$171.6[a]	–$210.8[a]
Transit Account Start-of-Year Balance	$34.6	$31.9	$28.0	$22.1	$14.5	$5.5	a	a	a	a	a	a
Revenues and Interest,[c] Flexed Balances,[b] and Intergovernmental Transfers	$7.3	$7.9	$7.5	$6.9	$6.5	$6.2	$6.0	$5.8	$5.6	$5.4	$5.2	$5.0
Outlays	–$10.0	–$11.8	–$13.4	–$14.5	–$15.5	–$16.3	–$16.7	–$17.0	–$16.9	–$17.1	–$17.0	–$16.8
Transit Account End-of-Year Balance	$31.9	$28.0	$22.1	$14.5	$5.5	–$4.7[a]	–$15.4[a]	–$26.7[a]	–$38.0[a]	–$49.7[a]	–$61.5[a]	–$73.3[a]

All figures in billions of Year-of-expenditure (YOE) dollars.
Source: Adapted from CBO, June 2024.

[a] Under current law, the HTF cannot incur negative balances. However, following the rules governing baseline projections in the *Balanced Budget and Emergency Deficit Control Act* of 1985, CBO's baseline for surface transportation spending reflects the assumption that obligations presented to the HTF will be paid in full. The addendum to this table shows the cumulative shortfall of fund balances, assuming spending amounts consistent with CBO's June 2024 baseline. In keeping with the rules for baseline construction, those amounts are estimated by adjusting the obligation limitations enacted under the *Further Continuing Appropriations and Other Extensions Act*, 2024, to account for projected inflation.

[b] Flexed balances are transfers from the highway account to the transit account.

[c] Some of the taxes that are credited to the HTF are scheduled to expire on September 30, 2028, including the taxes on tires and all but 4.3 cents of the federal tax on motor fuels. However, under the rules governing baseline projections, these estimates reflect the assumption that all the expiring taxes credited to the fund will continue to be collected after fiscal year 2028.

The Senate's Environment and Public Works Committee began meeting in February 2025 about new federal transportation legislation for when the IIJA expires. The committee has identified safety as its top priority, along with a higher focus on technology and the supply chain. [39]

In addition to potential federal legislation impacts on funding levels, future transit funding levels in Pennsylvania are at risk should SEPTA's operating service cuts take effect. [40] Many funding categories are allocated to transit agencies based on service level provision. Reduced operating service levels will lead to decreased capital budget resources. For example, the proposed 45 percent service cuts would reduce 5307/5337 funds by approximately $30 million per year.

State Funding

State funding is the second largest contributor to the region's transportation revenues. DVRPC estimates annual allocations for both roadway and transit investments based on financial guidance from the Pennsylvania Department of Transportation (PennDOT) and regional partners. In line with current assumptions, state funding levels in both Pennsylvania and New Jersey are expected to remain flat through the end of the current 12-year program and increase by 3 percent annually thereafter.

In the *Update: Connections* 2050 financial plan, state sources are projected to comprise 29.4 percent of total regional revenues. Of this, Pennsylvania contributes approximately 17.1 percent, while New Jersey contributes 12.2 percent.

Pennsylvania

Pennsylvania's transportation revenue was significantly expanded through Act 89 of 2013, which increased the state's oil company franchise tax, resulting in the third-highest state gasoline tax in the country—currently 57.6 cents per gallon. The Pennsylvania Constitution (Article 8, Section 11) limits the use of fuel tax revenues strictly to roadway and bridge purposes, excluding their use for transit operations or other purposes. In addition to federal funds passed through the state, Pennsylvania provides a variety of state-specific funding streams (see Table E-6).

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[39] Eugene Mulero, "Senate Transportation Committee Eyes Next Highway Bill," Transport Topics, February 26, 2025 (accessed February 27, 2025) www.ttnews.com/articles/senate-transportation-highway.

[40] The structural deficit in SEPTA's operating budget relates to the loss of ridership and fare payments during the pandemic. The Coronavirus Aid, Relief, and Economic Security Act (CARES) of 2020 provided for the fare revenue shortfall in the operating budget for four years. In early 2025, $153 million in federal STP funds were flexed to transit at the state level to fill the operating budget gap that occurred when CARES Act funding ran out. A two-year fix was made starting in FFY 2026, when SEPTA was authorized to transfer $394 million in capital funds to the operating budget. The Commonwealth of Pennsylvania continues to seek a longer-term solution to the operating budget's ongoing deficit issue.

Table E-6: Pennsylvania State Funding Sources

Program Name	Acronym	Description
Act 13 of 2012	ACT13	Uses funds from the Marcellus Shale Impact Fee to support the repair or replacement of at-risk, locally owned bridges.
Appropriation 073—Green Light-Go	A-073	A competitive grant program supporting congestion reduction and signal efficiency on state highways; requires a 50 percent municipal or private match.
Appropriation 179/179A	–	Targeted funding for local bridge projects in economically distressed areas.
Appropriation 183	–	Provides general support for local bridge projects.
Appropriation 185 / 185-IM	–	Funds state-owned bridge projects, including a subset for the Interstate Management Program (IMP).
Appropriation 581 / 581-IM	–	Funds highway or bridge projects on the state highway system, including those within the IMP.
Appropriation 582	–	Funds highway maintenance operations such as resurfacing and maintenance staffing.
Automated Red-Light Enforcement	ARLE / ASE	Provides safety improvement grants using revenues from red-light and speed enforcement cameras.
Multimodal Transportation Fund	411	A competitive statewide program supporting transportation projects that enhance communities, safety, and multimodal access.
Transportation Infrastructure Investment Fund	TIIF or e581	Funds economic development-related highway improvements on the state system.
State Spike Funds	SPIKE or SPK	Discretionary state funding allocated by the Secretary of Transportation to priority projects.

Source: Pennsylvania Department of Transportation, 2025 Statewide Transportation Improvement Program (FY 2025–2028), approved September 27, 2024.

Together, these programs provide critical support for maintaining and improving Pennsylvania's roadway and bridge infrastructure. The IMP plays a significant role in addressing the state's aging Interstate system. Managed under the Statewide Transportation Improvement Program (STIP), the IMP allocates both state and federal funds for non-expansion maintenance projects, with approval from PennDOT's Project Management Committee.

For transit, Pennsylvania provides several capital funding programs, most of which are distributed by formula or through defined allocation methods. These include:

- Asset Improvement Program (Section 1514)—Distributed to transit agencies based on demonstrated need, and can support asset purchases, replacements, or debt service.
- Programs of Statewide Significance (Sections 1516 / 341)—Funds transit services such as Persons with Disabilities, Welfare-to-Work, intercity bus and rail, technical assistance, and demonstrations.
- Public Transportation Assistance Fund (PTAF44)—Allocates funding to transit operators from dedicated sources.

In 2022, the level of Act 44 funding from the Pennsylvania Turnpike was reduced from $450 million to $50 million per year. The resulting $400 million shortfall was replaced with general fund revenues. These funds continue to support Section 1514 alongside lottery and tax revenues. Pennsylvania also offers discretionary or competitive programs to support specific modal investments. These include, but are not limited to:

- Rail Freight Assistance Program—Provides support for infrastructure preservation and expansion to promote rail freight service and economic development.
- Rail Transportation Assistance Program (Capital Budget)—Requires a specific line item in the Capital Budget Act to access funding.

New Jersey

New Jersey's primary source of transportation revenue is the Transportation Trust Fund (TTF), which supports both highway and transit investments through separate allocations. The TTF is funded through a combination of the motor fuels tax and the Petroleum Products Gross Receipts Tax, which is adjusted annually to meet state revenue targets. As of 2025, the total state gas tax is 44.9 cents per gallon for gasoline and 51.9 cents for diesel.

State transit funding in New Jersey is supplemented by an annual appropriation of 8.5 percent of the Casino Tax Fund, which is earmarked to support transportation services for seniors and persons with disabilities.

New Jersey Department of Transportation (NJDOT) uses toll credits to fulfill local matching fund requirements for federal projects, reducing the need for direct cash contributions from local governments.

Discretionary State Funds

In addition to formula-based funding, the region receives supplemental support from discretionary and competitive grant programs administered by state agencies. These programs offer opportunities for targeted investments in freight, safety, multimodal, and environmental initiatives. Only funding that can be reasonably anticipated—based on prior awards or strong prospects—is included in the financial forecast for the Long-Range Plan.

In Pennsylvania, Act 89 of 2013 established two Multimodal Transportation Funds, one administered by PennDOT and the other by the Department of Community and Economic Development (DCED). These programs have become an important resource for local governments, transit agencies, and private entities pursuing integrated transportation improvements.

Other discretionary and competitive state funding sources in Pennsylvania include, but are not limited to:

- Rail Freight Assistance Program—Supports the preservation and enhancement of essential rail freight service where economically feasible, helping to stimulate economic development through new or expanded rail access. Local match requirements vary.
- Rail Transportation Assistance Program (Capital Budget)—Available to applicants with a dedicated line item in the Pennsylvania Capital Budget Act.
- Automated Red-Light Enforcement (ARLE)—Revenues from red-light violations are distributed via a PennDOT-administered grant program for roadway safety, congestion, and enhancement projects. Eligible applicants include municipalities with documented traffic safety issues.
- Green Light-Go (Appropriation 073)—Provides competitive funding to improve traffic signal efficiency on state highways in designated corridors.

In New Jersey, discretionary transit and roadway grants are less common. However, the Local Freight Impact Fund provides a competitive opportunity to fund projects that improve the mobility, safety, and condition of local freight corridors. New Jersey's strong reliance on state-level formula programs and centralized capital planning results in fewer discretionary programs compared to Pennsylvania.

State Funding Proposals

In both Pennsylvania and New Jersey, efforts are underway to address the long-term structural challenges facing transit operating budgets, especially as fare revenue continues to lag in the post-COVID era.

In New Jersey, P.L. 2024, c.20 established a 2.5 percent Corporate Transit Fee on Corporation Business Tax returns for companies with net income over $10 million. This additional tax supplements the existing Corporation Business Tax and is intended to provide a dedicated revenue stream for NJ Transit's operations.

In Pennsylvania, Governor Shapiro's initial proposals for the FY25 and FY26 budgets call for dedicating an additional 1.75 percent of state sales tax revenues to support transit operations. In September 2026, after months of state budget negotiations that have not led to a resolution, SEPTA cut service levels across the system by 20 percent, while increasing fares by 21.5 percent. After a court order halted the service cuts, SEPTA petitioned PennDOT to borrow $394 million from its capital assistance funds to support operations for two years. PennDOT has granted this request. While this staves off service cuts for now, it is not a long-term funding solution. The General Assembly has expressed interest in exploring other funding strategies to stabilize public transportation throughout the Commonwealth.

One such strategy was implemented in 2025: a new road user charge for electric and plug-in hybrid vehicles. Owners of electric vehicles (EVs) in Pennsylvania now pay an additional $200 annual registration fee, while owners of plug-in hybrid vehicles pay an additional $50. These fees can be paid biennially. Beginning in 2026, the rates increase to $250 for EVs and $63 for plug-in hybrids. These fees are intended to ensure all vehicles contribute to roadway maintenance, regardless of fuel source.

Local Funding

Local funding plays a limited but vital role in supporting the region's transportation system. Across the country, local sources provide substantial flexibility for multimodal investments and help communities meet federal and state match requirements. However, in both Pennsylvania and New Jersey, state laws significantly constrain the ability of local governments to raise dedicated transportation revenues through taxation. This has created a major challenge for the Greater Philadelphia region in both maintaining existing infrastructure and advancing capital expansion projects.

A key consequence of these constraints is the region's lack of a stable and predictable local funding strategy—particularly when pursuing competitive federal programs like the FTA's CIGs. Without a reliable source of local match funding, the region is at a disadvantage in securing discretionary federal dollars for transformative projects.

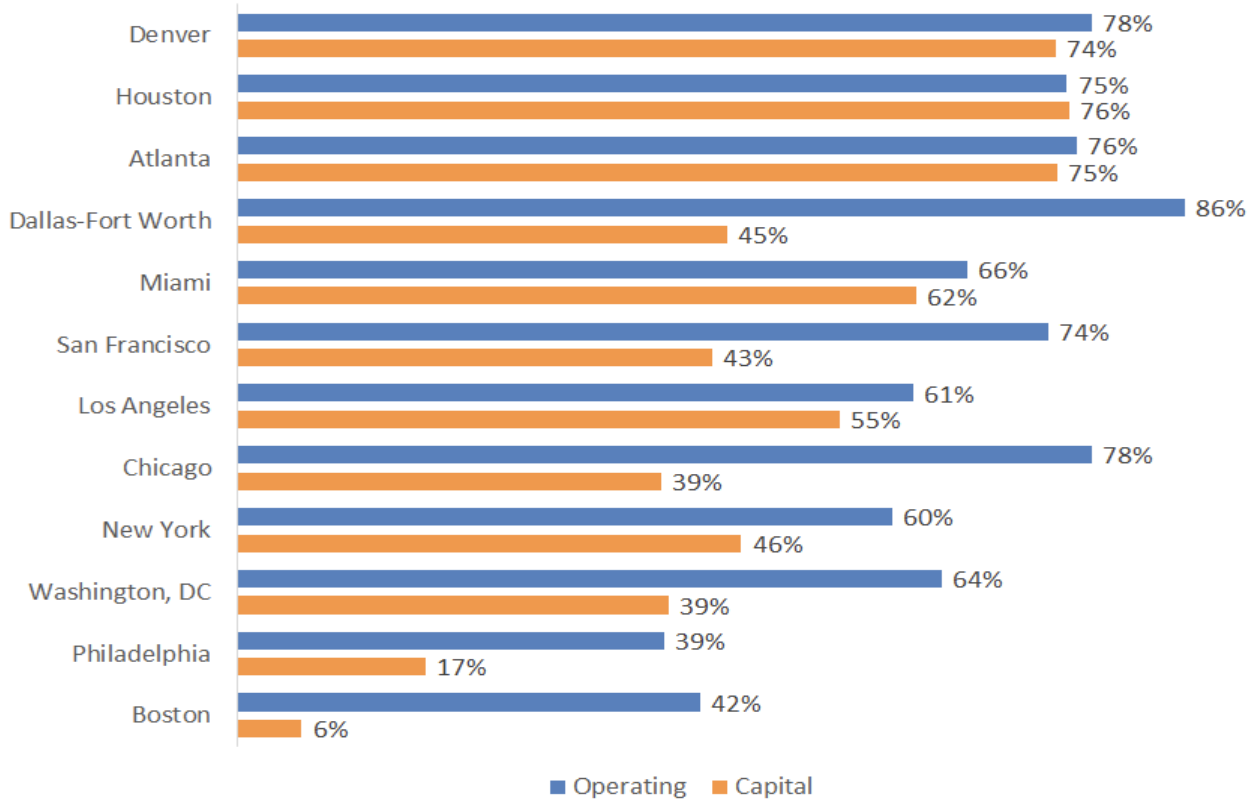
Local contributions account for just 2 percent of reasonably anticipated revenues in the *Update: Connections 2050* financial plan. In most cases, these funds are used solely to meet the required match ratios for federal or state funding programs. The long-range financial forecast assumes that local match contributions will grow in proportion to state and federal allocations to preserve the required match ratios.

Local roadway funds in Pennsylvania include funding from counties, municipalities, or other non-federal sources used to match state or federal roadway investments. Local transit funds in Pennsylvania are contributed by counties or municipalities, and are also used to match federal and state transit allocations. In New Jersey, NJDOT typically uses toll credits to meet federal local match requirements, which reduces the need for direct financial contributions from municipalities or counties.

According to the National Transit Database (NTD), the Philadelphia region has among the lowest levels of local financial support for both capital and operating transit budgets compared to peer regions (see Figure E-2). Among 12 large peer metropolitan areas, Philadelphia ranks second lowest in local capital contributions (17 percent of the total capital budget) and lowest in operating support (39 percent). These figures reflect a broader structural gap in local fiscal authority, rather than a lack of need or demand for local investment.

Some revenues categorized as "local" in the NTD—such as Pennsylvania Turnpike lease funds—are treated as state funding in the Plan. Similarly, some agencies included in the NTD (for example, many private paratransit services in the region, such as Senior Citizens United Community Services) fall outside the financial scope of *Update: Connections 2050* but contribute to the region's overall NTD metrics.

Figure E-2: Percent of Transit Capital and Operating Funding from Local Sources (2015–2024)



Source: Federal Transit Administration, National Transit Database, 2015–2024.

The region currently lacks a detailed plan for generating local funding for major capital initiatives. For example, most projects receiving CIG New Starts funding in recent years have had local and state contributions covering more than 60 percent of total project costs. In Pennsylvania, the Transit Revitalization Investment District (TRID) mechanism offers a way to generate incremental revenue through value capture. However, TRIDs alone are unlikely to provide sufficient funds to support large-scale system expansion.

Current federal funding levels are insufficient to meet existing and projected capital needs, and this situation would worsen if federal transportation funding declines or becomes more competitive for allocations. Regions with robust local funding sources are better positioned to maintain their infrastructure and sustain economic growth. To improve financial readiness, there is a need for DVRPC and its partners to explore alternative financing mechanisms, such as the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program and other value capture strategies.

Additional Local Funding Options

Expanding local revenue authority is critical to delivering the region's long-term transportation vision. In addition to supporting multimodal investments and emerging technologies, flexible local funding would enable communities to meet their match obligations and build out strategic networks. However, concerns about long-term maintenance costs have also deterred communities from pursuing projects like sidewalks and bike facilities, creating barriers to achieving a truly multimodal system. To address these challenges, DVRPC and its planning partners have analyzed a broad range of potential local funding tools:

- Personal income tax—Levied on individual wages and salaries.
- Realty transfer tax—Assessed as a percentage of the sale price when property is transferred.
- Vehicle property tax—Applied as a percent of a vehicle's fair market value.
- Property tax surcharge—An additional tax on real property based on assessed value.
- Sales tax—A general consumption tax on goods and services.
- Sales tax on vehicles—A specific sales tax applied to motor vehicle purchases.
- Transportation Network Company (TNC) fee—A per-trip fee on app-based ride-hailing services.
- Local gasoline sales tax—A tax on fuel purchases based on a percentage of the total cost.
- Local services tax—A flat-rate tax on individuals employed within a municipality or school district; limited to $52 annually and exempt for incomes under $12,000.
- Cigarette tax—An excise tax embedded in the retail price of tobacco products.
- Vehicle registration fee—Charged when registering a vehicle, typically biennially.
- Malt beverage tax—Levied on beer and similar alcohol products.
- Liquor tax—Applied to the sale of wine and spirits.

- Hotel occupancy tax—Charged as a percentage of the cost of short-term lodging.

These funding tools offer varying degrees of political viability, revenue potential, and administrative complexity. Ultimately, implementing one or more of these mechanisms will likely require state legislative authorization, particularly in Pennsylvania.

Over the past several legislative sessions, various bills have enabled certain counties—including Bucks, Chester, Delaware, Montgomery, and Philadelphia—to generate local transportation revenues through a set of new taxation options. If enacted, the bill would allow these counties to implement one or more of the following:

- A surcharge on liquor and malt beverage taxes
- An excise tax on rental vehicles
- A surtax on the state earned income tax
- A vehicle property tax
- A sales and use tax surtax
- A real estate transfer tax
- A local services tax for employees earning more than $12,000 annually
- Increase the annual vehicle registration fee

Revenues generated through these measures could be used to:

- Match federal and state transportation funds
- Support local transit agency operations, maintenance, or debt service
- Fund specific public transportation projects
- Enter into long-term agreements to support local transportation services

These legislative efforts reflect a growing recognition that regional mobility depends on flexible, reliable, and diverse funding strategies, especially to maintain existing services and advance capital projects.

Other regions have implemented:

- Congestion pricing—A system that charges drivers a fee to enter or drive within high-traffic areas during peak times to reduce congestion and fund transportation improvements. Most recently, New York City's congestion pricing plan would charge most drivers a toll to enter Manhattan below 60th Street in its Central Business District. Despite early success, the program faces ongoing legal and political challenges.
- Parking pricing—The practice of charging fees for parking spaces to manage demand, reduce congestion, and encourage alternative transportation.
- Tolling of existing highways—Involves charging drivers a fee to use roadways that were previously free, to manage traffic, and generate funding for transportation infrastructure.

Other Funding

In addition to federal, state, and local sources, several partner transportation authorities in the Greater Philadelphia region generate their own revenues, most notably through toll collections. These self-sustaining authorities typically cover both capital and operating expenses using toll proceeds and are

not included in DVRPC's long-range financial forecasts. However, when these authorities use federal funds in conjunction with their own revenue on specific capital projects, DVRPC tracks both federal and non-federal expenditures. The federal portion is then included in regional revenue and expenditure totals.

Other roadway funding designations in Pennsylvania that fall outside standard categories include:

•OTHER—Miscellaneous or non-traditional sources not otherwise categorized.

•Other State (OTH-S)—State funds that are not derived from highway user fees or dedicated transportation revenues.

•Toll Credit Match (TOLL)—Toll revenue credits that may be used to satisfy federal matching requirements, allowing states to leverage federal funds without contributing cash.

•Turnpike Funds (TPK)—Revenues provided by the Pennsylvania Turnpike Commission, typically used for capital projects on or near the toll network.

Other roadway funding designations in New Jersey that fall outside standard categories include:

- OTHER—Miscellaneous or non-traditional sources not otherwise categorized.
- State Bond Funds (SBF) — Funds generated from state-issued bonds specifically earmarked for transportation projects.
- Toll Revenue Credits (TRC) — Credits derived from toll collections that can be used to satisfy federal match requirements, analogous to Pennsylvania's "TOLL."
- Turnpike Authority Funds (NJTA) — Revenues provided by the New Jersey Turnpike Authority, typically applied to projects on or adjacent to the toll network.
- Federal Demonstration or Special Programs (FED-SP) — Non-standard federal grants or pilot programs that don't fall under regular formula funding.

Additional transit funding sources in Pennsylvania include:

- OTH—Other non-federal, non-state sources, such as institutional partnerships or special allocations.
- TOLL—Toll credit match used in place of local cash for federal match requirements.

  TPK—Turnpike Commission contributions used to support transit access or improvements in coordination with highway investments.

Beyond toll authorities, there are several alternative financing mechanisms available to public agencies seeking to manage large or variable capital costs. While not always included in long-range forecasts due to uncertainty or project-specific applicability, these tools can play a key role in advancing major infrastructure initiatives. They include:

- Municipal bonds—Issued by local or regional transportation agencies to finance capital improvements, often backed by dedicated revenue streams or general obligation pledges.
- Public-private partnerships (P3s)—Contractual arrangements in which private sector partners help finance, design, construct, operate, or maintain infrastructure in exchange for future revenue or availability payments.

- TIFIA (Transportation Infrastructure Finance and Innovation Act)—A federal credit program that provides low-interest loans, loan guarantees, and lines of credit to transportation projects with dedicated revenue sources.
- EB-5 immigrant investor visa program—Allows foreign nationals to invest in U.S. infrastructure and economic development projects in exchange for eligibility to apply for a green card.
- State infrastructure banks—Revolving funds operated by state DOTs that offer loans or credit assistance for eligible surface transportation projects.

These tools are typically considered when a specific project has a unique financing need, rather than being assumed as general-purpose funding across the plan. When incorporated, they are usually tied to toll-backed revenue streams, lease agreements, or local value-capture strategies.

These funding strategies supplement—but do not replace—core sources of federal and state aid. As the region's infrastructure needs evolve, particularly with respect to resilience, access, and technology integration, creative financing approaches may become increasingly important to advancing major transportation initiatives.