

Transit Operations Funding Shortfall: California Overview

Transit agencies across California are at risk of drastic service cuts due to budget shortfalls, or fiscal cliffs, numbering in the tens to hundreds of millions of dollars in the coming months and years. For some agencies, these shortfall-induced service cuts are an existential threat that could send them into a death spiral. The funding shortfall is driven by three main factors:

- 1) Ridership trends throughout the state have not recovered to pre-pandemic levels due in part to changed commute patterns and the increased prevalence of remote work.
- 2) Operating costs are rising due to inflation.
- 3) Federal emergency relief funds - provided during the pandemic to sustain transit agencies, are set to run out. For some agencies, they are set to be exhausted in the coming fiscal year.

In the absence of new state funding to address these shortfalls, many agencies will soon be forced to consider major service cuts. These cuts, if approved, would result in further ridership and revenue losses (as transit service becomes less frequent, and thus, less attractive) which would necessitate still further service cuts. This phenomenon is referred to as a **transit death spiral**. In the Bay Area, agencies such as BART could be forced to cut multiple lines of service as early as 2025.¹

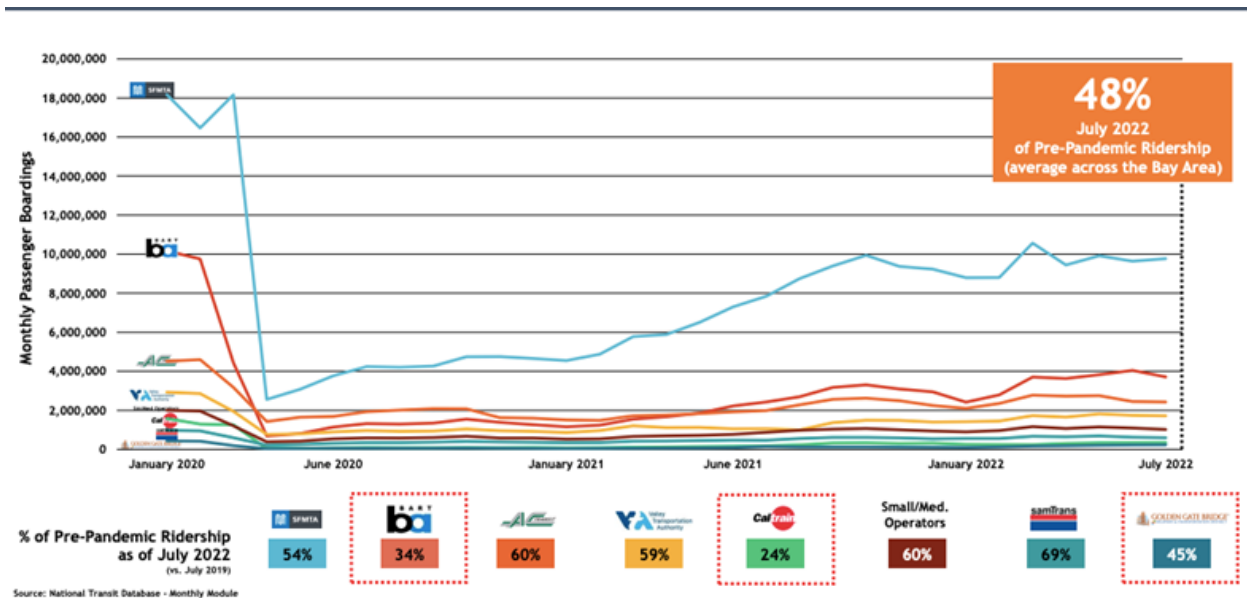
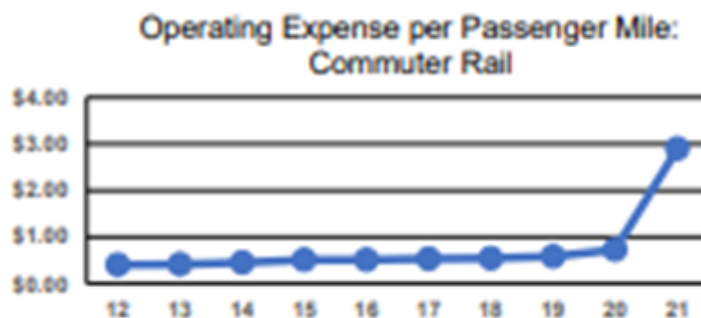


Figure 1 Monthly passenger boardings by Bay Area transit agency as of October 2022²

¹<https://www.masstransitmag.com/management/news/21288944/ca-bay-area-transit-agencies-are-projecting-doomsday-scenarios-how-likely-are-cuts-for-bart-muni>

²<https://www.seamlessbayarea.org/blog/2022/10/11/this-week-mtc-and-bart-start-planning-to-address-transit-fiscal-cliff>

Some Southern California transit agencies also have relatively high farebox recovery ratios. Due to declining ridership and fare revenues, Metrolink's farebox recovery ratio declined significantly between the 2019-20 and 2020-21 fiscal years.³ Thus, the agency's operating expense per passenger has spiked.



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Agencies that had lower farebox recovery ratios (the share of expenses covered by fares) currently face a less severe budget deficit but all agencies statewide are affected by the ridership downturn resulting from the Pandemic. One example is the Los Angeles Metro. While their farebox is only 15 percent, fares are still a source of hundreds of millions of dollars per year in fare revenues, so their current recovery of about 70 percent of pre-COVID ridership still presents a major structural fiscal threat.⁵

Failing to provide public transit agencies with operating funding could result in some agencies falling off of the fiscal cliff into a transit death spiral that results in less mobility for Californians and more driving, congestion, and greenhouse gas emissions. Near-term operations funding provided by the state can help provide agencies the time to identify long-term, sustainable funding and operational models that will improve transit service and protect against death spirals in the future.

Public transit is an essential service that connects Californians with jobs, housing, services, recreation, and other transportation needs. It is a crucial lifeline for those who cannot afford a car and those seeking to opt out of traffic congestion. Operating throughout the pandemic, public transit continued uninterrupted for essential workers. The state's investments in public transit have replaced vehicle trips, reducing vehicle miles traveled and greenhouse gas emissions, helping combat the climate crisis. As an integral part of the state's transportation network, a public transit system that is well-funded in the short-, medium-, and long-term is crucial for fostering the state's economic vitality and meeting our ambitious climate and congestion management goals.

³ <https://metrolinktrains.com/globalassets/about/financial-reports/fy21-budget-book--01.19.21.pdf>

⁴ https://www.transit.dot.gov/sites/fta.dot.gov/files/transit_agency_profile_doc/2021/90151.pdf

⁵ https://www.transit.dot.gov/sites/fta.dot.gov/files/transit_agency_profile_doc/2021/90151.pdf