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How Are California’s Public Transit Operators Faring Fiscally Coming Out of the Pandemic?

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Issue

Initially, the COVID-19 pandemic threatened to inflict severe and lasting damage to public transit systems in California. Some experts feared that agencies would lay off workers; shutter lines for months, if not permanently; strand essential workers who depend on transit; and even go bankrupt. However, thanks to federal financial relief from three stimulus bills and stronger-than-expected bounce-back of tax revenues from state and local sources, transit agencies in 2022 have avoided that abyss — but still face an uncertain financial future. Meanwhile, operational challenges and, increasingly, workforce issues have hampered returns to regular service, potentially affecting transit budgets.

To explore the financial effects of the pandemic on California transit and agencies’ responses to it, we conducted a detailed survey of transit agency staff in late fall 2021 and early winter 2022. We received responses from 44 agencies, though not all agencies responded to all questions. We included a number

of questions previously asked of California transit agencies in early fall 2020 in Speroni, Taylor, and Hwang (forthcoming), in order to compare two very different points in the pandemic.

Research Findings

- Three-quarters of respondents reported that their agency received more federal subsidies during the pandemic than the year before. As the substantial economic recovery boosted other revenue sources like sales taxes, many of those surveyed reported being able to stretch their federal relief funds for another fiscal year (34%) or longer (20%).
- Looking ahead, however, 72% of our respondents said that they expect financial shortfalls once their federal pandemic relief funding has been spent (See Figure 1).
- Amid public health concerns and as ridership — and thus fare payments — fell dramatically at the start of the pandemic, 48% of surveyed agencies suspended fares and

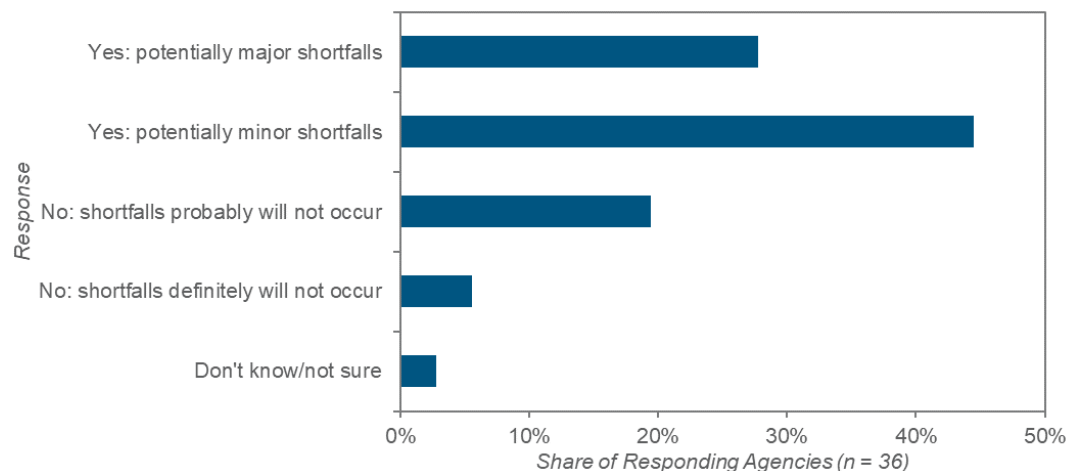


Figure 1. “Do You Anticipate Financial Shortfalls at Your Agency once Federal Pandemic Relief Funding Expires?” (Winter 2021/2022)

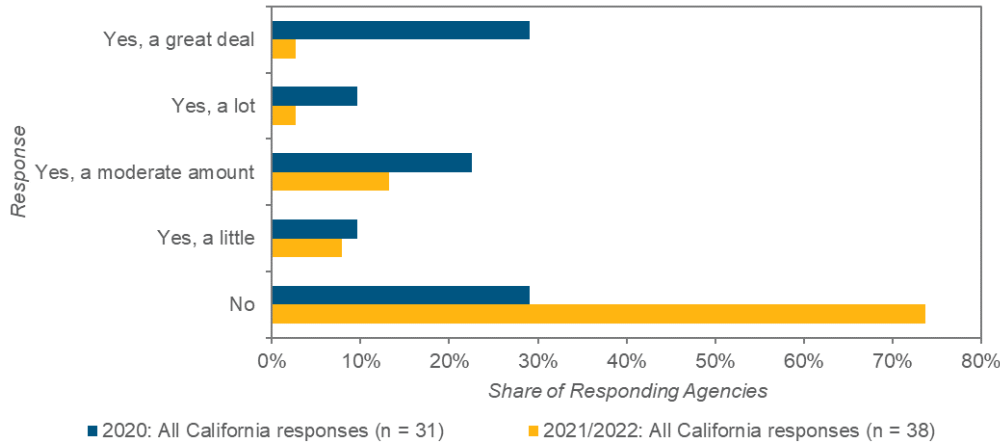


Figure 2. “Are Financial Shortfalls Affecting Your Current Service?”

23% stopped fare enforcement for at least some period. However, most of these fare suspensions have now ended. After this unplanned experiment in fareless transit, most surveyed agencies are not considering continuing or restoring blanket fare-free policies.

- Only 26% of respondents reported that fiscal shortfalls were affecting current service in winter 2021/2022, compared to 71% in fall 2020 (See Figure 2).
- While some respondents reported disruptions to capital planning early on, this effect has largely dissipated.
- Most surveyed agencies reported having issues filling open positions, including bus and train operators and mechanics: 63% reported having great difficulty and 24% reported some difficulty.

Conclusion

- Most California transit agencies financially weathered the first two years of the pandemic, thanks in large part to the three federal pandemic relief bills.
- The federal stimulus may have provided a bridge to keep agencies from falling off a fiscal cliff, but the longer-

term financial picture varies substantially across transit systems. Agencies and policymakers at many California transit agencies will need to prepare for future budget shortfalls and plan their future service accordingly.

- While finances generally are not hampering service, operations, and capital projects in early 2022, labor issues are. Two years of often difficult working conditions, broader economic trends, and competition from other industries are each pushing and pulling workers elsewhere.
- Overall, California’s public transit systems are, for the most part, on relatively solid fiscal ground presently, but the future is far from secure.

More Information

This policy brief is drawn from the “Surveying the Financial Conditions of California’s Public Transit Operators: An Early to Mid-pandemic Comparison” research report by the UCLA Institute of Transportation Studies. The full report can be found at <https://www.its.ucla.edu/publication/surveying-the-financial-conditions-of-californias-public-transit-operators-an-early-to-mid-pandemic-comparison/>.

Further Sources: Speroni, S., Taylor, B., and Hwang, Y. (forthcoming). Pandemic Transit: A National Look at the Shock, Adaptation, and Prospects for Recovery. In A. Loukaitou-Sideris, A. Bayen, G. Circella, and R. Jayakrishnan (Eds.), *Pandemic in the Metropolis: Transportation Impacts and Recovery*. Springer. https://doi.org/10.1007/978-3-031-00148-2_17.

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