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The Fiscal Effects of COVID-19 on Public Transit in Southern California

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POLICY BRIEF

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The Fiscal Effects of COVID-19 on Public Transit in Southern California

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Issue

The global COVID-19 pandemic severely affected public transit systems worldwide, with many U.S. transit systems losing between 50% and more than 90% of their riders in the early phases. The subsequent collapse in fare revenues coupled with the economic slowdown that initially reduced tax revenues available to subsidize transit services left agencies in Southern California struggling to maintain operations, as projections developed in the early months of the pandemic predicted dramatic declines in key revenue sources for transportation. Two years into the pandemic, the recovery of transit ridership remains slow and uneven.

Despite all of this, the financial situation of transit in Southern California represents a positive story during a dark time. To avert the financial collapse of public transit systems, Congress passed — and two presidents signed — not just one but three major federal financial relief packages that rescued public transit in Southern California. At the same time, while slow-to-return riders promise to keep fare revenues down for at least the medium term, the global and California economies bounced back quickly after the initial pandemic-induced collapse, which has caused most local, regional, and state subsidy sources that finance transit in Southern California to bounce back as well. These and other funding sources helped Southern California transit systems weather the initial fiscal storm caused by the pandemic. The principal dilemma facing the region's transit operators in 2022 is not a depressed economy, but an overheated one plagued by labor shortages, supply-chain bottlenecks, and inflation.

Key Research Findings

- Early in the pandemic, the financial situation for Southern California transit appeared dire. Ridership fell 69% in three months, and most agencies suspended fare collection. Between fiscal years 2019 and 2020, subsidies per rider rose 27%, and the cost of an hour of service increased 8%.

- During the pandemic, the federal government stepped in to fund transit operations at an unprecedented scale. The three stimulus bills — the CARES Act in March 2020, CRRSA Act in December 2020, and ARP Act in March 2021 — collectively provided Southern California transit operators $4.4 billion, 1.3 times more than an ordinary year's worth of operating funds. This funding plugged tax and fare losses, though distribution across operators was uneven (Table 1).

- Local option sales tax revenues that support transit in every Southern California county but Ventura remained healthy, after a deep — albeit brief — drop at the start of the pandemic.

- While transit systems reduced service during the pandemic, they made cuts more in response to falling demand, limited driver availability, and *anticipated*

County	Total Transit Stimulus Funding	2020 Population	Transit Stimulus Funds per Person	Report Year 2018 Operating Costs	Percent of Pre-pandemic Operating Costs Covered by Stimulus Funding	Transit Operators Receiving Stimulus Funding
Los Angeles	$3,166 mil.	10.0 mil.	$315	$2,491 mil.	127%	59
Orange	$394 mil.	3.2 mil.	$124	$291 mil.	136%	3
Riverside	$177 mil.	2.4 mil.	$72	$116 mil.	153%	6
San Bernardino	$186 mil.	2.2 mil.	$85	$119 mil.	156%	6
Ventura	$85 mil.	0.8 mil.	$100	$51 mil.	166%	8
Multi-county operators, small paratransit operators, and special projects	$380 mil.	N/A	N/A	N/A	N/A	19
Total	**$4,389 mil.**	**18.6 mil.**	**$214**	**N/A**	**N/A**	**101**

Table 1: Allocated Federal COVID-19 Stimulus Funding by County

revenue losses than actual shortfalls. Most agencies reported having sufficient funding throughout the pandemic to avoid major layoffs, though some implemented furloughs, salary/hiring freezes, and other cost-cutting measures.

- Most agencies budgeted conservatively throughout the pandemic. Transit capital projects remained relatively unaffected.

Conclusions

- The COVID-19 pandemic exacerbated many of the downsides of front-line transit work, which has prompted occasionally crisis-level labor shortages in the industry. Systems have generally not yet reported rising labor costs, but the shortages have reduced transit service and slowed ridership recovery.

- Agencies have largely discontinued a major pandemic-induced policy change: fare-free transit. Agency staff and decision-makers are generally not considering permanent, universal fareless transit, though some systems are expanding targeted programs that offer reduced or free fares to groups like students and low-income riders.

- Southern California operators are beginning to grapple with the end of large-scale federal operating support (though the bipartisan infrastructure bill signed in November 2021 promises increased funding for capital improvements). Agencies in 2022 must plan for a future in which ridership remains stubbornly sluggish and most federal operating support has already been spent.

- The character of transit ridership may also change, which may depress fare revenues for the longer term. With the prospect of continued hybrid work and telework, transit is likely, in at least the near term, to become even more of a social service for low-income and other transit-dependent riders than it was before the pandemic. Transit agencies will need to adapt their service and financial strategies in response.

More Information

This policy brief is drawn from the "Transit(ory) Finance: The Past, Present, and Future Fiscal Effects of COVID-19 on Public Transit in Southern California" research report by the UCLA Institute of Transportation Studies. The full report can be found at www.its.ucla.edu/project/transit-finance-and-the-pandemic/.

Table Data Sources:
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