California Transit Farebox Recovery Requirement Update

Latest changes in public transit revenue policies

VCTC

Presentation Context and Policy Overview

Farebox Recovery Ratio (FRR) Policy

- Farebox recovery links transit funding eligibility to financial performance, promoting cost control and accountability.

Impact of COVID-19

- Pandemic-era policy changes suspended FRR requirements and prompted policy reassessment.

Local Funding Challenges

- Ventura County's lack of a countywide transportation sales tax increases likelihood of not meeting FRR requirements.

Policy Relevance and Future

- Ongoing debates focus on sustainability, equity, and service quality.

DEFINITION AND CALCULATION OF FAREBOX RECOVERY

Farebox Recovery Ratio Definition

- The FRR measures the share of transit operating costs covered by passenger revenue.

Calculation Method

- It is calculated by dividing total fare revenue by total operating expenses, expressed as a percentage.

Factors Affecting Ratio

- Expanded revenue sources like local taxes can be considered fares for the purpose of the calculation.

Significance and Limitations

- Farebox recovery guides funding eligibility but is not a full measure of financial health or public benefit.

OVERVIEW OF FRR REQUIREMENTS AND IMPACTS

Farebox Recovery Ratio Requirements

- Urban transit operators must meet a 20% minimum farebox recovery ratio, rural operators 10%, to qualify for TDA funds.

Funding Implications

- Agencies failing to meet ratios risk funding cuts equal to their revenue shortfall unless exempted or waived.

Policy and Impact

- The statute promotes cost efficiency and accountability but the FRR can have unintended consequences.

Legislative Nature

- Changes to farebox recovery requirements require legislative action, making it a key budget negotiation topic.

IMPACTS AND LIMITATIONS OF THE FAREBOX RECOVERY MODEL

VCTC

INTENDED POLICY GOALS AND PRACTICAL OUTCOMES

Policy Objectives

- Farebox recovery aimed to promote efficiency, local financial support, and consistent performance benchmarks for transit agencies.

Operational Impacts

- Agencies often prioritize high-ridership and peak commuter routes to improve farebox recovery, affecting service coverage.

Broader Mobility Challenges

- Farebox recovery metrics may conflict with mobility, equity, and climate goals by neglecting wider public service benefits.

Measurement Limitations

- Farebox recovery can misrepresent success, favoring commuter markets over social service and rural transit needs.

UNINTENDED CONSEQUENCES OF PENALTIES

- Prior to the pandemic, penalties including loss of funding had been levied on a transit agency in Ventura County, with many others at risk.
- Loss of funding means less funding to provide current service, often leading to service reductions, fare increases or both.
- Higher fares and service cuts deter riders, further reducing ridership and worsening financial performance in a repeating cycle.
- Essential workers, seniors, students, and low-income residents are most affected by fare hikes and service reductions.

Pandemic Impacts and Temporary Policy Relief

PANDEMIC EFFECT

Decline in Ridership

The pandemic led to a sharp decline in transit ridership and many agencies suspended collecting fares due to health concerns. Ridership remains below pandemic levels.

Cost, Revenue Losses

Fare revenue dropped dramatically while operating costs remained mostly fixed or declined at a much lower rate.

Strict farebox enforcement would have exacerbated the situation.

Transit costs continue to increase significantly.

Planning Uncertainty

Suspension creates uncertainty for long-term planning as agencies prepare for possible enforcement or metric restructuring.

STATE EFFORTS AND CURRENT STATUS

Temporary Relief Measures

California suspended financial penalties and introduced hold-harmless provisions to protect transit funding during the pandemic.

Legislative Extensions

Senate Bills 125 and 169 extended relief measures recognizing prolonged ridership recovery needs through FY 2025-26.

A trailer bill that will extend relief through FY 2026-27 has been approved by the legislature and is waiting on signature by the governor.

Flexibility in Fund Usage

Flexibility was allowed in using State of Good Repair funds for operations to maintain transit stability statewide.

Need for Policy Engagement

Active engagement in policy discussions is essential for managing funding risks and adapting to state decisions.

Legislators recognized that traditional performance rules are unsuitable for pandemic conditions and prioritized transit stability.

EFFORTS TO RETHINK TRANSIT METRICS

Transit Transformation Task Force

Reviewed funding, governance, and metrics to modernize transit policies and the final report included recommendations for TDA reform and development of alternative performance measures.

California Transit Association

CTA has been advocating for FRR reform. VCTC and staff from Ventura County transit agencies sit on multiple CTA committees and have supported this.

Shifting Performance Metrics

Focus is moving from farebox recovery to metrics like ridership growth, service quality, and rider experience.

Farebox Recovery Challenges

Ventura County is more susceptible to FRR penalties due to lack of local transportation sales tax to supplement revenues that counties with sales taxes rely on to avoid penalties.

Questions?