



**AMERICAN  
PUBLIC  
TRANSPORTATION  
ASSOCIATION**

# **Challenge of State and Local Funding Constraints on Transit Systems: Effects on Service, Fares, Employment and Ridership**

## **Survey Results**

**June 2009**

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# **Challenge of State and Local Funding Constraints on Transit Systems: Effects on Service, Fares, Employment and Ridership**

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## **Executive Summary and Key Findings**

Public transportation systems across the United States have faced a challenging year. Transit systems have been forced to cut service, raise fares, layoff employees and sometimes do all of these, despite continued demand for service. In the summer of 2008, budgets of public transit systems across the country were affected as rapid increases in fuel prices resulted in increased demand for service and increased operating costs. More recently, as the financial collapse has affected economic conditions across the country, public transit systems have been confronted by budgetary pressures, made even more acute by declining revenue from local, regional and state sources.

This report is intended to provide a national perspective on the extent to which systems are facing declining revenues and the effect these changes in revenue are having on system operations. This report is based on a survey of APTA transit agency members conducted in May of 2009 and focuses on actions taken within the past year. The survey found the following:

- The impacts of revenue decline are widespread, with more than 80 percent of public transit systems reporting flat or decreased local and/or regional funding. Revenue declines average more than 12% among agencies with a decrease in regional or local funding.
- More than 80% of transit systems have seen flat or decreased funding from state sources. Among those systems facing a decrease, the average decline was more than 20% with several reporting the elimination of all state funding.
- Among transit systems facing decreased local, regional and/or state funding, nearly nine in ten (89%) had to raise fares or cut service; three in four (74%) have raised fares, more than 60 percent have cut service. Almost half (47 percent) have both raised fares and cut service.
- Among those public transit systems reducing service, nearly two-thirds (65 %) have eliminated or reduced off-peak service and nearly half (48%) have reduced the geographic coverage of public transit service.
- More than 60 percent of participating agencies reported higher ridership in the first quarter of 2009 over the same period last year despite declining economic conditions, lower fuel prices, and in some cases higher fares and decreased service. One-half of the systems participating in the survey have been forced to eliminate staff positions to address budget shortfalls with several systems individually reporting reductions of more than 400 staff positions.

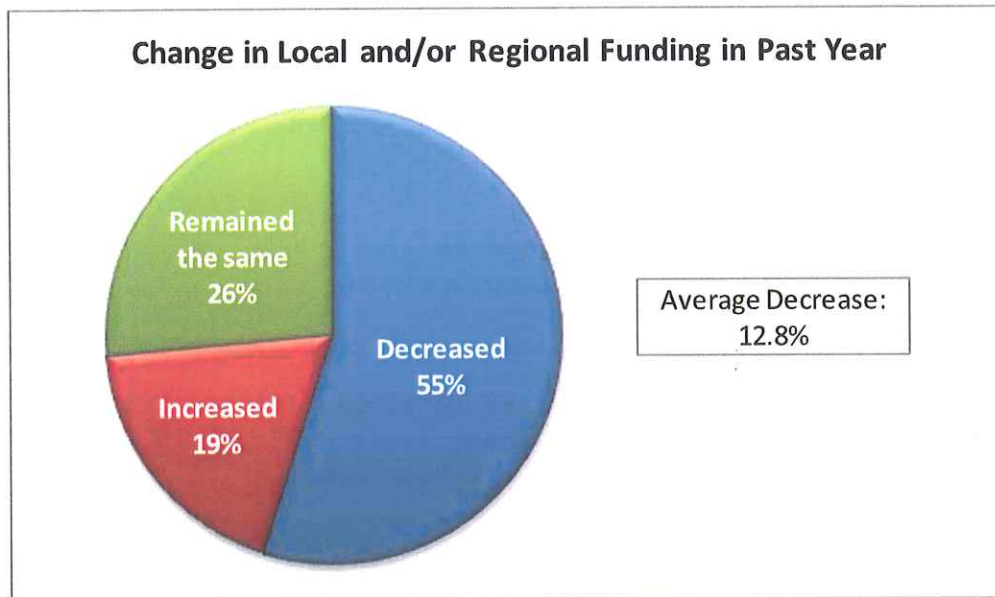
- As agencies continue to face budget constraints, additional actions are under consideration with two-thirds of transit agencies considering service cuts, and one-half considering fare increases, some for the second time.

## Introduction

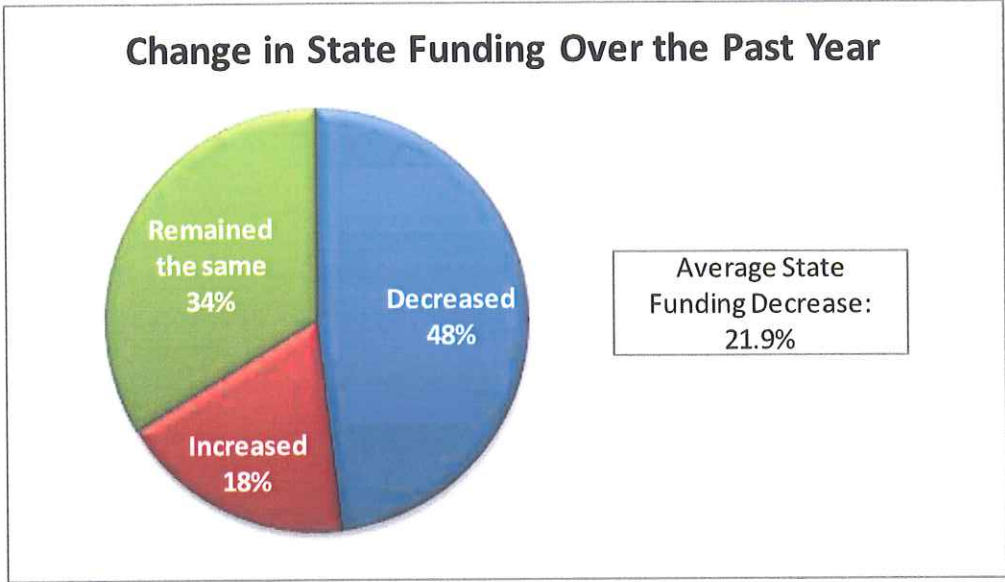
In May of 2009 APTA conducted a survey of its public transit system members to provide a national perspective on the extent to which systems are facing declining revenues due to the recent economic downturn and the effect on system operations and ridership. A total of 98 agencies responded to the survey, representing more than one-half of the nation's transit riders and including 10 of the top 15 agencies in terms of annual ridership.

## Economic Downturn Results in Decline in Local, Regional and State Funding

The results of the survey confirm that the effect of the economic downturn has been widespread, touching the majority of transit systems. Financing approaches vary among transit systems, but general declines in real estate transactions, property tax collections and sales tax revenue are likely contributors to flat and declining revenue sources. Overall, more than 80 percent of agencies reported flat or decreased local or regional funding. Revenue declines average more than 12 percent among agencies with a decrease in regional or local funding.

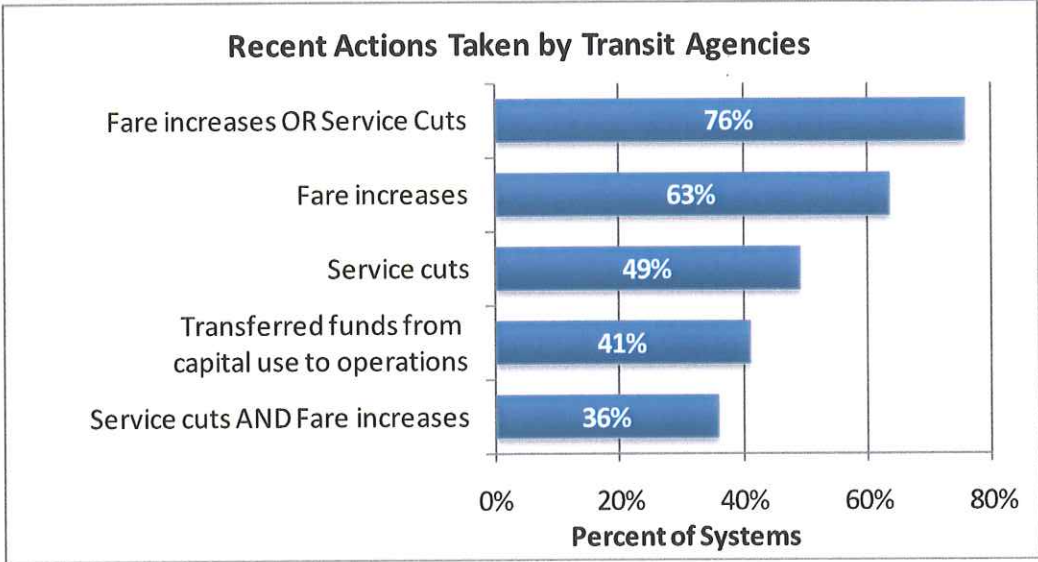


State funding sources have proved no more stable. Among those systems which receive state financial assistance, more than 80 percent report flat or decreasing funding from the state. Among the more than half of systems facing a decrease in state funding, the average decline of state funding was more than 20%. In some states these cuts are quite substantial. For example, all transit agencies in California are facing the complete elimination of state funding.



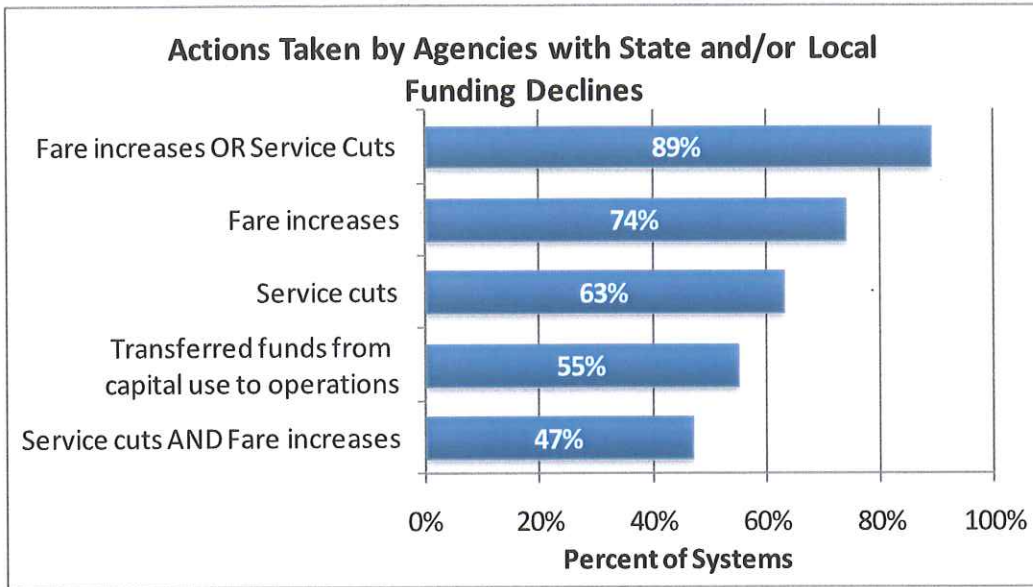
### Transit Systems Forced to Raise Fares, Cut Service and Defer Capital Investment

In response to the recent economic downturn, transit agencies have been forced to take actions to reduce costs. Of all transit systems surveyed, these actions have been widespread with more than 60 percent reporting that they have raised fares, with an increase averaging more than 20 percent. Almost half of systems report that they have cut service.

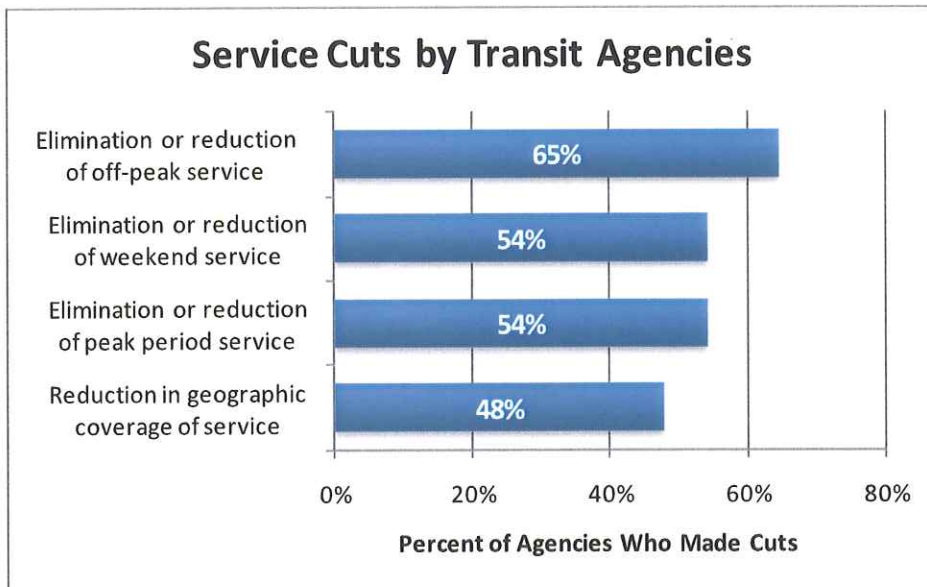


While service cuts and fare increases are widespread, they are most drastic among the systems facing declines in local, regional and/or state revenues. Among these systems facing state and local declines, nearly three in four have raised fares, more than 60% have cut service, and nearly nine in ten have taken at least one of these actions. Almost half of these transit systems have made the difficult decision to both

raise fares and cut service. Just as significant, more than half have shifted capital funds into operations, with potential negative long-term impacts on system condition and reliability.



Among those transit systems that have been forced to cut service, these cuts have been made on many fronts. Nearly two-thirds have reduced or eliminated off-peak service, while more than half have eliminated or reduced peak period or weekend service. Almost one-half of systems which have reduced service have decreased the geographic coverage of service, meaning some citizens and employees no longer have any access to public transportation.

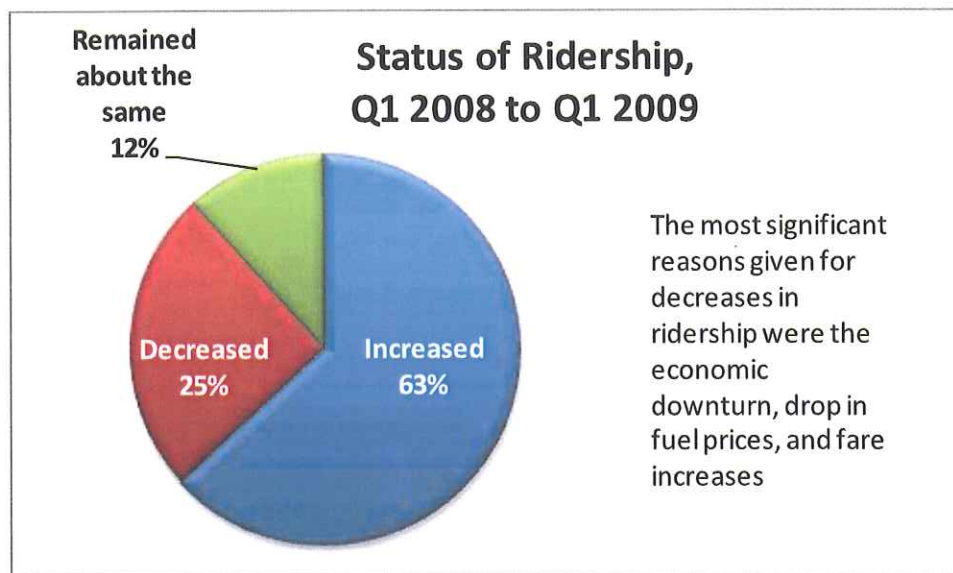


## Public Transit Systems Forced to Eliminate Positions

While the nation's public transportation systems were fortunate to receive funding through the American Recovery and Reinvestment Act (ARRA), funding for ARRA has been limited to capital expenditures. Transit system operations are funded primarily through state, local and regional sources in addition to transit fares. As a result of declining local, regional and state revenue, many agencies, while still benefiting from additional capital resources, are facing significant challenges with their operating budgets. One-half of the systems participating in the survey have indicated that they have been forced to eliminate staff positions to address budget shortfalls. Systems report a wide range in the number of staff positions eliminated, with several individually reporting the elimination of 400 or more. Other actions taken to alleviate budget constraints have included salary freezes, hiring freezes, and cuts in staff benefits..

## Despite Economic Conditions, Demand for Public Transportation Remains Strong

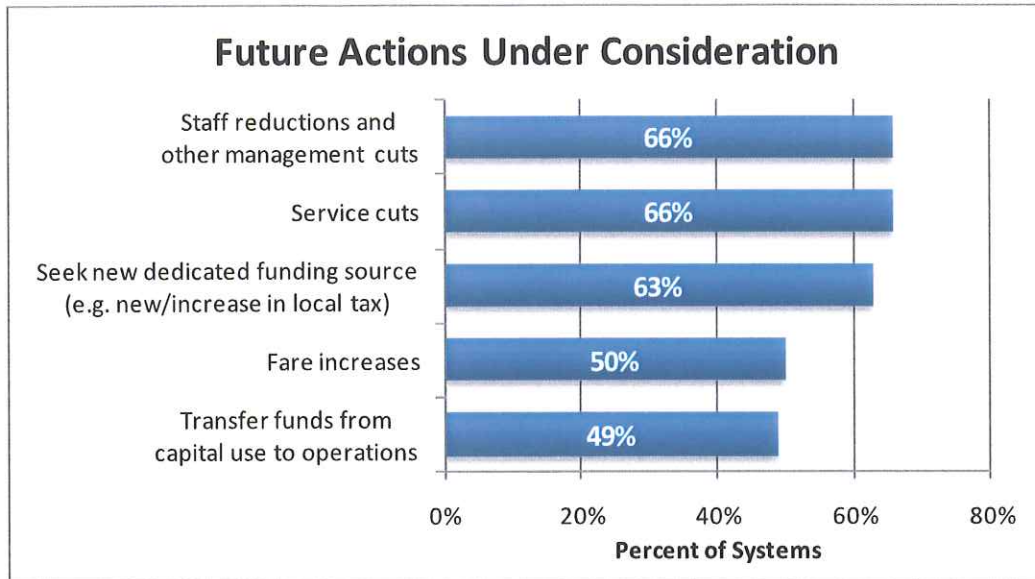
Although declining economic conditions, lower fuel prices, higher fares, and decreased services might suggest that ridership would decline, more than 60 percent of participating systems reported higher ridership in the first quarter of 2009 over the same period last year.



## Public Transit Systems Considering Further Actions to Address Budget Shortfalls

While many systems report having to make difficult decisions to address current shortfalls, still additional actions are under consideration as systems continue to face declining revenue. Two-thirds of systems are considering service cuts, in some cases for a second time. Despite the high proportion of systems that

have already raised fares, still one-half are considering increases. Other actions under consideration include reductions in staff, seeking new revenue sources and the transfer of funds from capital to operations.



## Conclusion

The results of this survey clearly show public transit systems across the country are severely challenged in their ability to meet the continued demand for service. Declining revenue from local, regional and state sources have forced many systems to increase fares, cut service or both. Even since the completion of this survey, indications are that transit agencies will face even more serious challenges ahead, with states considering or acting to eliminate all funding and sales tax revenue projections showing continued declines. While public transit systems have benefitted from capital investment through ARRA, they still face major challenges in funding operations through this economic crisis with many agencies being forced to eliminate positions.

Despite all of these challenges the majority of public transit systems still report increases in transit ridership, showing the continued demand for service in these challenging economic times. Public transportation systems are seeking help to enable them to meet the public's growing demand for public transportation services.