The Fiscal Cliff
Navigating the US Transit Operating Budget Crisis
Peer Transit Agencies Show Similar Ridership Trends

Ridership data through Spring 2023 for peer agencies

LONG ROAD TO RECOVERY:
American Public Transit Ridership at 70% of Pre-Pandemic Levels

SOURCE: American Public Transportation Association | NFTA | LTA | GARTA | NMTA | GBRT | OpenData
Data Indexed to June 2019
Post-Pandemic Ridership Patterns Begin to Solidify

- Ridership and fare revenue recovery has leveled off, peaking at 72% of pre-pandemic levels for ridership and 62% for fare revenue.
- FY24 Q1 fare revenue averages 58%, resulting in an annual loss of $292M compared to pre-pandemic revenue if current trend continues.
- Updated ridership and fare revenue projections have been generated to reflect actual trends.
<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Federal Government</th>
<th>State Governments</th>
<th>Local Governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>21.4%</td>
<td>28.9%</td>
<td>49.7%</td>
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<tr>
<td>1976</td>
<td>25.7%</td>
<td>22.3%</td>
<td>52.0%</td>
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<tr>
<td>1977</td>
<td>30.7%</td>
<td>25.1%</td>
<td>44.2%</td>
</tr>
<tr>
<td>1978</td>
<td>30.9%</td>
<td>25.3%</td>
<td>43.8%</td>
</tr>
<tr>
<td>1979</td>
<td>30.4%</td>
<td>21.4%</td>
<td>48.1%</td>
</tr>
<tr>
<td>1980</td>
<td>30.2%</td>
<td>22.7%</td>
<td>47.1%</td>
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Peer Transit Agencies Projected Deficits

- Peer transit agencies with significant legislative support, such as MTA, have leveraged new revenue sources such as payroll mobility taxes, fare increases, and gaming license revenue to create future year surpluses for investments in safety & service.
- Agencies without legislative support, such as WMATA, are proposing up to 60% service cuts to balance their FY25 budgets.
- The MBTA’s FY25 Operating Budget is currently in development, and one-time revenues are not enough to support ambitious safety & service investments.

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<thead>
<tr>
<th></th>
<th>WMATA</th>
<th>NY MTA</th>
<th>BART</th>
<th>CTA</th>
<th>La Metro</th>
<th>MBTA</th>
<th>NJ Transit</th>
<th>SEPTA</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>0%</td>
<td>37%</td>
<td>35%</td>
<td>57%</td>
<td>80%</td>
<td>59%</td>
<td>26%</td>
<td>44%</td>
<td>42%</td>
</tr>
<tr>
<td>State/Local Subsidies</td>
<td>53%</td>
<td>6%</td>
<td>3%</td>
<td>1%</td>
<td>14%</td>
<td>20%</td>
<td>4%</td>
<td>10%</td>
<td>14%</td>
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Anticipated Deficit When Federal COVID Deficit is Exhausted ($ in M)

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<tbody>
<tr>
<td>FY2025</td>
<td>-$750</td>
<td>+$1,600</td>
<td>+$100</td>
<td>-$400</td>
<td>-$182</td>
<td>-$100</td>
<td>-$300*</td>
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</tr>
<tr>
<td>FY2026</td>
<td>-$830</td>
<td>+$2,000</td>
<td>-$300</td>
<td>-$700</td>
<td>-$1,000</td>
<td>-$620</td>
<td>-$900</td>
<td>-$60</td>
<td>-$627*</td>
</tr>
</tbody>
</table>

From WMATA Future Financial Planning FY2025-2035 presentation June 22, 2023. SEPTA Federal Relief depleted in FY2024. SEPTA uses Stabilization Fund for FY2025 and FY2026. CTA amount for entire Chicago -RTA region. MBTA Deficits Updated with January 2024 Pro Forma Projection (Outcome C). Based on publicly available sources as Month/Year.

*MTA outlier surplus values excluded from deficits in the ‘Average’ column.
MIT Mobility Forum | A CTA Perspective
Overview of CTA

- CTA provides 900,000+ rides per day to Chicago and 35 near suburbs
  - CTA provides 80-85% of regional rides
  - Metra provides suburban rail
  - Pace provides suburban bus
  - RTA provides oversight for the 3 service boards

- CTA Highlights
  - $1.996B operating budget
  - $3.6B 5-year capital budget
  - 10,000 employees
  - 8 rail lines
  - 127 bus routes
2024 Operating Budget - Revenue Overview

- Revenue within the $1.996B operating budget is derived from three main sources: system-generated revenue (21%), public funding (55%) and federal relief funds (24%)

- 2024 fare and pass revenue was budgeted to be 59% of 2019 revenue, which is up 5% from 2023
  - 2022, farebox revenue grew by $48 million or 20% (49.7% of 2019 levels)
  - 2023, farebox revenue grew by or $38 million or 13% (56.2% of 2019 levels)

- Public funding is budgeted to be 34% higher (~$275M) than 2019 helping to offset the decline in system-generated revenue
  - Growth is due to the addition of online sales, cannabis sales, inflation and a strong economy

- Federal relief funds account for 24% of Operating Revenue
  - Positive variance on revenues and expenses would reduce the total amount drawn for 2024

Public Funding ($1096M)

1. Sales Tax (~$610M from RTA portion)
2. Public Transportation Funds (PTF) (~$413M from State Road & GR Funds)
3. Real Estate Transfer Taxes (RETT) (~$72M City of Chicago)

Note: While not part of Public Funding, Reduced Fare Subsidy also comes from the State of Illinois and has been cut since 2015
Facing the Funding Cliffs

Pre-Pandemic, Funding Was Inadequate
• 50% of operating funding
• 60% of capital funding
  – Plus, intermittent state capital bond program

Due to the Pandemic, Transit Faced Existential Risks
• Proved CTA is an essential service during the pandemic
  – Provided over 250,000-500,000 rides per day during the height of the pandemic
• Awarded $2.2B of federal relief funds
  – 2024 budget projected funds to be available through late 2025/early 2026 ($1.03B remaining)

Going Forward, Transit Still Faces Risks
• Annual budget gaps of $500 million (over 20% of 2024 budget) and growing
  – Fare increases nor service cuts will not close the gap and are not supported by riders
• Significant capital funding is needed to fund transit of the future as well as state of good repair needs
• Working with State legislature and other stakeholders to address permanent long-term funding solutions
How to Address the Funding Cliffs

Making the Pitch for Additional Funding

• Customer Focus
  – Addressing customer concerns via Meeting the Moment & scorecard
  – Better regional integration

• Legislative Focus
  – Driver of economic growth, environmental agenda and equity goals
  – Reduced expenses and increased non-farebox revenues by a cumulative $1B over the past 8 years
    • Admin costs (8.5%)
  – Farebox growth of 20% in 2022 and 13% in 2023
  – State operating and capital funding has lagged peers
    • CTA only receives 50% of the regional funding despite delivering over 80% of the regional trips
  – Strategic plans (RTA & CMAP)
    • Future of transit + funding sources + governance
      – Funding options include:
        • Sales taxes
        • State funding
        • Congestion pricing
        • Federal funds
Strategies for Funding Transit Operating Needs

1) Improved public transport is an essential component of a strategy to achieve sustainable accessible metropolitan areas, but is not included in federal plans focused nearly exclusively on EV promotion. Major additional, stable and sustainable funding for improved transit operations and maintenance needs should become a federal funding priority to help large and medium sized metropolitan areas improve accessibility while reducing air pollution and climate change emissions.

2) The goal: transit should thrive in the long run, but it must survive the Fiscal Cliff in the short run, and maintain currently inadequate transit services. Because of its “lumpy” quality, with benefits spread unevenly across metropolitan areas, and its regional characteristic (larger than municipal boundaries, but smaller than state jurisdiction), political support for significant funding is difficult to achieve.

3) One element of a short term strategy: build stable ridership through pretax employee transit pass programs like the MIT mobility pass.

4) The MIT mobility pass concept: major employers fund transit passes for employees, recouping their cost by reductions in expenditure/space required for employee parking. It will improve transit ridership and reduce auto use modestly, and can be a useful, but not transformative initiative.
To meet the existential challenge of climate change, transition to EVs is now national policy, which introduces three potential “pattern break” opportunities:

- Federal assistance for vehicle ownership through the explicit public subsidy for vehicle ownership, as well as the cross subsidy inherent in CAFE, to incentivize shift away from petroleum consumption has a regressive impact and justifies a complementary increase in transit funding, both to incentivize less auto use and improve equity.
- The gas tax foundation for roadway infrastructure maintenance is now eroding, and needs to be replaced, at both the federal and state level.
- The conventional pattern of user fee support for infrastructure was abandoned in the recent federal infrastructure bill, which relied instead on deficit finance.

Recognizing the regressive nature of subsidy for purchase of EV vehicles, and the threat to infrastructure maintenance posed by reduction in gasoline consumption, there is major equity argument to fund complementary dramatically expanded funding for O & M of both roadways and transit on a national basis to support universal accessibility of metropolitan areas. This needs to occur primarily at the federal level, because it is federal EV policy that is driving the need for a new source of roadway maintenance and a complementary robust transit funding initiative, and because only the federal government can use deficit funding.