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Overview of Transit Funding in California

PRESENTED TO: Senate Committee on Budget and Fiscal Review
Hon. Scott Wiener, Chair



LEGISLATIVE ANALYST'S OFFICE

Transit Funding in California

- Over 200 transit agencies operate across the state, delivering services to the public through buses, trains, ferries, and paratransit vans. Transit systems are generally owned and operated by local governments, such as cities, counties, and local transit authorities.
- Funding for transit comes from fare revenues as well as local, state, and federal sources.
- The figure below presents pre-pandemic funding data from 2019, which is the last year of more “normal” historic trends. It also includes recent data from 2023, which reflects reduced fare revenues and the use of temporary state and federal augmentations.

California's Transit Systems Are Supported by Various Funding Sources

(Dollars in Billions)

Source	2019		2023	
	Amount	Percent	Amount	Percent
Local	\$5.9	46%	\$6.5	45%
Fares and fees	2.2	17	1.3	9
State	2.5	20	2.8	20
Federal	2.2	17	3.8	26
Totals	\$12.8	100%	\$14.3	100%

Note: Totals may not add due to rounding.



State Provides Transit Funding Through Several Programs

Overview of Major State Transit Funding Programs

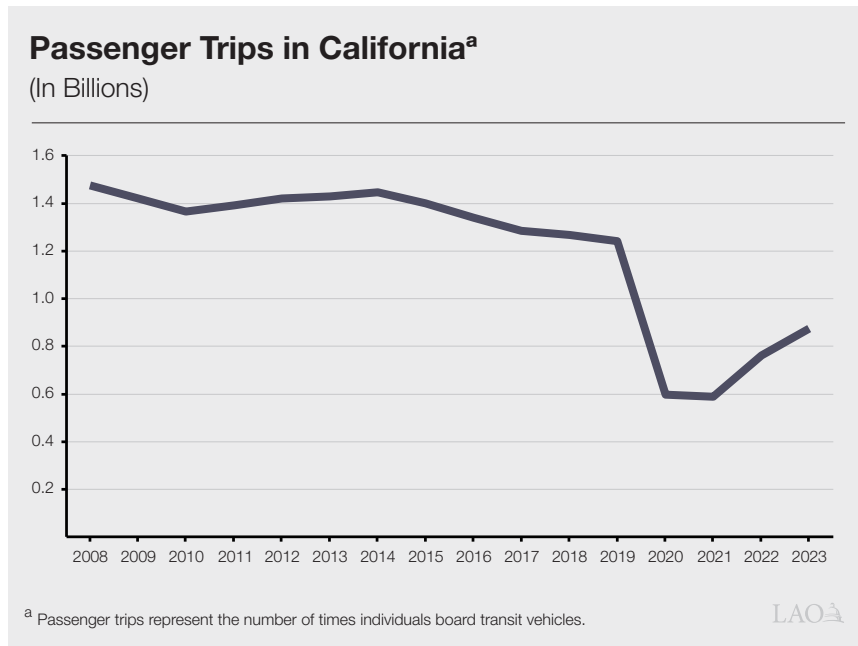
(In Millions)

Program	Description	Amounts (2024-25)
Formula		
State Transit Assistance	Provides operational and capital support.	\$805
State-Supported Intercity Passenger Rail Program	Provides operational support to state-supported intercity rail agencies.	197
Low Carbon Transit Operations Program	Provides operational and capital support to reduce GHG emissions and improve mobility.	188
State of Good Repair	Provides support for maintenance, rehabilitation, and capital projects.	136
State Rail Assistance	Provides operational and capital support for commuter and intercity rail agencies.	60
Competitive		
Transit and Intercity Rail Capital Program	Funds capital projects that reduce GHG emissions, vehicle miles traveled, and congestion.	\$693
Total		\$2,079
GHG = greenhouse gas.		

- As shown in the figure above, the state has several major formula and competitive programs that support transit. These programs are funded on an ongoing basis from the state's sales tax on diesel fuel and the transportation improvement fee (an annual fee that varies based on the value of a vehicle), with a smaller portion coming from annual Greenhouse Gas Reduction Fund (GGRF) revenues.
- Transit may also receive funding through other state transportation programs. For instance, the State Transportation Improvement Program and the Solutions for Congested Corridors Program support improvements to highways, local streets and roads, and transit systems.
- Transit agencies are also eligible to receive funding under the California Air Resources Board's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project, which provides vouchers to purchase near-zero-emission and zero-emission trucks and buses.



Transit Ridership Trends



- Transit ridership in California had been on a decline since 2014, but dropped dramatically when the pandemic began in 2020—falling more than 50 percent compared to the previous year.
- In 2023, statewide ridership was 29 percent lower compared to 2019.
- Recent data from November 2024 indicate that ridership was 21 percent lower compared to November 2019—suggesting some continued improvements in the previous calendar year.



Operational Funding Shortfalls After the Pandemic

- ***Impacts From the Pandemic Led to Operational Funding Shortfalls.*** As a result of the disruptions from the pandemic, transit agencies faced significant declines in fare revenues.
- ***Federal Government Provided Relief in Response to the Pandemic.*** The federal government provided nearly \$70 billion nationwide in operational relief to stabilize agencies' budgets, prevent layoffs, and maintain service levels. In total, transit agencies across California received \$9.8 billion in federal relief. The federal government historically has focused its funding for transit primarily for capital expenditures, however, it deemed this substantial and unprecedented operational support was necessary to sustain agencies during the pandemic.
- ***While Federal Relief Helped Transit Agencies Sustain Operations, Some Continued to Face Operational Shortfalls.*** Despite ridership and fare revenues not fully recovering, many transit agencies were able to utilize federal relief funding to sustain their operations for a few years. However, some individual transit agencies across the state continued to project ongoing operational funding shortfalls as they began to exhaust federal relief funding and as ridership remained below pre-pandemic levels.
- ***State Provided Short-Term Relief to Transit Agencies.*** To provide agencies with additional time to develop pathways to financial solvency, the 2023-24 state budget package provided relief through a combination of new and existing funding and by extending previously-approved statutory relief measures. It also included accountability measures for relief funding and created a task force to recommend long-term transit improvements and reforms.



Short-Term State Relief For Transit Agencies

Funding

- **Formula-Based Transit and Intercity Rail Capital Program (TIRCP).** The 2022-23 budget package planned for a total of \$4 billion from the General Fund across 2023-24 and 2024-25 to support transit and rail capital projects on a formula-basis through TIRCP. The 2023-24 budget expanded the allowable uses for this funding to include operational expenditures. Funding is disbursed through regional transportation planning agencies.
- **Zero-Emission Transit Capital Program.** The 2023-24 budget also provided a total of \$1.1 billion from 2023-24 through 2026-27 from GGRF and the Public Transportation Account to support this new program. The program provides formula funding to support zero-emission transit equipment and/or operations. Funding is disbursed through regional transportation planning agencies.
- **Adjustments to Timing and Fund Sources.** In response to recent budget deficits, subsequent budget packages adjusted the allocation schedule and funding sources for these programs, while maintaining the same overall amounts. The Governor's 2025-26 budget does not propose any changes to this funding plan.

Transit Relief Funding as of 2024-25 Budget Package

(In Millions)

Program	Department	2023-24	2024-25	2025-26	2026-27	2027-28	Totals
Formula-based TIRCP ^a	CalSTA	\$2,000	\$1,000	\$1,000	—	—	\$4,000
Zero-Emission Transit Capital Program ^b	CalSTA	190	220	—	\$230	\$460	\$1,100
Totals		\$2,190	\$1,220	\$1,000	\$230	\$460	\$5,100

^a Program is supported by the General Fund and Greenhouse Gas Reduction Fund (GGRF).

^b Program is supported by the Public Transportation Account in 2023-24, with subsequent years supported by GGRF.

TIRCP = Transit and Intercity Rail Capital Program and CalSTA = California State Transportation Agency.



Short-Term State Relief For Transit Agencies

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Accountability Measures for Funding

- **Accountability Requirements Overseen by California State Transportation Agency (CalSTA).** Chapter 54 of 2023 (SB 125, Committee on Budget and Fiscal Review) established specific accountability and reporting requirements that local agencies must complete to be eligible for relief funding.
- **Short-Term Plans.** To receive relief funding each fiscal year, regional transportation planning agencies must submit operator data and/or short-term financial plans to CalSTA in accordance with statutory requirements and schedules. Short-term financial plans must demonstrate how the region will address any operational deficits through 2025–26 and justify how it is splitting its funding between capital and operational expenditures.
- **Long-Term Plans.** All regional transportation planning agencies must submit long-term financial plans to CalSTA by June 30, 2026. These plans are required to outline strategies for sustaining the region’s transit agencies without additional state funding. Compliance is required to maintain eligibility for funding from TIRCP’s ongoing competitive grant cycles starting in 2026-27.

Statutory Relief

- Senate Bill 125 extended previously-approved statutory relief measures through 2025-26.
- These included (1) suspending financial penalties that transit agencies typically face under various programs when certain requirements are not met, such as farebox recovery rates; (2) implementing “hold harmless” provisions to ensure that revenue-based allocations for various programs are calculated using pre-pandemic data; and (3) allowing State of Good Repair funding to be used on operations.



Short-Term State Relief For Transit Agencies

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Transit Transformation Task Force

- Senate Bill 125 required CalSTA to establish and convene a Transit Transformation Task Force that includes representatives from state departments, various local agencies, academic institutions, nongovernmental organizations, and other stakeholders.
- The task force is required to develop policy recommendations aimed at increasing transit ridership and enhancing the overall transit experience for all users.
- CalSTA, in consultation with the task force, is required to submit a report detailing its findings and recommendations to the Legislature by October 31, 2025.

