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A Review of Reduced and Free Transit Fare Programs in California

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Issue

Free or reduced-fare transit passes have the potential to increase transit ridership, enhance the mobility of underserved groups (e.g., low-income, seniors, and youth), and reduce the environmental footprint of transportation. Under the right conditions, these programs can also help reduce traffic congestion and motor vehicle use. Transit agencies in different parts of the world have been experimenting with free or reduced-fare transit for decades, yet there are still substantial concerns about the impacts of free or reduced-fare transit on ridership as well as on the fiscal health of transit agencies. Some of these concerns linger partly because rigorous academic studies on free and reduced-fare transit passes are still rare.

To help inform ongoing conversations on the role of these programs in California, this brief summarizes: i) a review of the academic literature on free and reduced-fare transit pass programs in the U.S. and, ii) results of a survey circulated to California transit agencies in November and December 2019 with a focus on members of the California Transit Association. For the survey, 59 agencies responded, representing a broad cross-section of California transit agencies and approximately 55% of the state's transit boardings.

Key Research Findings

Well-designed free or reduced-fare programs that follow an

“insurance model” can enhance the financial health of transit agencies and increase ridership. The “insurance model” is where all members of an organization or institution (e.g., university, community college, large employer) contribute a modest amount to provide a service (in this case, free or reduced fare-transit service) used by a subgroup within that organization or institution (i.e., those that actually use transit). This model has the potential to increase transit ridership and the mobility of individuals while improving the financial stability of transit agencies since it provides an ongoing, dedicated source of funding to provide service. However, insurance model programs cannot serve everyone everywhere, so there is a need for programs funded by local jurisdictions and the state of California to cover those who would otherwise be left behind.

Simple eligibility requirements will enhance adoption and outcomes. Successful free or reduced-fare programs often have simple eligibility requirements that do not deter intended recipients. Best practices also include a clear system for monitoring usage to ascertain cost, ridership, and operational impacts. Transit agencies should have current data on the size of the population eligible for a specific program and on the number of trips taken by eligible program recipients. Additional innovations like mobile ticketing and smart cards will be important complements to free and or reduced-fare options, enabling agencies to track ridership in the absence of fares.

California farebox recovery requirements are obstacles

to free or reduced-fare transit programs. Current farebox recovery policies, which link the farebox recovery ratio (the fraction of operating expenses met by the fares collected from passengers) as a performance measure for state funding, are a deterrent to the adoption of these programs because these policies do not exempt free or reduced-fare transit programs. This sends a mixed message to agencies that California's goals of increasing public transportation use and reducing greenhouse gas emissions are secondary to transit's fiscal health. One notable exception is programs that follow the "insurance model" to ensure their financial viability.

Free or reduced-fare programs are not a panacea for increasing transit ridership. While well-designed pass programs can increase transit ridership and enhance the mobility of selected groups, other goals may prove elusive if these programs are used in isolation and/or do not consider the full costs and the characteristics of other available transportation options. For example, agencies that responded to the survey estimate that pass programs designed to shift travelers from driving alone to taking transit are considerably more effective when coupled with measures that increase the generalized cost (i.e., the sum of the monetary and non-monetary costs, including the value of time) of driving, such as cordon pricing, road pricing, parking pricing, and increased fuel and vehicle taxation.

Understanding the transportation needs of target populations is essential. To enhance the likelihood of program success, it is critically important to understand

the transportation needs, travel preferences, and the characteristics of the intended recipients. For example, an agency may discover that the frequency, convenience, cleanliness, and/or safety of transit matter more to a specific population than the cost to ride. In other words, subsidizing fare programs may not be the most cost-effective solution for increasing access to transit and/or may produce marginal benefits if pursued without addressing other key barriers.

More pilot programs should be funded and evaluated. Given the dearth of rigorous academic studies on the impact of free or reduced-fare transit programs, pilot studies should be funded and evaluated to measure changes in the travel behavior of participants. Guidelines for creating and managing free or reduced-fare transit programs should be made available to transit agencies. Finally, a clearinghouse of successful programs should be created so transit agencies can learn from the successes and failures of their peers.

More Information

This policy brief is drawn from the report "A Review of Reduced and Free Transit Fare Programs in California" prepared by Jean-Daniel Saphores, Deep Shah, and Farzana Khatun from the University of California, Irvine. The report can be found here: <https://www.ucits.org/research-project/a-review-of-reduced-and-free-fare-programs-in-california/>. For more information about the findings presented in this brief, please contact Jean-Daniel Saphores at saphores@uci.edu.

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