National Campaign for Transit Justice

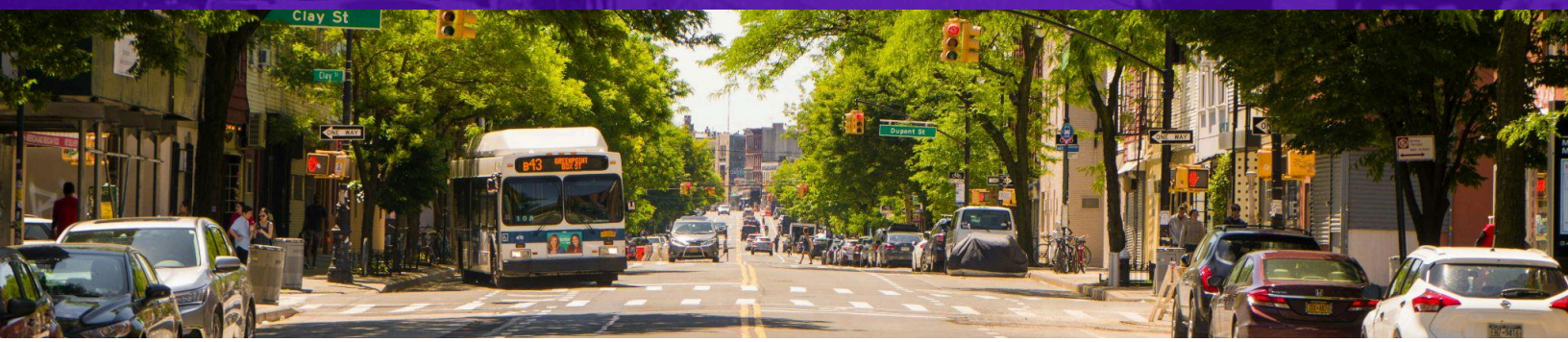
A project of Alliance for a Just Society

Fare Free Transit: An Overview

Public transit increases economic activity, makes life more affordable for millions of people across the U.S., and helps reduce congestion and pollution. But despite these public benefits, public transit is not often treated as a universal public good, with most transit agencies in the United States charging a fare in order to ride. In order to create more of these benefits, many believe that public transit should be fare-free, but the underinvestment in public transit in the United States over the last several decades requires that this decision be made strategically. Existing examples of fare-free transit agencies and routes demonstrate that farebox recovery ratio is an important factor, but the amount of fare revenue expended on fare collection costs is the most important consideration.

Farebox Recovery Ratio

The portion of a transit agency's budget that comes directly from fare revenue is known as a farebox recovery ratio. The higher the farebox recovery ratio, the more additional subsidy would be required from local and state governments to maintain the transit agency's current budget. Although direct revenue generation, including fares, accounts for about one-quarter of total transit spending in the United States, this varies significantly across agencies. For instance, before the COVID-19 pandemic, Bay Area Rapid Transit (BART) had a farebox recovery ratio of 60 to 70 percent. But the Santa Clara Valley Transportation Authority (VTA), also in the Bay Area, only had a farebox recovery ratio of about 10 percent. With this information, we can see that going fare-free would have a much larger impact on BART's budget than on VTA's.



Fare-Free Benefits

Eliminating fares has multiple proven benefits:

- **Increased Ridership:** One of the most consistent findings across randomized trials of fare discounts and eliminations, fare-free pilots on individual routes and lines, and systemwide fare eliminations, is that transit being fare free leads more people to ride it.
- **Quicker and Safer Operations:** With no requirement to wait for passengers to pay their fare one at a time before getting on the bus, boarding times can decrease, leading to quicker trips. Furthermore, not requiring bus drivers to collect fares has proven to increase the safety of transit operators.
- **Broad Improvements to Social Indicators:** A trial of subsidized transit in Boston showed recipients took more trips to health care and social services, a broader randomized trial demonstrated improvements to financial and physical health of subsidy recipients, and qualitative research also makes clear the additional freedom of movement and peace of mind that comes from not requiring transit riders to pay fares.

Fare Collection Costs

Although collecting fares brings in revenue, it is not free. Fare collection costs can include physical fare cards and other passes, credit card processing and other electronic fare-collection fees, the cost of bus fareboxes, and staff time needed to count cash fares. There are many agencies around the country where these costs erase a significant amount of fare revenue:

- In Montgomery County, Maryland, the $19 million required to pay for upgrading fare collection systems was several times the post-pandemic annual fare revenue of $2 million.
- In Kansas City, Missouri, the $10 million required to pay for a system-wide upgrade of fareboxes was nearly as much as the annual fare revenue of $12 million.
- Three Vermont transit agencies that didn't need new fareboxes estimated that fare collection costs would consume 38 percent to 48 percent of fare revenue.
- Cape Cod, Massachusetts, estimated that direct and indirect costs of fare collection took up 77 percent of fare revenue.

These costs often don't include the more indirect costs of collecting fares. One is increased time waiting for people to pay the fare at stops, known as "dwell time". According to the National Association of City Transportation Officials (NACTO), buses spent 20 percent of their time on routes in dwell time. Another is transit operator safety, as requiring operators to enforce fares can lead to conflict with passengers. Given the transit operator shortage, ensuring bus operators have as safe a workplace as possible is crucial to maintaining service levels.

Fairer Fares

In many jurisdictions where fully fare-free transit was not considered politically feasible, there are more targeted policies to reduce the economic burden of transit fares.

- **Income-Based Fare Discounts:** Nashville, Pittsburgh, and New York City are some of the many transit agencies that offer discounted fares for low-income riders. The Urban Institute found significant benefits for participants in these programs and a particularly effective model in Philadelphia that automatically enrolls participants.
- **Student Transit Passes:** Baltimore, Los Angeles, and Minneapolis all offer free transit passes for kids of varying ages. Washington state passed legislation for every transit agency in the state to choose to make transit, ferries, and even Amtrak free for kids.
- **Employer Passes:** Many jurisdictions across the country allow employers, or even require employers of a certain size, to offer transit benefits to employees. This includes San Francisco, Chicago, and Seattle.

Three Buckets of Agencies

By thinking about both farebox recovery ratios and fare collection costs, we can sort agencies into three different buckets:

- **Agencies where the farebox recovery ratio is high**
- **Agencies where the farebox recovery ratio is low, but fare collection costs don't exceed fare revenue**
- **Agencies where fare collection costs exceed fare revenue**

In the first type of agency, making transit completely fare-free is likely to challenge the fiscal solvency of agencies. Fairer fares can make more sense for these agencies, unless significant sources of additional funding can be found, whether road pricing, charging for parking, or scaling vehicle registration fees to vehicle weight. In the last type of agency, making transit fare-free would provide an additional benefit of more funding to run additional service. For the middle type of agency, consequences to service delivery and infrastructure must be weighed against improvements to service delivery and social outcomes on a case-by-case basis.