Fareless System Initiative

Fact Sheet

May 2021
Metro’s Fareless System Initiative Study Overview and Process

Metro is the third busiest transit agency in the nation, serving the largest service area – LA County – with over 10 million residents. In 2019, on average, there were about 1.2 million daily weekday passenger boardings on Metro’s bus and rail system. As a result of the COVID-19 pandemic, ridership has taken a sharp decline. Metro’s ridership has rebounded slightly from its low during the pandemic to nearly 600,000 average daily weekday passenger boardings in April 2021.

Metro is working on creative ways to spur economic recovery amidst the COVID-19 pandemic and reverse the trend of declining transit ridership. Metro’s onboard customer survey administered in Fall 2019 (pre-COVID) showed that 75% of Metro customers are Latino or African American, with almost 70% of customers having an annual household income less than $35,000 (81% with income less than $40,000). Furthermore, 51% of Metro customers live below the federal poverty level, with a median household income of $19,325 systemwide and only $17,975 for bus riders.

Beginning September 2020, Metro’s Fareless System Initiative (FSI) Task Force embarked on an intensive process of studying and identifying facts, challenges, opportunities and recommendations related to eliminating fares on Metro buses and trains. The FSI Task Force has collected internal and external feedback through fact-finding and coordination to:

> Evaluate internal processes related to ridership projections, data collection, fare collection, financial considerations, funding opportunities, cost savings and potential labor impacts
> Assess the overall impact to the customer experience, including security, operational capacity and readiness
> Evaluate connections with other agency-wide initiatives
> Assess how a fareless system could support equity in LA County and benefit low income riders
> Convene internal working groups with members of Metro’s senior leadership team and designated staff to evaluate findings

The FSI task force also engaged in extensive external stakeholder coordination, including:

> Conducting a county-wide survey where over 46,300 responses were received – 86% of current Metro riders and 80% of prospective Metro riders surveyed support free transit
> Convoking an ad hoc committee to collect direct feedback and insight from representatives from the county’s municipal and local transit operators that share Metro’s fare collection system, as well as Access (paratransit) Services
> Providing updates and incorporating feedback from regional partners, stakeholders, Metro’s Faith Leaders Roundtable and advisory sub-committees
> Hosting a live interactive telephone town hall meeting, with over 5,000 attendees
What is fareless transit?

Metro is examining how to create a program that riders can use to access the Metro bus and rail system for free. Right now, Metro’s fares are some of the lowest in the nation, at $1.75 base fare. Metro currently offers discounts on fares to certain demographic groups (students, seniors, low-income populations and persons with disabilities), but a fully fareless Metro system would provide an even greater benefit to all Metro riders. Metro riders currently use Metro passes or cash to pay fare on the bus and rail system. A fareless system means that the rider will not be required to pay a fare to access Metro bus or rail.

Free fares for Metro riders = Environmental, economic, equity benefits for LA County

Metro’s FSI Task Force believes that:

> Investment in fareless transit is equitable.
> A fareless system in LA County is both an investment in social mobility and an important tool to help Metro fight against income and transportation inequality.
> A fareless system provides financial relief from the rising cost of living in communities, and expands access to transit for work, school and essential trips.
> A fareless system in LA County will help the state to more quickly reach its aggressive climate goals through increasing transit ridership, spurring economic recovery and improving air quality in one of the state’s largest concentration of disadvantaged communities.

Mobility is a necessity for those who live, travel and work in LA County. This fareless initiative will significantly increase mobility opportunities.
Why try a fareless pilot?

This past year has been a difficult one for everyone. Like so many throughout our county and across the nation, Metro riders have suffered economic hardships that continue even today. The fareless pilot represents a bold initiative to provide many residents, who are most in need of help, with new hope and mobility. Equity, economic and environmental reasons all underpin this initiative.

Consider these points:

> A fareless transit system in Los Angeles is both an investment in social mobility and an important tool to assist in the fight against income inequality. A fareless system makes Metro more accessible, while providing some financial relief from the ever-rising cost of living on the working poor in our county.

> Fares account for an estimated 13% of Metro’s revenue, but a substantial portion of these funds are spent paying for the fare collection function (i.e., fare collection, fare enforcement, accounting, administration, farebox repair and maintenance). A fareless system has the potential to substantially reduce these fixed costs.

> Metro’s Rapid Equity Assessment concluded that the cost barrier to transit disproportionately impacts low-income households. High transportation costs limit mobility and access to employment, education, medical care and social services.

> Investments that improve transit service generally result in ridership increases, fewer vehicles on the road and a corresponding reduction in greenhouse gas emissions and smog.

Through a pilot, Metro will have real-world answers to important questions about who rides and benefits, how much operating a fareless system will actually cost and the best ways to fine tune service to meet capacity demands. Other communities across the county are also thinking about fareless possibilities. Metro can once again demonstrate national, as well as local, leadership through this visionary initiative.

What did the FSI Task Force consider?

After studying and evaluating ways to implement a fareless system internally and externally, the FSI Task Force is developing several strategic recommendations for the Metro Board of Directors to consider in May 2021. The FSI Task Force considered multiple concepts, including six scenarios to develop and implement operational and administrative changes to support a fareless system. Each scenario was evaluated based on addressing equity, improving the customer experience, ensuring fiscal sustainability and the agency’s readiness related to operations, capacity, labor, security and data. The scenarios evaluated include:

Scenario 1 – K-12 Students, Community College Students and Low-Income Riders Pilot

Scenario 2 – Fully Fareless Pilot

Scenario 3 – Fareless During Off-Peak

Scenario 4 – Fareless on Buses

Scenario 5 – Fareless on Rail

Scenario 6 – Fareless within a Geographic Area
What is the leading concept?

The leading concept includes fareless transit for K-12 students, community college students and low-income riders. In May 2021, the Board will consider staff recommendations for approving and funding a pilot initiative. The pilot would begin with free fares for K-12 students and community college students in August 2021. In January 2022, the pilot would expand to include low-income riders who meet Metro's existing low-income qualifications (metro.net/LIFE). The pilot would end in June 2023. The pilot will be carried out on Metro's buses and trains; in addition, Metro is exploring participation by other transit operators within LA County.

Metro is working to make pilot participation for eligible riders as simple as possible, removing barriers to entry for anyone who qualifies. One way we are doing this is by partnering with social service agencies that already offer low-income benefits to distribute pilot passes to their recipients.

Metro is working closely with local transit operators on their possible participation in this fareless pilot, including identifying costs and cost sharing approaches, and collaborating on methods of measuring the effectiveness of the pilot. If approved in May, the Board of Directors will closely monitor the pilot to determine whether to continue or expand the program to possibly include more groups or all riders.

Staff is committed to providing regular updates to the Board on the progress of the program throughout the pilot period.

How much will a pilot cost?

Metro staff estimates that the costs of its 23-month pilot would include, but is not limited to, losses in fare revenues and potential added operational, security and data collection costs. Metro anticipates that the 23-month pilot would cost approximately $250 million – approximately $120 million in Fiscal Year 22 and $130 million in Fiscal Year 23. If municipal and local operators participate in the program, additional costs will be incurred.

How will Metro pay for the pilot?

Metro is exploring how to fund and implement a fareless system for K-12, community college students and low-income riders through its own operations eligible funding, external partnerships, and through state and federal opportunities. Metro is examining ways of achieving cost efficiencies in all phases of its activities. In addition, consideration is being given to directing some new sources of revenue to offset the costs of the fareless pilot initiative.

Metro’s Board of Directors formally supports the federal Freedom to Move Act (Pressley/Markey), which was re-introduced in 2021 and could create a discretionary grant program to fund fareless transit nationwide. Other potential fund sources include potential cost-sharing agreements with school districts, as well as exploring possible state and federal funding.

There are short- and long-term costs associated with the fareless system initiative that need to be fully realized to ensure the program’s feasibility.

Next Steps

Metro has conducted a series of public outreach meetings with external stakeholder groups. Metro continues to accept public comment on the overall Fareless System Initiative and the 23-month pilot recommendation. The Board of Directors will consider acting on staff recommendations at the regular board meeting scheduled on May 27, 2021. Staff will incorporate Board decisions in its final Fareless System Initiative report, to be issued in summer 2021.

For more information and to submit your comments, please email fareless@metro.net or call 213.922.4887 by May 27, 2021.