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Fitch: US Public Transit Faces Multi-Year Recovery

Fitch Ratings-Chicago/New York-10 August 2022: The pandemic was a severe blow to US public transit systems, resulting in durable declines in ridership and pressures on operating budgets, Fitch Ratings says in its report U.S. Public Transit Faces Multi-Year Recovery. Hybrid and remote work fundamentally changed demand, with ridership facing a long recovery to a new normal that will require new sources of revenue or service reductions at the most fare-dependent agencies.

Public transit ridership was trending lower before the precipitous declines of the pandemic. Overall US ridership subsequently plummeted 53% in 2020 and remains around 50% below pre-pandemic levels.

The nation's largest transit agencies previously were able to employ pricing power based on commuter demand for transportation to urban job centers but commuter volumes are unlikely to return to pre-pandemic levels. Our base case assumes ridership does not fully recover, although some agencies may exceed this expectation. Major fare-dependent agencies estimate ridership will recover to 70%-90% of pre-pandemic levels.

Transit agency financial performance in the pandemic and recovery varies by revenue structure. Transit systems that rely heavily on tax revenue experienced steady revenue growth, even with declines in ridership, primarily reflecting the growth in sales tax revenue and federal aid during the pandemic. Fare-dependent agencies, such as New York's Metropolitan Transportation Authority (MTA) and Bay Area Rapid Transit (BART), lag sales tax-dependent agencies, such as Los Angeles County Metropolitan Transportation Authority (LA Metro).

Extraordinary federal aid as part of federal pandemic relief measures helped compensate for lost fare revenue, particularly at the most fare-dependent agencies. These agencies will face sizeable budget gaps when this aid runs out in the next few years unless they are able to adjust budgets based on new baseline levels of demand and fare revenue.

Contacts:

Andrew Ward
Group Credit Officer, US Public Finance
+1 415 732-5617
Fitch Ratings, Inc.
One Post Street, Suite 900
San Francisco, CA 94104

Michael Rinaldi
Senior Director, US Public Finance
+1 212 908-0833
Fitch Ratings, Inc.
Hearst Tower
300 W. 57th Street

New York, NY 10019

Sarah Repucci
Senior Director, Fitch Wire
Credit Policy - Research
+1 212 908-0726

Rucha Khole
Senior Analyst, Credit Policy
+1 646 582-4424

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email:
sandro.scenga@thefitchgroup.com

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