
Revised Draft Final

Regional Means-Based Transit Fare Pricing Study

Draft Final

Technical Memorandum #2: Alternative Fare Scenarios

Prepared for



METROPOLITAN
TRANSPORTATION
COMMISSION

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Contents

Fare Scenario Building Blocks	3
Discount Structure	3
Geographic Scope	4
Target Population & Income Threshold	4
Means-Testing	5
Distribution	5
Fare Media	6
Alternative Fare Scenarios	7
Other Scenarios Considered	13
Fare Revenue Generating Opportunities	14
Other Funding Opportunities	15
Next Steps	17

Introduction

This technical memorandum summarizes the preliminary alternative fare scenarios to be considered for the Regional Means-Based Transit Fare Pricing Study. The objective of Task 3 is to identify up to five viable alternative fare scenarios based on the overall program objectives and results of previous task activities and findings. Following agreement on the five scenarios, we will conduct a qualitative and quantitative evaluation of each scenario. This evaluation will include ridership and fare revenue impacts of each scenario, including implications for subsidies to offset revenue losses and increased operating costs. We will also discuss how fare programs would be implemented and administered, and provide estimates of resources and costs to implement each scenario through the Clipper smart card program or alternative fare payment methods.

The goal of the Regional Means-Based Transit Fare Pricing Study is to identify opportunities to:

- Make transit more **affordable** for the Bay Area’s low income residents.
- Move towards a more **consistent regional standard** for fare discount policies.
- Define a transit affordability solution that is **financially viable and administratively feasible**, and does not adversely affect the transit system’s service levels and performance.

The alternative fare scenarios presented in this technical memorandum attempt to meet these goals. Making transit services more affordable for low income residents will require: 1) a clear and consistent definition of “low income” and “resident,” 2) a well administered means-based testing program to verify eligibility for low income programs, and 3) fare pricing and payment that is convenient and compliant with applicable regulations including Title VI. In addition, successful implementation will require consensus building across transit operators, social service agencies, community-based organizations (CBOs), and external stakeholders to achieve regional consistency. Moreover, for acceptance and to overcome implementation challenges, scenarios should be cognizant of transit operators’ farebox recovery and financial objectives and, as such, may require special funding sources to offset revenue and cost impacts if the scenario itself does not generate revenue (e.g., through increased fare revenues from other populations).

Fare Scenario Building Blocks

Each fare scenario has a set of building blocks.

Exhibit 1: Fare Scenario Building Blocks



In this technical memo, we explore many of these building blocks for the various preliminary alternative fare scenarios:

- **Discount Structure:** What discount and/or other policy tool will be implemented?
- **Geographic Scope:** Which operators will participate? Will it be an opt-in program? Will there be a limited demonstration project? Will there be regional consistency in discounts offered?
- **Target Population & Income Threshold:** Who is the target market? What income threshold will be used to determine eligibility?
- **Means-Testing:** Who will conduct the means-testing if eligibility assessments are required?
- **Distribution:** How will the benefits or discounts be distributed?
- **Fare Media:** What media will be used to distribute the discounts (e.g., Clipper, paper)?

Discount Structure

The discount offered and/or policy tool implemented for each scenario will vary and will need to be defined with input from the study's Technical Advisory Committee (TAC) and other stakeholders. When defining the fare scenarios and discounts offered, consideration should be given to how a low income program to support on-going needs may impact more traditional bulk sales programs that serve the immediate needs of low income populations. Based on our research, transit agencies who have developed programs to provide on-going transit benefits by providing reduced (not free) fares (e.g., Los Angeles' Rider Relief, San Francisco's Lifeline, Seattle's ORCA LIFT) continue to offer bulk sales programs to address immediate needs. The agencies view offering programs that serve immediate and on-going needs as being complementary.

Geographic Scope

When determining geographic scope, it will be important to consider regional consistency and the autonomy of the transit operators. Many of the scenarios could be implemented on a regional or subregional level or could be established by operators opting into a single regionwide program, similar to the Regional Transit Connection (RTC) program for qualified persons with disabilities. Another option is to implement a demonstration project limited in geographic scope.

There is also the potential to establish a regional program with a consistent qualification process and allow the transit operators the autonomy to establish different fare discount levels, similar to the way agencies have implemented the senior/disabled discount required by the federal government. Even without establishing a uniform discount/price, this would be a significant move towards standardizing policies and implementing a low income program.

Establishing a consistent discount will require significant consensus building. While MTC does not determine specific fare policies for individual transit operators, MTC has statutory authority to promote regional transit fare coordination. MTC also facilitates fare coordination through its role as the Clipper program manager and by providing funding for some of the region's fare initiatives. Stakeholders have suggested that MTC consider whether and how funding sources and incentives could be used to support transit operators participating in a future regional means-based transit fare program, in order to ensure widespread implementation.

Other important factors when considering discounts are the different transit services offered in the Bay Area (e.g., local bus, commuter bus, light rail, commuter rail, regional rail, etc.) and the diverse needs and markets that transit operators serve in different counties.

Target Population & Income Threshold

When determining income thresholds, it is important to understand the target markets to be served. Income thresholds could be set based on existing thresholds for other programs (e.g., Medi-Cal – 138% of Federal Poverty Level (FPL); CalFresh – 200% of FPL; PG&E CARE Program – 200% of FPL) or could be based on other thresholds (e.g., 100% of the Bay Area median income, which is used by Free Muni or Free & Reduced Lunch eligibility, which is used by many youth low income programs).

Many low income programs in the Bay Area (e.g., Muni Lifeline and VTA TAP) as well as elsewhere (e.g., Seattle ORCA LIFT) use 200% of FPL. MTC established the 200% of poverty threshold in 2001 to account for the Bay Area's high cost of living relative to nationally defined poverty thresholds. For the Bay Area Bike Share program, MTC plans to make discounted membership passes available to residents enrolled in a public utility lifeline program (e.g., PG&E CARE Program – 200% of FPL).

Simplicity of eligibility determination and fare media distribution will be keys to the success of any subsidy program. Using a threshold for an existing program will help minimize administrative costs and means testing, especially if social service agencies and community based organizations assume responsibility for testing. However, certain stigmas exist for some programs, such as CalFresh and CalWORKs that are often viewed as “welfare” rather than insurance programs like Medi-Cal. While using Medi-Cal for qualification may minimize the stigma, it would limit those who would qualify for the program. Discussions with social service agencies indicated that a significant benefit of using 200% of FPL would be the potential increased enrollment in other programs targeted towards low income populations, such as CalFresh.

Additional considerations when establishing a threshold include: assessing the administrative burden and documents accepted, considering undocumented workers or workers without pay stubs or other proof of income, and understanding that multiple households may be living in one housing unit/home. The later item becomes an issue when using programs, such as CARE, for eligibility since not everyone living in the unit/home would qualify. For the Bay Area Bike Share program, MTC plans to extend eligibility for discounted Bike Share memberships to all residents of a CARE-eligible housing unit (i.e., anyone with proof that they reside at that address), regardless of whether they are members of the family or household that has their name on the PG&E bill. A similar approach could be used for a Regional Means-Based Transit Fare program.

When considering the income thresholds, different income threshold for different counties or regions of the Bay Area may be desirable. However, based on the administrative challenges and documentation issues, we recommend having one universal low income threshold to simplify administration and increase regional consistency.

Means-Testing

A significant implementation consideration will be identifying who will conduct the means-testing and accessibility to testing locations for low income populations. Without convenient and simple enrollment, many people may not be able to take the time off work to apply for this benefit. Partnering with social service agencies and CBOs to share eligibility requirements and/or subcontracting eligibility screening can bring efficiency to the application process and improve access to the program for low income riders.

A few considerations include:

- Who should conduct the testing for the program (e.g., transit operators at customer service locations, social service agencies, CBOs, etc.)?
- Will requiring means-testing create a significant burden for low income riders not affiliated with a social service agency or CBO?
- Will in-person testing be required or can people mail-in applications? If mail-in applications are an option, should there be a third party that administers the program, similar to RTC?
- What documents will be used to prove eligibility (e.g., paycheck stubs, federal/state tax returns, unemployment checks, award/eligibility program letters for other programs, etc.)?
- How will discounts be provided for undocumented workers or those without any documentation of income?
- If social service agencies, CBOs, or a third party conducts the means-testing, will they be reimbursed for their time? What cost sharing agreements are possible?

Based on our interviews with social service agencies, one challenge may be a need to modify union rules to allow social service agency case workers to administer a new means-based transit fare program or distribute any new fare media to social service agency clients. In Santa Clara County, including means-testing in job responsibilities did not appear to be a concern during the period that the TAP program used Clipper cards to distribute monthly passes.

Distribution

Depending on other characteristics of the low income program, especially media, the distribution method will need to be refined.

The use of the existing retail network and transit operator customer service locations may be the preferred method for distributing the benefits after means-testing has been completed. Relying on low income residents to return to means-testing locations to obtain new products or fares could be inconvenient and a barrier. In Seattle, ORCA LIFT's participants receive a special ORCA card that enables them to receive the discounted fare automatically similar to a youth or senior rider. Participants then reload stored value and monthly passes at the existing ORCA retail network locations.

Depending on the benefit and media, one of the challenges of fare media distribution via social service agencies and CBOs is that if transit fare products have cash value, their distribution would require the establishment of financial controls, including inventory management, distribution tracking, theft prevention, fraud monitoring, and reconciliation. Controls are in place at retail locations for Clipper cards that do not have cash value; however, pre-paid Clipper cards are not currently offered at retail locations. Also, as will be discussed in the next subsection, implementation on Clipper, similar to ORCA LIFT, would be the most effective way to handle distribution.

Low income youth programs, such as the one for Petaluma Transit, rely on schools to distribute the free passes to students that qualify for Free & Reduced Lunch. If a low income program is targeted at this group, it will be important to consider whether schools could distribute free or discounted pass products. One challenge will be getting all schools (especially private schools) to participate since schools would likely have the ability to opt out of participating in a low income youth transit program.

Fare Media

Using Clipper could be an effective way to handle distribution of stored value or passes. However, there are some limitations/challenges with implementation on Clipper:

- Some of the scenarios are contemplated to cost more than the resources available in the current Clipper system (e.g., distance-based fares, monthly pass accumulators).
- Reliance on Clipper may require that low income riders have sufficient access to Clipper retail locations or another distribution channel to load value and products. Many low income riders are unbanked or underbanked and, therefore, face barriers to reloading value online. Online reloads in the existing card-based system also can take approximately 72 hours to become available on the card. In the meantime, riders must pay cash until funds are available or load value at an in-person location (i.e., retail location, ticket vending machine, etc.).
- When considering the design of the card, it will be important to weigh concerns of fraud and use of photos/differentiated cards against administration costs and any stigma that could be associated with a differentiated card. The Seattle ORCA LIFT program uses the same card for the low income adults as the general adult ORCA card.

Nonetheless, there are some significant advantages of implementation on Clipper:

- If a registered card is lost or stolen, the card can be disabled, and the balance can be transferred to a replacement card.
- The same card can be used to transfer between multiple transit operators, simplifying the fare payment process.
- A discounted pass could be configured so that discount eligibility expires when re-verification is required. The cards would become regular adult cards until program eligibility was renewed.

- Serial numbers on Clipper cards would enable MTC to track travel patterns to some degree and utilization. Note: Clipper has procedures in place to ensure protection of personally identifiable information (PII). Data would be aggregated to understand how travel patterns may differ between low income riders and the general public.

A few of the alternative fare scenarios could be offered on paper but would require a photo permit to verify eligibility and provide discounted fares or products for transit operators, who are not currently on Clipper.

Alternative Fare Scenarios

Preliminary alternative fare scenarios are presented in Exhibit 2. For each scenario, the associated advantages and disadvantages are identified along with select fare scenario building blocks: geographic scope, income threshold, means-testing, distribution, and media. In addition to the alternative fare scenarios, Exhibit 2 lists Revenue Generating scenarios that could be combined with fare scenarios to try to achieve revenue neutrality. Once agreement is reached on the five alternative fare scenarios for moving forward into the evaluation phase, the other building blocks will be developed and refined. In addition, while the advantages and disadvantages illustrate the technology and operational challenges for implementation at a high-level, a more thorough analysis would be required as specific scenarios are evaluated.

Exhibit 2: Preliminary Alternative Fare Scenarios

Alternative Fare Scenarios	Geographic Scope	Income Threshold	Means-Testing	Distribution	Media
<p>1. The Big Idea Combining several different approaches into one “Big Idea” could result in a multi-pronged, high-impact scenario. Below is one example of how several different approaches may be combined. Other “Big Idea” combinations, as suggested by stakeholders, may also be considered.</p> <ul style="list-style-type: none"> Discounted low Income fares and/or pass program (see #2) Peak/off-peak pricing (see #3) Fare accumulators (see #6) Eliminate non-mandated cash discounts (see Revenue Generating ‘A’) <p>See below for Advantages and Disadvantages of each element of this “Big Idea” scenario.</p>	(see specific alternatives below)	(see specific alternatives below)	(see specific alternatives below)	(see specific alternatives below)	(see specific alternatives below)
<p>2. Discounted low Income fares and/or pass program</p> <ul style="list-style-type: none"> Implementation of this scenario would likely be similar to Seattle’s ORCA LIFT program, where riders pay a discounted fare (\$1.50) and can also buy a discounted monthly pass. Consideration should be given to whether the regional program would replace existing low income programs that may provide a more significant discount than what is being considered regionally (e.g., Free Muni). Variations could also include expansion of existing agency programs, and expansion of the RTC program to include low-income qualification. <p><u>Advantages</u></p> <ul style="list-style-type: none"> Offering specialized low income fares and passes, similar to the Seattle ORCA LIFT program, provides a way to offer discounted fares to specific target population without requiring discounted fares for those who do not qualify. Higher fares for higher income riders can help offset costs of the program. If handled electronically, this program could enable different business rules/fare policies for low income riders (e.g., free intra-agency and interagency transfers, flat fares, regional interagency passes) in addition to discounted fares and passes. <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> Media will be a significant consideration in this scenario. Implementation on Clipper would require universal acceptance by all participating operators (i.e., all operators offering discounts would have to accept the benefit on Clipper rather than another media). It would also require riders to load value onto their cards in advance of use, which could be constrained by access to reloading retail locations. If riders will be able to obtain a cash discount with the card, a photo on the card may be required. Offering this type of program requires means testing, which may limit the reach of the program and does not benefit those that are just above the threshold or those who do not have the requisite documentation. This type of program has never been implemented on a regional, multi-county basis. Fares are set by the transit operators. As a result, transit operators have different base fares, pass multiples, and transfer policies. Implementation on a regional basis will require addressing how to handle multiple price points, different service types/distances traveled (e.g., local bus vs. regional rail), and other different fare policies. Offering only a discounted pass (and not a trip-based discount) would not address the high upfront cost that may not be affordable for low income riders. 	<p>Geographic options:</p> <ul style="list-style-type: none"> Regional Operator opt-in <p>Discount options:</p> <ul style="list-style-type: none"> Discount that varies by operator Uniform discount Uniform fare by service type Uniform fare for all service types 	<p>Income threshold could vary based on target population.</p>	<p>Testing could be done by transit operators or could be outsourced to a third party, such as social service agencies. Reimbursement to third parties for time to conduct means-testing would need to be considered.</p>	<p>Fare media could be distributed at retail locations, likely on Clipper. Selling paper low income passes would require administration and distribution of the passes to retailers as well as updates to retail agreements.</p>	<p>Implementation is likely to rely heavily on on Clipper. If not implemented on Clipper, a photo ID card would be required to serve as permit to receive the discount.</p>

Alternative Fare Scenarios	Geographic Scope	Income Threshold	Means-Testing	Distribution	Media
<p>3. Discounted off-peak fares</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Offering an off-peak fare targets low income riders: two-thirds of low income riders travel during the off-peak while only half of higher income riders travel during the off-peak. • This option minimizes program administration by offering discounts to all riders and eliminating the need for means-testing. • Introducing an off-peak fare makes it possible to offer the federally-required 50% discount on off-peak fares for senior/disabled riders. • Peak/off-peak fares tie the fare more closely to the cost to operate service, particularly in systems with high peak to base ratios, which are more costly to operate than systems with a more consistent level of operations throughout the day. One study found that peak-period bus costs can be up to 59% greater than base-period bus costs. • Ridership increases during times when there is excess capacity which could potentially result in secondary benefits (e.g., National Transit Database Reporting). <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Offering off-peak fare does not provide benefits consistently to all low-income customers. Those traveling in the peak periods would not benefit from program design and likely would pay higher fares than they do currently. • Administering an off-peak fare increases complexity for bus operations and may lead to passenger/operator disputes, especially during shoulder periods; however, this is less of a challenge with electronic fare payment, and there are examples of peak transit pricing being implemented successfully in other parts of the U.S. using techniques to minimize disputes which could be replicated in the Bay Area. • Enforcement of the policy would ideally be handled electronically with use of a smart card. However, the current Clipper system does not currently support charging separate peak and off-peak fares (the cost of reprogramming the Clipper system to offer off-peak fares could be costly and could outweigh the benefits of implementing). • Offering an off-peak fare introduces a new proxy for low income. 	<p>Geographic options:</p> <ul style="list-style-type: none"> • Regional • Operator opt-in <p>Discount options:</p> <ul style="list-style-type: none"> • Discount that varies by operator 	<p>Not applicable</p>	<p>Not applicable</p>	<p>Stored value would be sold at Clipper retail locations.</p>	<p>Clipper card would likely be required to receive off-peak fare discount. Currently, Clipper not designed to provide an off-peak fare. It is possible that the next generation of Clipper (C2) could be designed to support an off-peak fare.</p>

Alternative Fare Scenarios	Geographic Scope	Income Threshold	Means-Testing	Distribution	Media
<p>4. Regional interagency pass Similar to BART/Muni Adult “A” Fast Pass. Would allow unlimited rides on multiple operators within a defined geographic area.</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> • An interagency pass provides the flexibility for riders to use multiple operators, facilitating interagency transfers while minimizing the cost to transfer. Based on rider survey data, low income riders are more likely to transfer to reach their final destinations. This includes both intra-agency and interagency transfers. • Would eliminate or reduce the effect on riders of the dramatic differences in service areas among operators. For example, Santa Clara County is predominately served by one operator (VTA) with connections to regional services (Caltrain, ACE, and BART). Other counties, such as Solano County, have multiple operators providing service in different portions of the county. • A regional interagency pass could be made available to everyone (e.g., Seattle PugetPass) or could be offered only to qualifying low income riders. • For the majority of low income commuters, their homes and workplaces are in the same county, with the exception of Contra Costa and San Mateo counties. This suggests that the majority of low income commuters would benefit from a subregional pass. <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Introducing a pass to facilitate interagency travel will not address the high upfront cost that may not be affordable for low income riders. • If pass is available to low income riders only, this would require means testing. • Integrating regional rail systems (e.g., BART, Caltrain, ACE, SMART, etc.) may be difficult. Pass may be valid up to a certain value (e.g., \$2.50, \$4.00, etc.). BART does not currently offer unlimited passes. • Introducing a regional interagency pass on Clipper would require a contract change order for Clipper or would need to wait for the next generation of Clipper (C2). If regional passes cannot be implemented on Clipper, paper passes would pose an issue at rail gates on BART and Muni. In addition, if the pass was only available to low income riders, we would need to consider whether there would be a stigma attached to using a paper pass that would indicate that the rider is low income. • Revenue sharing will be extremely complicated. The use of Clipper would help provide valuable data for calculating revenue allocation. Revenue allocation of the Seattle PugetPass is done by a complex calculation involving the base fare of the operator and number of boardings and transfers. 	<p>Geographic options:</p> <ul style="list-style-type: none"> • Regional • Subregional • Operator opt-in • Only bus operators <p>Pass price would likely vary based on the base fare of each participating operator. This would be similar to the Seattle PugetPass where riders select passes based on the base fare of the services that they use. A common pass multiple is used (e.g., 36 x base fare).</p>	<p>Pass could be available to all populations or specific populations that qualify. Income threshold could vary based on target population.</p>	<p>Testing could be done by transit operators or could be outsourced to a third party, such as social service agencies. Reimbursement to third parties for time to conduct means-testing would need to be considered.</p>	<p>Fare media could be distributed at retail locations, likely on Clipper.</p>	<p>Use of Clipper card would be required for revenue allocation. Clipper currently does not have business rules established to accommodate a regional or subregional pass.</p>

Alternative Fare Scenarios	Geographic Scope	Income Threshold	Means-Testing	Distribution	Media
<p>5. Make transfers more affordable</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> Variation 1: Offering free or discounted interagency transfers increases affordability of trips that require use of multiple operators in the absence of an interagency or regional pass. Variation 2: Offering time-extended intra-agency transfers increases affordability for trips that require multiple transfers and/or trip chaining (e.g., linking multiple individual trips together with activities or errands in-between). Variation 3: Offering a day pass in lieu of intra-agency transfers increases affordability in transit systems designed to require transferring to complete a trip. Some operators in the Bay Area (e.g., VTA and AC Transit) have already transitioned away from intra-agency transfers and to day passes and day pass accumulators for this reason. This option minimizes program administration by offering the same discount or policy tool to all riders. <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> While offering a small discount on interagency transfers (e.g., \$0.50) does improve affordability, the fare for the entire trip may still create a financial burden to low income riders. Interagency transfer discounts are subject to policies set by each agency and currently may not be reciprocal (e.g., Muni offers a \$0.50 discount on the adult fare for transfers from BART; BART does not offer a reciprocal discount). Many operators do not offer discounted interagency transfers for riders who are already eligible for discounts on the base fare (e.g., seniors, riders with disabilities, and youth). Clipper business rules for interagency transfers when fare payment on the first operator is made with a pass would need to be defined. Currently, interagency discounts are offered only if fare payment is made with Clipper stored value. A few agencies in the Bay Area accept passes from other operators (e.g., VTA accepts 2+ zone Caltrain monthly passes for free trips on VTA). 	<p>Geographic options:</p> <ul style="list-style-type: none"> Regional Operator opt-in <p>Discount options:</p> <ul style="list-style-type: none"> Transfer discount that varies by operator Uniform transfer discounts 	<p>Not applicable</p>	<p>Not applicable</p>	<p>Fare media could be distributed at Clipper retail locations.</p>	<p>For operators with Clipper, it is strongly recommended that interagency transfers be offered on Clipper, based on industry best practices. For other operators not on Clipper, proof of payment (e.g., paper slip) from another operator would be required.</p>
<p>6. Monthly fare or trip accumulators (also referred to as fare capping, best fares, and fair fares)</p> <ul style="list-style-type: none"> Accumulators cap fares paid based on a set threshold (number of boardings or value) within a defined period of time. Fares may be capped on a daily, weekly, or monthly basis. There are three options for implementation: one universal cap for all riders, separate caps for general population and low income riders, or a cap for low income riders only (other riders would purchase a traditional monthly pass). This accumulator scenario could be integrated with Scenario 1, which would provide discounted fares and passes for low income riders. If discounted fares are pursued with an accumulator, a two-tier accumulator would likely be established where the fare cap would be lower for low income riders but could be based on the same number of trips (e.g., 35 trips) as the accumulator for the general public. <p><u>Advantages</u></p> <ul style="list-style-type: none"> Frequent riders would have the ability to obtain the same discount as monthly passholders even if they are not able to afford the upfront cost of a monthly pass. Infrequent riders would not have to purchase any product in advance. All riders would receive the best fare possible through the business rules. <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> This scenario is not viable until the roll-out of the next generation Clipper system that is anticipated to start in 2019 at the earliest. Roll-out of C2 will be incremental and initial roll-out will not include all operators on Clipper. There are some fiscal advantages for operators of offering monthly passes instead of accumulators. With traditional calendar monthly passes, operators realize revenue upfront, at the beginning of the month. Implementing the business rules for a regional monthly pass accumulator is extremely complicated compared to operator-specific accumulators. However, since an accumulator uses stored value, the concept of using stored value facilitates the ability to offer discounted interagency transfers. Nonetheless, the development of business rules does require defining whether accumulators are based on number of trips or value accumulated when discounted interagency transfers are available. In addition, need to determine what happens to discounted interagency transfers once the cap on one of the operators is reached. 	<p>Geographic options:</p> <ul style="list-style-type: none"> Regional Operator opt-in 	<p>Monthly pass accumulator could be available to all populations or specific populations that qualify. Income threshold could vary based on target population.</p>	<p>Testing could be done by transit operators or could be outsourced to a third party, such as social service agencies. Reimbursement to third parties for time to conduct means-testing would need to be considered.</p>	<p>Stored value would be sold at retail locations on Clipper.</p>	<p>Use of Clipper card would be required to calculate when cap is reached. Currently, only a day pass accumulator is available on Clipper (and is being used by VTA, AC Transit, and some new Phase 3 Clipper operators). Implementation of a monthly pass accumulator is not planned in the current Clipper system.</p>

Alternative Fare Scenarios	Geographic Scope	Income Threshold	Means-Testing	Distribution	Media
<p>7. Add cash to Clipper Card for low income riders</p> <ul style="list-style-type: none"> • Provide a cash value, transit-only subsidy to those who qualify • In the next generation Clipper (C2), an account-based smart card system could provide a way that low income riders who pay regular fares could be provided a monthly credit to offset fare payments. This would essentially subsidize transit fares up to a certain amount similar to a pre-tax transit benefit. • Alternatively, could consider a “cash match” (i.e. when low income rider puts \$1 cash on low income Clipper card, add \$2 value) <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Operators not required to make changes to agency established fares. • Does not involve any revenue change to transit agencies. • Prevents riders from being locked into a single operator as they are with monthly passes, and instead provides equal access to the entire regional transit system. • Could use proven methods of transit value distribution such as commuter checks, benefits cards, and Clipper autoloading. <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Does not result in regional coordination of fare policy or simplification of the riders fare payment experience. • Potential for fraud 	<p>Geographic options:</p> <ul style="list-style-type: none"> • Regional 	<p>Income threshold could vary based on target population.</p>	<p>Testing could be done by transit operators or could be outsourced to a third party, such as social service agencies. Reimbursement to third parties for time to conduct means-testing would need to be considered.</p>	<p>Commuter check or commuter benefits card could be used to distribute transit-only value; or direct value to Clipper cards after acceptance into discount program.</p>	<p>Could use paper-based commuter check or benefits card. Could require Clipper to speed and simplify distribution of value while minimizing transferability of value.</p>
<p>8. Increase use of existing discounts/reduce barriers to existing discounts</p> <p>Several transit operators offer existing discounted fares and/or passes (e.g., youth fare discounted passes, senior/disabled fare discounted passes, monthly passes) that are sometimes underutilized due to a variety of barriers. This scenario would identify those barriers and implement strategies to mitigate them.</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Operators not required to make changes to agency established fares. <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Does not result in regional coordination of fare policy. 	<p>Geographic options: Use existing geographies that have already been established</p> <p>Discount options:</p> <ul style="list-style-type: none"> • Discount that varies by operator 	<p>N/A</p>	<p>N/A</p>	<p>The distribution methods used for existing programs varies. If underutilization of the discount is due to barriers related to distribution, the scenario would need to address this.</p>	<p>The media for existing programs varies. If underutilization of the discount is due to barriers related to media, the scenario would need to address this.</p>

Other Scenarios Considered

In addition to the scenarios detailed in Exhibit 2, a few other scenarios were considered but not pursued further because they were not impactful, they were too difficult to implement, or they did not match the goals of the study. Those scenario ideas included:

9. Free Low Income Fares and/or Pass Program (Eliminated)

A variation of Scenario #2 (Discounted Low Income Fares and/or Pass Program), this alternative would offer free fares and passes regionally. This “free” scenario would be incompatible with the study goal to define a transit affordability solution that is financially viable and administratively feasible and does not adversely affect the transit system’s service levels and performance.

10. Regional Adoption of Distance-Based Fares (Eliminated)

In recognition that low income riders are more likely to use local bus service and make shorter trips, this alternative would adjust all fares in the region to distance-based fares. A variation of this scenario would offer a discount on the distance-based fares similar to the discounts considered in Scenario #2.

Advantages

- Fares based on distance traveled ties the fare more closely to the cost to operate service.
- This option minimizes program administration requirements by offering discounts to all riders.
- If a low income program is offered, there is the potential for offering a discounted flat low income fare similar to the Seattle LIFT program that charges \$1.50 regardless of the distance traveled or service used on participating operators in King and Kitsap counties (the highest distance-based fare for full-fare riders is \$4.00).

Disadvantages

- While low income riders generally make shorter trips, the distance traveled is tied more to the type of service used. Low income riders are more likely to use local bus services, and all riders that use local bus service—regardless of income—generally make shorter trips than riders that use other modes (e.g., rail, ferry). When comparing the average trip length of low and higher income riders *within the same operator*, the distance traveled is relatively close. A distance-based fare that was applied to a regional integrated fare system rather than to each operator’s individual fare structure might address this issue, but would be prohibitively difficult to implement.
- With the recent suburbanization of poverty, it is unclear what the implications will be for trip lengths for low income riders and whether distance-based fares will become an increasing burden on low-income transit riders.
- Even though *on aggregate* lower income riders would be better off with a distance-based fare structure, other regions have experienced push back on introducing distance-based fares because some advocates for low income riders were opposed to distance-based fares if even only one low income rider would be negatively impacted.
- Majority of the transit operators are not set up to accommodate distance-based fares. Instead, service type is often used as a proxy for distance (e.g., AC Transit Transbay bus and VTA Express bus). Currently, only BART, Caltrain, Golden Gate Bus, and ACE are distance-based; SMART will also be distance-based when it starts service.

- Smart cards, like Clipper, may require riders to tag off in order to be charged the correct fare. This is difficult to explain to riders, and bus operators in particular struggle with getting riders to tag off, resulting in slow transition of riders to smart card (riders continue to pay cash instead, unless the only way to get a discount is through use of a smart card). Failure of riders to tag off when they alight also results in an increase in the number requests for smart card refunds.

11. Fare Buy-Down for Transit Operators with a High Proportion of Low Income Riders (Eliminated)

Reduce fares on those transit systems, or specific routes, where trips made by low income persons make up a large majority of total trips. For example, a fare buy-down program could be targeted at transit systems that have over two-thirds of trips made by low income persons.

Advantages

- A fare buy-down for select agencies would target low income riders without the need for program administration.
- On three of the seven largest operators (AC Transit, SamTrans, and VTA), trips made by low income persons make up over two-thirds of the total trips. These low income trips account for one-third of the regional low income trip-making.

Disadvantages

- Low-income riders that use services/operators that don't receive a buy-down would not receive a benefit. For instance, Muni accounts for half of the regional low income transit ridership; however, trips made by low income riders account for under two-thirds of Muni's total trips.
- Does not result in regional coordination of fare policy.

Fare Revenue Generating Opportunities

Several of the scenarios detailed in Exhibit 2 are likely to reduce fare revenue. While scenarios selected for further consideration and evaluation are not required to be revenue neutral, each scenario should be consistent with the study goal to be “administratively viable and financially feasible, and not adversely affect the transit system’s service levels and performance.” Some of the aforementioned scenarios may need to have fare revenue generating components incorporated into them in order to meet this project goal. Below are some options for revenue generating components that could be incorporated into the scenarios above. For instance, if a scenario is chosen that would offer discounted low income fares or passes (Scenario #1), it could be paired with Option A below (eliminating proxies for low income), so that some of the revenue generated by Option A can be used to offset the revenue lost by offering discounts to low income riders:

- **A. Eliminate non-mandated cash discounts/eliminate proxies for low income:** Many transit operators provide discounts to seniors, persons with disabilities, individuals presenting a Medicare card, and youth. While transit operators may have many reasons for offering these discounts, one reason is often that these rider categories tend to be fairly good proxies for low income riders. However, it is important to determine funding priorities and whether the funds used to offer these category discounts could be better targeted to specifically serve low income riders.

The Federal Transit Administration (FTA) requires that for fixed route service supported with Section 5307 assistance, fares charged seniors (at least 65+ years), persons with disabilities, or Medicare card holders, fares charged during off peak hours will not be more than half the peak hour fare. Reduced fares for these riders are not required during peak periods. Due to the complexities of

charging peak/off-peak fares, many operators offer the 50% discount all day; however, new fare payment technologies make it easier to charge and enforce different fares at different times of day. In addition, operators may choose to offer a discount greater than 50% on cash fares as well as additional discounts on specific fare products, such as monthly passes. FTA does not require discounted fares for youth.

- **B. Eliminate discounted fare products (e.g., monthly passes):** Transit operators offer passes to provide discounts to their most frequent and loyal riders as well as to simplify fare payment. Calendar monthly passes also provide predictable and upfront revenue to transit agencies at the beginning of the month. With the increasing market penetration of Clipper, the need to offer passes to minimize operational impacts diminishes. However, passes have been shown to help induce travel for non-discretionary trips that may help meet other regional objectives, such as reducing vehicle miles traveled (VMT). When evaluating this potential funding source, it will be important to consider the benefits associated with offering passes in addition to the revenue and ridership impacts.
- **C. Implement fare increases for non-low income riders:** Revenue increases from non-low income riders can help offset the revenue loss from offering a low income program.

To the extent that any of these fare revenue generating opportunities are selected for further consideration, they will need to be incorporated into the scenario evaluation process during the next phase of the study. For instance, during the quantitative analysis, potential revenue generation will need to be estimated, with consideration of transit price elasticities and the extent to which riders will change their travel behavior when transit fares are raised (e.g., change to other modes besides transit, forego trips). Qualitative effects of these revenue generating options will also need to be weighed, as it is possible that some low income riders may be adversely affected by fare increases.

Other Funding Opportunities

As noted previously, scenarios selected for further consideration and evaluation could have revenue implications. Even scenarios that are found to be financially feasible on their own, or those that include a revenue generating component in order to increase their financial feasibility (as described above), may result in revenue losses and administrative costs that will need to be offset. An important part of this study is to assess the revenue impacts of various scenarios, and potential for related revenue generation.

This section provides an introduction to some of the funding opportunities that could be used for a low income program. While it is premature to identify specific funds that might cover any particular scenario, these funding opportunities begin to explore how a viable low income program might include both fare discounts and offsetting revenues. It is important to note that, with each of these funding sources, tradeoffs will need to be weighed carefully, as the funds could be used for another purpose if they were not used for a Regional Means-Based Transit Fare program.

- **Transit agency budgets:** Bay Area transit is already heavily subsidized, and agencies generally do not have the financial capacity to absorb revenue losses of a large magnitude. Absent a new revenue stream, most agencies would likely only be able to offer a means-based fare program by shifting resources from other areas. In our review of low income transit fare programs nationwide, fare revenue losses have generally been covered by transit agency operating budgets. However, using

funding that could otherwise be used for transit operations must be weighed carefully against the need for frequent, reliable transit service, especially in light of the fact that for some low income persons, affordability is reported as less of a challenge than level of transit availability (e.g., coverage, frequency and travel times).

- **MTC’s Lifeline Transportation Program:** One possible funding opportunity could lie with the regional Lifeline Transportation Program managed by MTC and the County Congestion Management Agencies (CMAs). The three year, \$65 million Lifeline Transportation Program is funded from the sources as shown in Exhibit 3; however, only two – State Transit Assistance (STA) and FTA Section 5307/Job Access and Reverse Commute (JARC) – are expected to continue to be available to the Lifeline Transportation Program going forward.

Based on federal rules that specifically deny fare subsidies as an eligible expense for Section 5307/JARC funds, the STA funds appear to be the best Lifeline Transportation Program fit with a low income fare program, though the \$11 million available annually may provide only a fraction of the funding needed depending on the scope of a Regional Means-Based Transit Fare Program. Currently Lifeline Transportation Program STA funds are generally used to sustain existing transit services in low income communities. For instance, in recent Lifeline Transportation Program cycles, several transit operators used STA funds to help pay for regular fixed route services and to reduce the need for service cuts in lean economic times. Therefore, tradeoffs would need to be considered if STA funds were proposed to be used for a different purpose in the future.

Exhibit 3. Lifeline Transportation Program Funding

Source	Approx. Amount/Year	Distribution Method	Future Outlook
State Transit Assistance (STA)	\$11 million	By formula to Lifeline Transportation Program from STA Policy (Res. 3837), then by formula to counties based on low income population.	Fairly stable, but subject to fuel consumption and price fluctuations
FTA Section 5307/JARC	\$2.5 million	Apportioned by FTA to region based on Section 5307 Urbanized Area program formula and low income population; then by MTC to counties.	Likely stable in amount, program focus may change with new federal bill
Prop 1B PTMISEA	\$15 million	By MTC policy to Lifeline Transportation Program (Res. 3814), then by formula to counties based on ridership and low income population.	Program ended in FY15

- **MTC’s Transit Performance Initiative (TPI) Incentive Funds:** Under the TPI Incentive program, the Commission rewards transit agencies that achieve ridership increases and productivity improvements by allocating transit funds on the basis of performance, thereby encouraging all of the region’s transit operators to continuously improve their service and attract more riders. Low-income discount programs are one of the eligible uses of the TPI Incentive Funds. The funds in the TPI Incentive program are federal Surface Transportation Program (STP) dollars, which cannot be used for fare discounts directly, but may be used for preventive maintenance. VTA and SFMTA have

both used TPI Incentive funds for fare discount programs by using the STP funds for preventive maintenance, thereby freeing up other funds to cover the program costs. The TPI Incentive program was part of the One Bay Area Grants (OBAG) program adopted in 2012 to support Plan Bay Area, the region's long range plan. The policy for Cycle 2 of the One Bay Area Grant Program (OBAG 2) is being developed now, and the TPI Incentive program may be reduced or eliminated in the second cycle.

- **Social service agency budgets:** Some social service agencies are currently purchasing fare products from transit operators (either at a discount or at full face value), and then issuing the products to their low income clients either free of charge or at significant discounts. This type of immediate needs program could be expanded. Alternatively, or in addition to this strategy, social service agencies may be able to contribute funds to a Regional Means-Based Transit Fare Program. An example is already seen with Santa Clara VTA's UPLIFT program, where the Santa Clara County Social Services Agency and the City of San Jose are billed by VTA for approximately \$144,000 (\$15 per sticker) per year, which covers about 6.5% of the face value of the UPLIFT passes as well as supplies, issuance of photo ID cards, and staff time.
- **Private sector contributions:** The Free Muni for Youth pilot program, launched in March 2013, was extended with the help of a \$7 million contribution from Google to support the program over the next two years. In some cases, the mission of transit agencies to provide transportation options, reduce congestion, and improve urban life are closely aligned with the mission and brand of major corporations or large foundations. In addition, the provision of transit options could potentially be negotiated into large corporate or area development plans.
- **Other new revenues, TBD.**

Next Steps

A few next steps include:

- Select and refine five alternative fare scenarios to move forward to qualitative and quantitative analysis.
- Collect necessary data and calibrate the FARES model that will be used to evaluate ridership and revenue impacts of alternative fare scenarios.
- Conduct a more thorough analysis of the fare scenario building blocks for the five scenarios and identify any specific implementation and operational challenges, including potential Title VI issues.
- Assess administrative costs and fare revenue impacts associated with implementation of a program.
- For fare revenue generating opportunities, calculate the following:
 - Estimated costs of current fare policies, including proxies for low income riders (e.g., senior, disabled, youth discounts beyond those required by FTA) and discounted fare products (e.g., monthly passes).
 - Estimated revenue from fare increases for non-low income riders.

- Continue identifying other funding opportunities to offset revenue losses and cover operating costs, including an assessment of tradeoffs (e.g., how many additional revenue service hours could be provided if funds were used for transit operations instead of a discount program).
- Establish performance metrics against which to measure the scenarios. These should consider the outcomes of the scenarios.
- Conduct focus groups with riders to assess reactions to the preliminary alternative fare scenarios.