

Metropolitan Transportation Commission Programming and Allocations Committee

December 9, 2015

Agenda Item 6

Subject: Regional Means-Based Transit Fare Pricing Study Update

Background: Background and purpose

MTC has been involved in identifying transportation barriers for low-income residents and promoting solutions through various regional planning and policy initiatives for over a decade. These include the Coordinated Public Transit-Human Services Transportation Plan (“Coordinated Plan”), the Lifeline Transportation Program, the Community Based Transportation Planning (CBTP) program, the Regional Transportation Plan, and the Transit Sustainability Project.

Concerns about transit affordability are commonly raised by low-income residents during these planning efforts. Therefore, in the third cycle of the Lifeline Transportation Program, MTC set aside \$300,000 to look comprehensively at this issue in a Regional Means-Based Transit Fare Pricing Study.

MTC has received multiple requests for funding to support fare discount pilot programs. Although not all requests have been funded, the Commission has funded low-income or youth pass pilot programs through the Transit Performance Initiative (TPI) Incentive program. Additionally, MTC reaffirmed its desire to clarify the regional need for such discounts and the potential revenue and ridership impacts through the Regional Means-Based Transit Fare Pricing Study.

Study overview and status

The purpose of the study is to develop scenarios for funding and implementing a regional means-based transit fare program or programs in the nine-county Bay Area, and to determine the feasibility of implementing the scenarios. Per the study scope of work, each of the scenarios must be consistent with the following three overall program objectives:

1. Make transit more **affordable** for the Bay Area’s low-income residents.
2. Move towards a more **consistent regional standard** for fare discount policies.
3. 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.

MTC staff and the consultant team have conducted comprehensive outreach throughout the study to a variety of stakeholder groups listed in detail in the attached powerpoint presentation.

During the next phase of the project, the consultant will conduct a qualitative and quantitative evaluation of different discount scenarios described below:

Affordability Scenarios

The following scenarios are intended to address affordability barriers for low-income residents. Depending on the income threshold used and the amount of discount

offered, these scenarios may need to be paired with one of the Revenue Generating Scenarios (see R1, R2 below) in order to meet the study goal of being financially viable.

(A1) Discounted Low Income Fares or Passes

Most transit operators currently offer discounted cash fares or pass products to seniors, persons with disabilities, and youth. This scenario would create a similar type of discount category for low-income persons, which would allow those below a certain income threshold to purchase fares or passes at a discounted rate.

(A2) Monthly or daily fare or trip accumulators

Accumulators are alternative versions of daily or monthly passes that cap fares paid based on a set threshold (number of boardings or value) within a defined period of time. By doing this, accumulators allow riders to purchase a pass product (e.g., monthly pass) in small increments rather than needing a large amount of cash up-front. For example, if the fare is \$2.00 and a monthly pass is \$50, riders would just need to make sure there was at least \$2 in Clipper stored value each time they board. \$2 would be deducted from the rider's Clipper card on each boarding until the \$50 "cap" is reached (after the 25th boarding). After that, all trips would be free for the rest of the month. In this scenario, fares may be capped on a daily or monthly basis, and the cap may be set lower for low-income riders than for the general population.

(A3) Clipper cards automatically loaded with transit stipend for low-income riders

This scenario would not require a change to the transit operators' fare policies. Low income riders would simply receive a stipend on a regular basis (e.g., monthly) in the form of cash value on a Clipper card. This stipend could then be used to ride any transit service in the region. This is similar to the model commonly used in the social services field, wherein persons below a certain income threshold are eligible for direct subsidies such as CalFresh (subsidy for food purchases) and Temporary Assistance for Needy Families (temporary cash assistance program, traditionally referred to as "welfare"). In one variation that may be considered, the stipend can be provided on a one-to-one match basis, with each dollar added by the rider being matched with a stipend dollar.

Revenue Generating Scenarios

The following scenarios are intended to raise fare revenue. These scenarios may not address transit affordability barriers on their own, but the study will evaluate their fare revenue generating impacts so that they can potentially be paired with one of the affordability scenarios (see A1, A2, A3 above) in order to meet the study goal of being financially viable.

(R1) Eliminate non-mandated cash discounts/eliminate proxies for low-income

Transit fare and discount policies reflect local board policy as well as federal requirements. Federal law is specific about two areas of discounts for transit systems that use federal formula funds. Specifically, senior (defined as at least 65 years of age) and disabled passengers are required to receive a minimum 50% discount on fares

during non-peak hours. There are currently no federal requirements for fare discounts for youth and low-income persons. Bay Area transit discount policies vary considerably by transit operator and often exceed the federally required discounts. Under this scenario, discounts beyond those that are federally mandated would be eliminated and replaced with one of the affordability scenarios described above. The rationale is that, rather than spending funds on discounts for people who may not need them, subsidies should be directed to those who *need* a discount, including those that are not currently receiving any (e.g., low-income adults).

(R2) Implement fare increases or peak transit pricing

This scenario would look at the revenue generating effects of raising transit fares in the region. This scenario would always be paired with one of the Affordability Scenarios (see A1, A2, A3), so the net impact on low-income riders' fares would be a decrease. Multiple iterations of fare changes will be evaluated, including some that increase fares during the peak period only or decrease fares during the off-peak period. Peak transit pricing may help address equity issues in and of itself.

Next steps

After the evaluation is complete in early 2016, it will be presented to various stakeholder groups for input. Key findings, recommendations, and an action plan will then be developed and presented to stakeholders for review.

Staff will return to the Commission in spring 2016 with the draft results. Depending on the results of the study and Commission input on the recommendations, additional steps may be recommended for implementation activities.

Staff also continues to explore potential funding opportunities in addition to the revenue generated scenarios outlined above, should the Commission want to pursue a Regional Means-Based Fare.

Issues: None.

Recommendation: Information and discussion only.

Attachments: Presentation

Regional Means-Based Transit Fare Pricing Study



Programming and Allocations
Committee

December 9, 2015

Background and Purpose

- MTC's experience identifying transportation barriers for low-income residents

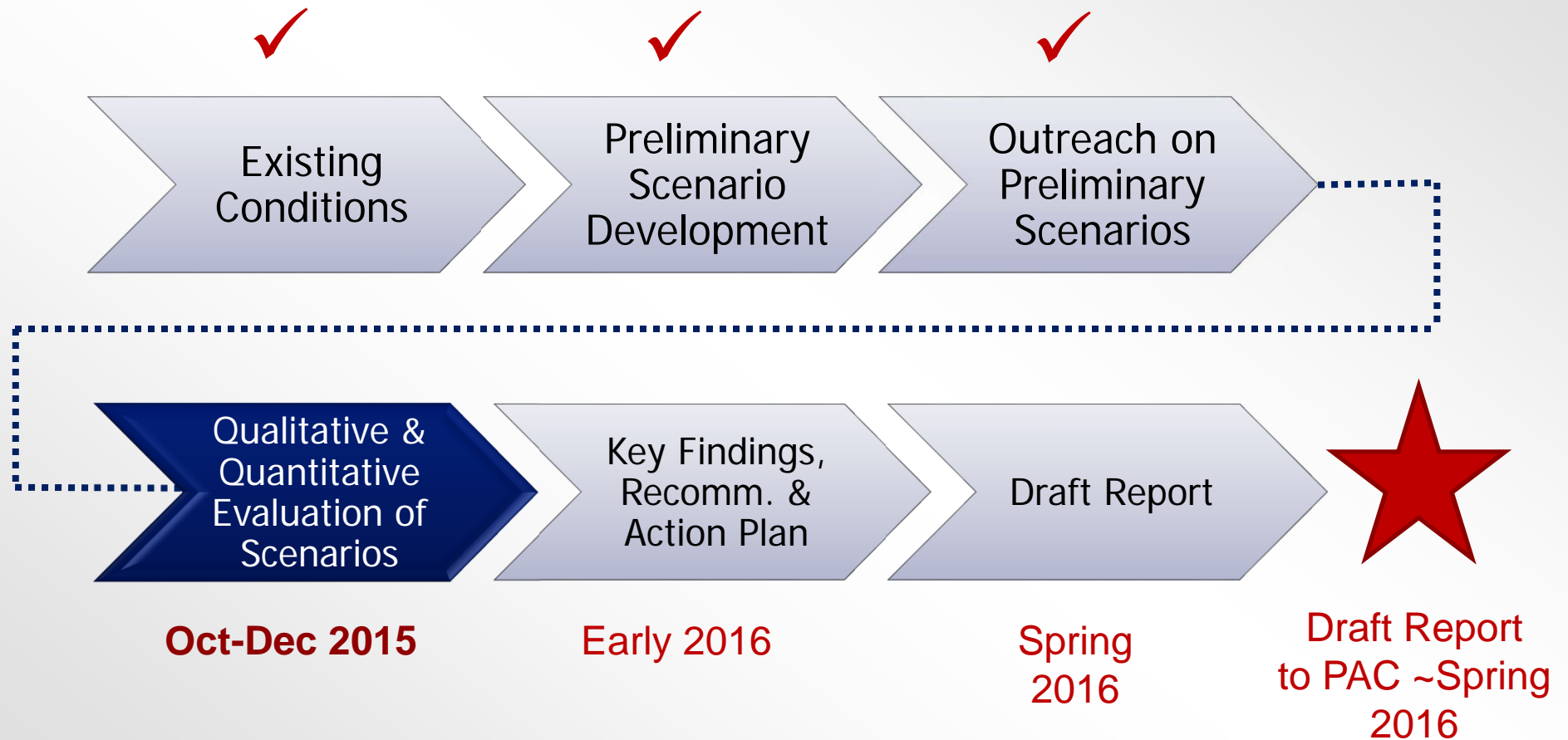


Study Overview

- **Study purpose:** Develop scenarios for funding and implementing a regional means-based transit fare program and determine the feasibility of implementing the scenarios
- **Three overall program objectives:**
 1. Make transit more **affordable** for the Bay Area's low-income residents
 2. Move towards a more **consistent regional standard** for fare discount policies
 3. 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



Project Progress/Status



Stakeholder Input

- **Study Technical Advisory Committee (TAC)**
 - Composition: 6 Transit Operators; 2 Social Services; 2 Equity
 - Open to the public
- **Policy Advisory Council Equity & Access Subcommittee**
- **Partnership Transit Finance Working Group**
- **Social Services Information Gathering Session**
- **Focus Groups with Low Income Residents (San Jose & Vallejo)**
- **Phone Interviews with Low Income Residents (S.F./Inner East Bay)**



Affordability Scenarios

A1. Discounted Low Income Fares or Passes

Create a discount category for low-income persons, which would allow those below a certain income threshold to purchase fares or passes at a discounted rate.

A2. Monthly or daily fare or trip accumulators

Accumulators are alternative versions of daily or monthly passes that would cap fares paid based on a set threshold (number of boardings or value) within a defined period of time.

A3. Clipper® cards automatically loaded with transit stipend for low-income riders

Low income riders would receive a stipend on a regular basis (e.g., monthly) in the form of cash value on a Clipper card.



Revenue Generating Scenarios

R1. Eliminate non-mandated cash discounts

Discounts beyond those that are federally mandated would be eliminated and replaced with one of the affordability scenarios (A1, A2, A3).

R2. Implement fare increases or peak transit pricing

Evaluate the revenue generating effects of raising transit fares in the region. This scenario would always be paired with one of the Affordability Scenarios (see A1, A2, A3), so the net impact on low-income riders' fares would be a decrease.



Scenario Evaluation Process

- **Qualitative Evaluation** - degree to which the scenario achieves the three study objectives (increases affordability; consistent regional standard; financially viable and administratively feasible)
- **Quantitative Evaluation**
 - **Ridership impacts**
 - **Fare revenue impacts**
 - **Financial analysis** including total costs (startup, ongoing administration, costs related to Clipper[®]), additional resource needs, revenue impacts, possible revenue offsets



Next Steps

➤ **Related Considerations**

- Funding TBD, could include Lifeline Program or Cap & Trade
- Timing, relationship to Clipper[®] Next Generation system

➤ **Draft Report to PAC in Spring 2016**

Including key findings, recommendations, and an action plan

➤ **Implementation activities**

Contingent upon the results of the study and Commission input on the recommendations

