

Metropolitan Transportation Commission

Programming and Allocations Committee

April 11, 2018

Agenda Item 5a

Proposed Regional Means-Based Transit Fare Program Framework

Subject: Proposed Regional Means-Based Transit Fare Program Framework

Background: In January, staff presented a proposed framework for a Regional Means-Based Transit Fare Program. In response to questions raised by the Committee and further discussions with transit operators, staff is proposing a revised framework. Further background is provided in the attached memo and presentation. Elements of the proposed program framework are summarized below:

Agency Participation: Bay Area Rapid Transit (BART), Caltrain, Golden Gate Bridge, Highway and Transportation District (GGBHTD), and San Francisco Municipal Transportation Agency (SFMTA) have all indicated preliminary interest in participating.

Fare Discount: A 20% per trip discount will be offered to eligible persons.

Eligibility: Adults earning less than 200% Federal Poverty Level (FPL).

Implementation: Implemented through Clipper® and centrally administered.

Funding: The combined revenue loss for the participating operators is estimated to be \$21 million (based on data provided by transit operators and assuming 50% of eligible riders participate). MTC proposes to make STA funds (SB 1) and LCTOP funds available (totaling approximately \$11 million, annually). Regional funds would be used for administrative costs first, currently estimated at \$3 million annually. The remainder would defray operators' revenue losses from the regional program. The operators are to cover any remaining costs or revenue losses from their augmented STA revenue-based funds or other sources.

- Issues:**
1. Agency Participation. While there is conceptual agreement between MTC and agency staff, each agency's program participation is subject to governing board approval.
 2. Financial Risk related to discount levels and participation rates. The extent of regional revenue loss is dependent on the rates of discount and participation (transit agencies and eligible riders). While participation rates can be estimated based on existing programs in the Bay Area and beyond, the actual participation rate is unknown. A minimum discount of 20% per trip across all participating agencies is being proposed to help minimize the financial risk.
 3. Implementation Challenges. Program implementation will require coordination between MTC, transit agencies, county social service agencies and other partners. While this proposal provides a high-level conceptual overview, program development and design, including a federal Title VI evaluation and transit operator board consideration and approvals, will take time to develop. Staff estimates program development to occur through early 2019 and program start-up in mid-2019. This schedule also allows MTC to confirm continuation of SB 1 post-November 2018 prior to program launch.

Recommendation: Information only.

Attachments: Attachment 1 – Executive Director Memo
Attachment 2 – Draft MTC Resolution No. 4320 (included for information only)
Attachment 3 – Presentation Slides



METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Programming and Allocations Committee

DATE: April 11, 2018

FR: Executive Director

RE: Regional Means-Based Fare Program

Background

MTC has been involved in identifying transportation challenges for low-income residents and promoting solutions through various regional planning and policy initiatives for over a decade. Concerns about transit affordability are commonly raised by low-income residents during these efforts. In 2015, MTC initiated the Regional Means-Based Transit Fare Pricing Study to look comprehensively at this issue. The study provided high level data assessments, program structure ideas, and spurred conversations that have informed the proposed Regional Means-based program framework.

Program Development

Over the last year, MTC staff has been in discussions with transit operators to gauge program interest, solicit input on technical feasibility, and develop program framework parameters. The discussions have been focused on a few topic areas:

- Operator participation in the regional program
- Estimated revenue loss to transit operators (including anticipated usage by eligible participants, discount to be offered, and how to off-set any revenue loss)
- Clipper® technical feasibility
- Program design and implementation

Operator Participation

A number of transit agencies have expressed support for a means-based fare program for low-income adults, but due to financial risk concerns have indicated an inability to participate at this time. As a result, the proposed participation is now based on the large transit operators that have indicated interest in participating. These agencies are Bay Area Rapid Transit (BART), Caltrain, Golden Gate Bridge, Highway and Transportation District (GGBHTD), and the San Francisco Municipal Transportation Agency (SFMTA). AC Transit and SamTrans have opted not to participate at this time due to the financial risk of fare losses.

Transit Operator Revenue Loss and Regional Funding Availability

Based on the Regional Means-Based Fare Study, MTC estimated that the revenue loss to all transit operators would be \$16 million (presented in January 2018), assuming a 50% discount and 20% participation by eligible riders. The revenue loss estimate has since been revised upward to \$21 million, based on revenue loss data provided by transit operators (see Table 1 for summary). Additionally, this updated figure also reflects changes in the assumptions based on feedback we have received.

The extent of regional revenue loss is dependent on the rates of discount and participation (by transit agencies and eligible riders). While participation rates can be estimated based on existing programs in the Bay Area and beyond, the actual participation rate is unknown. The Programming and Allocations Committee, and transit operators, also voiced concern that staff's original participation rate assumption of 20% was low (usage of the discount by eligible riders) for different reasons: either stemming from a belief that the region should aim to achieve a higher participation rate or that the discount will be very popular and participation will be greater than 20%. The new estimate assumes a 50% participation rate. To balance that higher participation assumption, the proposed framework also reduces the discount from 50% to 20% per trip. Note that GGBHTD staff is still considering implementation options for a discount, and the SFMTA may opt to offer a larger discount but seek only partial reimbursement.

Table 1: Estimated Revenue Loss Summary

	Regional Means Based Study	Current Proposal
Estimated Revenue Loss	\$16 Million	\$21 Million
Assumptions	All Bay Area transit operators 50% fare discount 20% participation by eligible riders 2014 Statistical Summary Data Adults earning less than 200% FPL	BART, Caltrain, GGT, SFMTA 20% fare discount 50% participation by eligible riders 2017 Transit operator provided data Adults earning less than 200% FPL

Table 2: Estimated Revenue Loss by Participating Operator

	Estimated Annual Revenue Loss (in \$millions) @50% participation, 20% discount *	Operator Provided Statistics (Annual)				
		Current Average Fare	Farebox Recovery Ratio	Annual Fare Revenue (\$ millions)	% Adult Ridership Low- income	# Low income Riders (Annually)^
BART	\$10.6	\$3.90	77%	\$484.8	25%	32,336
Caltrain	\$0.9	\$5.27	68%	\$98.4	9%	1,752
Golden Gate Bus	\$0.4	\$4.81	19%	\$15.0	31%	1,013
Golden Gate Ferry	\$0.2	\$8.05	53%	\$20.3	14%	368
Muni	\$8.6	\$0.93	21%	\$173.5	59%	114,363
Totals	\$20.7			\$792.0		149,832

*In million dollars annually. Based on current demographic and revenue data provided by operators; fiscal impact does not include any assumptions for elasticity, ridership changes, etc.; includes estimates for operators currently providing discounts. Assumes participant eligibility threshold = below 200% Federal Poverty Level.

^Using annual ridership and low-income adult ridership % from operators, assumes each participant uses discount twice daily for 240 days per year.

To offset the anticipated revenue loss and to fund administrative program costs, MTC would make State Transit Assistance (STA) Population- Based program funds and, if needed, Low Carbon Transit Operations Program (LCTOP) available. The MTC contribution comes from the additional State Transit Assistance population-based funds through Senate Bill 1 (SB 1) and reserved for Regional Programs in MTC Resolution No. 4321, and from MTC's population-based share of the LCTOP reserved for Clipper®/ Fare policy investments in MTC Resolution No. 4130. Approximately \$8 million in STA funding is estimated to be available annually starting in Fiscal Year 2018-19 and, if needed, approximately \$3 million in LCTOP could be available annually starting in FY 2018-19. Actual funding levels would be subject to annual MTC allocation actions.

Regional funds would be used for administrative costs first, currently estimated at \$3 million annually. The remainder would defray operators' revenue losses from the regional program, up to 50% of the losses. The operators are to cover any remaining costs or revenue losses (50% or more) from their augmented STA revenue-based funds or other sources. As shown in Table 2, gross revenue loss at the participating transit agencies is estimated at \$21 million. MTC's proposed annual subsidy of \$8 million would leave the operators covering a net loss of \$13 million with their own funds. It is anticipated that the distribution of regional funds to participating transit operators would be based on the actual trips and revenue loss, with proportional adjustments if the regional funds are not sufficient to cover all costs. Details of this as recommended by the participating operators are shown in Appendix 1 to this memo.

Fare Products and Clipper® Technical Feasibility

The discount program would be implemented through Clipper® using a standardized discount on single trips called the "Clipper® Coupon." The Clipper® Coupon will allow an eligible Clipper® card holder to get a discount on any single trip taken on a participating transit operator. This approach is recommended (with concurrence from transit operators) based on flexibility, time needed to develop and test the Clipper® Coupon software, and cost-effectiveness. With this approach, only single trips paid with e-cash will receive the Means-Based Discount; discounts on passes will not be supported. However, existing transit operator pass programs like Muni Lifeline may continue in parallel to the Means Based Discount Program on Clipper® at the operators' discretion (and own funding). Additionally, the current Clipper® 1.0 system cannot technically support a monthly accumulator pass product.

Program Design and Implementation

While this proposal provides a high-level conceptual overview, program development and design, including a federal Title VI evaluation and transit operator board consideration and approvals, will take time to complete. Program implementation will require coordination between MTC, transit agencies, county social service agencies and other partners. The Clipper® Regional Transit Connection (RTC) card administration will serve as the model for structuring a centrally administered program. User-based outreach (soliciting input from the targeted beneficiaries of the program) will be integrated into development of the program to ensure the program is designed with the end user in mind. A set of program evaluation metrics will also be outlined during this time, with periodic status updates to the Commission anticipated. The program is intended to be improved over time based on the evaluation and the learned experiences from the initial rollout of the program.

Eligibility for participation is anticipated to be established at 200% of the federal poverty level for adults. Seniors, disabled, and youth currently receive transit fare discounts and would not be eligible for the Means-Based fare program. Further development of the eligibility requirements is needed and emphasis will be to build upon the experiences of other existing Means-based programs (PG&E Care, SFMTA Lifeline, ORCA LIFT, etc.).

Revised Framework Proposal

Proposed Regional Means-based Fare Program

Participating Agencies (subject to confirmation and board approval)

1. Bay Area Rapid Transit (BART)
2. Caltrain
3. Golden Gate Bridge, Highway and Transportation District (GGBHTD)
4. San Francisco Municipal Transportation Agency (SFMTA)

Means-based Discount

A minimum 20% per trip discount of the adult fare (in addition to any existing Clipper® discounts) will be offered to eligible persons.

Eligibility

Adults earning less than 200% Federal Poverty Level (FPL)

Funding

MTC to make available an estimated \$11 million in funding (subject to annual allocation action by MTC) that would be used for administrative costs first. The remainder would defray up to 50% of operators' revenue losses for the new regional means-based fare program. The operators are to cover any remaining costs or revenue losses from their augmented STA revenue-based funds or other sources.

The MTC contribution comes from the additional State Transit Assistance population-based funds through Senate Bill 1 (SB 1) and reserved for Regional Programs in MTC Resolution No. 4321 (approximately \$8 million), and from MTC's population-based share of the Low Carbon Transit Operations Program (LCTOP) reserved for Clipper®/ Fare policy investments in MTC Resolution No. 4130 (approximately \$3 million).

Implementation

- Program to be implemented on Clipper® through a discount coupon approach.
- Program will be centrally administered on behalf of all participating agencies.
- Program will be evaluated for continual improvements and is subject to revision based on financial sustainability, efficiency, and effectiveness.

Conditions

- Operators to conduct Title VI analysis per Federal Transit Administration (FTA) as required.
- If SB 1 is repealed, the Regional Means-Based fare program is subject to cancellation.
- The formula for distributing regional funds to transit operators will be based on actual trips taken and is subject to refinement based on the rider participation rates and amount of regional funding available.
- SFMTA can continue, expand, or eliminate its current Lifeline monthly program; however the regional funding will only be used to compensate for participation in the new regional program. Other operators with existing low-income rider discount programs, who are not participating in the regional program, would not be eligible for regional Means-Based Fare Program funding.

Feedback Received

Staff solicited the input from transit operators, the Equity and Access Subcommittee and the Policy Advisory Committee. Much of the feedback received was focused on implementation activities and will be addressed during the design phase of the program. The Equity and Access Subcommittee feels this is an important program and while it may not be possible to have all transit operators participate initially, they suggest setting a program goal to work towards greater agency participation.

Next Steps

Should the Commission decide to move forward, staff estimates program development to occur through 2019 and program start-up in mid-2019. This schedule also will allow us to confirm continuation of SB 1 post-November 2018 prior to program launch.

May 2018	MTC considers approving framework
Summer 2018	Transit Agency Boards consider approval of Means-based Fare Discount program participation
Fall 2018 – Spring 2019	Program design and development
Summer 2019	Program start-up

This presentation is provided for information only. No action is being requested at this meeting.



Steve Heminger

SH:mc

Attachment – Appendix 1- Proposed Revenue Distribution

Appendix 1

Regional Means-Based Fare Program:

Transit Operator Proposed Distribution of Regional Funds

Transit operators have developed a preliminary distribution formula for splitting the regional funds amongst participating operators for demonstration purposes. The distribution formula is still in development. The formula below assumes a total of \$11 million in regional funding is available. The first \$3 million of this is being reserved for program administration costs, which leaves a balance of \$8 million available to offset transit operator revenue losses. This estimated remainder of \$8 million in regional funds would defray operators' revenue losses from the regional program, up to 50% of the losses. The operators are to cover any remaining costs or revenue losses (50% or more) from their augmented STA revenue-based funds or other sources.

As Proposed by Transit Operators

Revenue Distribution Notes

- Primary allocation of available funds will be towards system development, implementation and ongoing administrative costs.
- Remaining funds per agency will be allocated on a not to exceed amount based on the proportional revenue of participating agencies (see Table below)*.
- Reimbursement will be capped at 20% per trip, applied to Clipper base adult fare (discounts offered in excess of 20% will be covered by Operators)*.
- Operator annual fare revenue in subsequent years will be calculated using actual fare revenue + revenue loss associated with program.
- Undistributed revenue for the first two years will be rolled over until initial program implementation is complete and enrollment has stabilized, after which time further discussion and consensus to be reached regarding additional allocation.

Operator	Annual Fare Revenue	% Total	Max Funding Distribution**
BART	\$484,813,126	61%	4,896,233
Caltrain	\$98,427,507	12%	994,041
Golden Gate Bus	\$15,097,171	2%	152,470
Golden Gate Ferry	\$20,320,581	3%	205,222
Muni	\$173,482,205	22%	1,752,034
TOTAL	\$792,140,590		8,000,000

* The \$8 million in regional funds would defray operators' revenue losses from the regional program, up to 50% of the losses.

**Assumes \$3 million for administrative costs.

Date:
W.I.: 1311
Referred by: PAC

ABSTRACT

MTC Resolution No. 4320

This resolution approves the Regional Means-Based Fare Program, a regional low-income discount fare program for eligible transit riders.

Further discussion of this action is contained in the MTC Programming and Allocations Summary Sheet dated _____, 2018.

Date:
W.I.: 1311
Referred by: PAC

RE: Regional Means-Based Program Framework

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4320

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Section 66500 *et seq.*; and

WHEREAS, transit affordability has been highlighted as a regional issue in MTC's Coordinated Plan, Plan Bay Area and other plans;

WHEREAS, MTC has conducted the Regional Means-Based Fare Pricing Study;

WHEREAS, the MTC recommends adopting a regional framework for the program, with participating operators, funding guidelines, and program conditions, as shown in Attachment A;

RESOLVED, that MTC approves Regional Means Based Fare Program Framework, subject to the conditions noted therein; and, be it further

RESOLVED, that MTC may annually allocate regional funds to support the Regional Means Based Fare Program per the respective funding program guidelines.

METROPOLITAN TRANSPORTATION COMMISSION

Jake Mackenzie, Chair

The above resolution was approved by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California, on _____, 2018.

Regional Means Based Transit Fare Program Framework

Participating Agencies

1. Bay Area Rapid Transit (BART)
2. Caltrain
3. Golden Gate Bridge, Highway and Transportation District (GGBHTD)
4. San Francisco Municipal Transportation Agency (SFMTA)

Means-based Discount

A minimum 20% per trip discount of the adult fare (in addition to any existing Clipper discounts) will be offered to eligible persons.

Eligibility

Adults earning less than 200% Federal Poverty Level (FPL)

Funding

MTC to make available an estimated \$11 million in funding (subject to annual allocation action by MTC) that would be used for administrative costs first. The remainder would defray up to 50% of operators' revenue losses for the new regional means-based fare program. The operators are to cover any remaining costs or revenue losses from their augmented STA revenue-based funds or other sources.

The MTC contribution comes from the additional State Transit Assistance population-based funds through Senate Bill 1 (SB 1) and reserved for Regional Programs in MTC Resolution No. 4321 (approximately \$8 million), and from MTC's population-based share of the Low Carbon Transit Operations Program (LCTOP) reserved for Clipper®/Fare policy investments in MTC Resolution No. 4130 (approximately \$3 million).

Implementation

- Program to be implemented on Clipper® through a discount coupon approach.
- Program will be centrally administered on behalf of all participating agencies.
- Program will be evaluated for continual improvements and is subject to revision based on financial sustainability, efficiency, and effectiveness.

Conditions

- Operators to conduct Title VI analysis per Federal Transit Administration (FTA) as required.
- If SB 1 is repealed, the Regional Means-Based fare program is subject to cancellation.
- The formula for distributing regional funds to transit operators will be based on actual trips taken and is subject to refinement based on the rider participation rates and amount of regional funding available.
- SFMTA can continue, expand, or eliminate its current Lifeline monthly program; however the regional funding will only be used to compensate for participation in the new regional program. Other operators with existing low-income rider discount programs, who are not participating in the regional program, would not be eligible for regional Means-Based Fare Program funding.

Means-Based Fare: Regional Framework Proposal

MTC PROGRAMMING AND ALLOCATIONS
COMMITTEE

APRIL 11, 2018



Program Goals



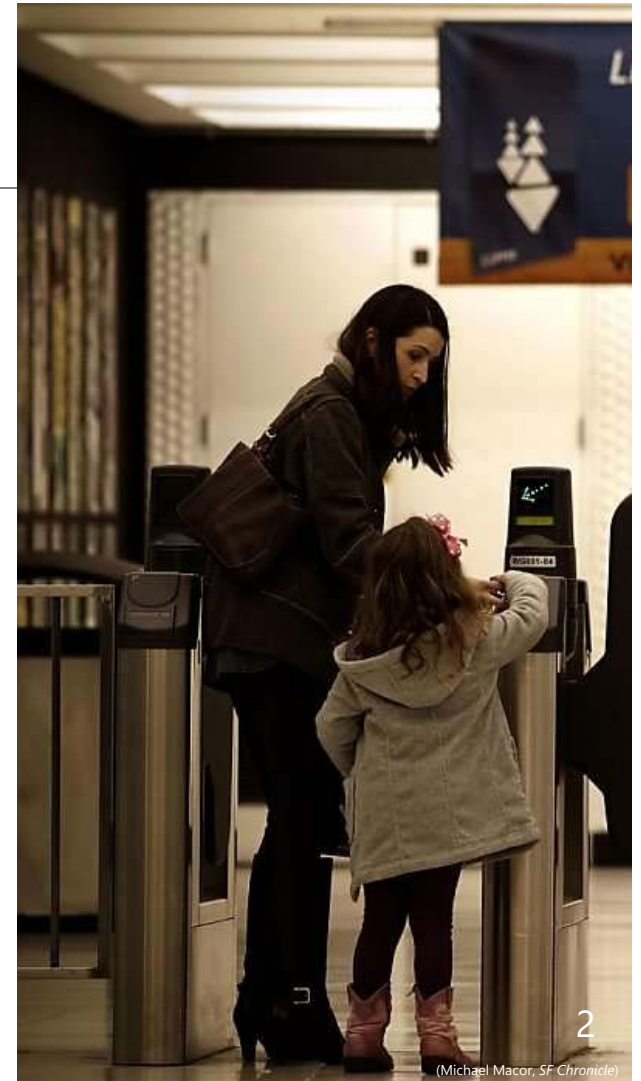
Make transit more **affordable** for the Bay Area's low-income residents



Move toward 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



Proposed Regional Means - Based Program Framework

Participating Agencies

- BART
 - GGBHTD
 - Caltrain
 - SFMTA
- subject to Board approvals*

Eligibility

- Adults earning < 200% Federal Poverty Level

Discount

- 20% per trip discount

Funding

- ~ \$11M annually (SB 1 – STA & LCTOP funds) for administrative costs and defray up to 50% operator revenue loss
- Operators to cover remaining costs/revenue loss.

Implementation

- Offered through Clipper
- Program subject to cancellation if SB 1 repealed

Proposed Regional Means - Based Program Framework

Summary of Transit Operator Participation

1) BART, Caltrain, GGBHTD, SFMTA

Staff level intent to participate. Next step is Board approvals

2) AC Transit and Samtrans

Opted to not participate due to financial risk

3) VTA

Opted to not participate given it currently has two programs in place and due to financial risk

4) All other transit operators

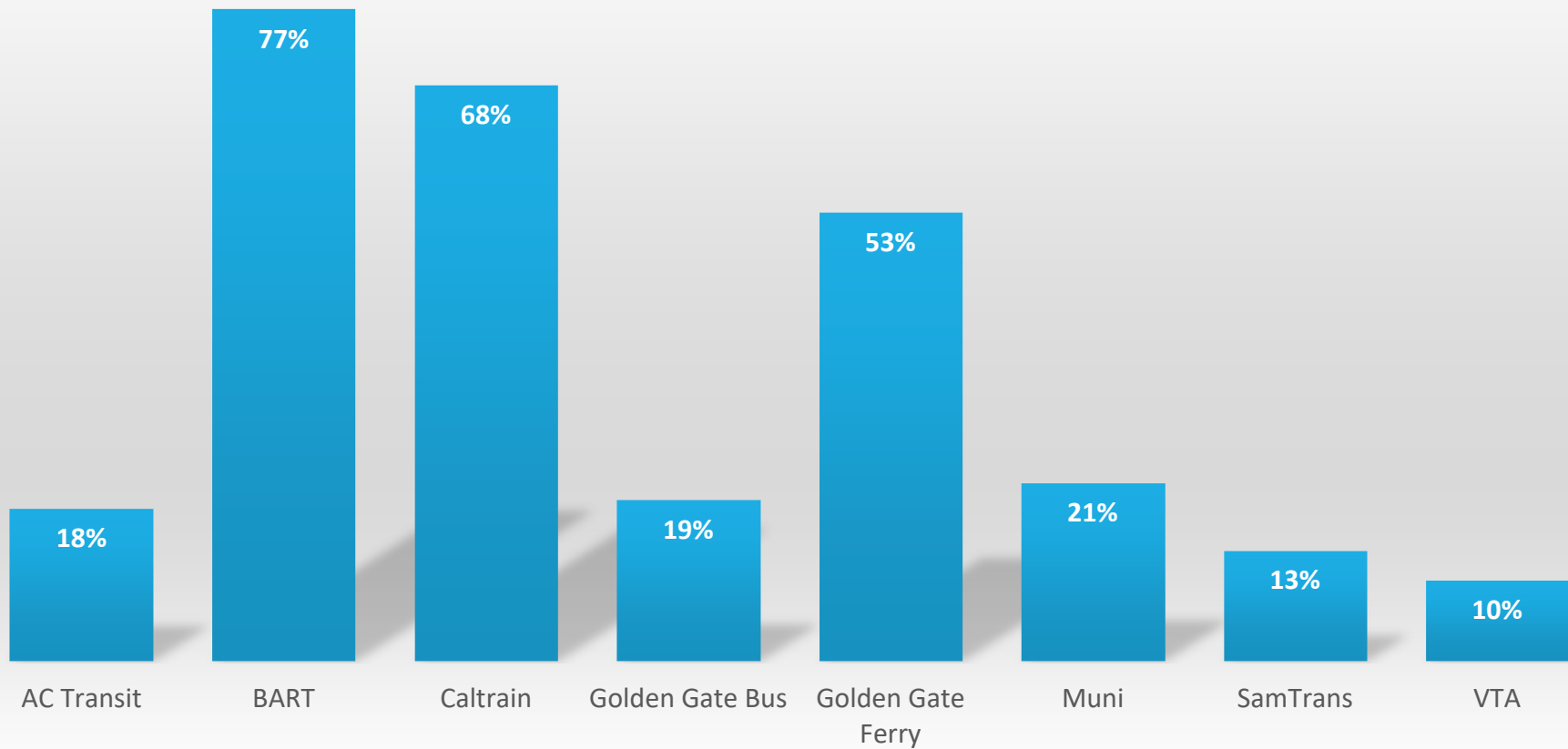
Staff recommends not including other agencies at this time, to minimize financial risk and program complexity. Potential to add additional operators after implementation and initial financial impact is known.

Means Based Program
Estimated Annual Fare Revenue* (in Millions \$)
7 Large Bay Area Transit Operators



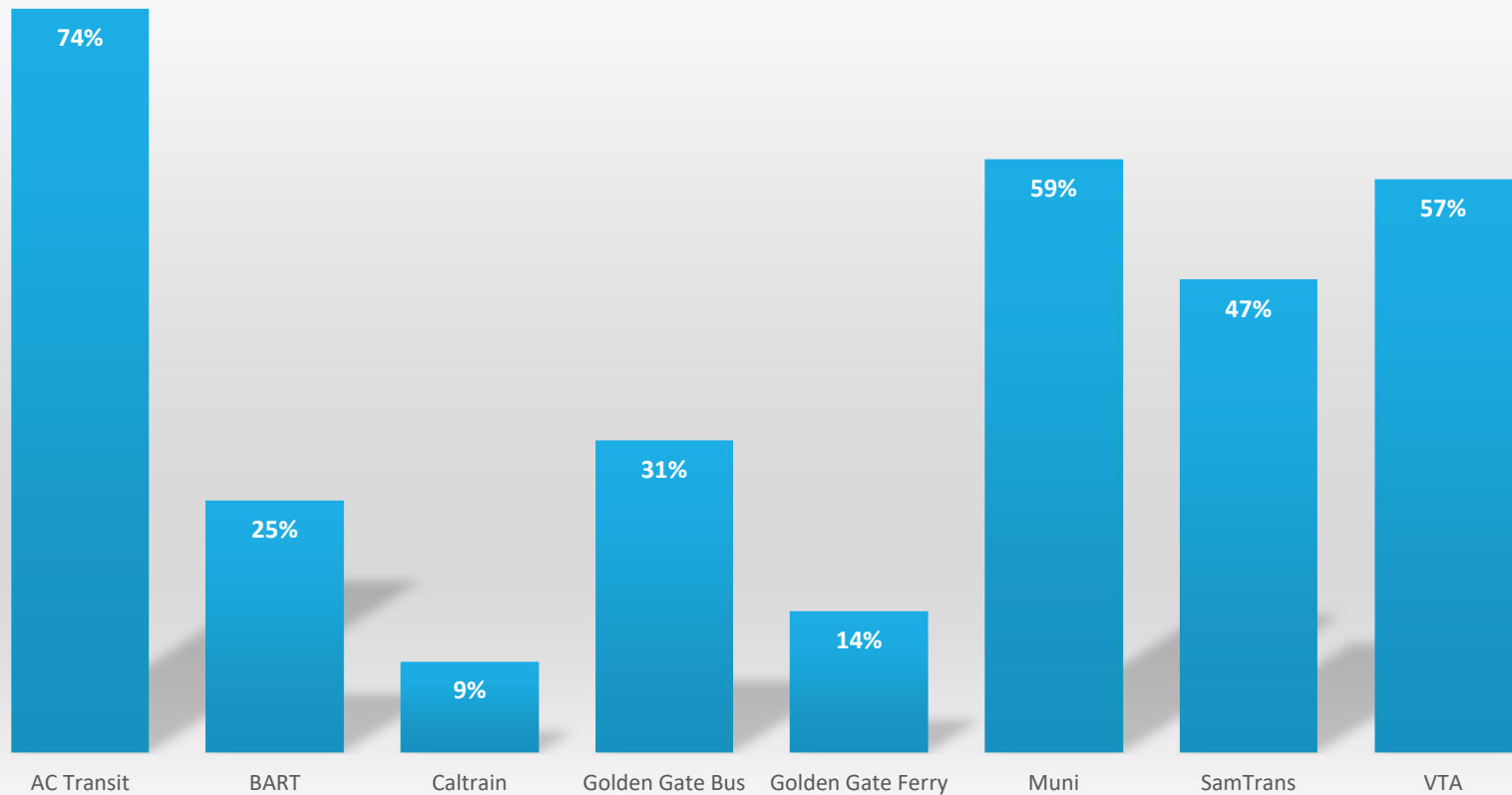
*Based on current demographic and revenue data provided by operators in November 2017

Means Based Program - DRAFT
Estimated Annual Farebox Recovery Ratio*
7 Large Bay Area Transit Operators



*Based on current demographic and revenue data provided by operators in November 2017

**Means Based Program
Estimated % Low-Income Adult Ridership*
7 Large Bay Area Transit Operators**



*Based on current demographic and revenue data provided by operators in November 2017

**Means Based Program
Estimated Average Fare *
7 Large Bay Area Transit Operators**



*Based on current demographic and revenue data provided by operators in November 2017

Estimated Annual Revenue Loss

		Operator Provided Statistics (Annual data)				
	Estimated Annual Revenue Loss @50% participation @ 20% discount ^a	Average Fare	Farebox Recovery Ratio	Fare Revenue (\$ millions)	% Adult Low- income Ridership	Estimated Program Participants (Annually) ^b
BART	\$10.6 M	\$3.90	77%	\$484.8 M	25%	32,336
Caltrain	\$0.9 M	\$5.27	68%	\$98.4 M	9%	1,752
Golden Gate Bus	\$0.4 M	\$4.81	19%	\$15.0 M	31%	1,013
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Muni	\$8.6 M	\$0.93	21%	\$173.5 M	59%	114,363
Totals	\$20.7 M			\$792.0 M		149,832

^a In million dollars annually. Based on current demographic and revenue data provided by operators; fiscal impact does not include any assumptions for elasticity, ridership changes, etc.; includes estimates for operators currently providing discounts. Assumes participant eligibility threshold = below 200% Federal Poverty Level.




^b Estimated using annual ridership and low-income adult ridership % from operators, assumes each participant uses discount twice daily for 240 days per year.

Questions from January PAC

- 1) Program Administration
- 2) Funding
- 3) Discount Structure
- 4) Pilot or Full Program
- 5) User Outreach
- 6) Program Evaluation

1) Program Administration

- Administrative Costs
 - Costs include initial set-up and annual operating
 - Experience from Other Agencies (Annual Operating costs only)

Agency	Annual Est. Admin Costs	# Served	Annual Cost/ Enrollee
SFMTA – Lifeline Pass 	\$600,000	24,000 enrolled 18,000 active	\$25/ \$33.3
VTA - TAP (Payment to County) 	\$200,000	1,000 passes/ mo.	\$16.7
King County Metro 	\$3,000,000	45,000 enrolled	\$66.7

Program Administration (continued)

- Program will be centrally administered on behalf of all participating agencies.
- Eligibility determination (“means-testing”) for potential enrollees will be coordinated centrally for all participating agencies.
 - Likely would use a third-party vendor contract, which would be administered by one transit agency or by MTC on behalf of all agencies participating.
- Enrollees will receive program-specific Clipper Card.

2) Funding

Potential additional funding to augment program

Source	Annual Amount (\$ millions)	Notes/ Tradeoffs
Low Carbon Transportation Operations Program (LCTOP)	~\$3.0	Currently used for Clipper capital needs, anticipated for C2
STA Revenue-based Funds (to Transit Operators)	~\$72.0 M = SB 1 increment starting in FY19	Operators planning to use for general operations, making up for STA volatility

Funding (continued)

- Staff Recommends:
 - No new regional funds to existing low-income fare programs (i.e. VTA, SFMTA)
 - Not including student pass discount programs into Means-Based Fare Program.
 - Means-based fare program is focused on low-income adults who are not eligible for other discounts
 - Discounts currently exist for youth, seniors, and disabled fare categories

3) Discount Structure

Q Why only single-rides and not passes?
Accumulator?

- Single ride program benefits all trips versus pass discount that benefits only frequent users
- BART does not have monthly/multi-ride passes
- Current Clipper system does not support regional monthly accumulator pass

4) Should a pilot occur before full program roll-out?

- After initial roll-out, the program is anticipated to be modified and improved upon over time
- Stakeholders have preference for full roll-out (no pilot), in support of policy goals of establishing a permanent program
- Most of the same back-end work would be required for pilot as for full roll-out

5) How can user outreach help shape program?

Seek input during the project development phase on how to implement program:

- Ease/ Methods of Access
- How to increase participation rate
- Eligibility Screening Process and Locations
- Operators' Title VI analyses

6) What metrics will be used to evaluate program?

Preliminary Suggested Metrics

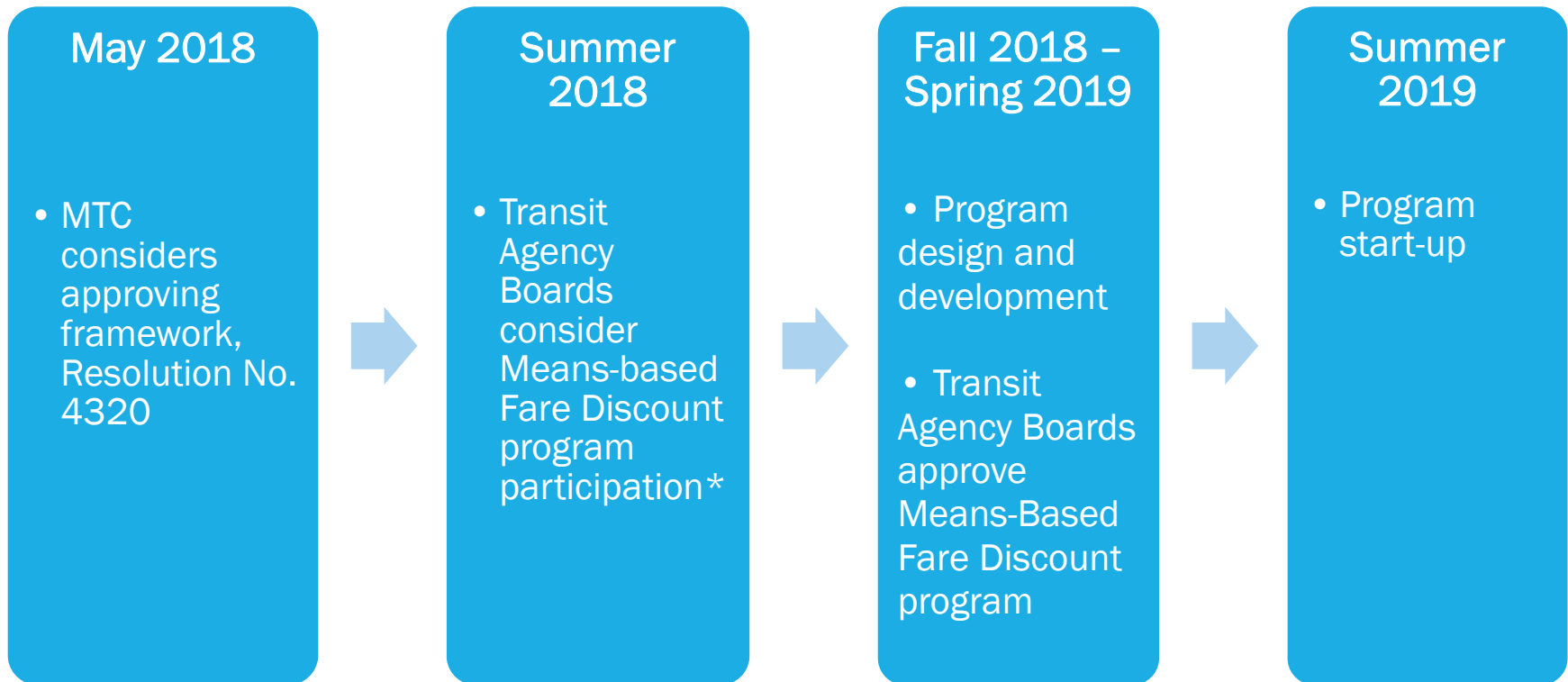
Quantitative	Qualitative
Number of Sign-ups/Riders	Before/After Survey of Participants
Cost/revenue Impacts	Ease of Use for Riders
Participation Trends, Travel Data from Clipper	Financial Impact for Riders
Effectiveness of Strategies to Increase Participation	Ease of Administration

Will require resources (staff and funding), and availability of Clipper data for participants

Risks

- SB 1 Availability
- Operator ability to fund revenue loss
- Clipper C1 implementation changes
- Regional Program Administration
 - Some initial work likely needed in order to develop Administration – could be before transit Boards approve participation

Next Steps



* Transit agency Board actions may occur in multiple steps. Final program participation approval is subject to completion of Title VI analysis and may occur later.