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Regional Means-Based
Transit Fare Pricing Study

Draft Final

**Technical Memorandum #4:
Alternatives Evaluation and
Recommended Actions**

Prepared for



METROPOLITAN
TRANSPORTATION
COMMISSION

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Introduction

This document is the fourth technical memorandum of the Regional Means-Based Transit Fare Pricing Study. The first three study documents were:

- Technical Memorandum #1: *Policies and Conditions Analysis* – A review of affordability programs in transit and other industries.
- Technical Memorandum #2: *Alternative Fare Scenarios* – A consideration of potential Bay Area means-based fare program alternatives.
- Technical Memorandum #3: *Evaluation of Alternative Means-Based Transit Fare Scenarios* – A quantitative and qualitative review of five scenarios from Technical Memorandum #2.

Three affordability and two revenue generating scenarios were previously evaluated for the Regional Means-Based Transit Fare Pricing Study and presented in Technical Memorandum #3: *Evaluation of Alternative Means-Based Transit Fare Scenarios*. The purpose of this memorandum #4 is to evaluate the scenario analysis results in the context of the study goals and identify recommended actions based on the evaluation results. Based on this evaluation, two scenarios emerge as preferred alternatives.

1.0 Original Study Goals

The original goals of the Regional Means-Based Transit Fare Pricing Study served as the basic criteria for evaluating the fare scenarios and identifying the preferred alternatives in this task:

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.

2.0 Affordability and Revenue Generating Scenarios

Alternatives identified as Affordability scenarios would provide a discount for low income riders, defined as those riders with incomes below 200% of the federal poverty level, which as of 2017 is about \$24,000 for a single-person household and about \$50,000 for a four-person household; given the Bay Area’s average household size of between 2 and 3 people, low-income individuals were also approximated using existing data as those living in households earning less than \$35,000 per year.¹

Revenue Generating scenarios could provide revenue to off-set some of the fare revenue losses of a low income program. The affordability and revenue scenarios described briefly below were first introduced

¹ Source: U.S. Department of Health and Human Services 2017 Federal Poverty Guidelines; see: <https://aspe.hhs.gov/poverty-guidelines>

in Technical Memorandum #2, *Alternative Fare Scenarios*, then analyzed qualitatively and quantitatively in Technical Memorandum #3, *Evaluation of Alternative Means-Based Transit Fare Scenarios*. More detailed descriptions of each scenario's implementation alternatives, opportunities, and constraints can be found in these earlier study documents.

The scenarios being considered have been only broadly defined as part of this exploratory study. The scenario descriptions summarized below, as well as the scenario analysis in Technical Memorandum #3, make broad regional assumptions. The analysis is intended to support a high-level policy-level discussion among potential stakeholders. Further policy development and program definition will be required to better define any future regional means-based program.

Affordability Scenarios

A1 – Discounted Fares and Passes for Low Income Riders

This scenario would create an additional discount category for low income persons, which would allow qualified low-income individuals to pay discounted cash fares or purchase passes at discounted prices.

As described in Technical Memorandum #3, this scenario assumes a discount for low income riders of 50% of the adult fare, which is in line with other standard transit fare discounts already provided in the region to seniors, persons with disabilities, and youth. A special discount Clipper® card would be issued to eligible riders to serve as proof of eligibility and could also be used to store value for discounted fares or to load a discounted monthly pass. Fares would be discounted at a uniform rate (50%), but the discount would apply to each operator's fares, so fares would continue to vary between operators. A monthly pass would be valid only on the operator issuing it. Low income riders who already receive a discount of 50% or more of the full adult fare, such as senior/disabled and some youth riders, would not receive an additional discount.

A2 – Accumulator with Monthly Cap for Low Income Riders

Accumulators are alternatives to fixed-price pass products. They cap fares or provide bonus trips based on a threshold (number of boardings or value of fares paid) within a defined period of time.

Accumulators with caps effectively allow riders to purchase the benefits of pass products (e.g., monthly passes) in small increments rather than requiring payment of the full price of the pass up-front. In this scenario, fares would be capped on a monthly basis, and the cap would be set lower for low income riders than for the general population.

As described in Technical Memorandum #3, Scenario A2 takes advantage of two new electronic fare payment capabilities – fare capping and trip bonuses. Fare capping limits a customer's accumulated stored value expenditures to a defined dollar value; once the threshold is reached, subsequent trips in the same calendar period (often a day or a month) are free. Trip bonuses provide free trips once a rider pays for a set number of trips. Daily fare accumulators are already in place in the Bay Area, and have been implemented by AC Transit and VTA to cap the total fares a customer pays in one day.

This scenario assumes that each agency's monthly dollar cap for low-income persons would be set at 50% of the price of a monthly pass and the amount deducted for each trip would be the same as the

agency's single trip stored value fare. Thus, for an agency with a \$100 monthly pass and a \$2.50 stored value fare, the low income fare cap would be \$50; the amount deducted from stored value on each boarding would be \$2.50 (full fare), then all trips on that operator would be free after the 20th trip (when \$50 worth of trips had been purchased). Since the prices of Bay Area transit agencies' monthly passes vary, fare caps would vary among operators.

Since BART does not currently offer a monthly pass, it was assumed that low-income BART riders would receive a 50% discount when using Clipper® stored value.

A3 – Cash on Clipper® for Low Income Riders

With this scenario, low income riders would receive a direct stipend in the form of cash value added to a Clipper® card. This stipend could be used to ride any transit service in the region that accepts Clipper®, whether the rider purchases single fares or monthly passes. In this scenario, the stipend would be provided on a one-to-one match basis, with each dollar added by the rider matched with a stipend dollar with no cap on the bonus, effectively providing a 50% discount on all pay-per-trip stored value usage. This scenario would not require changes to transit operators' fare policies.

Revenue Generating Scenarios

R1 – Eliminate Non-Mandated Cash Fare Discounts

This scenario would generate revenue by eliminating all fare discounts beyond those that are required by Federal law and/or regulation (i.e. half-fare discounts on cash fares and during off-peak hours for seniors age 65 and older, persons with disabilities, and Medicare recipients). Discounts beyond those that are federally mandated would be eliminated and riders currently benefitting from those discounts would pay full fares, although some of those customers would likely become eligible for the low income program.

R2 – Implement a 10% Fare Increase

This scenario would generate additional fare revenue by raising transit fares in the region by 10% across-the-board. The fare increase would apply to all fare products of all Bay Area transit agencies.

Bay Area transit agencies set their own fare policies and fares and decisions about fare changes like these are made by each agency. Eliminating non-mandated fare discounts (R1) is proposed as a regional concept, but would require policy changes by each transit agency's Board of Directors. While not infeasible, eliminating non-mandated fares would involve the one-time reversal of longstanding policy. This would be a lengthy, decentralized, controversial endeavor that could span several years and may not result in changes at all agencies. Similarly, a 10% fare increase (R2) would require changes to each individual agency's fare policies. However, the process for fare increases and the required justification is more predictable. The revenue raised by a 10% fare increase (on the order of \$66 million annually) could help to offset fare revenue losses, which will vary depending on implementation details of the chosen scenario and could be implemented as a phased (2- or 3-step) fare increase, depending on the agencies' other fare revenue needs and priorities.

3.0 Policy Direction and Prioritization

Throughout the study, MTC provided policy direction and guidance for a low income fare program, including input into the structures and assumptions behind the Affordability and Revenue Generating scenarios and the resulting ridership and fare revenue projections that are included in Technical Memorandum #3. Following the delivery of that memo, the Study’s Technical Advisory Committee (TAC) met to review the ridership and fare revenue projections and also provided the following broad-based input on policy direction for a means-based fare pricing program for the Bay Area:

- Affordability was further defined as helping all qualifying riders similarly every month up to the budgetary limits of the program. It does not necessarily favor certain subgroups of low income riders over others. While improving affordability is considered to be the primary policy objective, it can be relative:
 - A 50% discount is comparable to FTA’s mandated discounts for seniors and persons with disabilities, and is an appropriate level of discount to provide a meaningful benefit to users.
 - Any discount would be viewed as helpful, as long as program qualification, enrollment, and participation is simple, straightforward, and streamlined for agencies and users alike.
- Feasibility was further defined to include nearer-term implementation that does not rely on the next generation of Clipper®, which may still be several years away from full implementation.
- Reliance on Clipper® to distribute subsidies is neither a key concern nor a major potential barrier; having a cash-paying option is not essential to a low income program.
- Limiting participation to a specific geographic area of the region was seen by some members of the TAC as potentially troublesome, unless the geographic limitation is part of a phased implementation or a pilot program.
- Accessibility also refers to “easy to participate,” meaning users don’t need to come up with a lot of money up-front to enroll or buy a high-priced product.
- Centralized administration is essential for multi-county transit operators like BART and AC Transit; the Bay Area’s RTC model for administering the eligibility process for riders wishing to qualify for disabled fares is an example of centralized administration that has worked well for multi-county operators.
- Some TAC members were concerned about fare revenue loss and the potential infeasibility of revenue generating scenarios
- Many TAC members supported a program in principle, however some TAC members suggested bypassing a pilot program and rolling out a full-scale program outright would achieve the end goal of providing support to low income riders much more quickly.

Although the fiscal impact analysis of the scenarios does not constitute a specific program cost estimate, several transit operators had comments about the financial assumptions in the analysis:

- SFMTA staff reports having conducted detailed analysis of the existing SFMTA Lifeline program (which makes a discounted monthly pass available to low-income riders) and noted that their estimated annual fiscal impact is roughly \$8 million. In contrast, the three scenarios analyzed in this study (which differ significantly from the Lifeline pass) have fiscal impacts ranging from \$12–14 million annually. SFMTA staff note that this regional study did not use the detailed data available through the SFMTA to calculate the impact on SFMTA, or base regional calculations on their Lifeline program experience.
- BART staff has stated that they believe the fiscal impact estimated to BART by this regional study is potentially *understated* by \$3–7 million. They note that their fare revenue has increased significantly since 2014 (the most recent year for which data was available when the technical analysis was conducted) and the impact to BART would be magnified accordingly. BART staff also has more detailed data on its own discount riders and could help refine the estimate of those riders who are likely to use a discount program on BART and the fares those riders currently pay. Furthermore, BART's own analysis of raising fares to mandated-discount levels showed lower revenue gains than the R1 analysis carried out as part of this study, meaning there would be potentially less revenue to offset potentially greater losses if that scenario is considered further.

Should the region choose to pursue a low-income program in the future, additional analysis among multiple parties would be required to establish a more precise cost estimate. That cost estimate should be prepared in collaboration with the transit agencies and should account for more detailed ridership and revenue characteristics of each agency, and the detailed policy decisions and program features that are not yet defined.

Based on the original MTC study direction, the established study goals, and the TAC's feedback, the CH2M team conducted a weighting and prioritization exercise of the scenarios with the following objectives:

1. **Rider Affordability:** Achieving this goal is a top priority for the program and as such it has a total weight of 40%. This goal is defined by financial affordability and ease of access through objectives such as ease of enrollment and participation, provision of the same discount to all eligible individuals, and means testing based on eligibility for another social program such as CalFresh to facilitate eligibility assessment and access to the program.
2. **Administrative Feasibility & Financial Viability:** Along with Rider Affordability, this goal is equally weighted as a top priority, with a total weight of 40%. This goal is defined by objectives such as scalability to available funding, centralized and electronic management, implementation under the current Clipper® system, and providing Clipper®-only payment to minimize agency overhead.
3. **Consistent Regional Standard:** This goal is weighted as a secondary priority after the primary goals of Rider Affordability and Administrative Feasibility & Financial Viability. Because consistency was seen as less central to a program compared to affordability and feasibility, it has been assigned a lower weighting (20%).

participants continually emphasized that regional consistency is desirable, especially with respect to using Clipper®, making any low-income discount program available throughout the region, and developing universal standards for program qualification. However, study participants also recognized that changing agency fare policy to create a region-wide multi-agency fare structure would be complex and could become a barrier to timely implementation of any low-income program. With these complexities in mind, the TAC suggested that the study should prioritize a scenario that does not depend on new multi-agency fare policy. MTC staff maintains that coordinated regional fare policy could benefit riders, but also acknowledges the significant implementation barriers that come with any scenario that depends on region-wide multi-agency fare policy.

The weighting exercise was a qualitative assessment done by the consultant team of CH2M with validation and refinement from MTC staff. The consultant team used their judgement to provide a numeric rating for how well each of the scenarios met program goals. The assessment matrix used in this evaluation shows how the consultant interpreted goals based on the feedback and considerations provided by the TAC. (See Appendix A: Evaluation of Objectives.) It is important to underscore that the assessment ratings are qualitative, and reflect the consultant’s understanding of direction provided from the TAC and MTC staff.

4.0 Recommendations

The goal weightings and the resulting Scenario scores are summarized in the following table:

Study Goals	Weight	A1: Discounted Fares & Passes	A2: Accumulator	A3: Cash on Clipper®
Affordability	40%	4.30	2.80	3.80
Administration & Feasibility	40%	1.25	1.63	4.38
Regional Consistency	20%	4.00	3.00	4.00
Weighted Score	100%	3.00	2.40	4.10

Based on these weightings, A3 – Cash on Clipper® for Low Income Riders has the highest score and A1 – Discounted Fares and Passes for Low Income Riders ranks second. The qualitative evaluation process is documented in the matrix provided in Appendix A: Evaluation of Objectives.

Affordability Scenarios

Among the three Affordability Scenarios and based on the criteria defined here, **A3 – Cash on Clipper® scores the highest against two of the study goals and overall.** It is ranked as the most feasible and would require the least administrative effort to implement. All scenarios support regional consistency through the use of Clipper® and standardized eligibility requirements; but A3 scored slightly higher for not depending upon the adoption of new regional fare policy which could be a barrier to timely implementation. This scenario ranks lower than A1 (Discounted Fares and Passes) against the Affordability goal, primarily because it does not provide the same discount to all eligible individuals; instead, the value of the stipend depends on the frequency of travel, based on the value riders add

to their Clipper® cards.

The second-ranked scenario, A1 – Discounted Fares and Passes, scores the highest on Affordability and the second highest on both Administration & Feasibility and the Regional Consistency goal. With respect to Affordability, A1 ranks the highest of the three scenarios on providing the same discount to all eligible individuals since every fare paid from stored value and every pass purchased would be discounted at the same rate. One of the assumptions behind this scenario is that it would require the creation of a new Clipper® fare category for low income riders, making it more difficult from an Administrative Feasibility perspective. Scenario A1 would have scored more favorably if it relied on an existing Clipper® discount-fare category (such as Regional Transit Connection [RTC] Clipper® Card) rather than depending on the creation of a new low income fare category to be implemented fully on Clipper®.

Scenario A2 – Accumulator with Monthly Cap ranks the lowest of the three scenarios. While optimism about the potential of accumulators varied among stakeholders, improving the ranking of this scenario would require reworking the objectives and their weightings in order to prioritize regional fare policy coordination and accommodate a longer implementation timeline dependent on C2 implementation, which is the next generation of Clipper® technology currently in early development. It would also necessitate a more detailed exploration of the financial impacts and viability of capping, given the complex revenue impacts. If there is sufficient interest in the accumulator alternative, consideration could be given to implementing it at a later time, with the rollout of C2 and the introduction of accumulators regionwide.

Finally, it is also imperative to recognize that there are substantial unfunded costs as well as potential service implications associated with each of the Affordability Scenarios if implemented in fully unconstrained terms, as discussed in Technical Memorandum #3. Those concerns were generally considered in the evaluation process, but the precise impacts would depend on the final program design and rate of adoption.

Revenue Generating Scenarios

Changes to each agency's fare policy will be complicated and will need to be discussed at the agency level, in conjunction with regional plans to fund and implement a low income program. The Revenue Generating scenarios suggest that revenues on the order of \$53-\$66 million annually could be raised if all of the transit providers either eliminated all non-mandated fare discounts or successfully implemented a 10% across-the-board fare increase.

Decisions to make fare changes of this nature must be made by each agency's policy board. Fare changes of this scale are likely to be extremely difficult to implement consistently across the region by all operators and on the same timeline, particularly considering the agencies' other unique fare revenue needs.

Outside Funding Needs

Although increasing fare revenues represents one potential long-term funding source for providing low-income fare discounts, the timing of, and revenue from, individual agency fare increases will likely be inconsistent. Consequently, additional non-agency funding and implementation resources could assist in program implementation depending on how a program might be developed and what financial and policy assumptions are maintained. Transit agencies participating in the TAC expressed concern that no sustained funding source has been identified to offset revenue losses a program would incur.

5.0 Next Steps

As MTC continues to develop the concept of a regional means-based transit pricing program for the Bay Area, there are both policy and technical decisions that will need to be made. CH2M also recommends conducting a pilot program to test the viability of the program, and developing a cost estimate with each transit agency applying individualized cost approaches based on each agency's unique ridership and available data.

At this point in the study, MTC staff and the TAC have participated in discussions about defining and evaluating conceptual program alternatives. The region's transit agencies are represented on the TAC by AC Transit, BART, Marin Transit, Petaluma Transit, SFMTA, and VTA; the TAC also includes organizations representing low income/equity concerns (San Jose State University's Mineta Transportation Institute, Urban Habitat), and agencies providing human services (Alameda County Social Services Agency, Contra Costa County Employment and Human Services Development).

A next step will be to share the study's findings and recommendations with all Bay Area transit agencies and set initial direction through a plan to pilot one or both of the top-ranked Affordability alternatives.

Policy Implementation

Implementing or piloting a means-based transit pricing program will require setting specific policies for program parameters. A similar approach was taken with the ORCA LIFT program in the Seattle area, which uses the ORCA smart card to successfully deliver reduced fares to riders who meet specified income thresholds on multiple different transit providers in the Seattle region. Some of the key policies the Bay Area will need to consider are:

- **Target Population and Income Threshold:** Provide clear eligibility definitions, including the income thresholds and residency requirements that must be met to qualify for the program. For the alternatives evaluation, all residents of the nine Bay Area counties were considered potentially eligible; the income eligibility threshold was set at 200% of the federal poverty level.
- **Discount Structure:** Select the alternative(s) (e.g., A1 – Discounted Fares and Passes and/or A3 - Cash on Clipper®) that will be piloted. Both of these alternatives evaluated 50% discounts and there is general agreement among TAC participants that the program should provide a 50% discount if that is feasible within the scope of the program. The

results of a pilot should help to confirm whether this is the “right” level for eligible transit users, the Bay Area transit providers, and MTC.

- **Geographic Scope:** Assuming that the program will be available for transit customers throughout the nine county region, determine whether it should be implemented in phases, with different parts of the region and transit agencies coming on line at different times, and if so, how to phase it. Part of this decision will also be where to conduct a pilot program and which agencies should participate.
- **Means Testing:** Specify how eligibility will be assessed, considering opportunities to partner with Bay Area social service agencies. Conceptually, a means-based transit pricing program would take advantage of the existing network of service agencies to manage program eligibility, similar in principle to VTA’s UPLIFT and TAP programs, SFMTA’s Lifeline program, and the ORCA LIFT program. Social service agencies would leverage their existing eligibility assessment procedures and expertise to verify incomes, determine eligibility for the transit fare program, and confirm eligibility.
- **Income Verification:** This process could make use of agreements with social service agencies to verify income. One approach that could be piloted would be to have agencies that assess and confirm eligibility for participation in a transit fare program to anyone eligible for a pre-existing program such as CalFresh, thereby minimizing the additional costs to verify and certify eligibility since no additional documentation would be required. This approach best supports the criterion that enrollment and participation should be easy and based on eligibility for another social program. Otherwise, the forms of documentation acceptable for confirming income for employed, self-employed, and unemployed individuals will need to be specified and there will likely be a cost, as in Seattle, associated with assessing, verifying and certifying eligibility.
- **Build Consensus:** If the program is to be successful and sustainable, there will need to be agreement on a shared regional approach to the program across transit providers, social, human, and health service agencies, and community organizations, as well as agreement among the transit providers and MTC on the scope and structure of the program. The impact of potential fare revenue losses on farebox recovery ratios as well as implications of increased ridership for service levels and operating costs are concerns to the agencies. Consensus on the merits of the program and agreement on cost sharing strategies will likely be part of the conversation, particularly with the region’s four largest transit agencies (AC Transit, BART, SFMTA, VTA) accounting for 90% of the region’s transit trips.
- **Compliance:** Like the eligibility assessment process, the fare pricing and/or payment structure should be convenient. It will also likely require a Title VI and Environmental Justice analysis. In addition, use of Clipper® cards will require consistency with Clipper® program requirements concerning confidentiality of users’ personally identifiable information.

Technical Implementation

The technical implementation could vary greatly depending on which scenario is chosen and the final program definition. However, general implementation milestones can be laid out regardless of the program specifics.

Based on CH2M's experience with similar projects in the Bay Area, program definition activities could take two to four months. Contracting activities could take four to six months. Start-up of non-technical services (such as means-testing) could take four to eight months (depending on staffing). And technical systems implementation could take four to eight months (but could be conducted concurrently with start-up activities). Overall, technical implementation could take 10 to 18 months.

If technical systems implementation is mostly external to Clipper® (as with A3), then technical implementation would not depend on current Clipper® priorities and 18 months may be the high estimate for bringing a program into existence. If technical system implementation is internal to Clipper® (as with A1), then technical implementation would likely be pushed out significantly (a year or more) due to pre-existing program implementation priorities and commitments.

Key Implementation Milestones:

- **Program Specification:** An approved technical document detailing workflow processes, business rules, non-Clipper® system requirements (e.g., external tracking of participants if required), and Clipper® updates (e.g., required software and business rule changes).
- **Means-Testing Function Definition:** An approved document outlining the means-testing policy and eligibility testing program. This is a major undertaking that will benefit from existing means-based eligibility programs outside of transit, and the current paratransit eligibility testing expertise within transit, as well as the experience of other local or regional transit systems' low income programs, such as SFMTA's Lifeline program or Seattle's ORCA LIFT.
- **Program Staffing:** Identify qualified staff either at MTC and/or among participating transit agencies to develop the project implementation plan and implement the program.
- **Project Implementation Plan:** An implementation plan including schedule, budget, and staff resources required.
- **Means-Testing Contracting:** If means-testing is contracted to a third party, then the program sponsor would either need to manage a formal bid process to select a vendor, or develop contractual relationships with multiple means-testing partners, such as social service agencies. Since this is a regional program, there is also the question of which agency should hold and manage such contracts.
- **Clipper® Vendor Proposal and Negotiation:** The Clipper® vendor would provide a proposed approach, cost, and schedule for implementation of the specification.
- **Technical Implementation:** The project implementation team collaborates with the Clipper® vendor to implement the ¹⁰system changes.

- **Means-Testing Implementation:** The project implementation team would collaborate with the means-testing vendor (TBD) to stand up a means-testing program: develop informational materials, hire and train staff (TBD), acquire or expand facilities, set up technical systems (application database, reporting systems, etc.), create an appeals process, outreach to social service agencies, and other related tasks.
- **Technical Testing:** Clipper® changes are lab tested to assure that the features are implemented according to the business rules, then user tested in the field to ensure the features are rolled out correctly to the entire system.
- **Friendly User Testing:** The system goes live with a very small set of “friendly users” who are selected for their ability to test the full breadth of services (including means-testing), features, and locations. These users have direct and immediate contact to the implementation team so that problems can be addressed rapidly and fixes put in place before launch.
- **Soft Launch:** The program goes live to the public, but targets only a subset of users to slowly build the user base. Ensure that human systems scale and tracking and reporting systems are in place.
- **Hard Launch:** Actively promote the program to all qualified participants. Monitor program through established tracking and reporting systems.

Pilot Program

Based on the scenario evaluation results, program scenarios A1 and A3 could be further defined and explored through one or more pilot programs to test feasibility. The purpose of a pilot program would be to answer the following key questions:

- What is the actual rider demand for a low income program – what percentage of qualified riders will actually sign up for the program?
- How fast will qualified riders sign up and can (should) adoption rates be managed through outreach efforts and/or eligibility restrictions?
- Does the program result in rider behavior changes – do people ride more if the fare is reduced?
- What will be the actual regional program costs (lost revenues and operating costs) at full-scale implementation?

Despite the demographics and fare modeling work conducted as part of this study, a pilot test remains the best way to provide a better understanding of the behavior change and resulting ridership changes and revenue loss that would come with a low income program. (Cost projections provided in Technical Memorandum #3 were “maximum costs” that assumes 100% program adoption – an adoption rate that peer programs have not achieved. Actual program costs are likely to be lower.) Given the limited examples of low income programs around the country and the unique context for launching a Bay Area program, it is difficult to accurately project the scale and pace of program adoption without a pilot. The SFMTA estimates that 40.5% of eligible riders have enrolled in the Lifeline program, while only 20.7%

actively purchase Lifeline monthly passes. A pilot should test whether these SFMTA adoption rates accurately predict adoption for other transit agencies.

Feedback from the TAC suggested that it may take one to two years of a pilot program to fully observe rider behavior changes. Initial feedback from the TAC also included concern that launching a pilot to the public could build expectations yet no sustained funding source has been identified.

A successful pilot test will inform these key questions quickly and cost-effectively. Other possible objectives for the pilot, such as testing the logistics of means-testing or the technical workings of a particular scenario, are secondary.

Pilot Program Option #1

One concept for a quick and cost-effective pilot would be to temporarily issue RTC Discount Clipper® Cards to individuals who have already qualified for one or more means-tested programs, such as CalFresh. The RTC Clipper® card is a version of Clipper® created for passengers under 65 with qualifying disabilities and provides discounted fares to eligible riders. This pilot would be most similar to a test of A1, Discounted Fares and Passes. Under pilot program option #1, the existing Clipper® RTC fare category would also serve as the fare discount category for eligible low-income riders, eliminating the need to implement a new and distinct low income discount category for a pilot, which would be costly and time-intensive. The same discounts already programmed into Clipper® for current RTC users would serve (in the pilot) as the discount for the added low income users who would be issued the exact same cards.

To implement this pilot, a subset of Calfresh recipients (or similar program) would need to be identified. Their current ridership habits would need to be established (by estimation or survey). Then they would need to be offered the benefit of the pilot program through planned outreach with carefully planned measurement of their participation and subsequent riding habits. Qualified participants would be informed that they are eligible and encouraged to enroll (potentially through an initial sign-up process, or by going directly to the RTC center). Verification of their Calfresh enrollment would be all that's needed to issue a normal RTC discount Clipper® card. An off-line administrative system would be set up to allow low income RTC card usage to be analyzed separately (potentially by something simple such as card serial numbers). The current discounts already associated with the RTC card will remain in effect and simply apply to all RTC cardholders, regardless of the reason they were assigned. There would be NO Clipper® back-end programming required because the low income users will be using the existing RTC discount product. Key characteristics of this option include:

- Pilot means-testing is already defined and implemented; one discount card would be issued for each CalFresh card. No new means-testing program needs to be created for this pilot, but a mechanism for utilizing existing means-testing processes in partnership with social service providers would need to be identified and supported.
- Pilot discounts are already defined and implemented; transit agencies would agree to honor existing RTC fares for 12 qualified low-income riders. Current RTC

discounts vary by agency and do not align precisely with the 50% discount analyzed in scenario A1, but they are close. If current RTC discounts can be used as an interim proxy, then no new discounts need to be programmed into Clipper®.

- RTC cards already make use of a photo ID to reduce potential for fraud.
- A unique series of Clipper® serial numbers could be created to separate monitoring of the means-based program separately from the established RTC program.

The pilot program could be created quickly and would simply track the uptake and usage of special RTC cards for the duration of the pilot, after which the pilot cards would be disabled. RTC card issuance centers would need to be prepared for a surge in applications, but no other technical preparation would be required. Program enrollment could be restricted or expanded depending on the number of means-based programs (in addition to CalFresh) accepted as verification of low income status under the pilot program or based on funding availability. Several stakeholders represented on the TAC provided positive initial feedback to this pilot concept based on the ease of implementation.

Extending the RTC discount program to low income riders would provide a relatively straightforward way to test demand, uptake, and behavior change. However, because this pilot would rely on other programs to define eligibility, it would not help establish the precise policy boundaries of a transit-specific means-testing program. And because the pilot would rely on existing RTC discounts, it would not allow for the development of low income-specific discounts for each agency.

Pilot Program Option #2

A second pilot concept would test scenario A3, Cash on Clipper®, using a well-defined sub-target population. For example, local clients of existing social service programs could be offered the benefits of the pilot program. Those willing to participate could be given pilot Clipper® accounts. Using current Clipper® functionality, monthly cash subsidies could be added electronically to those pilot accounts.

As with Pilot Options #1, a specific subset of qualified recipients would need to be carefully identified. Their current ridership habits would need to be established (by estimation or survey). Then they would need to be offered the benefit of the pilot program through planned outreach with carefully planned measurement of their participation and subsequent riding habits. Qualified participants would be informed that they are eligible and encouraged to enroll (potentially through an initial sign-up process, or by going to some kind of pilot enrollment center). Verification of their qualified status would allow them to establish a Clipper® account that can be tracked by account number as a “low-income account” (which is technically identical to a regular account). Ideally, participants would be able to convert their current Clipper® account to a “low-income account” to make it easier to observe pre- and post-program enrollment usage patterns. Based on predefined rules set up for this pilot, a monthly cash subsidy could be added to a list of normal accounts that have been identified by account number as “low-income accounts.” This cash subsidy would be added using the add value mechanisms that already exist with Clipper®; the concept is to prepare a monthly list of add-value transactions for the pilot group. The add value process would require process definition and potentially some technical systems development. However, this pilot concept does not require any changes to Clipper® features for either the agency

or the customer – no changes to fare category, fare structure, account balance features, or card issuance.

This approach would effectively implement the A3 program for the limited number of individuals selected for the pilot program. It provides a contained and straightforward way to test and document demand, uptake, and behavior change. Like Option #1, it would not help establish the precise policy boundaries of a transit-specific means-testing program. However, the pilot could answer the key questions set out at the beginning of the pilot.

Pilot Program Implementation

Regardless of which of these pilot programs may be pursued, next steps to initiate a pilot include:

- **Confirm Pilot Study Objectives:** Confirm all pilot objectives. Recommended objectives include developing a predictive adoption rate, refine estimated costs based on adoption, observe behavior changes (especially increases in ridership), identify barriers to participation.
- **Define Specific Study Methodology:** Clear program objectives will help determine which of the two pilot program options to flesh out to create a complete study methodology including data collection and analysis. To develop a predictive program adoption rate on which to base future costs, careful attention must be paid to the pilot study population and pre-pilot and post-pilot data gathering.
- **Establish Simple Pilot Participation Criteria:** The initial pilot should rely on existing means-testing programs, rather than develop new means-testing infrastructure from scratch specifically for a pilot.
- **Define Partnerships with Social Service Organizations:** Social service organizations have already been involved in this study and will be important partners in identifying and potentially qualifying participants for the program. They will also be important to the outreach and communication required for program success.
- **Define Technical Program Parameters:** Social service partner organization should be active participants in defining how the program is administered and data gathered on participants.
- **Solicit Participants:** Develop the outreach and enrollment materials in conjunction with the frontline staff at social service organizations.
- **Manage the Technical Program:** Program management will include enrollment, creation of pilot accounts, clearance and consent for access to those accounts, planned data collection and management for both user and activity data.
- **Analyze and Report on Participation Rates and Behavior Changes:** In accordance with the pilot program objectives and the data methodology established earlier in the project. This analysis will provide new inputs to predict costs at full implementation.
- **Determine potential long-term funding sources** for an ongoing subsidy beyond the pilot program phase.

Appendix A: Evaluation of Objectives

		Weight	A1	A2	A3
RIDER AFFORDABILITY	Provides a discount to low income individuals	12	4	4	4
	Enrollment and participation is easy	10	4	3	4
	Program eligibility and means testing is based on eligibility for another social program (e.g., CalFresh)	10	4	4	4
	Provides the same discount to all eligible individuals, regardless of frequency of travel	8	5	0	3
ADMINISTRATIVE FEASIBILITY & FINANCIAL VIABILITY	Readily scalable to available program funding	8	1	3	5
	Reasonable agency resources and costs	8	1	2	5
	Program can be managed centrally and electronically	3	1	3	5
	Impact on agency-specific farebox recovery ratios is <1%	5	0	0	0
	Minimizes agency overhead by providing Clipper-only payment (no cash option)	3	0	5	5
	Can be implemented within three years	5	3	0	5
	Can be implemented under the current Clipper system	5	2	0	5
	Can be implemented using existing fare products	3	2	0	5
REGIONAL CONSISTENCY	Builds regional consistency through program eligibility requirements, and use of Clipper	10	4	4	4
	Supports regional fare coordination, policy, or products	10	4	2	4
		100			
	Weighted Average Score		3.0	2.4	4.1

- Weighting totals 100% with different weight assigned to objectives related to Rider Affordability (40%, Administrative Feasibility & Financial Viability (40%), and Regional Consistency (20%).
- Scoring Scale is from 1-5 with 1 being the lowest and worst score, and 5 being the highest and best score.

Objectives Evaluation Explained

Below is a brief explanation of how the alternative scenarios were considered in the context of each objective. For details about the implementation assumptions of each of the scenarios, refer to Technical Memorandum #3, *Evaluation of Alternative Means-Based Transit Fare Scenarios*.

RIDER AFFORDABILITY

Provides a discount to low income individuals – All scenarios provided a meaningful discount.

Enrollment and participation is easy – While enrollment would be similar for all scenarios, A2 participation was viewed as slightly more difficult because the Accumulator product was potentially difficult to understand.

Program eligibility and means testing is based on eligibility for another social program (e.g., CalFresh) – All scenarios could base means testing on eligibility for another social program.

Provides the same discount to all eligible individuals, regardless of frequency of travel – A1 by definition provided a full 50% discount, by definition A2 provided the discount only to frequent riders and not occasional riders, and A3 would depend on how the cash subsidy was granted (TBD).

ADMINISTRATIVE FEASIBILITY & FINANCIAL VIABILITY

Readily scalable to available program funding – A3 would be the easiest to scale by simply adjusting the cash distribution across the enrollment pool, perhaps as a floating monthly cap; A1 would be the most difficult to scale because the discount rates would be established from the onset of the program; A2 could be adjusted by adjusting the cap as needed.

Reasonable agency resources and costs – A3 would likely incur the least agency resources or costs because there would be no change to either products or features for either riders or the transit agency; A1 and A2 would require greater agency participation to support the initial customer adoption and ongoing explanation of new low income products and prices.

Program can be managed centrally and electronically – A3 could be managed as a separate regional program that simply adds cash subsidies to the accounts of qualifying riders, without relying on policy action by individual agencies regarding fare products or pricing; A1 and A3 would require agency fare policy changes as well as communication with their riders.

Impact on agency-specific farebox recovery ratios is <1% – Minimizing farebox recovery impact has been an important goal of the study. However, without a defined program, established funding source, or a cost estimate, it is not possible to determine impact to farebox recovery. No evaluation was possible for this criterion.

Minimizes agency overhead by providing Clipper®-only payment (no cash option) – A1 was defined to include all fares including cash payments; A2 and A3 were defined to be Clipper®-only products.

Can be implemented within three years – A2 Accumulators are not planned for implementation until the next generation Clipper® system. A3 could be implemented almost immediately, while A1 would require fare policy changes for each agency and some technical implementation unless the RTC proxy approach were used as an alternative.

Can be implemented under the current Clipper® system – A2 Accumulators are not planned for implementation until the next generation Clipper® system. A3 could be implemented almost immediately, while A1 would require technical implementation and could run up against software limitations unless the RTC proxy approach were used as an alternative.

Can be implemented using existing fare products – A3 is not a fare product and uses existing mechanisms to provide a subsidy. A2 is an entirely new and complex product. A1 would require new fare products, though they function identically to existing products.

REGIONAL CONSISTENCY

Builds regional consistency through program eligibility requirements, and use of Clipper® – All scenarios are assumed to use a consistent regional means testing process and the Clipper® card as the primary payment method.

Supports regional fare coordination, policy, or products – A1 and A3 are considered higher scoring because they support any future regional fare policies or product(s) via Clipper more easily. A2 is viewed as introducing new individual-agency fare products on top of existing ones and is more difficult to incorporate into a regional fare coordination system.