

**Metropolitan Transportation Commission
Programming and Allocations Committee**

May 9, 2012

Item Number 3d

Funding for Low-Income Transit Pass Pilot Programs

- Subject:** Information related to pending requests from SFMTA and VTA for funding to support low income transit passes.
- Background:** SFMTA and VTA are requesting regional support totaling \$9.6 million for pilot programs to provide free transit passes for low-income youth (SFMTA and VTA) and adults (VTA only). The attached memorandum from the Executive Director summarizes these requests and provides additional background information on related topics including the state of transit finances in the region, rider demographics, existing fare policies, current and recent experiences with similar fare discount programs, MTC's upcoming means-based fare study, and potential future funding options.
- This item is for information only. In the coming month, staff will work with SFMTA and VTA to better understand their proposals and to evaluate the appropriate scale and scope of a regional funding contribution, before returning to the Commission in June with a recommendation.
- Issues:** SFMTA and VTA have also submitted requests for Lifeline Transportation program funds (see Item 3b on today's agenda). Given the requests to support free fare programs at these two agencies, staff is recommending deferring programming of the Lifeline program funds until the low-income transit pass discussions are concluded.
- Recommendation:** Information item.
- Attachments:** Executive Director's Memorandum



**METROPOLITAN
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Memorandum

TO: Programming and Allocations Committee

DATE: May 9, 2012

FR: Executive Director

RE: Funding for Low-Income Transit Pass Pilot Programs

Introduction

MTC has received two requests for funding to support low-income transit pass pilot programs. The table below summarizes the requests from the San Francisco Municipal Transportation Agency (SFMTA) and the Santa Clara Valley Transportation Authority (VTA).

Sponsor	Proposal	Duration	Total Cost	Request for Regional Funding
SFMTA	Free Transit Service for Low-Income Youth (age 5-17) who use a Clipper® card	22 months	\$9.4 million	\$5.0 million
VTA	Distribute monthly passes to Adults on General Assistance and Low-Income Youth	24 months	\$9.2 million	\$4.6 million
Total			\$18.6 million	\$9.6 million

SFMTA Proposal

Last month, the SFMTA Board approved a Free Muni for Low Income Youth pilot program contingent on \$5.0 million in funding from MTC (\$4.5 million to offset revenue losses, plus \$0.5 million for outreach and communication), as well as contributions from SFUSD and SFCTA. The pilot program would provide free transit service for low-income San Francisco youth, ages 5-17, who use a Clipper card, for a 22-month pilot program from August 1, 2012 to June 1, 2014. The income threshold would be consistent with the Free and Reduced Lunch program eligibility standards, or another appropriate level set to achieve program goals. The stated goals of the pilot program are consistent with two of SFMTA's strategic goals related to making transit and other non-motorized alternatives the preferred means of travel and improving the environment and quality of life in San Francisco. The focus on low-income youth allows an evaluation on a smaller population and best addresses affordability, which is the most imminent need identified in San Francisco. The total \$9.4 million cost for the pilot program is estimated based on expected revenue loss and new administrative costs.

VTA Proposal

The VTA pilot program would provide monthly passes to 4,820 adults that receive General Assistance and 1,000 low-income youth in Santa Clara County. The current VTA monthly pass price is \$70 for adults and \$45 for youth. The eligibility and distribution process will be managed by the Santa Clara County Social Services Agency. The current proposal does not specify whether the fare medium would be Clipper® or an existing VTA pass product, and staff

has indicated that they are open to alternative delivery options. The \$9.2 million estimated cost is based on the number of participants in the program and the price of monthly passes for them over the duration of the pilot – revenue loss estimates are not currently available.

Current Landscape

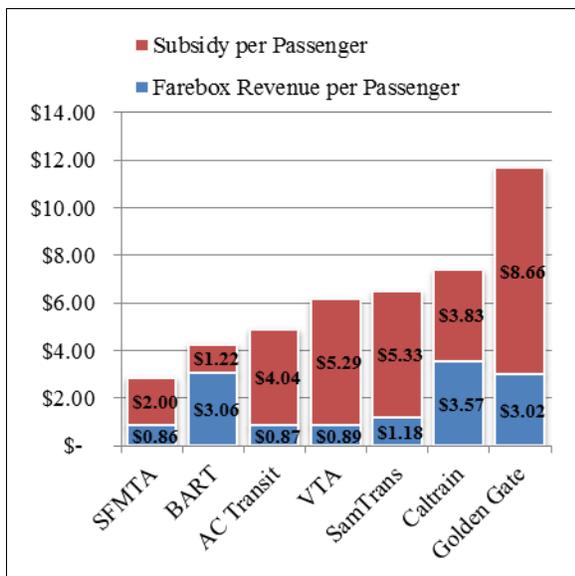
To provide context to these requests and potential future requests, staff is providing information on the overall transit financial picture, transit passenger demographics, and existing fare discount policies.

Transit Financial Picture

To begin, it is worth highlighting that the Bay Area transit system in aggregate covers only about 30% of its annual \$2.3 billion operating costs through the farebox – meaning that nearly 70% of the costs are covered through some form of tax payer subsidy. In particular, SFMTA’s farebox recovery ratio is 28% and VTA’s is 13%. The amount and sources of the subsidy varies by operator and when considered on an average per trip basis. Figure 1 below shows the operating subsidy per passenger, which ranges from just over \$1 for BART to nearly \$9 for Golden Gate Transit. Of the total \$1.6 billion subsidy required to operate the Bay Area transit system, MTC provides about \$470 million per year.

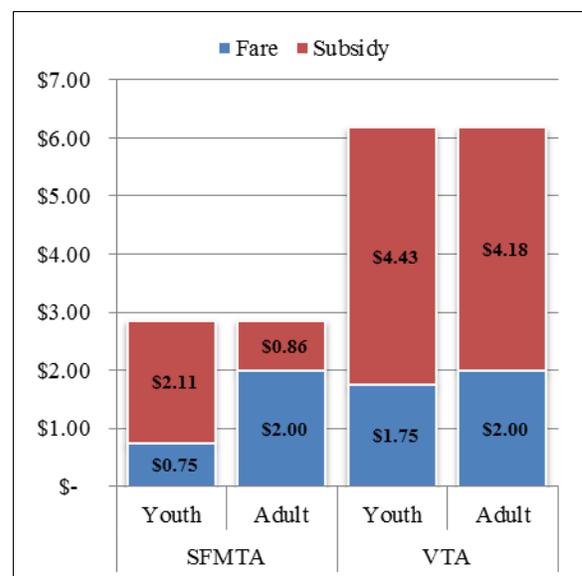
Looking more closely at the two operators requesting pilot program funding and differentiating between youth and adult cash fares, Figure 2 below shows that the average subsidy per trip for youth paying a cash fare is over 70%. The average subsidy per trip for adults paying a cash fare is similarly nearing 70% for VTA but only 30% for SFMTA. SFMTA, therefore, already provides a \$1.25 discount for cash paying youth as compared to an adult ticket, while VTA only provides a \$0.25 discount for a youth cash fare.

Figure 1. Transit Operator Subsidies Relative to Cost per Trip



Source: MTC Statistical Summary, FY 2009-10.

Figure 2. Transit Operator Subsidies by Youth and Adult Cash Fares, Relative to Cost per Trip

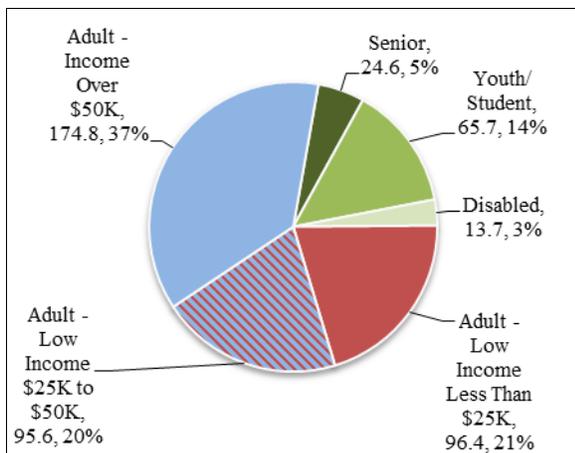


Source: MTC Statistical Summary, FY 2009-10.

Transit Passenger Demographics

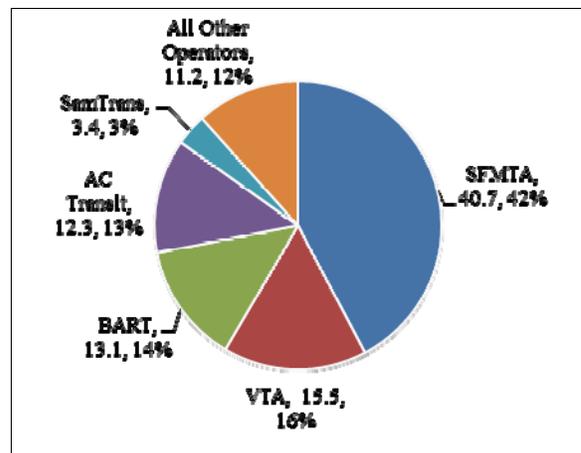
Turning to the demographics of transit passengers, Figure 3 below highlights the composition of the roughly 470 million annual passenger trips (in 2006) by fare category and income characteristics: 78% were made by adults; 14% were made by youth; 5% by seniors; and 3% by persons with a disability. At least 21% of all trips are made by adults living in households with incomes less than \$25,000 per year, which closely approximates MTC’s typical low-income definition based on 200% of the federal poverty level. The actual share of transit passengers below 200% of poverty cannot be determined by the Transit Passenger Demographic Survey data, since the data does not permit as specific a determination of poverty status as Census data or social service providers do, but is likely to be between 21% and 41% (see shaded area on chart). The remaining 37% of trips are made by adults in households with incomes over \$50,000 and who would not be considered low-income.

Figure 3. Estimated Bay Area Annual Transit Ridership in Millions by Fare Category and Income Level



Source: MTC staff analysis of Bay Area Transit Passenger Demographic Survey data, 2006.

Figure 4. Estimated Annual Ridership of Low-Income (<\$25,000/year) Riders Paying Adult Fares in Millions



Source: MTC staff analysis of Bay Area Transit Passenger Demographic Survey data, 2006.

Figure 4 above illustrates how the low-income passenger trips are distributed across the region’s transit operators. SFMTA carries the largest share of the region’s transit passengers (about 46% in FY 2010-11) and also carries 42% of the annual trips made by low-income passengers. VTA, BART, and AC Transit carried between 13% and 15% each of the low-income passenger trips – or roughly equivalent to SFMTA when combined.

Transit Fare and Discount Policies

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, elderly (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. As seen in Figure 5 below, Bay Area transit discount policies vary considerably and often exceed the federally required discounts, as illustrated in the shaded cells.

Figure 5. Bay Area Transit Demographics and Fare Discounts

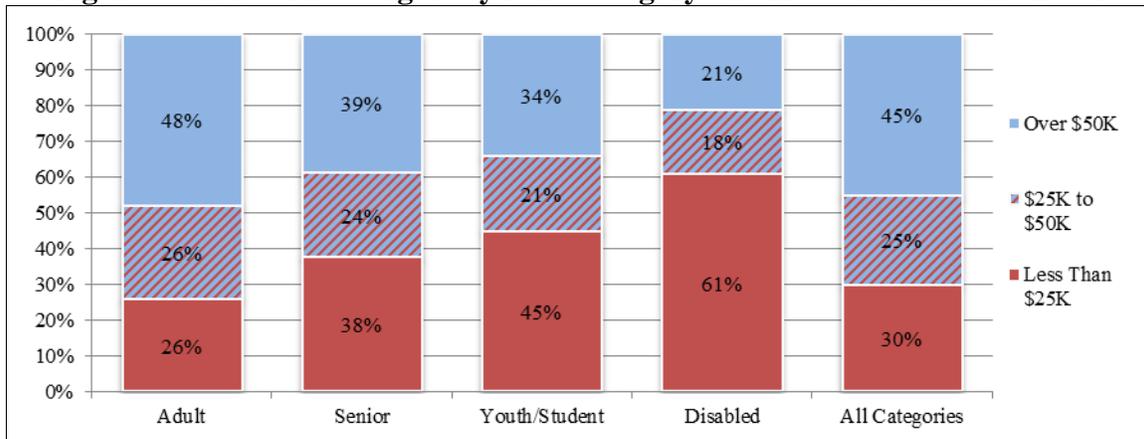
	Demographics*		Cash Fare Policies		Period Pass Policies			
	% Riders <25K Income	% Paying Adult Fare Category	Elderly & Disabled Fare Discount of Full Fare	Youth Fare Discount of Full Fare	Adult Monthly Pass Discount **	Elderly & Disabled Pass Discount of Adult Monthly Pass	Youth Pass Discount of Adult Monthly Pass	Low-Income Pass Discount of Adult Monthly Pass
SFMTA	27%	75%	63%	63%	23%	66%	66%	50%
BART	13%	92%	63%	50% - 63%	NA	NA	NA	NA
AC Transit	12%	66%	50%	50%	5%	75%	75%	NA
VTA	19%	71%	50%	13%	13%	64%	36%	NA
SamTrans	20%	67%	50%	38%	20%	61%	44%	NA
Caltrain	27%	82%	55%	55%	34%	50%	50%	NA
Golden Gate	38%	76%	50%	50%	0%	69%	50%	NA

*Sources: 2006 MTC Transit Passenger Demographic Survey and Published Operator Fare Schedules

**Adult monthly pass discount based on a cash fare equivalent of 40 trips per month

Figure 6 on the following page shows that while discounts for disabled persons are a fairly good proxy for financial need, senior and youth discounts are less so. In other words, while over 60% of disabled passengers are very low-income, only 38% of seniors are. If the region is to consider a means-based discount approach for specific operators or region-wide, then current discount policies that exceed federal requirements should be reevaluated in order to consider funding priorities.

Figure 6. Share of Passengers by Fare Category and Household Income Level



Source: MTC staff analysis of Bay Area Transit Passenger Demographic Survey data, 2006.

Current Programs/Past Experience

Several free or reduced-fare programs that have targeted youth or low-income riders have been tried or are currently in existence in the Bay Area. Experiences with some of these programs are summarized below. In addition, about a dozen Bay Area transit agencies partner with social service agencies or non-profits to sell fare media at full price to local service or community organizations who in turn provide them at a discount to their clients. A few agencies also provide discounted tickets to non-profits/community based organizations or social service agencies.

SFMTA Lifeline Pass Program: SFMTA offers a discounted fare for low income adult riders, called the Lifeline Pass (not related to MTC’s Lifeline Transportation Program). The program started in September 2005, and is available to City residents with incomes demonstrably at or below 200% of federal poverty level.¹ The price of the Lifeline monthly pass is currently \$31, a 50% discount off the regular adult monthly pass. Approximately 20,000 monthly Lifeline passes were distributed per month during 2011. The total Lifeline pass-eligible population is estimated to be 100,000-110,000, so actual participants are only about 18%- 20% of that total.

The San Francisco Human Services Agency (HSA) determines client eligibility, recertifying clients annually. About 50% of the San Francisco Lifeline pass participants are enrolled in other programs administered by HSA, and are thus automatically eligible for the Lifeline program. The estimated annual fare revenue loss in 2011, based on the 50% fare discount, was approximately \$6.7 million.

VTA UPLIFT Program: In cooperation with Santa Clara County, VTA offers the Universal Pass for Life Improvement for Transportation (UPLIFT). This pass provides quarterly, unrestricted transportation passes for homeless, case managed individuals on all VTA bus and light rail lines.

¹ Federal poverty levels are defined by the US Department of Health and Human Services (HHS) based on the number of persons in a family or household. Currently, 200% of poverty is \$21,780 for a single person, \$44,700 for a household of four.

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Pass recipients must be homeless and receiving case management through a participating agency. About 30 non-profit agencies participate in the program. The pass is for adults only.

The UPLIFT program started in 2008. About 1,850 passes are distributed each quarter. The City of San Jose and Santa Clara County combined pay VTA about \$110,000 annually for the program. Eligibility determinations are made by the County or by a participating service agency. The new VTA proposal for free fares to General Assistance and low income youth would be in addition to the UPLIFT program and would not replace it.

AC Transit Free Student Pass: In 2002, AC Transit began a two year demonstration project to provide free bus passes to low income middle and high school students, and to reduce the monthly youth pass cost from \$27 to \$15. Funding was provided by the MTC Low Income Flexible Transportation (LIFT) program, which was the predecessor to the current Lifeline Transportation Program, as well as from AC Transit and several non-profits. Across the AC Transit service area, nearly 25,000 free passes were distributed. However, financial challenges at AC Transit led to the free pass program being halted after the first year.

The Institute of Transportation Studies at UC Berkeley evaluated the impacts of the program (*Noreen McDonald, Sally Librera, Elizabeth Deakin, and Martin Wachs, UCB-ITS-RR-2004-2*), though the authors state that the limited duration of the program made it difficult to gauge the effects. Some of the major findings from the UC Berkeley evaluation were:

- Neither attendance nor students' grades significantly changed with the implementation of the free bus pass.
- After school program coordinators reported increased participation by students during the year of the program.
- The overall proportion of children riding buses remained relatively constant, however some groups did appear to change their behavior: students receiving the pass reported using the bus more for school trips during the free pass year; low income students made more weekend trips on the bus; and high school students with the pass used the bus to get better after school jobs.
- Ridership patterns varied across low income students of different backgrounds, and students' decisions were affected by factors other than cost, such as perceptions of safety and familiarity with the transit system.
- Distribution of free passes varied greatly from school to school.
- Bus ridership and route operations were not strongly affected by the free pass program, however AC Transit did experience a decline in revenues from youth fares (though it is not possible to determine whether this was due to the free pass or to the reduced rate youth pass).

Upcoming MTC Means-Based Fare Study

In conjunction with the Lifeline Transportation Program current funding cycle, MTC has been planning to conduct a study of means-based fare program needs and options. The study was approved as part of the Lifeline program guidelines in December, 2011. MTC staff have already taken some initial steps to document current practices and demographic/ridership information, much of which is presented in this memorandum. Future work, anticipated to begin this summer, may include more detailed assessments of:

- existing policies and research;
- definition of low-income transit market segments
- alternative fare proposals, including potential costs and funding sources, and
- program delivery options including Clipper capabilities.

It is expected that this study would be developed in cooperation with stakeholders and would complement the analytical aspects of any pilot programs occurring in the region.

Free or Reduced Fare Funding Options

In response to the two immediate requests for regional funding for the pilot programs, MTC staff has identified a one-time, near term source for consideration, approximately \$5 million in carryover federal funds for the MTC Climate Initiatives program. However, the requests of over \$9 million significantly exceed the amount available, even when only considering pilot projects in two counties.

The potential use of one-time sources to support the pilot projects also raises the questions of the ongoing financial sustainability of any free or reduced fare programs, and of how or if this should be viewed in a regional context. While staff has not yet completed a detailed analysis of the potential cost of deploying free or reduced fare programs more regionally, the fare revenue loss would likely be between \$10 million and \$100 million annually, depending on the breadth and level of the discount.

As noted above under “Current Landscape,” Bay Area transit is already heavily subsidized, and agencies generally do not have the financial capacity to absorb revenue losses of this magnitude. Absent a new revenue stream, most agencies would likely only be able to offer free or reduced fare programs by shifting resources from other areas. One possible opportunity could lie with the regional Lifeline Transportation Program managed by MTC and the Counties. The three-year, \$87 million Lifeline Transportation Program is funded from various sources as shown in Figure 7 on the following page; however, only two – State Transit Assistance and JARC – are expected to continue to be available to the Lifeline Transportation Program going forward.

Figure 7. 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
JARC	\$2.5 million	Apportioned by FTA to region based on low income population; then by MTC to counties.	Likely stable in amount, program focus may change with new fed 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 ends in FY14 or FY15
STP/CMAQ	\$3 million	One time payback from Res. 3814, included in current Lifeline Transportation Program cycle only.	Not included in OBAG program beyond this cycle

Based on federal rules that require an annual competitive selection for the JARC program and specifically deny fare subsidies as an eligible expense, the STA funds appear to be the best Lifeline Transportation Program fit with a low income fare program, though the \$11 million annually would likely provide only a fraction of the funding needed depending on the scope and level of the youth and/or low-income fare discount. 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, SFMTA, AC Transit, SamTrans, and VTA used STA funds to help pay for regular fixed route services and to reduce the impact of 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.

The three-year cycle of the Lifeline Transportation Program totals \$87 million. Figure 8 below shows how those funds are distributed by county and by transit operator.

Figure 8. Lifeline Transportation Program Funding by County and Transit Operator

County & Share of Regional Low Income Population	Total (STA, JARC, STP)*	Transit Operator & Hybrid Formula (Share of Regional Low Income Ridership & Share of Regional Low Income Population)	Prop 1B
Alameda	23.7% \$ 9,550,312	AC Transit	18.1% \$8,403,487
Contra Costa	13.4% \$ 5,393,849	BART	17.6% \$8,173,010
Marin	2.6% \$ 1,047,704	Golden Gate Transit/Marin Transit	3.2% \$1,477,729
Napa	2.2% \$ 692,105	Muni (SFMTA)	25.2% \$11,723,430
San Francisco	13.1% \$ 5,267,499	SamTrans	4.9% \$2,272,697
San Mateo	7.6% \$ 3,047,472	VTA	19.7% \$9,186,049
Santa Clara	23.7% \$ 9,167,409	Small Operators	11.3% \$5,283,564
Solano	5.8% \$ 1,833,601	Total	100.00% \$46,519,967
Sonoma	7.8% \$ 2,855,777		
Total	100.0% \$ 38,855,726		

*Does not include \$1.4 million for Means-Based project and admin.

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Next Steps

Staff will be working with SFMTA and VTA to answer the following questions before making a recommendation to the Commission in June. This information will help staff and the Commission better understand the appropriate scale and scope for a regional funding contribution to support the requested pilot programs.

- What is the objective of the pilot projects? What is to be learned?
- How does the sponsor define success at the end of the pilot project?
- If the pilot project is deemed successful, what is the local funding strategy to maintain the free fares for the longer term?
- Given the recent increase in Lifeline program funds available to transit operators, and constraints on regional funding for multiple pilot projects, how much additional local funding (including existing Lifeline Transportation Program funds already provided by MTC) would the sponsor be willing to contribute?
- What additional information is needed to understand the cost/funding strategy for replicating successful pilot programs regionally, and what is the expectation for doing so? What information can the pilot projects provide to help inform the MTC means-based fare study?



Steve Heminger

Attachments: Funding Request Letters from VTA and SFMTA

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April 20, 2012

Mr. Steve Heminger
Executive Director
Metropolitan Transportation Commission
101 Eighth Street, 3rd Floor
Oakland, CA 94607

RE: Proposal to Enhance Transit Affordability for Disadvantaged/Low Income Individuals and Youths in Santa Clara County

Dear Mr. Heminger:

As discussed, I am enclosing a proposal seeking regional funds to enhance transit for disadvantaged/low income individuals and youths in Santa Clara County. VTA requests that the Metropolitan Transportation Commission (MTC) consider this proposal and assist with regional funding to make transit available for financially disadvantaged segments of our population. As we are unaware of the source or amount of funds available, we are certainly willing to work with MTC within any constraints you may have.

VTA has been exploring a potential pilot program to offer further subsidization of transit fares to low income residents. As the attached materials indicate, we have been looking at the issues and potential opportunities for such a program for more than six months, and have engaged CH2M Hill to help us identify opportunities and evaluate issues.

People Acting in Community Together (PACT), a multi-ethnic, interfaith organization of 30 local churches, synagogues and mosques working on a grass roots level has expressed concerns to the VTA Board about the challenges faced by community members with low income in accessing public transportation. To address these concerns, this proposal seeks to provide transit passes at no charge to recipients of General Assistance (GA) and low income youths. The eligibility and distribution process will be managed by the Santa Clara County Social Services Agency. Regional funds in the amount of \$4,588,800 will pay for 50 percent of the cost of the program, and the remaining 50 percent of the cost will be provided by VTA as a match in the form of discounts enabling the passes to be distributed free of charge to the recipients.

If you or your staff has any questions, please feel free to contact Ali Hudda at (408) 546-7922 or David Sausjord at (408) 321-5771. We look forward to working with MTC on this initiative.

Sincerely,

A handwritten signature in black ink that reads "Michael T. Burns". The signature is written in a cursive, flowing style.

Michael T. Burns
General Manager

Attachments

cc: VTA Board of Directors; MTC Commissioners Sam Liccardo and Dave Cortese

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**PROPOSAL TO DISTRIBUTE MONTHLY PASSES TO GENERAL ASSISTANCE
RECIPIENTS AND LOW INCOME YOUTHS**

RECOMMENDATION

Authorize the allocation of \$4,588,800 in regional discretionary funding to support provision of monthly transit passes at no charge to recipients of General Assistance (GA) and low-income youths in Santa Clara County for a pilot period of two years.

BACKGROUND

People Acting in Community Together (PACT) is a multi-ethnic, interfaith organization of 30 local churches, synagogues and mosques working at grass roots level striving to create a more just community. For a number of years, PACT has engaged the Santa Clara Valley Transportation Authority (VTA) regarding the challenges faced by low income community members in accessing public transportation. PACT is a strong supporter of the UPLIFT program under which VTA sells quarterly transit passes for the homeless at a greatly reduced price to the County of Santa Clara.

Most recently, in September 2011, PACT invited then VTA Board Chair Margaret Abe-Koga, Vice Chair Ken Yeager, Board Member Sam Liccardo and Ex-Officio Member Dave Cortese to a session on addressing the transportation needs of the homeless and economically disadvantaged. As a result of this meeting, Members Abe-Koga, Yeager and Liccardo addressed a memo to the Transit Planning and Operations (TPO) Committee in November 2011, requesting a study of the impact of potential fare adjustments to accommodate low income patrons.

At its meeting of December 15, 2011, the TPO directed VTA staff to proceed with a study as requested. See the attached TPO Committee item #7 (Attachment 1) along with the memo from Abe-Koga, Yeager, and Liccardo dated November 17, 2011 (Attachment 2).

Staff proceeded to negotiate a scope of work with consultant CH2M Hill to help VTA review issues and options related to fares and the low income. This scope of work was discussed by the TPO Committee on February 16, 2012, and received endorsement both from the Committee as well as from PACT members in the audience. The importance of taking prompt action to establish a pilot program was emphasized by several speakers.

An agreement with CH2M Hill was executed in early March. Consultant staff subsequently devoted most of a week in San Jose interviewing key stakeholders at VTA and in the community, including County program managers, "safety-net" service providers, PACT members, and other community leaders. CH2M HILL also reviewed the results of a survey by VTA in cooperation with County Social Services that identified cost as a barrier to transit for recipients of Social Services' programs.

DISCUSSION

Key to a successful fare subsidy program is to have an efficient and effective process for determining eligibility. As an example, the UPLIFT program leverages an existing service network and eligibility management system, coordinated by Santa Clara County, so there is minimal administrative expense for VTA and only one full-time-equivalent employee required to manage the program for the County. Also key to a successful and sustainable program is to have a well defined and bounded target population. Again as an example, the UPLIFT program provides passes only to individuals receiving case management services from homeless shelters or related service providers. It is also clear that in order to maintain the Board established farebox recovery goal, some financial participation outside of VTA is necessary.

Although VTA's current study is not yet complete, it is clear there is a strong demand for a pilot program addressing needs of the low-income population. With consideration of such needs currently prominent on the regional agenda, VTA believes that this proposal is a suitable candidate for the application of regional funds for a pilot program that can be replicated throughout the region. It is also consistent with the Regional Transit Sustainability policy in that it will enhance ridership, and use of regional funds will minimize impact on VTA's farebox recovery ratio. In particular, in response to stakeholder input and to address the needs of some of the most disadvantaged who are not eligible for UPLIFT, VTA proposes to implement a program of free monthly passes for all GA recipients, complemented by 1,000 monthly passes for low-income youths.

There are currently approximately 4,820 individuals receiving GA from Santa Clara County on a monthly basis, and our proposal is to provide VTA adult monthly passes for this entire group along with 1,000 youth monthly passes, per month, for a two-year pilot period.

Regional funding is requested to cover 50 percent of cost and VTA will contribute 50 percent, allowing passes to be distributed at no charge to recipients. The Santa Clara County Social Services Agency would manage distribution to eligible GA recipients through the existing GA case management system, and to low-income youths through other existing County managed benefit programs. The participation of the Santa Clara County Social Services Agency directly addresses the issues of eligibility and case management without the need for additional supporting infrastructure.

FUNDING

Total cost to provide 4,820 monthly passes for GA recipients for 24 months would be \$8,097,600, and the cost for 1,000 youth passes per month over the same period would be \$1,080,000. With a 50/50 regional/local split, total required regional funding would be \$4,588,800. VTA would contribute an equal share in the form of fare discounts to enable passes to be distributed free of any charge to the recipients through the County.

Edwin M. Lee | Mayor

Tom Nolan | Chairman

Cheryl Brinkman | Vice-Chairman

Leona Bridges | Director

Malcolm Heinicke | Director

Jerry Lee | Director

Bruce Oka | Director

Joél Ramos | Director

Edward D. Reiskin | Director of Transportation

April 30, 2012

Steve Heminger
Executive Director
Metropolitan Transportation Commission
101 Eighth Street
Oakland, CA 94607

Subject: Request for MTC funding of \$5.0 million to support a 22-month Pilot Program to provide free transit service for Low-Income Youth in San Francisco.

Dear Mr. Heminger:

The purpose of this letter is to formally request MTC Commissioners consider a \$5.0 million grant to support free transit service for low-income youth, ages 5-17, who use a Clipper® card for a 22-month pilot program beginning August 1, 2012 through May 31, 2014 for San Francisco. The \$5.0 million request is comprised to two parts: \$4.5 million to offset the revenue loss; and \$0.5 million for outreach and communication.

The SFMTA Board of Directors approved the FY 2013 and FY 2014 Budget for the Agency on Tuesday, April 17, 2012 which includes a \$4.3 million contribution to the pilot program. The total estimate for revenue loss and incremental costs (e.g. Clipper® transaction fees) for the 22-month pilot program is \$9.4 million plus preliminary estimates of up to \$5.2 million incremental service costs and \$0.5 million for outreach and communication. The Board of Directors approved the pilot program contingent on both MTC and SFCTA approvals of the allocations of necessary funding.

As you are aware, San Francisco has been discussing various options to address the lack of state funding for yellow school buses and this pilot program was identified as a possible solution. The purpose of limiting the pilot to low-income youth only is: (1) to use the smaller population to evaluate impacts on ridership, access to school, work, and afterschool activities, operating impacts, and other aspects of the program to help make a better decision on how to move forward post-pilot, and (2) to meet the most imminent need identified by the broad-based community support for this program and the great majority of the public comment/feedback we have received, which has been related to affordability.

SFMTA will work jointly with MTC, San Francisco Unified School District, other schools, and community partners to implement an education program which will focus on youth rider responsibility, public safety and encouraging youth to become life-long transit riders as well as develop an evaluation plan with specific criteria for the program so that at the end of the 22- month pilot period, the impact of the program can be evaluated.



The SFMTA is expecting receipt of regional Lifeline programs funds in the upcoming cycle through the SFCTA, and these have been incorporated into the budget recently approved by the SFMTA Board of Directors. Most of those funds are from capital sources and will be proposed for use in capital investments to improve service in low-income communities. The smaller portion, which is operating dollars, will largely be used to continue existing programs that serve low-income residents. We will also use a portion of these funds to support the pilot program.

In addition to these planned expenditures of regional Lifeline funds, the SFMTA operates an Adult Lifeline program, which offers a fifty-percent discount on monthly Muni passes for low-income adults (defined as those with incomes at or below 200 percent of the federal poverty level). This program, which is funded from the SFMTA operating budget, costs roughly \$680,000 in annual expenditures to administer and results in a nearly \$7 million annual revenue loss. We are not seeking regional funding support for this program, which currently serves more than 20,000 low-income San Franciscans each month, but see it as a related component in our service to vulnerable populations.

It is for these reasons – the needs already placed on the regional Lifeline funds and the significant ‘lifeline’ expenditure and revenue loss already burdening the SFMTA operating budget – that the SFMTA seeks other available regional funds to help support this pilot. Since giving half of San Francisco’s youth free access to transit can reasonably be expected to have a significant and positive climate impact, regional funds that support clean air or similar program goals would be well suited to support of this pilot. A goal of the pilot is to develop a new generation of transit riders, in support of San Francisco’s and the region’s climate action plan goals. The tens of thousands of San Francisco youth and their caregivers who will be riding Muni as a result of this pilot will be direct contributors to these goals.

We envision the administration of the pilot program will be a two-step process outlined below:

- Obtain a Clipper® card
 - The SFMTA would work with partners via marketing and outreach to get youth signed up with youth Clipper® cards.
 - SFMTA will request MTC consider whether the current documentation required for Clipper® card enrollment can be changed.
- Certify eligibility
 - Income threshold would be consistent with Free and Reduced Lunch program eligibility standards, or other appropriate level set to achieve program goals (e.g., 120 percent of Area Median Income).
 - SFMTA would make applications available at school sites, through community based and non-profit organizations, and online to capture all qualifying youth. Application would require Youth Clipper® card serial number and income eligibility declaration.
 - Youth will have the option of submitting their application to SFMTA via postal mail, e-mail, or in-person at one of the SFMTA’s sales locations.

- Once youth eligibility is certified, SFMTA would develop database and forward to CUBIC to activate pass on Clipper® card by moving each eligible youth into the “Institutional Pass” program.
- SFMTA staff would manage ongoing administration of the program, including processing lost, damaged, and replacement Clipper® card requests.

We recognize that there may be other requests for these funds, and the fact that other agencies recognize the challenges facing low-income populations only adds support to the need for this effort and the good work the MTC is undertaking to look at this issue regionally. We believe this pilot – significant in size, as it will serve nearly 40,000 youth each month, and modest in cost, given that level of ridership – will serve as a cost-effective way to inform regional efforts as well as our own, and will help us all think through the real challenge of ensuring that transit is available to everyone in the Bay Area who needs it.

We look forward to MTC Commission’s approval of our request for \$5 million and working with MTC staff to ensure a smooth implementation of the pilot program.

If you have any questions, concerns, and/or wish to discuss further, please don’t hesitate to contact me at any time.

Sincerely,



Edward D. Reiskin
Director of Transportation

cc: Mayor Edwin Lee
SFMTA Board of Directors
SFCTA Commission
José Luis Moscovich