

**Metropolitan Transportation Commission
Programming and Allocations Committee**

June 13, 2012

Item Number 3b

MTC Resolution No. 3925, Revised (under Item Number 5b)

Subject: Funding Recommendation for Low-Income Transit Pass Pilot Programs.

Background: In May, 2012, staff presented requests from the San Francisco Municipal Transportation Agency (SFMTA) and from the Santa Clara Valley Transportation Authority (VTA) for MTC to provide funding in support of low-income transit pass pilot programs. At that time, the Committee was presented with background information about the requests and about fare policy and demographics in the region, but no action was recommended. This month staff is returning with a recommendation to provide funding for both programs: \$4 million for SFMTA and \$1 million for VTA.

Requests for Funding

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

The San Francisco pilot program would provide free transit service for approximately 40,000 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 to make transit and other non-motorized alternatives the preferred means of travel and to improve 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 pressing need identified in San Francisco. The current cost for a monthly youth pass is \$21, with a planned increase to \$22 on July 1. The SFMTA total \$9.4 million cost for the pilot program is estimated based on expected revenue loss and new administrative costs.

The VTA pilot program request is to 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 would 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. However, VTA staff does not believe they will experience much if any revenue loss, as it is thought that the population expected to receive passes under this pilot program does not currently use VTA transit on a regular basis.

In addition, at the May Programming & Allocations Committee meeting, staff from the Alameda County Transportation Authority (ACTC) made a general request for regional support for a student pass program that is planned to be introduced if Alameda County’s additional transportation sales tax measure (“Measure B3”) is approved in November. No written documentation has been received on this request.

Available Funding

As discussed at the May Committee meeting, MTC has \$5 million available from prior “carryover” funds in the Climate Program that could be used toward these requests.

Additionally, MTC this month is considering approval of the Lifeline Transportation Program Cycle 3 program of projects (see Item 3c on today’s agenda). San Francisco has been holding in reserve approximately \$3.7 million from their Lifeline program (i.e. unprogrammed balance), pending the outcome of the pilot program discussions. The Lifeline balance is in addition to the approximately \$4.4 million in local funds that San Francisco is already committing to the pilot pass program.

Recommendation

At the May Committee meeting, staff had posed a set of questions to be answered by the agencies requesting funding. The written responses are attached to this item and generally indicate that the programs can proceed in the short term with funding support, that they will be evaluated against various performance metrics but that no long term funding is currently identified.

Based on the responses and on the amount of funding available, staff recommends that MTC provide \$4 million to support the San Francisco pilot program, and \$1 million to support the VTA pilot program. The split between San Francisco and VTA is based on the relative anticipated ridership numbers of the two programs, plus some additional support for VTA to administer their program, as summarized in the following chart:

Agency	Number of People Served by Program	% of People Served	Amount of Funding, Based on % Served and Adjusted for VTA Admin. Support
SFMTA	40,000	90%	\$4,000,000
VTA	4,800	10%	\$1,000,000
TOTAL	44,800	100%	\$5,000,000

Recommendations specific to each operator are:

- SFMTA: MTC funding is proposed to be conditioned on San Francisco dedicating an additional \$1 million from either their unprogrammed Lifeline funds or other local funds toward the pilot program in order to maintain the same program scope.
- VTA: Staff recommends that the MTC funds only be used to support passes for the General Assistance population and not the youth passes, and that the pilot be administered via the Clipper card.

Staff's recommendation would result in regional support for a youth-focused program in San Francisco and a General Assistance-focused program in the South Bay, allowing for evaluation of two markedly different populations during this pilot stage.

Regional Context and Next Steps

The transit agencies have indicated that subject to funding both pilot programs will begin this summer or fall. MTC staff will continue to work closely with SFMTA and VTA staff on implementation and program evaluation.

Additionally, in conjunction with the Lifeline Transportation Program current funding cycle, MTC staff is proceeding to conduct a study of means-based fare program needs and options. Work will continue over the next 6-12 months to evaluate existing policies, define low-income transit market segments, alternative fare proposals, potential costs and funding sources, and program delivery options including Clipper capabilities. This study would be developed with stakeholder input and would complement the analytical aspects of the pilot programs occurring in the region.

- Issues:**
- (1) Because MTC staff is recommending less funding than requested by the sponsors, SFMTA and VTA will have to confirm their ability and willingness to move forward with the pilot under the proposed framework.
 - (2) As noted above, there is currently no long-term funding strategy to sustain the pilots if they are deemed successful.

Recommendation: Refer Resolution 3925, Revised to the Commission for approval. Because Resolution No. 3925, Revised is proposed for revision under multiple agenda items, it is included once under agenda item 5b with all proposed revisions. Only items approved by the Committee will be forwarded to the Commission.

Attachments: Letter from Ed Reiskin, Director of Transportation, SFMTA, dated June 4, 2012
Letter from Jim Lawson, Executive Policy Advisor, VTA, dated June 4, 2012

Edwin M. Lee | Mayor

Tom Nolan | Chairman

Cheryl Brinkman | Vice-Chairman

Leona Bridges | Director

Malcolm Heinicke | Director

Jerry Lee | Director

Joél Ramos | Director

Edward D. Reiskin | Director of Transportation

June 4, 2012

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

Subject: *Response to Questions included in May 9, 2012 MTC Programming and Allocations Memorandum “Funding for Low-Income Transit Pass Pilot Programs”.*

Dear Mr. Heminger:

We appreciate the opportunity to respond to the five questions in your May 9, 2012 Memorandum to the Programming and Allocations Committee of the MTC Commission. Outlined below are the questions and the SFMTA’s response to each of them.

- *What is the objective of the pilot projects? What is to be learned?*

As you are aware, San Francisco has been discussing various options to address the lack of reduced state funding for yellow school buses, and the a pilot program to provide low-income youth with free monthly passes through Clipper® 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, afterschool and afterschool activities, operating impacts, and other aspects of the program to fully evaluate impacts in order to make a better inform decision-making on how to move forward post-pilot, and (2) to meet the most imminent need identified by the movement for this program and the great majority of the public comment/feedback we have received, which has been related to affordability.

SFMTA is working jointly with the 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.



We are currently developing the metrics we will use to evaluate the program, in concert with the program's stakeholders. Preliminary areas of evaluation include:

- a. Ridership (youth trips, youth trip patterns)
- b. Transportation impacts (crowding, maintenance)
- c. Savings Value for families (benefit to family budgets)
- d. Environment (mode shift, new adult transit market, emissions reduction)
- e. Access to school, afterschool activities, jobs and volunteer and recreational activities (use of transit to attend these activities)
- f. Behavior (rider education, perception of safety/security)
- g. Administrative impacts (cost, time)

We will be partnering with stakeholders to collect data for the metrics preliminarily outlined above through various means including existing technology and data systems, surveys, travel diary, focus groups and other analysis. Rigorous evaluation of this pilot is essential for the determination of the future of fare policy, both for youth fares and fares for low-income riders.

- *How does the sponsor define success at the end of the pilot project?*

We would define success along the outcome of the metrics above, e.g. increasing low income youth use of transit, access to education/after school activities/jobs, etc. We are also looking forward to realistically quantifying the service and revenue impacts which we only have initial estimates for at this time. Finally, we would also define the pilot as a success if we are able to identify a sustainable means of continuing a formal program post pilot covering service, revenue loss and administrative costs without negatively impacting our other funding and service needs.

- *If the pilot project is deemed successful, what is the local funding strategy to maintain the free fares for the longer term?*

Generally speaking, we will let the evaluation of the pilot guide the determination of next steps. The language in the resolution adopted by the SFMTA Board was explicit that this pilot will sunset at the end of the 22-month period. The resolution reads, "...youth fares will return to the regular indexed value on June 1, 2014 absent explicit future SFMTA Board action..." Thus the default position is that when the pilot ends, the fares return to where they would have been. That said, it is quite possible that a successful pilot will make it difficult in practical terms for a future SFMTA Board to effect what will seem like a large fare hike for low-income youth. The SFMTA Board approved this pilot with that understanding and with a desire for the development of a more sustainable solution to continue the program after the end of the pilot and directed staff to look at fare equity for all age groups and ways to expand the program without negatively impacting SFMTA's operating budget.

We do not have a funding plan in place beyond our recently approved two-year budget, besides the \$1.4 million annual baseline amount in our operating budget. The SFMTA pilot program community supporters and other stakeholders will work together over the next two years to identify a sustainable means of continuing the program in the event that the outcomes of the pilot support continuation. As a matter of fact, the SFMTA is already working with stakeholders to identify new revenue sources to address overall operating and capital needs.

- *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 with contribute?*

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.

The SFMTA is expecting receipt of regional Lifeline programs funds in the upcoming cycle through the SFCTA (see table below). The Proposition 1B funds and STP can only be used for capital projects and are proposed for use in capital investments to improve service in low-income communities. The STA and JARC Funds can be used for both operations and capital projects. The overall spending plan for these funds is shown in the table below and we look forward to the SFCTA allocating the funds to the specific programs.

New Lifeline Program		
<i>Job Access and Reverse Commute (JARC \$1.2 m available) - Subject to SFCTA Call for Projects</i>	<i>Amount</i>	<i>Description</i>
Bus Service Restoration	\$1.2 m	Sustain evening and off peak service for the 19 Polk, 21 Hayes, 27 Bryant, 29 Sunset, 44 O’Shaughnessy, and 54 Felton.
<i>State Transit Assistance (STA \$2,957,620 available - MTC has advised SFCTA to only program 95% of these funds or \$2,809,739)</i>	<i>Amount</i>	<i>Description</i>
Muni Route 108 Treasure Island Service	\$1.1m	Match 2010 Lifeline allocation of \$1.1m (does not include inflation)

New Lifeline Program		
Muni Route 29 Sunset Service Expansion	\$0.8m	Match 2010 Lifeline allocation of \$0.7m (does not fully include inflation)
Bus Service Restoration	\$0.5m	Match 2010 Lifeline allocation of \$1.7m less assumed JARC allocation of \$1.2m (does not include inflation)
Free Pass for Low Income Youth Pilot Program	\$0.4m	
TOTAL	\$2.8m	
Surface Transportation Program (STP \$1,175,104 available) - Subject to SFCTA Call for Projects		
	<i>Amount</i>	<i>Description</i>
Bike and Pedestrian Improvements	\$1.2m	Coordinate improvements with planned paving projects in low income neighborhoods
TOTAL	\$1.2m	
Prop 1B (\$11.7 m available)		
	<i>Amount</i>	<i>Description</i>
8X Mobility Project	\$9.3m	\$12m total including 20% Local Match
Mission Mobility Project	\$2.4m	To supplement funding for this project that is funded via the Transit Performance Initiative Program (funded \$7m of the \$13m total project cost)
TOTAL	\$11.7m	

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.

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 for this pilot. In addition, the goals of the pilot extend beyond addressing Lifeline needs and the funding plan should reflect this. Specifically, since giving half of San Francisco’s youth free access to transit can reasonably be expected to have a positive climate impact, regional funds that support clean air or similar program goals would be well suited to support 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. San Francisco youth and their caregivers who will be riding Muni as a result of this pilot will be direct contributors to these goals.

In summary, there are no additional funds from our operating budget for this pilot program. Given our needs for Lifeline funds (as summarized in the above table) we are unable to use these funds for the pilot program given our various needs unless MTC and SFCTA backfill these funds dollar for dollar from some other source that would not otherwise be allocated to SFMTA.

- *What additional information is needed to understand the cost/funding strategy for replicating successful pilot programs regionally, and what is the expectation of doing so? What information can the pilot project provide to help inform the MTC means-based fare study?*

The development of this pilot has brought to light the fact that our fare discounts are geared more toward age and disability than need. Advocates for these other groups have already sought more deeply discounted or free transit access, and many make compelling cases. As a result, we will also use the intervening two years to study the issue more broadly and work with stakeholders to develop proposals for a more significant fare restructuring that would better serve a wider range of riders and would-be riders, particularly low-income riders. The SFMTA Board has directed staff to bring such proposals to them during the next budget cycle, assuming we can find solutions to potential administrative and fiscal challenges. We believe this work will inform MTC's means-based fare study and SFMTA would welcome MTC's participation in defining the evaluation methodology and helping to evaluate and monitor the program to ensure that results and lessons learned can be shared regionally. Finally, we believe that this pilot program is an opportunity to test administrative efficiencies that could be realized by using Clipper as the fare instrument and that the planned outreach and education (how to use Clipper, how to be a good public transit rider) would be replicable throughout the region.

Please let us know if there is additional information we can provide. We look forward to MTC Commission's approval of our request for \$5 million and we look forward to working with MTC staff to ensure a smooth implementation of the pilot program.

Sincerely,



Edward D. Reiskin
Director of Transportation

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



June 4, 2012

Alix Bockelman, Director
Programming and Allocations
Metropolitan Transportation Commission
MetroCenter
101 Eighth Street
Oakland, CA 94607

Dear Ms. Bockelman,

Thank you for the opportunity to provide more information regarding our application for funding to help expand transit accessibility to those who currently do not have the means to utilize it. The Santa Clara Valley Transportation Authority (VTA) understands the need for the very low income populations of every county to be able to access transit in order to get to the services, jobs, schools and medical appointments necessary to improve their situations, and believes that our pilot project could serve as a model, creative solution for our regional colleagues.

Answered here are the questions MTC staff had regarding our proposal.

- **What is the objective of the pilot projects? What is to be learned?**

The objective of the pilot project is to help VTA determine what, as an organization, we can do to help meet a need for transit access in our community in an effective, sustainable manner. VTA would also like to use the pilot program to learn how we can partner with community groups and the County of Santa Clara to expand our accessibility and help those in need effect a meaningful change in their situations without negatively impacting our service or our farebox recovery ratio, and also ensuring the program is targeted, effective and not abused.

- **How does the sponsor define success at the end of the pilot project?**

With VTA's UPLIFT program, anecdotal evidence from service providers has been instrumental in our understanding of the program's success and the need for it. VTA would utilize a similar methodology to measure the success of the program in getting individuals to necessary services and experiencing an improvement in their lives in a similar fashion with the pilot program.

Another measure of success is whether the program is being used for its designated purpose. VTA believes it is extremely important to protect its and the region's investment from fraud or abuse.

- **If the pilot project is deemed successful, what is the local funding strategy to maintain the free fares for the longer term?**

While VTA's assumption is that this would result in an expansion of ridership and that there would be little to no negative impact on fares, the proposed discount and number of people to be served is, at this time, a reasonable assumption based on interviews with organizations that serve this community on a daily basis. Were the pilot program to prove successful, VTA will continue to work with MTC, The County of Santa Clara, and the nonprofit community to fund a program that would be sustainable and effective. At the end of the pilot, VTA will determine if the program is sized correctly and what, if any, are appropriate changes to better the program, which will include scaling it to available funding.

- **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?**

VTA is willing to contribute up to 50 percent of the fare cost in the form of discounts, and would look to our community partners to contribute as well. While we are capable of scaling the program to the amount of funding available, a smaller program will be a less-reliable measure in addition to improving transportation opportunities for this underserved community.

- **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?**

VTA is happy to share its pilot project information with MTC and our colleagues throughout the region to help them understand our experiences. With large swaths of urban, suburban and rural populations, VTA believes a pilot program in Santa Clara County will provide information that can be of use to all our colleagues.

Supplemental questions

1. Is there some overlap with the General Assistance population (approx 4,800 people) and those receiving quarterly transit passes through UPLIFT (approx 1,800 people)?

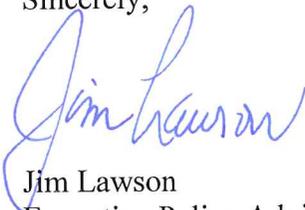
There is some overlap with the General Assistance population and the UPLIFT program; however, VTA has the commitment of Santa Clara County, which will administer the program, to ensure no duplication of services.

2. In terms of the VTA program costs, can you provide any additional information about the assumptions behind your calculations? We would like to better understand the extent if any of the real revenue loss to VTA if this program were to be implemented.

VTA's assumption is that we will be providing service to populations that currently do not have access to our services. We will not be shifting the cost from already-paying customers to regional funding; instead we will be expanding our service. We know that school districts are under tremendous pressure to provide transit passes to students as well, and our hope is to meet the incremental need of students and General Assistance recipients. There is a cost to providing this additional service, the exact extent of which we will know once we have completed the pilot program.

If there are further questions, please do not hesitate to contact me at (408) 321-5516.

Sincerely,



Jim Lawson
Executive Policy Advisor

cc: Anne Richman, MTC
Ali Hudda, VTA
David Sausjord, VTA
Marcella Rensi, VTA
Colleen Valles, VTA