



**Massachusetts Bay
Transportation Authority**

Alternative Fare Proposals

February 24, 2022

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Fares and Fare Equity

Pre-COVID fares accounted for \$700M annually within the MBTA Operating Budget.

MBTA staff has been assessing fare equity for many years, through formal and informal analysis, including:

- Fare Policy (2015)
- Means Tested Fares Feasibility Study (2019-2020)
- Commuter Rail Fare Study (2020)

Subsidizing the cost of transit:

If subsidizing low income riders is a priority (over additional service), what is the best way to distribute public subsidies or resources to address affordability?

Three options are often considered:

- People-Based: Focus on the low-income riders on the system (e.g. Means Tested Fare)
- Mode-Based: Focus on reducing fare on one mode in the system (e.g. Bus, CR)
- Location-Based: Focus on lowering fares for a certain geographic region (e.g. moving stations into Zone 1A)



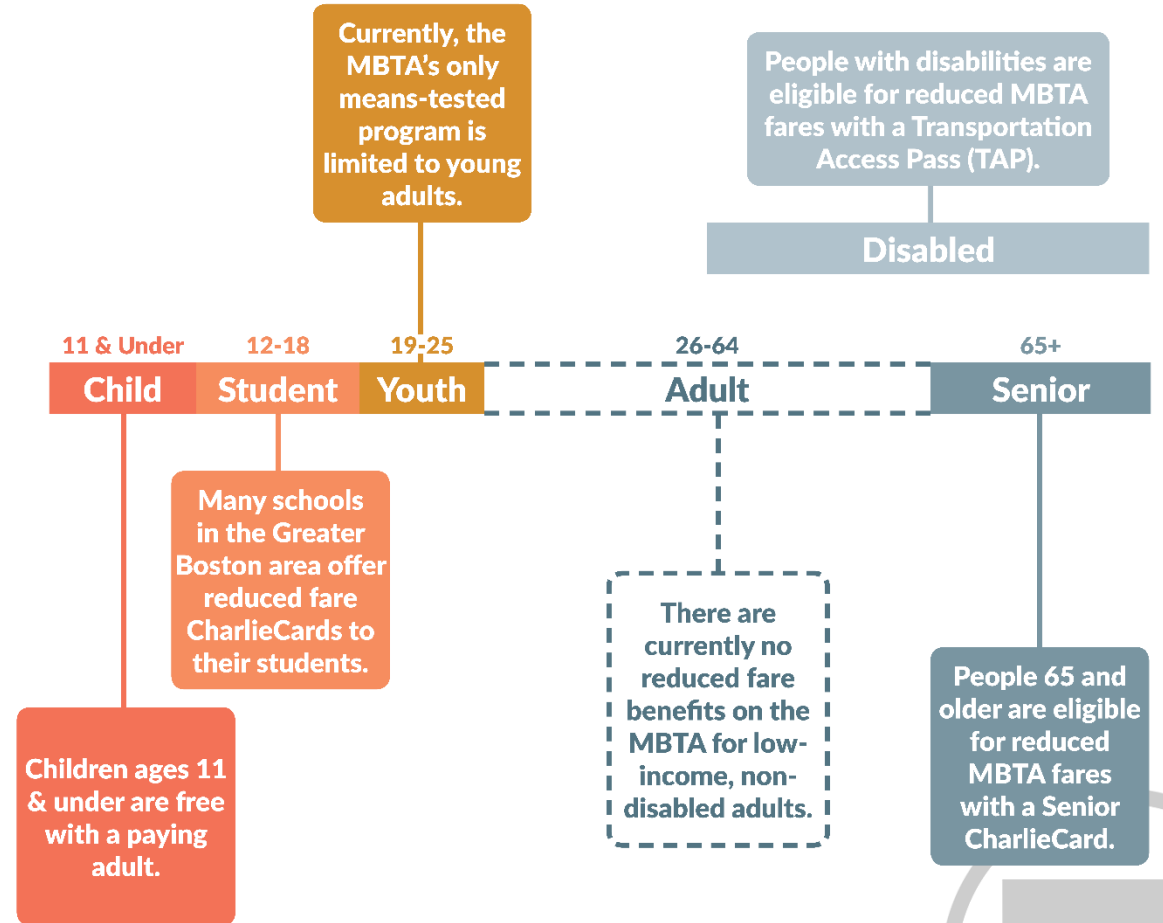
People-Based: Means Tested Fares Update



Context for Means-Tested Fares

- The MBTA has several reduced fare programs.
 - The Youth Pass is the T's only means-tested program; T relies on a municipal partnership model with ~4,500 beneficiaries.
- Reduced fare programs, and their active enrolled users from October 2019
 - Students: 49,311
 - Seniors: 59,061
 - Transportation Access Pass: 20,381
 - Blind: 1,561
- Reduced fares are ~50% off full fares
- FMCB had previously asked for preliminary research on means-tested fares and an analysis of potential cost and implementation challenges.

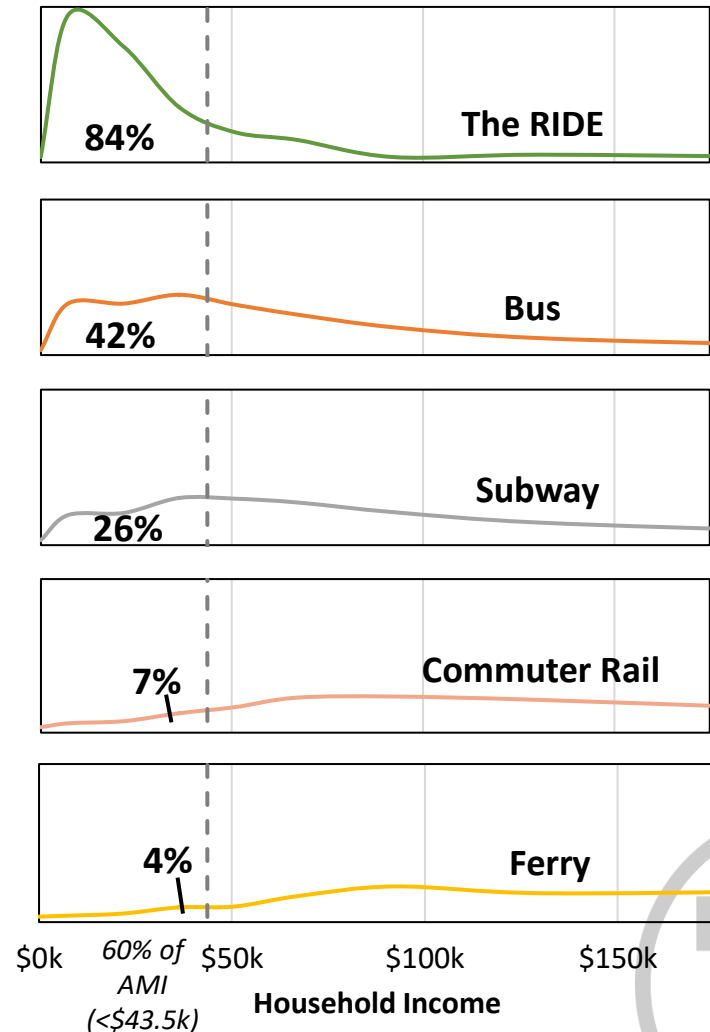
Current MBTA Reduced Fares



Income Variation Between Modes

- Income distribution of surveyed MBTA riders varies significantly by mode
- Targeting a program for lower-income people has different implications for revenue and administrative effort by mode

Service	Percent Low Income	Percent Minority	One-Way Fare
The RIDE	84%	23%	\$3.35-5.60
Bus	42%	48%	\$1.70
Rapid Transit	26%	31%	\$2.40
Commuter Rail	7%	15%	\$2.40-13.25
Ferry	4%	2%	\$3.70-9.75



Sources: MBTA Systemwide Survey, 2015-17; RIDE customer satisfaction survey, 2018

Full Cost of a Means Tested Fare Program



Clear Recommendation: The MBTA *should not* perform income verification in-house

Eligibility thresholds should be based upon other common benefit programs, such as SNAP, hence 200% FPL. This methodology is consistent with peer transit partners.

Once the above is determined, **Full Costs** must include:

1. Fare revenue loss on all modes (*Ridership predicted in 2019-2020 CTPS Study)
2. Operational costs on some modes
3. Administrative costs, for both MBTA and future partner(s)



Costs Assuming 200% FPL and High Enrollment

Mode	Ridership Estimates	Annual Fare Revenue Loss	Operational & Capital Costs
Bus and Rapid Transit	69,000 riders +/- 20,000 (2.5-4.5% increase)	\$32.8 million +/- \$9.5 million	<i>Depends on crowding: Up to \$18-24 million operating Up to \$22-31 million new buses (\$2-3 million annual replacement)</i>
Commuter Rail and Ferry	1,500-3,300 riders	\$2.1 million	Minimal
The RIDE	230,000-415,000 additional trips (17-30% growth)	\$2.6 million	\$20.5-32.4 million operating \$5.1-9.3 million new vehicles (\$1.0-1.6 million annual replacement)

	<u>No Added Bus & RT Service</u>	<u>Including Added Bus & RT Service</u>
Annual Revenue Loss	\$28-47 million	\$28-47 million
+ Annual Operating Costs	\$22-34 million	\$42-61 million
+ Administrative Costs (Partnership and MBTA staffing):	\$2-4 million	\$2-4 million
Total Estimated Annual Impact:	\$52 - 85 million	\$72-112 million
<i>Up-front program implementation and capital (one-time)</i>	<i>\$7-13 million</i>	<i>\$29-44 million</i>



Projected Administrative Expenses

Expense	Estimated Annual Cost
Partner (CBO) Administration & Staff	\$1-2 million
MBTA wages & benefits	\$800K
Software	\$200k
Card stock (new & replacements)	\$100K
Evaluation	\$100K
Professional/vendor services (Marketing)	\$200K
Total	\$2.4-3.4 million

- Annual administrative expense for full scale program estimated between \$2 and \$4 million per year
- We do not have complete estimates for up-front/one-time administrative *implementation* costs at this time — we assume same as annual cost (\$2-4 million)

Looking Ahead

- MBTA will continue to improve the enrollment process for *Reduced Fare Programs*
- Administrative challenges may be mitigated by technological partnership and better data. There is the potential to share data with other state partners, with the RMV partnership with the Executive Office of Health and Human Services as a possible model.
- Municipal funding for free bus service provides data on this approach. A means-tested fare pilot program could help stakeholders understand how a program could scale, and allow study of the impact all modes
- The MBTA faces significant budgetary challenges starting in FY24 and is limited in its ability to fund a pilot program



Mode-Based: Fare-Free Bus Updates



Fare-Free 28 Pilot: Outcomes

In partnership with the City of Boston, the MBTA ran one bus, the Route 28, for free from August through today as a fare pilot.

Major Takeaways

Ridership	The free fares successfully encouraged increases in ridership (22 %), some of which came from trips that would have been car trips (5%) or wouldn't have happened at all (2%).
Service	Route 28 absorbed a material increase in ridership with minimal negative impacts on travel times and reliability. There was a notable reduction in dwell times (20%) as compared to similar routes for all riders.
Economic Impact	This pilot cost \$500,000. All riders of the 28 experienced operational benefits, but few saw direct economic benefit.



Evaluation: Summary of Rider Savings

While the service benefits were shared across all riders, the economic benefits were felt by narrow groups based on behavior, rather than based on need. Beneficiaries of the program were 28-only, non-monthly pass riders; in other words, riders saved based on where they go and if they transfer.

- 21% of riders saved >\$20 per month
- 12% saved \$0-20 per month
- 66% saved no money

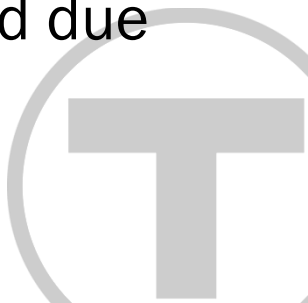


Fare-Free Routes: 23-28-29

Term: Two-year program, March 1, 2022 to February 28, 2024

Costs: The City of Boston is paying the following, which we expect to total \$8 million (depending on ridership):

- Fixed Route:
 - Fare revenue lost per rider, calculated at a Marginal and then Average fare loss.
 - Per revenue hour over 0.5% of the baseline, to cover operating costs if the MBTA adds buses to these routes
- Paratransit:
 - Lost Fare revenue at \$3.35 per trip in the catchment area (within $\frac{3}{4}$ miles of the free routes) and within the baseline number of trips
 - Operating Costs at \$69.35/hr per trip over the baseline
- Administration/ Overhead
- Program evaluation costs, two equity analyses costs, marketing costs
- Plus, the City indemnifies the MBTA up to \$500,000 for any mitigation needed due to fare equity analysis in the future



Title VI Implications

- A fare change that lasts longer than six months is considered a **permanent fare change**.
- ***At the start of the program***, the MBTA must conduct an equity analysis when the bus fare changes to \$0 for the three routes
 - Staff are beginning this equity analysis now and will be back before the board and the public on this fare change in the coming months.
- ***When the program concludes***, changing our fares from \$0 to the standard bus fare will again be a permanent fare change.
 - After discussion with partners at the Federal Transit Administration and based upon the ridership demographics on those three routes, the MBTA staff reasonably predict that we will have a disparate impact and/or disproportionate burden finding from the analysis when returning the fares.
 - The MBTA can justify moving forward with an inequitable fare increase like this if there is a “substantial legitimate justification” and there are no alternatives that would have less of an impact and still achieve the goal of reinstating fares. (FTA C 4702.1B).
 - Through these discussions, the MBTA believes the exhaustion of third-party funds that finance a time-limited fare decrease would likely be such a justification.
 - All marketing materials will make clear to the riders that the program will terminate in 2024.



Future Growth in other Municipalities?

- Other municipalities have approached the MBTA interested in fare-free buses, including Cambridge, Brookline, Watertown, and Salem.
- While the MBTA is open to these discussions, the staff have concerns about equity and sustainability of municipality-sponsored bus fares. In addition, each individual fare-free program is a significant and inefficient use of staff time.
- Somerville is interested in piloting a pass distribution program which is much closer to a means-tested fare; we understand other municipalities may want to partner with them.



Location-Based: Adjusting CR Zones



Considerations for Moving Stations to Zone 1A

Place-based approaches like moving stations to Zone 1A are easy to implement and understand; we often receive pressure to move Gateway Cities and other stations to Zone 1A.

Place-based changes are not proposed by the MBTA staff because of the following challenges:

- Help affordability in specific areas but do not address affordability for low-income riders systemwide
- Deliver significant savings (and revenue loss) to high-income riders who do not need it
- Are slow to react to changing geographies of low-income riders
- Have other unintended consequences:
 - Domino effect leading to re-zoning other station
 - Risk of locking the MBTA into fares that are unsustainably low under future service models



Cost of CR Fare Changes

Moving Stations to Zone 1A

Our analysis of moving 18 stations in Gateway Cities to Commuter Rail Zone 1A has concluded that this change would cost \$41 million per year.

Ridership and Revenue Impacts of Moving Gateway Cities to Zone 1A

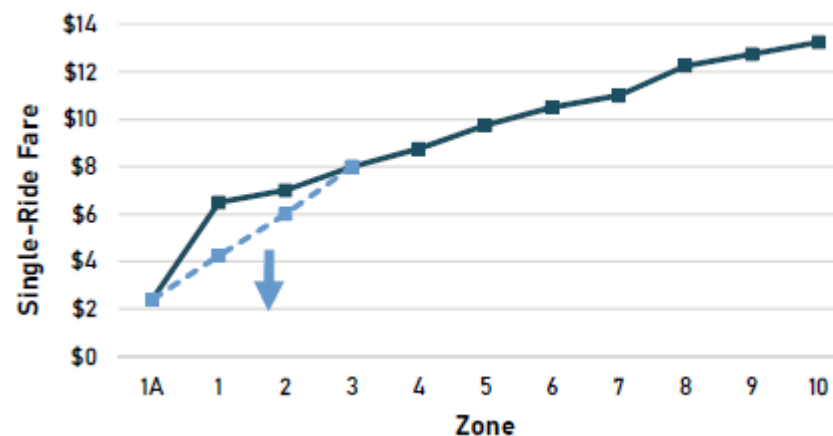
	Ridership (thousands)		Revenue (\$millions)	
	Change	% Change	Change	% Change
Total Gateway Cities	+583	+9%	-\$40.7	-71%
Total Commuter Rail	+583	+2%	-\$40.7	-15%

Analysis changes 18 stations to Zone 1A: Attleboro, Bradford, Brockton, Campello, Chelsea, Fitchburg, Haverhill, Lawrence, Lowell, Lynn, Malden Center, Montello, North Leominster, Quincy Center, Salem, South Attleboro, Wachusett, Worcester

Smoothing the Fare Jump from Zone 1A to Zones 1 & 2

Other concerns notwithstanding, we appreciate that a large jump exists from Zone 1A to Zone 1 and 2 fares and continue to consider the implications of smoothing this gap by lowering Zone 1 and 2 fares.

Smoothing Zone 1 and 2 Fares Mitigates Issues with the Zone 1 Fare Jump



Illustrative Ridership and Revenue Impacts of Smoothing the Fare Jump

	Fares		Ridership (thousands)		Revenue (\$millions)	
	Current Zone Fare	Illustrative Zone Fare	Change	% Change	Change	% Change
Zone 1	\$6.50	\$4.25	+105	+5%	-\$4.7	-32%
Zone 2	\$7.00	\$6.00	+98	+2%	-\$4.4	-13%
Total Commuter Rail	N/A	N/A	+206	+0.6%	-\$9.1	-3.3%

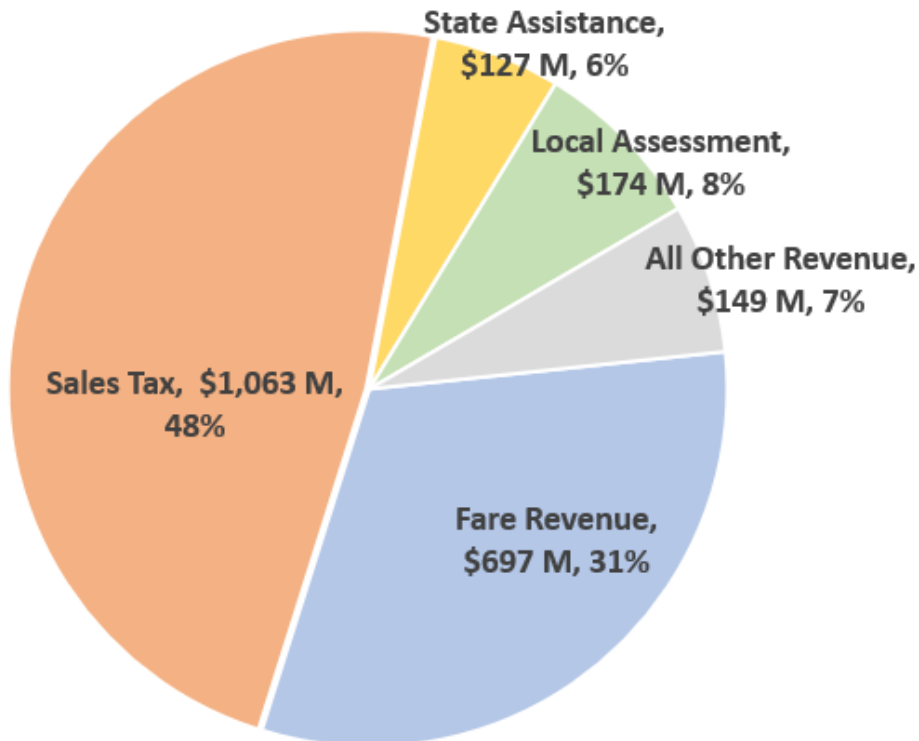
Revenue Impacts



Operational Budgetary Impacts

MBTA Operating Budget Revenue Baseline

(FY20 budget data)



- Any of the alternative fare proposals involve a significant potential loss in fare revenue, which was a 1/3 of our operating budget revenue pre-COVID (\$697M).
- Many peer transit agencies (King County, WA, LA Metro, Portland-TriMet, San Francisco-SFMTA, NYC- MTA) have developed strategies to advance fare programs targeting equity enhancements. They are funded through:
 - Dedicated sales tax
 - State payroll taxes
 - County general funds
 - Grants from business community
 - Etc.



Appendix



Fare Equity: Proposed Strategies

Target	Proposals	Pre-COVID cost	Pros	Cons	Achieve objectives?
Mode Based	Free Bus System	\$117 million (includes the RIDE & operating costs) with ~\$450 million in capital costs for more buses	No administrative costs or partner needed	Impacts The RIDE and bus, doesn't benefit CR or rapid transit trips	Only increases bus only trips
People Based	Means-tested fares	\$84-130 million (including capital investments for both bus and RIDE, depending upon crowding)	Focused solution for riders who need support	Administratively burdensome; requiring a partner	Can improve all three Fare Policy objectives (ridership, revenue and equity)
Mode Based	Lowering CR fares	Range from \$10 million (smooth gap for zone 1 and 2) to significantly more (All CR fares ~\$250 million)	No administrative costs or partner needed	Long-term revenue impacts; benefit not target to those who most need it Likely to fail an equity analysis on a standalone basis	Only in zones where fare lowered and where parallel bus trips possible
Location Based	Moving Stations into Zone 1A	Depends on selected stations; \$41 million to move all Gateway Cities to Zone 1A	Administratively, technically, and logically easy to implement and understand	Blunt instrument that delivers significant savings to high-income riders who do not need it Slow to react to changing geographies of low-income riders models	Increases CR trips only

Peer Comparison

	ORCA LIFT (King County, WA)	LIFE (LA Metro)	Honored Citizen (Portland, TriMet)	Lifeline (San Francisco, SFMTA)	Fair Fares (NYC, MTA)
Eligibility FPL: Federal Poverty Level	200% FPL	<ul style="list-style-type: none"> 200% FPL 70% FPL 	200% FPL	200% FPL	100% FPL
Verification	A) Proof of enrollment in one of the defined benefit programs, or B) proof of income	A) Proof of enrollment in one of the defined benefit programs, or B) proof of income	A) Proof of enrollment in one of the defined benefit programs, or B) proof of income	A) Proof of enrollment in one of the defined benefit programs, or B) proof of income	Proof of income
Discount	50% off single rides, day pass, or monthly pass	<ul style="list-style-type: none"> 24% off single rides or 20 free regional rides per month Free for riders w/70% FPL 	50% off single rides; 72% off monthly pass	50% off monthly pass; no single ride discount	50% off single rides, weekly pass, and monthly pass
Partner(s)	Public Health Dept., social service agencies, and community-based organizations	Social service agencies divided into regions across the county	Community-based organizations	SF Human Service Agency (HSA) and SFMTA customer service center	Mayor's office, NYC Dept. of Social Services/Human Resources Administration
Funding Sources	King County Metro General Fund	Increase in sales tax-based funding mechanism	State payroll tax	Lost revenue, general fund transfers, parking revenue, small grant from Google	NYC budget