



Massachusetts Bay Transportation Authority

Low-Income Fares: Financial and Implementation Considerations

Fare Policy

March 2023

Executive Summary

Purpose

Low-Income Fares expands fare affordability across the MBTA modes, addressing an existing gap for the low-income population ages 26-64.

Development & Launch

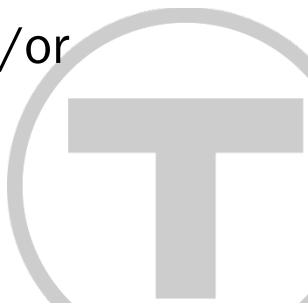
Developing and launching a Low-Income Fare program is currently estimated to require at least 12 months with project implementation costs of approximately \$5 million. Key elements include the standard fare change process, changes to fare collection technology and fare media, the implementation of an online application, and onboarding of internal and partner staff in Community Based Organizations.

5-Year Cost

We expect \$2.4 million of ongoing annual administrative costs, with fare revenue losses and operating costs growing from \$22 million in year 1 through a steady state of \$53 million in year 5.

Broad MBTA Financial Context

Low-Income Fares are not currently in the MBTA budget. Implementing this would incrementally increase our funding gap and would require additional funding and/or reprioritization with other important initiatives impacting the Operating Budget.



Agenda

- I. Assumptions on Program Design
- II. Preliminary Planning for Administration
- III. Development Actions & Costs
- IV. Enrollment Curve
- V. Overall Costs



Assumptions on Program Design

This presentation assumes numerous factors regarding eligibility and administration, each of which impact the operating costs, fare revenue loss, and implementation timeline.

- **Eligibility**

- Adults between the ages of 26 and 64 living in Massachusetts (note that riders under 26 and over 64 are already eligible for other reduced fare programs)
 - We will determine how best to integrate the Youth Pass program (low-income 18-25 year olds) in a future low-income fare program for all low-income riders 18+
 - Low-Income Fare implementation on paratransit may differ from fixed route
- Household income \leq 200% Federal Poverty Level (FPL) based on enrollment in state/federal benefit programs (e.g., MassHealth, SNAP) and/or income verification
- Not eligible for one of the MBTA's existing free/reduced fare programs
- Re-enroll annually

- **Fares**

- Program available across all modes using existing reduced fares pass and single ride prices (~50% off full fare levels)

- **Administration**

- Support from state partner agencies and community-based organizations to build integrations and provide service to riders



Preliminary Planning for Administration



Online Application:

- MBTA implements online application, including support from other state agencies to confirm program eligibility immediately



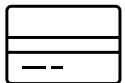
MBTA Staff Support:

- MBTA Staff support includes a Program Manager, potentially within Commercial Strategies & Programs and additional Customer Support via current channels



Community-based Organizations:

- Organizations could support income verification/eligibility determination for applicants not automatically verified, in-person customer support, and outreach about program eligibility and enrollment



Card Fulfillment:

- MBTA card fulfillment vendor assigns and mails new/replacement cards



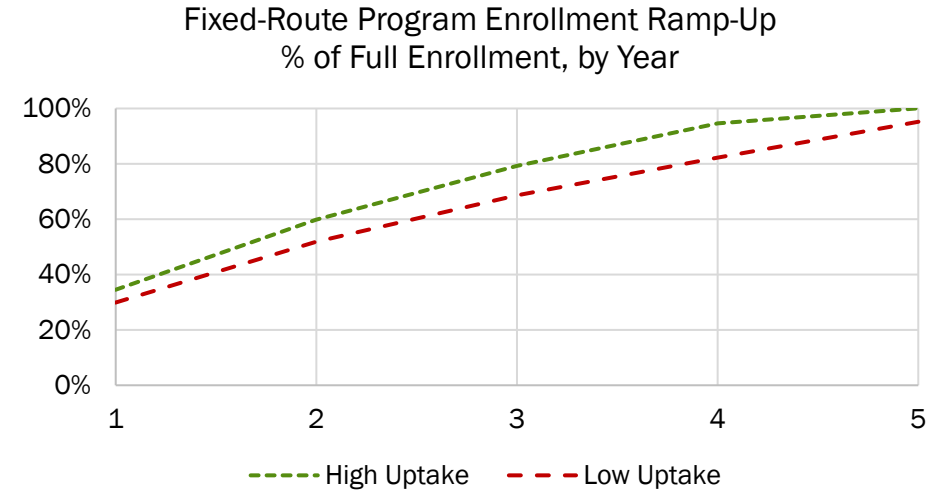
Development Actions & Costs

Developing and launching a Low-Income Fare Program would be a significant, complex project with development and launch (recognizing there are schedule risks) taking at least 12 months. The below elements are anticipated to occur concurrently.

	Timeline	Cost	Key Actions
Fare Change Process	3-6 months	\$100k	Complete program design, public engagement, CTPS equity analysis, board approval
Fare Collection Technology & Fare Media	6-12 months	\$250k	Develop a new reduced fare group in fare collection system; produce and fulfill new cardstock
Online application	9 months	\$450k	Build new online application similar to existing reduced fare online applications; potentially include API integration with other state agencies
Internal Staffing	6-12 months	\$1.7m	Hire MBTA Program Manager and potentially additional staff; conduct upfront marketing and outreach
Partner Staffing	6-12 months	\$1.8m	Work with community organizations to develop outreach strategy and procedure for “boots on the ground”
Contingency (15%)		\$700k	

Enrollment Curve: 4-5 years to Plateau

- Annual fare revenue loss at full enrollment:
 - Fixed Route: \$30 - \$33 million
 - The RIDE: \$1.6 million
- Ramp-up enrollment time:
 - Fixed Route: 4 - 5 years*
 - The RIDE: 0 - 1 years



Annual Fare Revenue Funding Gap (Fare Loss)** (\$ millions)	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed Route Incremental Funding Gap	\$9 - \$11	\$15 - \$20	\$20 - \$26	\$25 - \$31	\$28 - \$33
The RIDE Incremental Funding Gap	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
Total Fare Revenue Funding Gap	\$11 - \$13	\$17 - \$21	\$22 - \$28	\$26 - \$33	\$30 - \$35

* Fixed Route enrollment ramp-up projection based off observed uptake curves of Youth Pass and other income-based programs

** Fare Revenue Funding Gap projections assume flat ridership and fare levels beyond FY24

Overall Cost

(Nominal year of expenditure dollars* based on project launch in FY24, \$ millions)

	Year 0 (Pre-Launch)	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Program Design & Launch <small>(includes 15% contingency)</small>	\$5.0	\$0.3	--	--	--	--
Ongoing Administration Costs	--	\$2.4	\$2.5	\$2.6	\$2.7	\$3.0
Fare Revenue Funding Gap	--	\$11 - \$13	\$17 - \$21	\$22 - \$28	\$26 - \$33	\$30 - \$35
Fixed Route	--	\$9 - \$11	\$15 - \$20	\$20 - \$26	\$25 - \$31	\$28 - \$33
The RIDE	--	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
Operational Costs	--	\$15 - \$16	\$16 - \$17	\$17 - \$19	\$18 - \$20	\$20 - \$21
Fixed Route	--	\$0.8 - \$1.4	\$1.5 - \$2.6	\$2.0 - \$3.5	\$2.5 - \$4.3	\$3.0 - \$4.8
The RIDE	--	\$14	\$15	\$15	\$16	\$17
Total Program Costs	\$5.0	\$28 - \$31	\$36 - \$41	\$42 - \$49	\$47 - \$56	\$52 - \$59

* Administrative and operational costs inflated beyond Year 1 at 3.6% per year (5-year average CPI inflation from 2017 – 2022)

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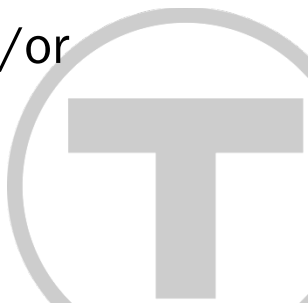
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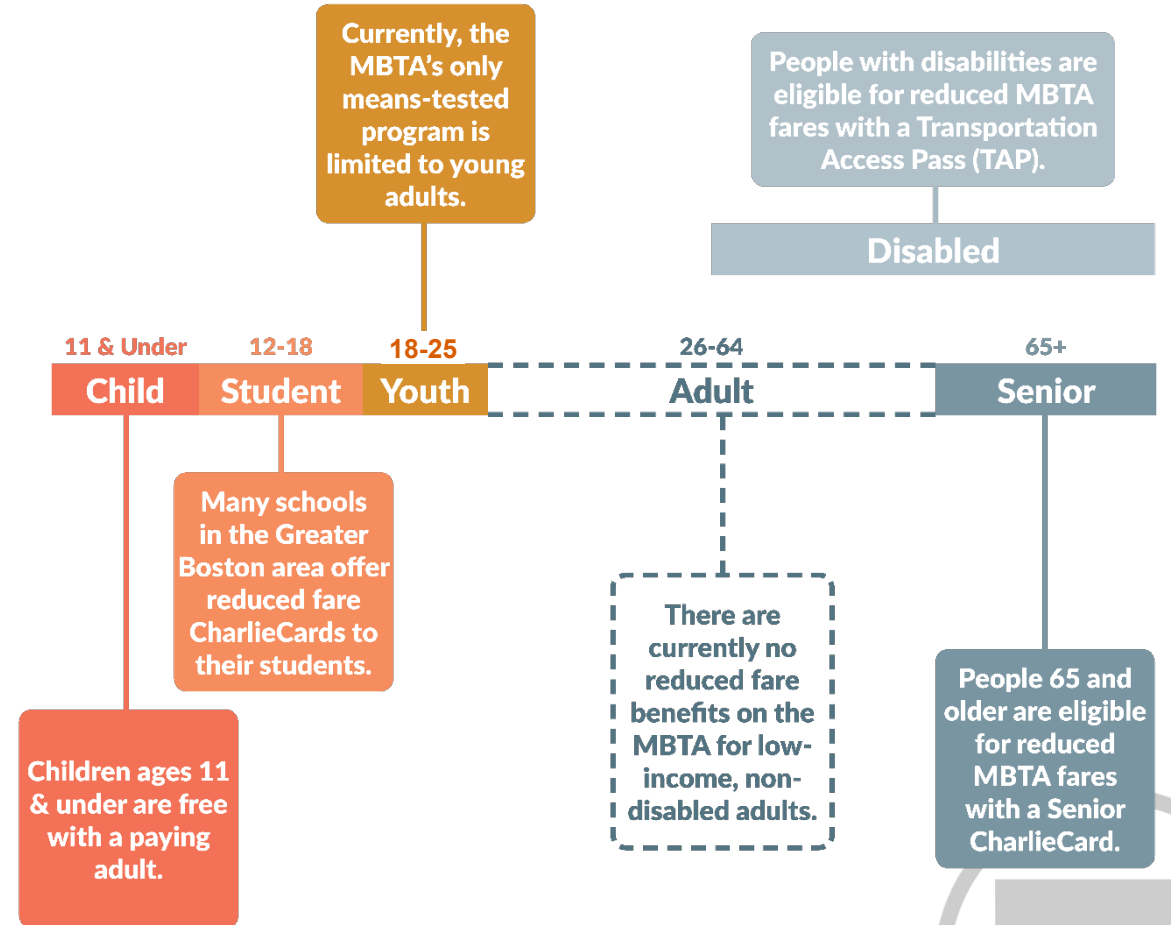
Appendix



Low-Income Fares: Context

- We estimate that approximately **60,000 additional riders** fall into the 26-64 age bracket with incomes under 200% of the federal poverty line; these riders could benefit from Low-Income fares
- The MBTA has several reduced fare programs¹
 - Students: 49,000
 - Seniors: 59,000
 - TAP (Disability): 20,000
 - Blind: 1,500 (note Blind riders ride for free)
 - Youth Pass: 4,500
 - Only means-tested program; T relies on a municipal partnership model

Current MBTA Reduced Fares



¹ Active enrolled users from October 2019

