



# Massachusetts Bay Transportation Authority

## Fare Policy Update

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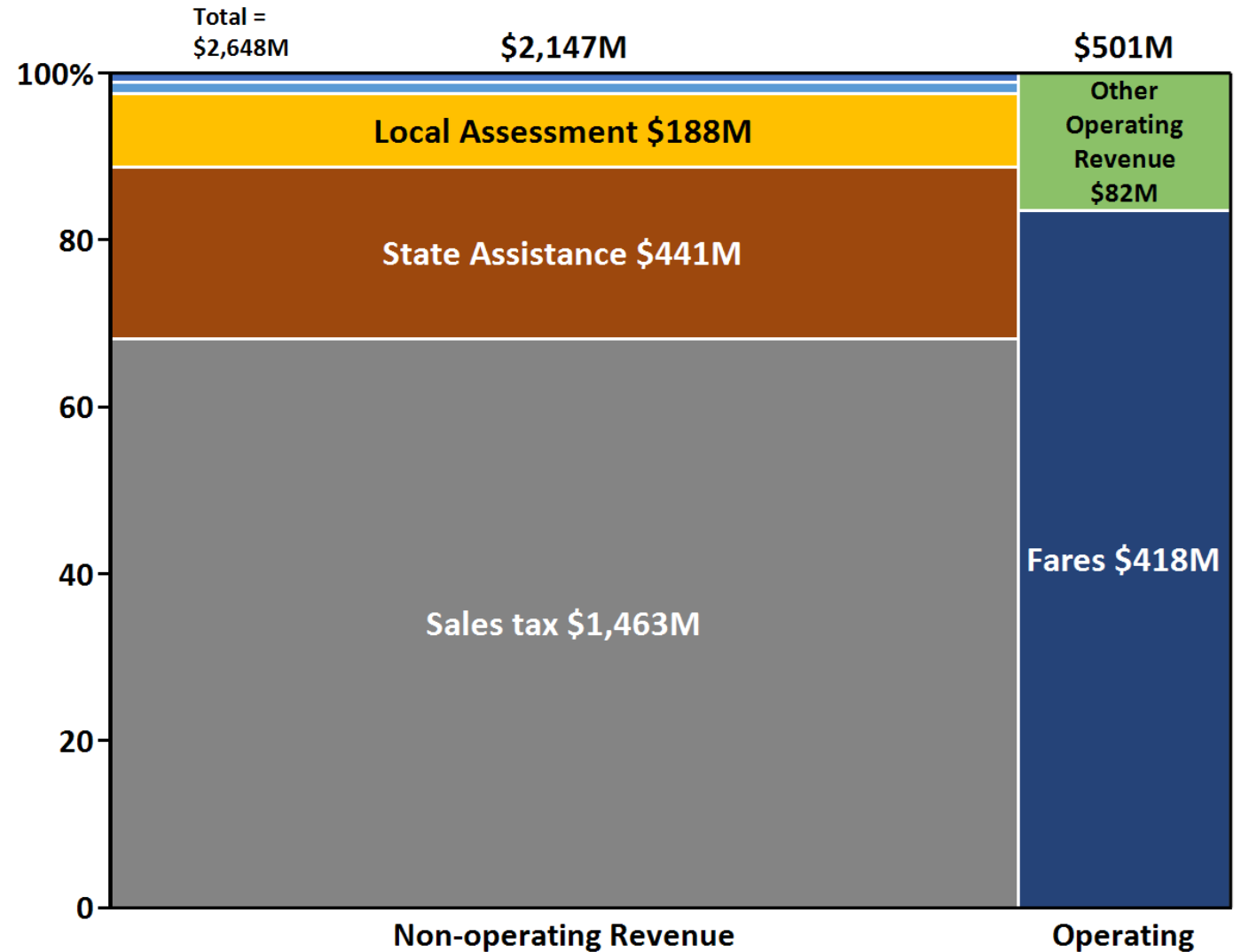
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Steven Povich, Senior Director of Fare Policy & Analytics

Lynsey Heffernan, Assistant General Manager for Policy & Strategic Planning

# FY24 Revenue Budget Overview

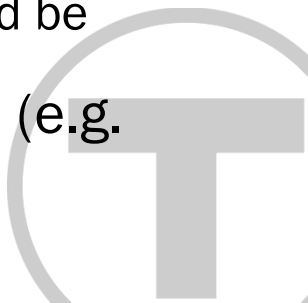
- Fare revenue accounts for \$418 million in the FY24 budget.
  - This represents 16% of total revenue, and is among the few levers in direct MBTA control
- Pre-Covid, the MBTA collected nearly \$700 million in fare revenue
  - Fare revenue has declined ~40%



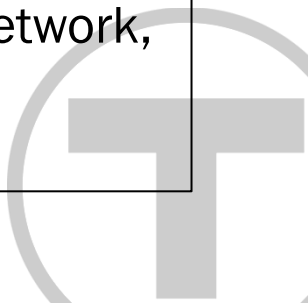
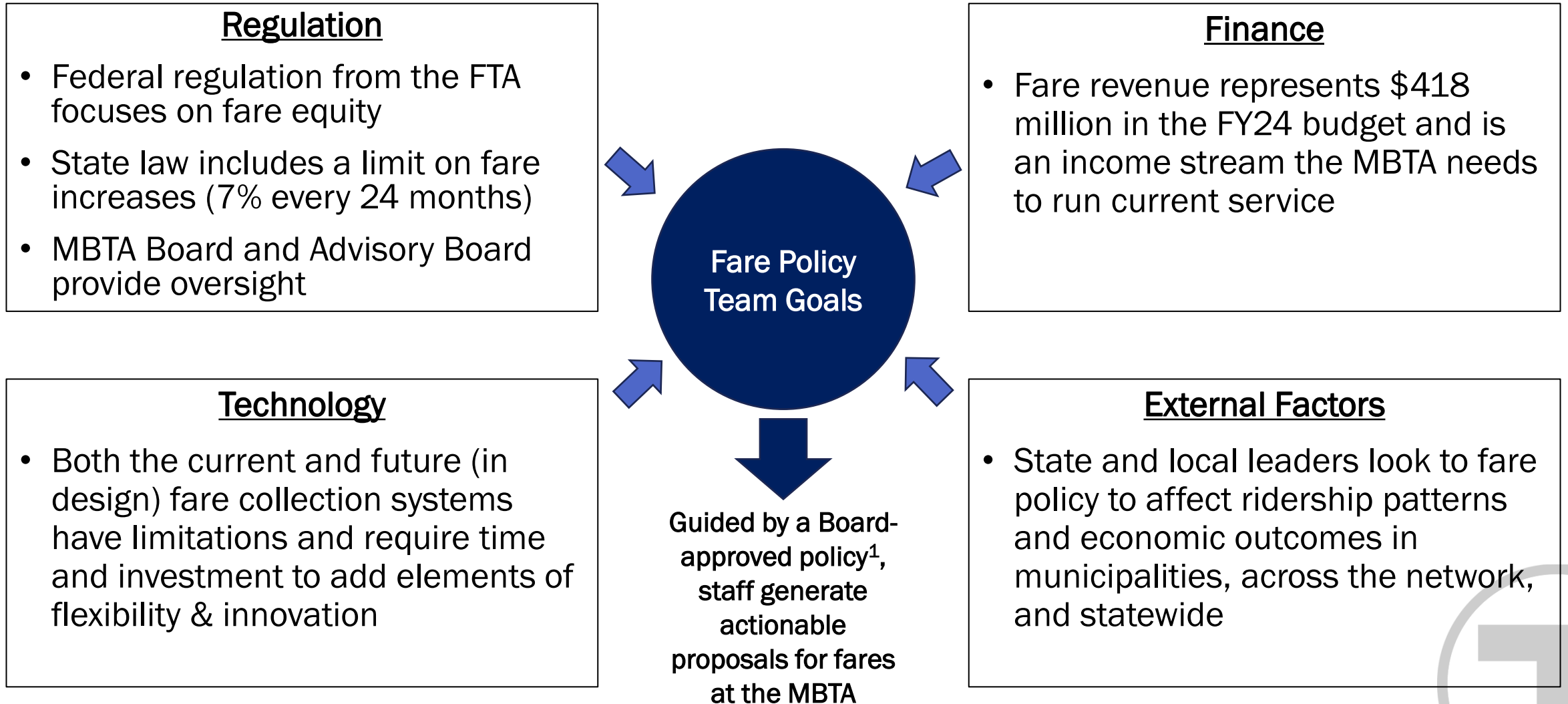
# Fare Policy Idea Generation

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- **Ridership Feedback**: From analyzing rider behavior to changes, to survey data and feedback
- **Stakeholder Feedback**: Including advocacy from elected officials, major employers, and non-profits regarding possible changes to fares
  - For example, MBTA staff are currently analyzing proposals from the City of Boston regarding commuter rail fares
- **Research & Studies**: Review and stay abreast of research from national sources, published academic research and trade associations.
  - Conduct our own research on topics specific local significance:
    - **Commuter Rail Fare Study**, released in 2020 was a multi-year effort to analyze possible changes to the zone pricing structure for Commuter Rail.
    - **Means Tested Fares Feasibility Study**, finalized in 2021, was an effort to analyze the rider impacts to the region, and the fare revenue loss, of implementing a low-income fare.
    - Currently, engaged in a multi-year effort to analyze future **fare policy changes** which could be made after technology upgrades to our fare collection system.
  - Monitor and analyze MBTA rider behavior based on changes made in our system (e.g. Fare-Free bus routes; Sumner Tunnel Mitigations; Fare pilots)



# Fare Policy Influences & Guardrails



# Recent Key Themes

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- **Fare Affordability**

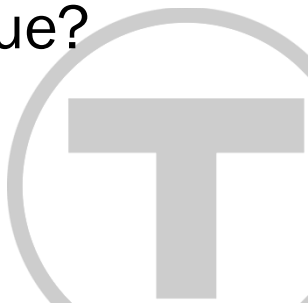
- How should the MBTA help riders for whom fares are a burden?
- What are the merits of a reduced fare program for low-income riders?

- **Simplification**

- What areas of complexity discourage ridership, particularly new ridership?
- How can the MBTA be more inviting to riders through approachable fare structures?

- **Ridership vs. Revenue**

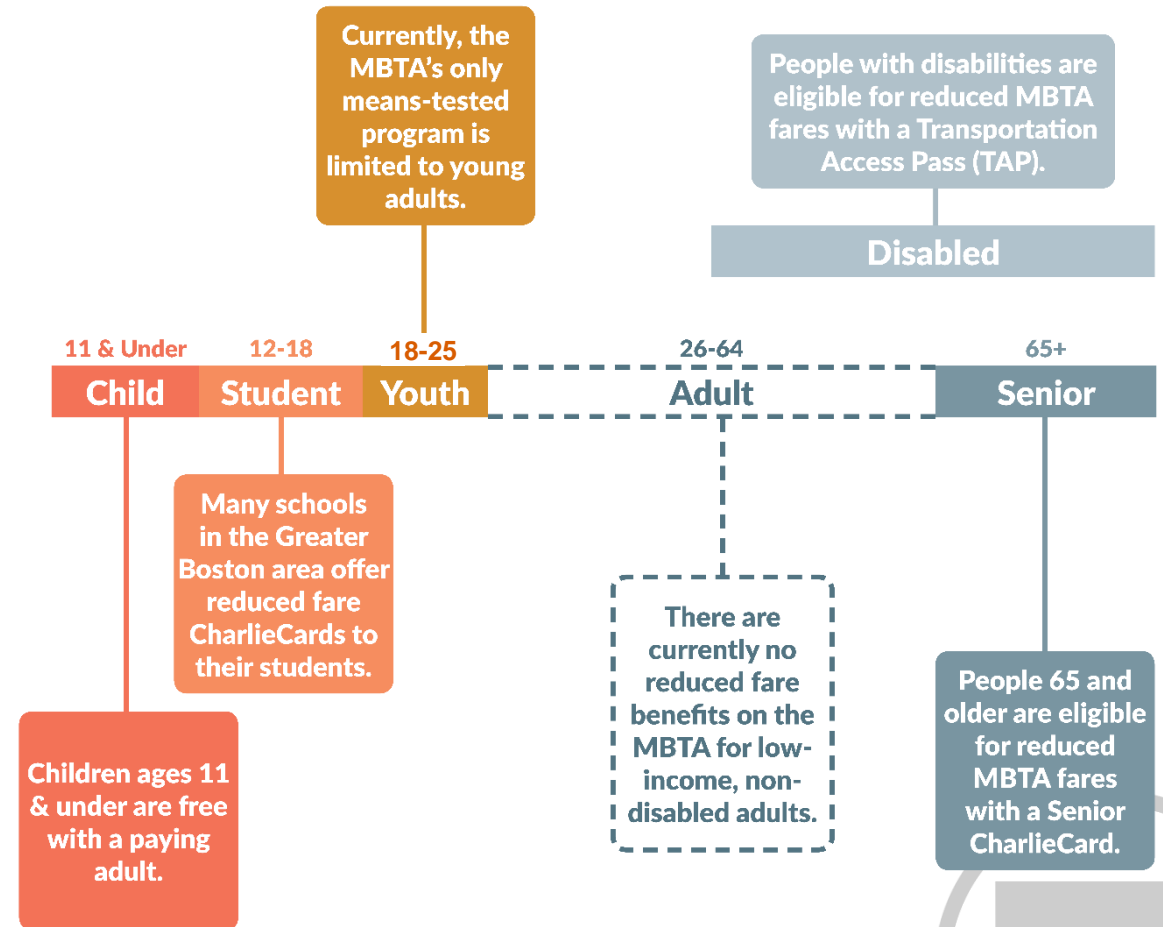
- To what degree is ridership impacted by fares?
- How much revenue should the MBTA forego to attract ridership?
- Are there areas in which lower fares can create positive ridership & revenue?



# Fare Affordability: Context

- The MBTA has several reduced fare programs<sup>1</sup>
  - Students: 49,000
  - Seniors: 63,000
  - TAP (Disability): 15,000
  - Blind: 1,400 (note Blind riders ride for free)
  - Youth Pass: 6,900
    - Only means-tested program; T relies on a municipal partnership model
- *We estimate that 60,000 additional riders could benefit from Low-Income fares, meaning they fall into the 26-64 age bracket with incomes under 200% of the federal poverty line.*

## Current MBTA Reduced Fares



<sup>1</sup> Users active with at least one fare validation in Q4 FY23



# Fare Affordability: Options

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*Nationally, there are two major policies on fare affordability: **low-income fares** and **fare-free service***

- **Low-income fares** are discounted rates to low-income riders, a “people-based” approach to give benefits to those who need it most
  - This approach is widespread, with active programs at six of the top ten and 19 of the top 50 US transit agencies
- **Fare-free service** is offered as an affordability, simplicity, and sustainability initiative
  - This is a nascent policy that is implemented in a small number of agencies, including by the MBTA in partnership with the City of Boston on bus routes 23, 28, and 29



# Simplification

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Current MBTA Fare Policy includes hundreds of prices. There is broad agreement that MBTA should simplify fares to make the system more approachable. The existing complexity is based on:

- **Mode:** Subway, Bus, Commuter Rail, Ferry, and Paratransit
- **Product:** Stored value & single rides, daily/weekly/monthly passes
- **Program:** free & reduced fares for students, low-income 18-25 year olds, riders with disabilities, blind riders, and riders 65+
- **Sales Channel:** employers (Perq), universities, group, and others

Staff consider simplifications across all elements of the fare structure.





# Ridership versus Revenue: Overview

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*In general, fare levels and ridership have an inverse relationship; there is a tradeoff between ridership & revenue.*

- Fare decreases increase ridership, though with a relatively low elasticity. Fare cuts do not typically yield large increases in ridership.
  - In nearly all cases, fare decreases yield fare revenue decreases
  - In exceptional cases, the MBTA can increase revenue by decreasing fares, principally with targeted off peak fares
- In the context of this tradeoff, staff continues to study:
  - Commuter rail fare levels (as the most expensive mode)
  - Off peak and reverse peak fares
  - Monthly pass prices
  - General fare increases



# Ridership versus Revenue: Data

*The MBTA has observed several recent examples of fare changes and uses researched elasticities to analyze proposed changes.*

- **Sumner Tunnel Closure: Fare-Free Blue Line**
  - +7% weekday ridership, +13% weekend ridership
  - Travel decisions also impacted by significant increase in traffic and specific MBTA efforts to improve service quality during the tunnel shutdown
  - Note that during the same period, the north side of the Orange Line (also impacted by traffic, but not fare-free) saw +4% weekday ridership, +23% weekend ridership
- **City of Boston Program: Fare-Free 23, 28, 29**
  - 20% increase in ridership
  - Most increases came from other MBTA services, biking, and walking; 2% were from cars
- **Staff are also monitoring Regional Transit Authorities, which historically have lower farebox recovery ratios**
  - WRTA and MeVA, have experimented with fare-free service
  - Worcester ridership is +50% compared to pre-Covid; service levels in Worcester have also recovered faster than at peers
- **Standard Elasticities**
  - Elasticities range from -0.10 to -0.30 depending on rider group and product
  - Elasticities have been calculated based on ridership responses to fare changes between 2010 and 2020
  - Staff is considering updating these elasticities for current ridership demographics & dynamics



# Low-Income Fares Update

Update on Fair Share Expenditure & Planning



# Context

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- In the FY2024 budget, Governor Healey provided \$5 million for research on low-income fares. The following slides detail the output of these efforts.
  - At the same time, Governor Healey included \$15 million for RTAs to implement and study fare-free programs
- Over the past 6 months, MBTA staff have:
  - Developed interagency partnerships with the RMV and EOHHS
  - Hired staff to build the technological and programmatic support for the program
  - Built the online application and data exchange with other agencies
  - Updated ridership and revenue models to understand program impact
  - Met with peer agencies working on similar fare affordability challenges



# Low-Income Fares Program

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- The low-income fare program would provide the existing reduced fare menu of prices (~50% off) to low-income riders. Staff are currently analyzing the impact of income cutoffs from 100 to 300% of the federal poverty level (FPL).
  - Low-Income fares will apply to all modes, including commuter rail and paratransit
- The low-income fare program is projected to grow to serve 49 – 63 thousand riders (assuming a 200% FPL cutoff) over the first 5 years. We expect enrolled riders to increase trip making by 25-30%.<sup>1</sup>



# Low-Income Fares: Peer Comparison & FPL Detail

Comparable Agency Programs			
Location	Program Name	% Discount	Income Threshold
New York - MTA	Fair Fares	50%	100% FPL
Los Angeles - LA Metro	LIFE	100-25%	250% FPL
Washington DC - WMATA	Metro Lift	50%	200% FPL
San Francisco - Muni	Lifeline Pass	50%	200% FPL
Bay Area - BART	Clipper START	50%	200% FPL
Portland, OR - TriMet	Honored Citizen	50%	200% FPL
Seattle - King County	Orca Lift	64%	200% FPL

Income Thresholds by Percentage FPL and Household Size			
Family Size	100% FPL	200% FPL	300% FPL
1	\$14,580	\$29,160	\$43,740
2	\$19,720	\$39,440	\$59,160
3	\$24,860	\$49,720	\$74,580
4	\$30,000	\$60,000	\$90,000
5	\$35,140	\$70,280	\$105,420

- In the US, six of the top ten and 19 of the top 50 transit agencies offer a low-income fare program
- While there is variety, 50% off fares and a 200% FPL income threshold are most common across the country
  - 200% FPL is widely used across government programs

- 200% FPL equates to \$29,160 for a single individual and \$60,000 for a household of 4



# Low-Income Fares: Application Process

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*MBTA staff are focused on making the process easy for riders and efficient for administrators. Current planning efforts include the following:*

- **Identity:** Using an integration with RMV data, riders will demonstrate identity. For those riders without an RMV-issued ID, other options will be available.
- **Income Eligibility:** Using an integration with EOHHS data, riders will demonstrate eligibility via existing enrollment in programs with income cutoffs at or below the cutoff for low-income fares.
- **Privacy:** Rider consents and Data Sharing Agreements with the RMV and EOHHS will protect the privacy of riders.
- **Offline Support:** Community Based Partner(s) will provide in-person support across the network.
- **FAQs**
  - How long will it take to apply online? 5 minutes
  - When will my reduced Fare CharlieCard arrive? 1 week
  - How long will my enrollment in the program last? 1 year
  - Will the application be accessible and translated to top languages in the MBTA service areas? Yes



# Low-Income Fares: Community Partner Support

*The MBTA would like to release an RFP for a community partner to support the low-income fare application process & program*

## In-Person Application Support

- For riders who do not have access to a computer or prefer to apply in person, the Community Partner would provide in-person application support across the MBTA service area

## Back Office Verification

- The MBTA plans to accept proof of identity and eligibility through uploaded documentation if a rider is not automatically enrolled via the integrations with the RMV and EOHHS
- The Community Partner would staff a back office to review and confirm enrollment for these riders

## Marketing & Engagement

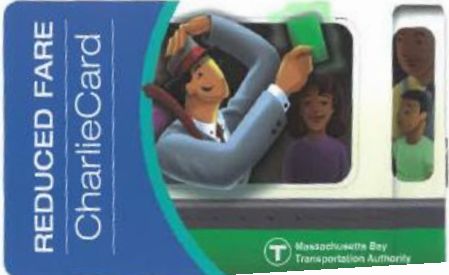
- In addition to MBTA staff efforts, the Community Partner would amplify outreach via attendance at community events and use of existing networks



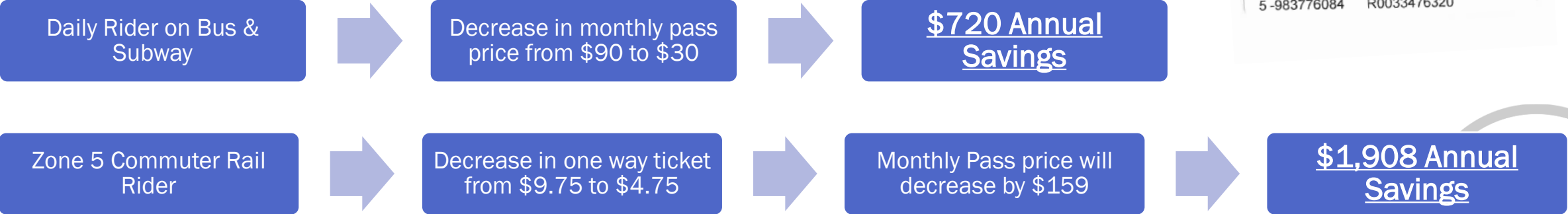


# Low-Income Fares: Rider Experience and Savings

- Riders enrolled in the program would be mailed a CharlieCard that will be valid for approximately half fares
  - When loaded with stored value, tapping the card at a fare gate or farebox would deduct approximately half of our full fare levels
  - When used at a Fare Vending Machine, riders would see discounted pass prices on **all modes**
  - For RIDE users, standard trips would be 50% off (\$1.70 vs. \$3.35)



## Example Rider Savings



# Next Steps



# Process for MBTA Fare Policy Changes

*On an annual or biannual basis, MBTA staff move forward with fare policy changes via a detailed internal, public, and board process, followed by public notification of changes and implementation.*

- **Process:** The formal fare change process begins with an introduction to the MBTA board, followed by a 45-day public comment period. MBTA must also brief the MBTA Advisory Board on any fare increase.
- **Equity Analysis:** Staff must complete and finalize a federally required Title VI equity analysis<sup>1</sup> to ensure that the fare changes (lasting longer than 6 months) do not have a disparate impact on riders of color or a disproportionate burden on low-income riders.
  - This analysis looks at all fare changes as a package; a change that might be inequitable on its own can pass as part of a broader package of multiple changes brought together.
- **Approval:** MBTA Board must vote on the fare change through the acceptance of the equity analysis, after following all the above steps.
- **Implementation:** Depending upon the change, the technology upgrades needs, and the time for rider notification, implementation is often 60 days or more following a board vote.

1. [FTA Circular 4702.1B Title VI Requirements and Guidelines for Federal Transit Administration Recipients](#)



# Potential Fare Change Package

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*Low-income fares improve affordability for low-income riders, increase economic mobility across the entire MBTA service area and all modes, and encourage ridership recovery post-Covid, with a targeted, financially sustainable and proven approach.*

- **Financial Impact:** Developing a Low-Income Fare program has significant financial risk for the MBTA's operating budget.
- **Fare Change Package:** Staff plan to prepare a fare package for this Board's consideration in January, or as soon as ready, which encompasses other possible fare changes to be considered alongside low-income fares.

