## REVISED STAFF REPORT

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| **Agenda Item:** | 9 & 10 | **Name:** | Leah Krekel-Zoppi |
| **Proposed No**.: | 2020-0022  2020-0023 | **Date:** | February 12, 2020 |

**COMMITTEE ACTION**

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| ***Proposed Substitute Motion 2020-0022.2 approving an income-based fare program implementation plan, passed out of committee on February 12, 2020, with a “Do Pass” recommendation. The Motion was amended in committee with Amendment 1 to request annual program evaluation reports.***  ***Proposed Substitute Ordinance 2019-0023.2 authorize an income-based fare subsidy to the low-income transit fare program, passed out of committee on February 12, 2020, with a “Do Pass” recommendation. The Ordinance was amended in committee with Amendment 1a to make clarifications.*** |

**SUBJECT**

A motion approving an income-based fare program implementation plan, and an ordinance adding authorization for an income-based fare subsidy to the low-income transit fare program.

**SUMMARY**

In the 2019-2020 Biennial Budget, the King County Council included a proviso[[1]](#footnote-1) requiring transmittal of an income-based fare program implementation plan, and any legislation necessary to implement the program. In response, Proposed Motion 2020-0022 and Proposed Ordinance 2020-0023 were transmitted to approve an Income-Based Fare Program Implementation Plan, and to provide authority for Metro to subsidize the low-income fare for people with incomes less than 80 percent of the Federal Poverty Level (FPL), respectively.

The proposed income-based fare program would serve individuals with household incomes less than 80 percent of the FPL, initially limited to people participating in six state benefit programs with the same income qualification threshold. Program participants would initially be enrolled by the same agencies that do the majority of enrollment for Metro’s existing low-income fare program, ORCA LIFT. Participants would receive fully subsidized annual transit passes for use on transit services operated by Metro, and could use the ORCA card they are issued through the program to receive discounted fares on other regional transit services.

Metro would purchase the transit passes for program participants, and then Metro would receive the value of those passes as revenue. Total program costs are projected to be $30 million in 2020, and average $40 million annually in the next two biennia, but much of those costs would be offset by the transit pass revenue. Net costs are projected to be $6 million in the first year, and average $10 million in subsequent years. Metro could potentially reduce net costs by identifying partners to participate in the subsidy program. Implementing the Income-Based Fare Program in 2020 would require a supplemental budget appropriation in addition to the $10 million already appropriated for the program in the 2019-2020 biennial budget.

**BACKGROUND**

**King County Metro Fare Structure and Policies**

King County Metro’s fares are adopted by the King County Council and established in King County Code section 4A.700.010. The current fare categories include regular, child, youth, senior and persons with disabilities, and low-income. Regional and institutional passes are also available.

The policy framework for these fare structures and rules is established by the [Strategic Plan for Public Transportation 2011-2021](http://metro.kingcounty.gov/planning/strategic-plan/)*,* which was adopted by the Regional Transit Committee and King County Council in 2011[[2]](#footnote-2) and most recently updated in 2016[[3]](#footnote-3). Strategy 6.3.2 is to: “Establish fare structures and fare levels that are simple to understand, aligned with other service providers, and meet revenue targets established by Metro’s fund management policies.” Metro’s Fund Management Policies[[4]](#footnote-4) call for a farebox recovery ratio of at least 25 percent, with a target of 30 percent.

**ORCA Fare Card System**

King County is one of seven regional transit agencies[[5]](#footnote-5) that partnered on a smart card technology, called One Regional Card for All (ORCA) to establish a common, noncash fare system throughout the regional participants’ service areas.

An ORCA card allows users to purchase electronic daily or monthly passes for unlimited rides, or load value on an E-purse that works like a debit card to deduct the cost of individual trips. The card is valid on transit services within all the ORCA partner agencies and allows for free transfers between services (except Washington State Ferries) within a two-hour window. Qualified ORCA users can obtain reduced fares through the Regional Reduced Fare Permit (RRFP) for seniors and disabled riders and the youth fare.

In 2018, more than 134 million transit trips across the region were made using ORCA cards[[6]](#footnote-6), and approximately 66 percent of trips on Metro Transit are made using ORCA[[7]](#footnote-7).

**ORCA LIFT**

The King County Council enacted a low-income fare program in 2014[[8]](#footnote-8), which is marketed as ORCA LIFT. ORCA LIFT allows people with incomes below 200 percent of the Federal Poverty Limit using an ORCA card to qualify for a reduced Metro fare of $1.50, which is approximately a 45 percent discount on the current regular fare. Reduced fares through ORCA LIFT are also currently available on other ORCA partner services including Kitsap Transit, Sound Transit, the Seattle Streetcar, the King County Water Taxi, and Everett and Community Transit.

Prior to the establishment of the low-income fare program, the Council and Executive convened a Low-Income Fare Options Advisory Committee to assist in developing new King County public transportation fare options for people with low incomes. The advisory committee issued a report in July 2013[[9]](#footnote-9). The report recommended the County "pursue a low‐income fare program for working poor individuals and families with incomes in the range of up to 100% – 200% of federal poverty level." The report details significant tradeoffs in eligibility, important principles associated with the establishment of a low- income transit fare, and includes the following recommendations:

1. A low‐income fare program should be created.
2. All fare categories, and the policy basis for them, should be evaluated in an effort to rationalize the fare structure and ensure greater equity.
3. The Human Services ticket program should be maintained due to its important role in providing mobility for the homeless and those with no income through distribution of free tickets.
4. A low‐income fare program should minimize the burden on Transit, other agencies, and the people served.
   1. Rather than create a new entity, existing eligibility verification systems run by third‐party agency partners that determine eligibility for existing benefit programs should be leveraged.
   2. An option to verify eligibility based on income should be made available for those not enrolled in other benefit programs and explored with agencies that already verify income or that would be willing to provide this service.
5. Multiple funding sources should be evaluated to offset the financial impacts of a low‐income fare program, including revising the existing fare box structure and other revenue sources.
6. A low‐income fare program should be considered as a beneficiary if the County has new or increased revenue.
7. This report should be transmitted to the heads of the agencies included in the ORCA Joint Board.
8. King County and Sound Transit should coordinate on the implementation of a low‐income fare when it is approved.

Metro made ORCA LIFT available to the public on March 1, 2015. Enrollment for ORCA LIFT is done in partnership with Public Health, Washington State Department of Social and Health Services, and other human services agencies such as Hopelink and Catholic Community Services. Participants can verify that their income qualifies them for the program by providing documentation that they are enrolled in another public benefit program such as Medicaid or providing documentation about their income such as pay stubs, tax returns, or an Employment Security verification form (for individuals with no income).

According to Metro’s quarterly report on ORCA LIFT, there were over 64,000 people actively enrolled in ORCA LIFT and over 1.2 million ORCA LIFT trips were taken on Metro in the third quarter of 2019.

**Human Services Ticket Program**

Since 1993, the County has authorized the sale of transit tickets to human services agencies at a discount through the Human Services Ticket Program[[10]](#footnote-10). Human services agencies pay for part of the ticket cost. K.C.C. 4A.700.210 defines the discount the agencies receive as a percentage of the ticket cost and as a maximum dollar value.

To distribute these tickets, the King County Department of Community and Human Services (DCHS) issues a Request for Proposals (RFP) to the agencies. Agencies are awarded an allotment of the available tickets and purchase a combination of regular, youth, and regional reduced fare permit (RRFP) tickets. The ORCA LIFT adult low-income fare is only available through the ORCA LIFT card, not in ticket form.

In 2016, Metro worked with Sound Transit to allow the sale of fare media combining Metro tickets with Sound Transit Link day passes through the Human Services Ticket program. These “combo” fare media were priced to allow human services agencies to avoid having to pay for both Metro tickets and the Link day pass for clients who needed to make a trip involving a transfer between Metro and Link. The King County Council also reduced the amount human services agencies pay for tickets under the Human Services Ticket Program from 20 percent of ticket price to 10 percent.

The Council increased the amount of the annual subsidy for transit tickets available through the Human Services Ticket Program by $400,000 beginning in 2018, for a total annual subsidy of $4,000,000[[11]](#footnote-11).

**Income-based Fare Program Development**

Recognizing that some people in King County experience transit access and affordability challenges despite existing fare discount programs, the Council included a proviso[[12]](#footnote-12) in the 2019-2020 Biennial Budget calling for creation of an income-based fare program by March 2020. The proviso called for a briefing in the Mobility and Environment Committee on progress to develop the program, and required an implementation plan to be transmitted by September 30, 2019. The full text of the proviso states:

*Of this appropriation, $1,000,000 shall not be expended or encumbered until the executive transmits an income-based fare program implementation plan and a motion that should approve the income-based fare program implementation plan, and the motion is passed by the council. The motion should reference the subject matter, the proviso's ordinance, ordinance section and proviso number in both the title and body of the motion.*

*A. The income-based fare program implementation plan shall be informed by:*

*1. Input from an income-based fare stakeholder group convened by the Metro transit department and that includes participants from populations that experience low income, to include but not limited be to: representatives from communities of color, immigrants and refugees and limited-English-speaking populations; youth; students attending postsecondary educational institutions and in job training and apprenticeship programs; affordable-housing residents; low-income King County employees; and representatives from human service providers. The Metro transit department shall solicit from the councilmembers and the executive suggestions of possible participants for the stakeholder group. The stakeholder group should provide input on: barriers to accessing transit for low-income individuals; program alignment with the Metro transit department's policy objectives; pricing; eligibility; verification and other business processes; funding and partnership opportunities; and program evaluation. The stakeholder group should consider and evaluate providing no or very low cost access to transit for residents earning one hundred thirty-eight percent of the federal poverty level or less;*

*2. Guidance from academic or private sector experts in designing and evaluating programs to improve access to economic opportunities for low-income individuals;*

*3. Data and market research on the transportation needs and access barriers of low-income populations in the Metro transit department's service area; and*

*4. King County's Equity and Social Justice Strategic Plan.*

*B. The income-based fare program implementation plan shall include:*

*1. A description of an income-based fare program, including, but not limited to:*

*a. individuals who would be served by the program, including income eligibility and demographics;*

*b. how the program would be designed, including fare media to be used and income-verification methods;*

*c. estimated program costs and proposed funding sources and potential partners, including a discussion of tradeoffs between using resources for such a program compared to other purposes such as transit service hours. Proposed funding of the program shall adhere to the Metro transit department's fund management policies, including maintaining a farebox recovery minimum of twenty-five percent;*

*d. potential policy changes that would be needed to implement an income-based fare program;*

*e. how the program would be marketed to eligible populations, including enrollment goals and regular performance reporting. Enrollment shall be as low-barrier as possible in terms of proof of qualifications and ability to enroll;*

*f. how the Metro transit department will partner or seek partners to market the program, enroll eligible populations, and whether there should be program cost sharing. The program should be coordinated with human service provider agencies in order to streamline participants' access to a range of income-based services; and*

*g. how this broad income-based program is proposed to interface with existing fare programs such as ORCA LIFT, the human services ticket program and the passport and business choice account programs;*

*2. A description of how the program will be evaluated, including collecting data on rider demographics and travel needs, and will develop performance goals and reporting; and*

*3. A discussion of whether or how the income-based fare program will be integrated with the ORCA system, including the financial, policy or technological barriers to implementing an income-based fare program within the ORCA system and the potential for future enhancements to an income-based fare program with implementation of Next Generation ORCA.*

*The executive should provide an oral briefing to the mobility committee, or its successor, on the progress of developing the program by June 30, 2019, and should file the income-based fare program implementation plan and a motion required by this proviso by December 18, 2019, along with any necessary legislation to implement the program by March 31, 2020[[13]](#footnote-13), in the form of a paper original and an electronic copy with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff and the lead staff for the mobility committee, or its successor.*

Metro began work in January 2019 to design and develop an income-based fare program, and concluded the initial public engagement phase of that work in August 2019.

**ANALYSIS**

***Proposed Motion 2020-0022—Income-Based Fare Program Implementation Plan***

In response to Proviso P3 in Section 109 of the 2019-2020 Biennial Budget Ordinance 18835, the Executive transmitted an Income-Based Fare Program Implementation Plan and Proposed Motion 2019-0022, which would approve the plan.

According to Metro staff, efforts to design the proposed Income-Based Fare Program included convening a stakeholder advisory group, seeking input from potentially eligible program participants, reviewing peer agency programs, reviewing partnership and research projects to gather information, and conducting an equity impact review in alignment with the King County's Equity and Social Justice Strategic Plan. This approach appears consistent with the proviso requirements.

Also consistent with the proviso requirements, the stakeholder advisory group convened by Metro included representation from 31 human service providers and organizations serving communities of color, immigrants and refugees, limited-English-speaking populations, people with disabilities, youth, post-secondary students, affordable housing residents. The members and organizations participating in the income-based fares stakeholder group are provided in Appendix B to the Income-Based Fare Program Implementation Plan, which is included in Attachment 1 to this staff report.

The stakeholder group considered program options offering no or very low cost access to transit for residents earning one hundred thirty-eight percent of the federal poverty level or less, as called for by the proviso (further discussion in the Program Design section of this staff report).

The proposed program design supported by the stakeholder group is described in the Income-Based Fare Program Implementation Plan, including:

* Individuals served by the program
* Program design
* Estimated program costs
* Potential policy changes
* Marketing and enrollment
* Partnerships
* Interface with existing fare programs
* Program evaluation
* Integration with ORCA, and
* Regional integration.

These sections of the Implementation Plan align with the proviso requirements, and the plan appears to be responsive to the proviso. Council approval of the proposed motion would release $1,000,000 in expenditure authority in the Public Transit Fund, and would signal the Council’s approval of the Income-Based Fare Program as described in the Implementation Plan.

**Factors that Influenced Metro’s Proposed Program Design**

According to Metro, the program design was informed by five major themes that arose from the engagement process:

* Focus resources on the people most in need.
* Partner with human service agencies and consider their capacity limitations.
* Regional integration is critical for a good customer experience.
* Price isn’t the only concern—fast, frequent, and safe service are just as important.
* Conduct outreach and education to make it easy for people to learn about and use new and existing reduced-fare programs.

Metro also considered information from their peer assessment in development of the program design. Key findings from the peer assessment included:

* It is important to incorporate discounts into the existing fare structure and to design programs to be easily scalable and expanded.
* It is difficult to compare costs between programs since agencies evaluate costs differently, especially with respect to foregone revenue.
* Many discount programs are supported by cost-sharing with cities, counties, partner organizations, grants, or through dedicated sales tax measures; few are fully funded by the transit agency alone.
* Programs that offer multiple or variable reduced rates based on income are most effective at ensuring program investments are made where the need is greatest.

The key points from Metro’s data and market research are:

* The affordability of transit and transportation is a key equity issue.
* The need for affordable transportation is exacerbated by the increasing cost of living in King County.
* Mobility for low-income populations depends on the development of high-quality alternatives to driving.
* Existing data does not make it clear how important lower fares are for people with low-incomes as compared to other priorities.
* More work is needed to understand and further reduce the barriers of enrolling and using Metro’s lowest fares for those who are eligible.

Metro also worked with the Office of Equity and Social Justice to conduct an equity impact review process in alignment with the King County Equity and Social Justice Strategic Plan. The equity impact review process included engagement with community partners and people with lived experience to understand the community context. Metro engaged with these stakeholders through the stakeholder review process, by contracting with community-based organizations to engage their clients, and through a survey targeting individuals making 138 percent or less of the FPL. The equity impact review process informed the five themes listed above and the information detailed in the Income-Based Fare Program Implementation Plan Appendixes A: Public Engagement Report and D: Report on Existing Conditions. Metro further summarized how the equity impact review process informed their work designing the Income-Based Fare Program in Attachment 5, ORCA Subsidy’s Relation to King County’s Equity and Social Justice Strategic Plan.

**Proposed Program Design**

Metro is proposing that the Income-Based Fare Program provide fully-subsidized annual ORCA passes for Metro transit services to individuals in households that make 80 percent or less than the Federal Poverty Level (FPL),[[14]](#footnote-14) and who are enrolled in a state benefit program that uses this eligibility threshold.

The program would provide participants with an ORCA LIFT card containing a pass for fully subsidized fares on transit services operated by Metro, which includes Metro buses and Dial-A-Ride-Transit (DART), the Water Taxi, first/last mile services, Access paratransit, Seattle Streetcars, and the Monorail. The program would be designed with the option to add a pass for fully subsidized fares on Sound Transit operated services, should Sound Transit choose to participate in the program. Program participants would also be able to use an e-purse on their card to load value in order to seamlessly pay fares on other transit services not operated by Metro. The card would qualify program participates for ORCA LIFT or Regional Reduced Fare Program discounts on transit services that are not operated by Metro but offer such discounts.

The initial state benefit programs that would qualify individuals for the Income-Based Fare Program are:

* Temporary Assistance for Needy Families/State Family Assistance
* Refugee Cash Assistance
* Aged, Blind, or Disabled Cash Assistance
* Pregnant Women Assistance
* Supplemental Security Income
* Housing and Essential Needs

In subsequent years of the program, Metro may expand the program to include additional community agencies that serve individuals at 80 percent of the FPL.

Individuals qualified for the Income-Based Fare Program would be able to enroll at Department of Social and Human Services, Catholic Community Services, and Public Health – Seattle & King County offices in King County. These human service agency partners would be responsible for verifying income and eligibility (as they already do to qualify clients for the state programs they administer), enrolling clients, providing passes, and distributing information about how to use the pass.

Metro would be responsible for purchasing the passes and loading them on ORCA cards, managing the cards, handling lost or stolen cards, and answering customer questions.

The program is proposed to launch in mid-2020, later than the March 31st date called for in the proviso, due to the time needed for the ORCA system vendor to make changes needed to accommodate the proposed program. Metro will be proposing an amendment to the proviso to allow for the new proposed program launch date.

*Alignment with Outreach and Equity Impact Review Feedback*

Metro sought to align the proposed Income-Based Fare Program with the input they received during the outreach, research, and equity impact review phase of the program development. According to Metro, the following principles were developed based on that feedback and used to design the program:

* Serve the highest need
* Be simple for customers to access and use
* Recognize that fares are not the only barrier to mobility
* Leverage existing systems, structures, and partnerships to launch as quickly as possible
* Increase the use of income as a basis for setting fares
* Provide integration with other regional transit systems
* Ensure program and transit system sustainability
* Be evidence-based, enabling Metro to learn and adapt to achieve desired outcomes and the greatest impact

Analysis of how some of these key principles align with the proposed program is provided below.

Serve the highest need

The program seeks to serve those with the greatest need by establishing a household income threshold of 80 percent of the FPL, and by making the product free, rather than providing a discounted product to a greater number of people. While Metro and the stakeholders considered program options for providing free or subsidized passes to individuals with household incomes of 138 percent of the FPL or less, they concluded that the population eligible for the program, which is 261,000 people and 13 percent of King County’s population, would put other priorities for transit investments and human services resources at risk. According to Metro’s Public Engagement Report,[[15]](#footnote-15) there were respondents within that income range that did not strongly view Metro’s fares as unaffordable and a majority reported that they could afford to pay between $10 - $35 a month for a transit pass. Stakeholders recommended concentrating the resources to provide a bigger benefit for a smaller population with greater needs based on income, rather than a smaller benefit for a larger population.

The six state benefit programs that would initially be used to qualify participants reach approximately 54,000 of the 140,000 people in King County who have a household income of 80 percent of the FPL or less. According to Metro, the demographics of the people served by the participating programs and therefor eligible to be enrolled in the Income-Based Fare Program would be 29 percent under the age of 18, 29 percent black/African-American, 6 percent American Indian/Alaskan Native, 29 percent white, 19 percent Asian, <1 percent Native Hawaiian and Other Pacific Islander, and 13 percent Hispanic/Latino. According to Metro, these are similar demographics to King County’s general low-income population except that Black/African Americans make up a higher percentage of the qualifying program participants, compared to the general population. Metro states that they intend to look at expanding partnerships in future years of the program to address gaps for people earning 80 percent of the FPL or less and not enrolled in a qualifying state benefit program.

A barrier to serving the highest need, which was uncovered in feedback received from low-income individuals in King County, is that fares may not be the largest impediment to the neediest individuals accessing transit services. According to Metro’s Public Engagement Report, customers making 138 percent of the FPL or less who were engaged on behalf of Metro by six community-based organizations raked their most important transit priorities in the following order:

1. Being able to get to my destination more quickly
2. Service more often/frequent
3. Stop locations more convenient
4. *Lower fares*
5. Others: Safety, earlier/later service, ability to use other services, fewer transfers[[16]](#footnote-16)

This data suggests that for people who live in or travel to destinations not well-served by transit, providing additional fare subsidies may not significantly improve their transportation access. Metro acknowledges this constraint as one of the principles used to design the program, but addressing these barriers would need to take place through other means, such as the Mobility Framework[[17]](#footnote-17) and the updates to Metro’s policy currently under Council consideration and in development, respectively.

Another constraint to serving the highest need would be the high number of low-income transit riders who use transit services by other transit providers, specifically Sound Transit, because those services would not be subsidized by the program as currently proposed. According to Metro’s Public Engagement Report, more than half of the respondents with household incomes under 138 percent of the FPL used Sound Transit services. This issue will be further discussed in the Partnerships/Regional Integration section of this staff report.

The program uses income as a proxy for determining “the highest need,” per the recommendation of the stakeholder group. However, income may not capture all the ways of thinking about “highest need” as it pertains to transit service. For example, data gathered by Metro revealed that families and larger households are cost burdened at a higher household income than individuals, with a family of four needing to earn 350 percent of the FPL in Seattle to attain self-sufficiency while a single individual can attain self-sufficiency at just over 200 percent of the FPL.[[18]](#footnote-18) This data suggests there may be families and larger households that are cost burdened at similar levels as individuals making 80 percent of the FPL or less, but whose household incomes are above the program eligibility threshold.

Be simple for customers to access and use

Metro is seeking to make the program simple to access and use by automatically qualifying eligible participants, making the product free, making it available on an ORCA or Regional Reduced Fare Card so that customers can use it seamlessly to transfer to other provider transit services, and by preloading the cards so they can be used the first day the customer receives it.

A potential access and use barriers is that the customer would have to enroll for the program in person at one of the seventeen participating offices (this may expand in future years of the program).

Additionally, if customers intend to transfer to a service not subsidized by the program, they would need to have the means and understanding of how to load payment onto their card’s e-purse, which Metro’s Public Engagement Report identified as a barrier that currently precludes some ORCA LIFT-eligible riders from taking full advantage of low-income fare discounts. Metro intends to communicate information about transferring and loading e-purse value to customers through marketing materials for the program.

Leverage existing systems, structures, and partnerships to launch as quickly as possible

Metro intends to leverage existing systems and partnerships to launch the program quickly by using six state benefit programs with household income eligibility thresholds at 80 percent of the FPL to automatically qualify participants for the Income-Based Fare Program. This eliminates the need for a separate and potentially duplicative income verification and qualification process. By partnering with the three agencies that enroll the vast majority of ORCA LIFT participants, Metro is utilizing existing relationships, capacity, and expertise to launch the program. According to Metro, these agencies are willing to use their existing capacities to launch the program in the first program year, eliminating the need for a procurement process until the program is further established and more is known about administrative capacities and costs.

**Cost and Fiscal Impact**

Metro is proposing that the annual ORCA LIFT passes provided to eligible program participants would be free to the individual, with the cost of the pass fully subsidized by Metro, and the value of the pass returned to Metro as revenue. This means the cost of passes for the program would show up in Metro’s financial plan as both an expense and as revenue. This approach to paying for the subsidized passes means that the cost and revenue of the passes essentially cancel each other out. However, the proposed program would have net costs to Metro in the form of administration costs and lost revenue. Table 1 below shows Metro’s estimates for total costs at start-up and for the initial years of the program.

**Table 1. Metro’s Projected Income-Based Fare Program Cost**

|  |  |  |  |
| --- | --- | --- | --- |
| Program Impact | 2020 | 2021-2022 | 2023-2024 |
| Total Costs | $29.9 million | $78.3 million | $81.6 million |
| Net Transit Pass Revenue Subsidized by Metro | $23.7 million | $60.1 million | $62.0 million |
| Net Costs | $6.2 million | $18.2 million | $19.6 million |

Total net costs are projected to be approximately $6 million in the first year, $18 million in the 2021-2022 biennium, and $20 million in the 2023-2024 biennium. The total net costs include a projected approximately $3 million in lost revenue in 2020, $12 million in lost revenue in the 2021-2022 biennium, and $14 million in lost revenue in the 2023-2024 biennium. The lost revenue cost of the program represents the amount of fare revenue that eligible riders would have paid Metro if they didn’t receive a subsidized pass. Metro calculated the projection for lost revenue by extrapolating data from the statistically valid rider/non-rider survey to estimate what riders eligible for the proposed program are currently paying in fares using their personal funds.

Metro provided a breakdown of estimated costs for the program, shown in Table 2. The largest would be the cost of purchasing annual transit passes for program participants, which would then be returned to Metro as revenue. The remaining costs are administration costs, which would be included in net costs, unless partnership contributions or other sources of revenue are identified. Total administration costs are projected by Metro to be approximately $3 million annually.

**Table 2. Projected Income-Based Fare Program Cost Breakdown[[19]](#footnote-19)**

| Estimated expenses | 2020 | 2021-2022 | 2023-2024 |
| --- | --- | --- | --- |
| Transit passes | $27.2 million | $72.2 million | $75.8 million |
| Wages and benefits | $0.7 million | $3.0 million | $3.4 million |
| Card stock | $0.13 million | $0.15 million | $0.15 million |
| Evaluation | $0.8 million | $1.3 million | $0.5 million |
| Professional services | $0.3 million | $0.5 million | $0.5 million |
| Tenant improvements | $0.5 million | - | - |
| Partner transit agency reimbursements | $0.5 million | $1.2 million | $1.3 million |
| Lost Revenue | $3.5 million | $12.1 million | $13.8 million |
| Total Costs | $29.9 million | $78.3 million | $81.6 million |

The 2019-2020 Biennial Budget includes an appropriation for $10 million to implement the Income-Based Fare Program[[20]](#footnote-20). Metro anticipates they would need additional appropriation authority to implement the proposed program in 2020 and intends to include a request in the first 2020 omnibus supplemental.

The total net costs of the program are projected to be approximately $10 million annually, beginning in 2021, which according to Metro is the equivalent cost of operating approximately 90,000 annual service hours. Examples of routes that operate with approximately 90,000 annual service hours are:

* Route 7 (Rainier Beach to Downtown Seattle)
* Route 120 (Burien Transit Center to Downtown Seattle)
* RapidRide D Line (Ballard to Downtown Seattle)

The total annual cost of the program, including the cost of subsidizing the transit passes, would be approximately $40 million annually. According to Metro, that represents the equivalent of investing in approximately 350,000 annual service hours.

According to Metro, because of the program design that has Metro purchasing transit passes and then having the revenue from those passes returned to Metro, the program is expected to have minimal impact on farebox recovery. However, actual impacts to fare box recovery and fares wouldn’t be known until the program matures.

The Income-Based Fare Program could also impact Metro’s operating costs, particularly if increased ridership from the program results in increased overcrowding or schedule unreliability on routes, resulting in the need for more transit service hours according to the standards established in Metro’s Service Guidelines. It is unknown at this time what the program’s impacts on operating costs would be, but those impacts could be measured as part of the performance evaluation for the program, if it were included as an area to monitor.

**Marketing and Enrollment**

According to Metro, the agency intends to market the Income-Based Fare Program by seeking to reach people where they live and receive services, rather than through mass marketing. Metro also intends to use communication that is culturally appropriate, multilingual, and visual. As stated in the Program Design section of this staff report, a key challenge will be communicating to customers about the need to load e-purse value on their card to use services not subsidized by the program. An additional challenge will be reaching eligible participants to make them aware of the program and their ability to participate. Although extensive marketing efforts have gone into promoting ORCA LIFT to customers, five years into the program’s existence data from Metro’s Rider/Non-Rider survey suggests that over half of LIFT-eligible riders are paying the full adult fare rather than the low-income fare discount[[21]](#footnote-21).

**Program Evaluation**

Metro plans to procure an independent consultant to lead evaluation of the Income-Based Fare Program, and to use program evaluation to make adjustments to the program as it matures. Metro states that the agency plans to work with the consultant to establish the program evaluation goals and measures.

Council may want to seek more detailed information about what performance goals would be established for the program, how the program would be evaluated, and what impacts would be measured.

**Interface with Existing Fare Programs/Integration with ORCA**

The Income-Based Fare Program would be an ORCA LIFT product, fully integrated with the ORCA system and other ORCA products. Metro states that this approach would provide the following advantages:

* Allow customers to use the card to transfer to and receive discounts on other regional transit services;
* Provide customers with a card that looks the same as other ORCA cards, reducing potential for stigma;
* Allow Metro to track where and when program participants use their cards, enabling Metro to better evaluate program impacts;
* Provide fraud protection because the cards would be monitored through the ORCA LIFT registry, ensuring only one card is issued to each enrolled participant, and allowing cards to be cancelled when lost or stolen.

Making the subsidized cards available as an ORCA product would require backend system configuration by the ORCA vendor. Metro has been in discussions with the vendor about initiating this work. According to Metro, the proposed product would be compatible with the Next Generation ORCA System, and would become easier for customers or their case managers and family members to manage. Next Generation ORCA would also make it easier to add other transit agency partners to the program or change the ORCA LIFT fare structure.

Metro states that over time, the Income-Based Fare Program may reduce people’s reliance on the Human Services Ticket Program, but initially no changes are being proposed to the Human Services Ticket Program.

**Partnerships/Regional Integration**

Metro’s initial partners for the program would be DSHS, Catholic Community Services, and Public Health. This proposal builds upon Metro’s existing partnerships with these agencies in enrolling over 90 percent of Metro’s ORCA LIFT clients[[22]](#footnote-22). The agencies would be making an in-kind contribution to the program by verifying eligibility and distributing passes to their clients in the six qualifying state benefit programs. After assessing these agencies’ capacity to undertake this work in the initial year of the program, the agencies may request additional resources in subsequent years of the program. Metro plans to release a call for partners to potentially add additional enrolling agencies in subsequent years of the program, in order to expand the program’s reach. Metro may need to provide financial support to human services agencies that enter into partnerships for the program.

Metro is also in negotiations with Sound Transit to partner on the program in order to make it available to eligible customers who use Sound Transit services. Should Sound Transit’s Board authorize the agency to partner in the Income-Based Fare Program, the ORCA cards received by program participants would be loaded with a fully subsidized annual pass for transit services operated by Sound Transit. This would enable program participants to use both Metro and Sound Transit services for free, and transfer seamlessly between the services. Similar to Metro, Sound Transit would pay the expense of the Sound Transit annual passes, and receive the value of the passes as revenue. Loading program participants’ ORCA cards with two separate agency-only passes would avoid the need for Metro and Sound Transit to determine a revenue sharing arrangement, and would not impact customers’ use of the services. If Sound Transit became a partner in the program, Metro would still administer the program, and whether Sound Transit contributed to the administration costs would be subject to negotiation. If Sound Transit sought to make enrollment in the program available in portions of their service area outside of King County, that would likely increase program administrative costs. According to Metro, Sound Transit would likely begin briefing their board about participating in the program in February, with a Board decision scheduled for March.

Metro has also been in discussions the Seattle Department of Transportation and Seattle Center Monorail about their potential participation. The Seattle Streetcar and the Monorail are Metro-operated transit services which are owned by Seattle. Per Metro’s current agreements with these entities, Metro would need to share pass revenue collected from the program with these agencies. In the near term, Metro could seek to reach agreements with Seattle to retain revenue from Metro-subsidized ORCA cards on these services.

According to the Income-Based Fare Program Implementation Plan, Metro’s review of peer transit agencies revealed that many transit fare discount programs are supported by cost-sharing, and few are fully funded by the transit agency alone.[[23]](#footnote-23) Metro may have additional opportunities to form partnerships for administering the program. According to Metro, they designed the proposed program for maximum flexibility such that the purchase of the fare media is something that could be done by any entity in the future. The implementation of this program is closely connected with work that DSHS is doing to identify necessary benefits for client success and well-being. Metro plans to provide outcomes to DSHS to inform their priorities and initiatives and hopes to partner with them financially in the future.

***Proposed Ordinance 2020-0023—Authorizing an Income-Based Fare Subsidy***

Proposed Ordinance 2020-0023, transmitted in concert with the proposed motion to approve the income-based fare program, would amend King County Code (K.C.C.) to provide authority for Metro to subsidize the low-income fare for people with incomes at or below FPL. This authority would be subject to appropriation authority and additional eligibility requirements in conjunction with human service programs.

Proviso P3, as amended, requested legislation necessary to implement the program to be transmitted by December 18, 2019. The change proposed in Proposed Ordinance 2020-0023 would be necessary in order to implement the income-based fare program proposed in the Income-Based Fare Program Implementation Plan.

1. Ordinance 18835, Section 109, Proviso P3, as amended by Ordinances 18930 and 19021. [↑](#footnote-ref-1)
2. Ordinance 17143 [↑](#footnote-ref-2)
3. Ordinance 18301 [↑](#footnote-ref-3)
4. Ordinance 18321 [↑](#footnote-ref-4)
5. The transit agencies that have partnered to form the ORCA system are King County, Sound Transit, Community Transit, Kitsap Transit, Pierce Transit, Everett Transit and Washington State Ferries. [↑](#footnote-ref-5)
6. Joint Board Program Management Report 4th Quarter – 2018 [↑](#footnote-ref-6)
7. According to 2017 ridership data. [↑](#footnote-ref-7)
8. Ordinance 17757 [↑](#footnote-ref-8)
9. Motion 13968 [↑](#footnote-ref-9)
10. Ordinance 12643 [↑](#footnote-ref-10)
11. Ordinance 18609 [↑](#footnote-ref-11)
12. Ordinance 18835, Section 109, Proviso P3, as amended by Ordinances 18930 and 19021. [↑](#footnote-ref-12)
13. Executive staff have stated that they will be seeking to have this timeframe changed to a date in mid-2020, in order to accommodate the ORCA vendor’s timeframe for making ORCA system changes necessary for implementing the proposed program. [↑](#footnote-ref-13)
14. 80% FPL in King County is $9,368 for a single adult and $19,313 for a family of four, according to 2017 American Community Survey data. [↑](#footnote-ref-14)
15. Income-Based Fare Program Implementation Plan, Appendix A [↑](#footnote-ref-15)
16. Income-Based Fare Program Implementation Plan, Appendix A: Public Engagement Report, Page A16 [↑](#footnote-ref-16)
17. Proposed Motion 2019-0464 [↑](#footnote-ref-17)
18. Income-Based Fare Program Implementation Plan, pages 4-6 and D6 [↑](#footnote-ref-18)
19. According to the fiscal note for 2020-0023 [↑](#footnote-ref-19)
20. Ordinance 188335, Section 109, ER 3 Expenditure Restriction [↑](#footnote-ref-20)
21. Income-Based Fare Program Implementation Plan, Appendix D: Report on Existing Conditions, page D-4 [↑](#footnote-ref-21)
22. According to Metro’s ORCA LIFT – Report for 3rd Quarter 2019 [↑](#footnote-ref-22)
23. Income-Based Fare Program Implementation Plan, page 4-5 [↑](#footnote-ref-23)