



Board Report

File #: 2021-0452, **File Type:** Informational Report

Agenda Number: 50.

REGULAR BOARD MEETING JUNE 24, 2021

SUBJECT: FARELESS SYSTEMS INITIATIVE NEXT STEPS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE a status report in response to Board Motion 45 by Directors Garcetti, Mitchell, Krekorian, Hahn, Bonin, and Solis at the May 2021 Board Meeting.

ISSUE

On May 27, 2021, the Board passed Motion 45 (Garcetti, Mitchell, Krekorian, Hahn, Bonin, and Solis) on implementation strategies for the Fareless Systems Initiative (FSI). The motion directed the Chief Executive Officer to implement the Fareless System Initiative, subject to a final financial plan and while pursuing cost-sharing agreements, and to report to the Board monthly on the development, launch, and performance of FSI.

BACKGROUND

In September 2020, former CEO Phil Washington created the Fareless System Initiative (FSI) Task Force to study the challenges and opportunities of eliminating fares on Metro buses on trains and make recommendations on steps toward accomplishing that goal.

The May 2021 Board Motion requested the FSI Pilot to “be scaled and/or targeted in a manner that best aligns with Metro’s Equity Platform, adopted by the Board in March 2018” and to utilize “opportunities to expand or adjust existing fare subsidy programs to maximize community benefit.”

Department of Education data shows that 69% of 1.4 million K-12 students in LA County qualify for the Free and Reduced-price Meals for low-income families. Furthermore, according to the Centers for Disease Control (CDC), obesity rates are increasing in LA County, with 24.3% of adults and more than 20% of junior high school students being obese and the highest obesity rates of up to 37% occurring in low-income neighborhoods. Under the CDC’s Communities Putting Prevention to Work (CPPW) initiative, LA County has implemented a variety of improvements to make healthy living easier, including the creation of a regional bicycle master plan and model streets that encourage

healthy and active lifestyles. American Heart Association research has shown that people who take public transit are 44% less likely to be overweight, 27% percent less likely to have high blood pressure, and 34% percent less likely to have diabetes, when compared to people who drive.

Surveys from the Manual Arts High School U-Pass Pilot show that, in addition to school trips, students use transit to access internships, jobs, sports and activities, medical appointments, and to visit family. Metro's Community Education (MCE) Programs educates communities and students about using Metro focusing on rail, bike and pedestrian safety. MCE also helps teachers plan field trips to cultural destinations around Los Angeles using transit.

Eighty percent of students in the California Community College System work while attending school and many attend more than one school simultaneously. Graduating from a California Community College nearly doubles an individual's chance of finding a job compared to those who did not complete high school, and jobs that require workers to have an associate degree have an average annual wage of almost \$53,000, compared to \$36,100 for workers in high school-level occupations, according to the U.S. Bureau of Labor Statistics.

A recent study by the Institute for Higher Education Leadership & Policy at Cal State Sacramento showed that only 30% of community college students successfully graduate, with only 26% of African American students and 22% of Latino students earning a degree. However, a Kresge Foundation study of the U-Pass Program at Rio Hondo College showed that students receiving a transit pass had a 2% higher graduation rate than students not participating in the program.

DISCUSSION

Based on the study, and the May Board Motion, staff is managing a phased pilot approach, starting with K-12 and community college students in Phase 1.

Goals and Implementation Team

Phase 1 of the FSI Pilot Program will increase ridership, increase student success, and improve student health by building on existing Metro and regional student pass programs, to make access to transit fareless for all K-12 and community college students in LA County through cost-sharing partnerships with districts (school and community college) and transit agencies.

FSI Implementation is an agency-wide initiative and will require support from every department. To that end, CEO Stephanie Wiggins appointed Devon Deming as Interim Deputy Executive Officer on June 1 to oversee FSI Implementation, which reports to the Office of the CEO.

The cross-departmental Phase 1 Implementation Team Includes:

- Finance (OMB and TAP)
- Operations (including Service Planning)
- Communications (Reduced Fare/Customer Care, Community Relations, Marketing, Government Relations, and Public Relations)

Administrative Coordination

The Board Motion requested:

1. Strategies to streamline and simplify the eligibility process for participants, striving to remove as many barriers to entry as possible
2. An efficient implementation process, as well as agreements with the school districts, to be put in place to distribute fareless K-12 and Community College student passes.
3. Partnering with school districts on administrative coordination to enable availability at pilot launch to all LA County school and community college districts (based on each district's interest), including but not limited to any required Memoranda of Understanding or TAP coordination
4. Pursue reasonable cost-sharing agreements with school districts;
5. While FSI remains a pilot, existing funding agreements and processes with community colleges and transit agencies should be kept in place, including leveraging any existing student transportation fee programs
6. Wherever municipal operators have existing fareless agreements with community college districts, consider accepting muni student transit passes on Metro for the duration of the pilot
7. Seek new funding agreements for districts without any existing discounted or fareless student pass programs (e.g., U-Pass)

To simplify the process, Metro will follow the implementation method developed by TAP and utilized by LADOT to launch the free DASH to Class program. The TAP system will be programmed to recognize K-12 TAP Cards on Metro and other FSI-participating operators without needing any passes or stored value to be loaded. All 40,000 existing K-12 TAP cards would automatically be eligible.

In addition to already-registered students, schools will be able to distribute TAP cards directly to their students who are not registered. Schools will not be required to share any student information with Metro and will only be asked to ensure that each student only receives one card. Cards will need to be registered by the parents on a simplified web portal with minimal information to prepare the card for use and to ensure that it can be easily replaced if lost. Metro will also ask parents for permission to follow-up with additional communication to analyze the success of the program. This simplified registration portal will also be the foundation for other programs in the future, including for large scale events, such as the 2028 Olympics.

Schools will be able to sign up to participate in cost-sharing agreements at a proposed rate of \$3 per student per year for all students in the district. This rate will cover the cost of the TAP card and unlimited rides on all FSI agencies for 12 months and will eliminate the need for schools to purchase monthly passes for homeless and foster youth or attendance improvement or other transit pass programs.

A similar card distribution and TAP registration portal process will be used for community colleges. However, existing agreements between community college agreements will remain in place and passes that are currently only good on individual municipal operators will be transitioned to regional passes accepted by all FSI agencies. In addition, schools that are currently only providing passes to

students who opt-in to the transit program will be encouraged to upgrade to the pass program that provides passes to all students.

Out of the twenty community colleges in LA County:

- Five have existing agreements with municipal transit agencies that are implemented as a transportation fee to all students, but only provide access to the local agency's service .
- One college in Metro's U-Pass Program also utilizes a transportation fee, but the pass includes access to services on Metro and the nine other agencies participating in U-Pass Program
- Seven offer Metro's U-Pass Program only to students who opt-in and pay for the pass
- Five of the nine Los Angeles Community College District campuses offer free U-Passes to College Promise participants who opt-in, but do not offer passes to the remaining students

Of the remaining two colleges, Cerritos College has already committed to a cost sharing agreement to implement this program for all students. In addition, the following K-12 districts (25) from throughout the county have expressed interest in participating in cost-sharing at the \$3 per student rate:

1. Baldwin Park
2. Basset
3. Claremont
4. Culver City
5. El Monte Union High
6. El Rancho
7. Girls Athletic Leadership School Los Angeles
8. Glendora
9. Hacienda - La Puente
10. Hughes-Elizabeth Lakes Union Elementary
11. ICEF Public Schools
12. Larchmont Charter
13. Lawndale Elementary
14. Little Lake City Elementary
15. Los Angeles Academy of Arts and Enterprise
16. Monrovia Unified
17. Montebello Unified
18. Mountain View Elementary
19. Newhall
20. North Valley Military Institute
21. Palmdale Elementary
22. Pasadena Unified
23. Santa Monica-Malibu Unified
24. South Whittier Elementary
25. William S. Hart Union High

Funding

The Board Requested:

1. A final funding plan to be created
2. Report back in the financial plan with information on the costs, including administration, technology, and enforcement, of the proposed pilot program compared to a universal fare-free system.
3. The initiative to be funded without reducing existing transit operations or state of good repair expenditures or by using regional funding typically committed to bus and rail transit operations or intended for the capital program
4. Municipal and local operators that choose to participate be fully included and provided the same type of fare subsidy as Metro transit operations, in order to ensure a seamless rider experience regardless of geographic location or transit provider
5. In partnership with implementation partners and key stakeholders, pursue and support federal and state opportunities and legislation to fund the Fareless System Initiative, both the pilot phase and any permanent program (should the Board decide to continue past the proposed pilot period), including but not limited to the federal Freedom to Move Act
6. Report back on the feasibility of using the Federal American Rescue plan
7. Consider pursuing private funding opportunities, including but not limited to philanthropic partnerships

Estimated K-12 fare revenue losses for transit agencies

For the pilot period (23 months), the estimated loss in K-12 fares across the county (Metro/Muni/Local operators) is estimated at \$41.6 million including Metro fares of \$33.5 million and Muni/Local operators estimated fare losses of \$8.2 million, which will be refined with the transit operators.

Transit Agreements for Community Colleges

For the pilot period, existing agreements in place between operators and Community Colleges would remain and will continue to fund fareless transit for community colleges. Metro will seek consensus with schools on individual changes needed to accommodate the program and expand to all community colleges in Los Angeles County.

Other Costs - No Bond Defeasance Required for Phase 1

The implementation of FSI Phase 1 does not necessitate the defeasance of General Revenue bonds (estimated at \$80 million) at this time. Metro will continue to monitor any impacts and coordinate with investors and rating agencies to ensure that stakeholders understand Metro's commitment to fiscal prudence.

Phase 1 Pilot Program Funding

Metro plans to use American Rescue Plan Act (ARPA) to fund Metro's participation in Phase 1 (K-14) of the FSI Pilot. Staff will continue to seek out and identify other eligible funding to support the program. Metro staff will continue to work with the region's transit operators to determine regional funding for Phase 1. Should future funding be identified and materialize, those funds would be distributed to all participating operators in support of the pilot program.

DETERMINATION OF SAFETY IMPACT

This program does not affect the incidence of injuries or healthful conditions for patrons or employees. Therefore, approval of this request will have no impact on safety.

NEXT STEPS

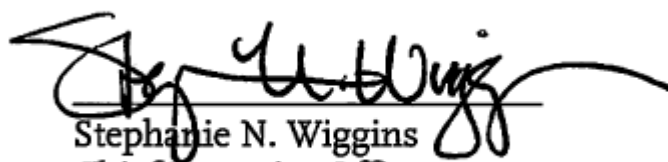
Staff will continue the outreach with the municipal and local transit operators, as well as the school districts and community colleges in anticipation of presenting a formal financial plan, consistent with the May Board motion, for Board approval at its next meeting.

ATTACHMENTS

Attachment A - File # 2021-0372 Approved Motion on Fareless System Initiative (FSI) May 2021

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