## **DA** TORONTO

# EX20.10a report for action

### Fair Pass: Transit Fare Equity Program for Low-Income Torontonians

Date: November 17, 2016 To: Executive Committee From: City Manager Wards: All

#### SUMMARY

The Toronto Poverty Reduction Strategy puts forward two recommendations to increase transit equity: "improve transit services in the inner suburbs" and "make transit more affordable for low-income residents." The City is advancing major plans to expand transit services, but the social, economic, and health benefits of expanded services will not be realized if a large portion of city residents cannot afford TTC fares.

Between 2009 and 2016, the TTC monthly metropass increased by 30% (from \$109 to \$141.50), while the minimum wage increased by 20% (from \$9.50 to \$11.40). A transitdependent family of four, with two working parents earning the minimum wage spends between 20% and 35% of their after-tax and after-rent income on TTC fares. The TTC monthly pass is the second least affordable in Canada.

Low-income adults aged 20 to 64, as a group, pay the highest TTC fares. There are no discounts for this age group, and data shows that low-income riders use cash fares and tokens more often than medium- and high-income riders, who are likely to buy monthly metropasses, which are cheaper on a per-ride basis. Unable to pay the upfront cost of the monthly metropass pass, most of working-age, low-income residents pay per ride and end-up spending more on transit that everyone else.

Numerous Canadian municipalities have low-income transit pass programs, including Burlington, Calgary, Guelph, Hamilton, Kingston, Milton, Mississauga, Oakville, Saskatoon, Windsor, Halton Region, Niagara Region, York Region, and the Region of Waterloo. International examples include Paris, London, Seattle, and San Francisco.

Leveraging the new PRESTO technology and existing City administrative processes, the Fair Pass Program recommended in this report puts forward an evidence-based, cost-effective, and user-friendly response to several Council directions to increase transit access for low-income residents.

1. City Council establish a Fair Pass Program [subject to approval of funding as part of the 2018 Budget, approval by the Toronto Transit Commission Board of the addition of a low-income concession, and the full roll out of PRESTO] that includes a discount on the PRESTO adult single fare and PRESTO adult monthly pass, and direct:

a. that the discount level for the Fair Pass Program be 33 % for the adult single fare and 21% for the adult monthly pass

b. that the eligibility for the Fair Pass Program discounts be to all Toronto residents living with an income below the Low Income Measure + 15%, except for Ontario Disability Support Program and Ontario Works clients in receipt of transportation supports;

c. a multiphase implementation of the Fair Pass Program as follows:

Phase 1 – staring in March 2018 – includes only Ontario Disability Support Program and Ontario Works clients not in receipt of transportation supports

Phase 2 – starting in March 2019 – extends eligibility to residents receiving housing supports or child care fee subsidy whose household income fall under the Low-Income Measure +15% eligibility threshold

Phase 3 – starting in March 2020 – extends eligibility to all other Toronto residents living with an income below the Low Income Measure +15% threshold

2. City Council direct that funding for Phase 1 of the Fair Pass Program be included, for consideration by City Council, in the 2018 Operating Budget,

3. City Council direct the Executive Director, Social Development Finance and Administration, in partnership with the General Manager, Toronto Employment and Social Services, the Chief Executive Officer Toronto Transit Commission, the Medical Officer of Health, and the Executive Director Financial Planning to:

a. Report to the Executive Committee in Winter 2019 on the evaluation of phase 1 and present an implementation plan, including a detailed cost analysis and funding strategies, for phase 2

b. Report to the Executive Committee in Winter 2020 on the evaluation of phase 2 and present an implementation plan, including a detailed cost analysis and funding strategies, for phase 3

4. City Council consider funding for Phase 2 and Phase 3 of the Fair Pass Program as part of the 2019 Operating Budget process and 2020 Operating Budget process respectively.

5. City Council forward this report to the Premier of Ontario, relevant Provincial and Federal Cabinet Ministers, and the Chair of the Board of Directors, Metrolinx.

#### FINANCIAL IMPACT

The Fair Pass Program will be implemented in three phases. Phase 1 prioritizes Ontario Works (OW) and Ontario Disability Support Program (ODSP) clients not in receipt of other transportation supports. Phase 2 extends eligibility to residents receiving housing supports or child care fee subsidy. Phase 3 includes all other Toronto residents living with an income below the Low Income Measure + 15% eligibility threshold.

Table 1. Estimated cost of the Fair Pass Program based on 2015 TTC fares, the size of the target population, and the recommended level of discount

	2018	2019	2020	2021
Residents Receiving a Discount by Year-End	36,000	66,000	193,000	193,000
Discount Cost - Phase 1	\$ 4.1M	\$ 7.5M	\$ 7.6M	\$ 7.6M
Discount Cost - Phase 2	-	\$ 4.4M	\$ 7.6M	\$ 7.7M
Discount Cost - Phase 3	-	-	\$ 18M	\$ 32.7M
Total Discount Cost	\$ 4.1M	\$ 11.9M	\$ 33.2M	\$ 48M
Cost of Presto Card	\$ 0.3M	\$ 0.5M	\$ 1.4M	\$ 0.9M
Administration Cost	\$ 0.4M	\$ 0.6M	\$ 1.6M	\$ 1M
Gross Program Costs	\$ 4.8M	\$ 13M	\$ 36.2M	\$ 49.9M
Replacement Card Fee	-\$ 0.2M	- \$ 0.5M	- \$ 1.1M	-\$ 1.7M
Incremental Annual Cost	\$ 4.6M	\$ 7.9M	\$ 22.6M	\$ 13.1M
Cumulative Program Cost	\$ 4.6M	\$ 12.5M	\$ 35.1M	\$ 48.2M

Phase 1 would commence in March 2018 (assuming PRESTO is fully rolled out). An estimated 36,000 low-income concession cards would be issued by the end of 2018. Phase 2 would commence in March 2019. A total of 66,000 residents are estimated to be enrolled in the program by the end of 2019. Phase 3 would commence in March 2020 and take approximately two years to reach full implementation. It is estimated that by the end of 2021, 193,000 low-income residents would be enrolled in the program.

Based upon estimates of eligible users, level of fare discount, frequency of use, number of PRESTO cards to be issued, and administrative costs, the net cost of the program in 2018 is projected to be \$4.5M. Costs are estimated to increase to \$12.5M in 2019 with the rollout of phase 2. In 2020, the completion of phase 2 and start of phase 3 would increase costs to \$35M. The full program cost of \$48.2M would be reached in 2021.

Administration includes the cost of the initial Presto Card and photo ID as well as the cost of verifying eligibility. For phase 1, eligibility and card production will be done in the City's Employment & Social Services offices. The start-up of the program will require 6

temporary full-time equivalents. The evaluation of Phase 1 will determine the resources necessary to manage the program on an ongoing basis.

Administration also includes the replacement of lost and damaged cards. These costs will be recovered from the cardholder at the estimated \$13-15 fee the TTC plans to charge children, students, and post-secondary students eligible for transit fare concessions.

As outlined in the 2016 budget process, cumulative savings from the upload of Ontario Works have amounted to \$199.5 million since 2008; the projected savings for 2017 and 2018 are \$23.5 million and \$21.5 million, respectively. Given that these savings have been directed to the overall budget pressure, Phase 1 of the Fair Pass Program will be a property tax pressure.

The more advanced phases in 2019 to 2021 will be subject to the availability of funding within the City's operating budget and based on opportunities for Federal and Provincial cost sharing contributions for this and other poverty reduction initiatives.

As discussed below in the Implementation & Evaluation section, the Fair Pass Program purposely adopts a three-phase, iterative implementation approach, where each phase is thoroughly evaluated and lessons are applied to the design of subsequent phases.

Phase 1 will generate rich descriptive statistics from PRESTO data about the ridership patterns of Fair Pass users, including frequency of pass use, transit modes usage, time of the day of trips, and starting location of journeys. This data will allow for more refined projections of the cost of phases 2 and 3.

The evaluation program will also examine whether the Fair Pass spurs ridership, and by doing so, helps to sustain ridership growth that can benefit TTC finances. Since the City will cover revenue losses from discounted trips, ridership growth may have positive net results for the TTC, especially if additional trips occur in times and locations where there is excess capacity in the system.

The Deputy City Manager & Chief Financial Officer, and the TTC Chief Financial & Administration Officer have reviewed this report and agree with the financial impact information.

#### **EQUITY IMPACT**

Torontonians with access to a vehicle, or who are able to afford unlimited transit passes, take full advantage of the city's economic opportunities, vibrant cultural life, numerous parks and natural areas, and a variety of municipal services. Low-income residents lack such access. They rely heavily on transit to navigate life in the city. Expensive transit fares restrict their options and opportunities.

While existing TTC transit fare concessions enable children 12 and under to use the TTC for free, and students and seniors to pay lower fares, most working age lowincome riders are not eligible for transit fare discounts, or City and Provincial transportation supports. The Fair Pass Program proposed in this report addresses this gap by increasing equitable access to transit in Toronto, thereby advancing a key priority of the Toronto Poverty Reduction Strategy.

#### **DECISION HISTORY**

Since 2013 Toronto City Council, the Board of Health, and the Board of the Toronto Transit Commission (TTC) have adopted several resolutions directing staff to review, enhance, and create mechanisms that reduce the cost of public transit for low-income residents.

On March 25, 2013 the Board of Health adopted "Next Stop Health: Transit Access and Health Inequities in Toronto," requesting staff to develop solutions for affordable transit, recommending the allocation of a portion of new funding for transit expansion in order to improve affordability; to incorporate transit affordability for low-income individuals into provincial policies; and to ensure that the Official Plan review and transit planning process improve transit availability in areas of the city with a high proportion of low-income residents and lower transit availability.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.HL20.3

In response to the need for an overarching framework to guide and coordinate efforts to create equitable access to transit, on July 8, 2014, City Council adopted "Toward a Policy Framework for Toronto Transit Fare Equity" directing Social Development, Finance and Administration, in partnership with the Toronto Transit Commission, Toronto Employment & Social Services, Toronto Public Health, City Planning, City Treasurer, and Financial Planning to develop a Policy Framework for Toronto Transit Fare Equity.

http://app.toronto.ca/tmmis/viewAgendaltemHistory.do?item=2014.EX43.18

On February 2, 2015, the Toronto Transit Commission Board adopted the recommendation that children aged 12 and under ride for free. This was a 2015 poverty reduction investment. The TTC also reaffirmed its commitment to work with the City and outside stakeholders on the development of discounted fares for low-income residents. <u>https://www.ttc.ca/About\_the\_TTC/Commission\_reports\_and\_information/Commission\_meetings/2015/February\_25/Minutes/index.jsp</u>

On November 3, 2015, City Council unanimously adopted "TO Prosperity - Toronto Poverty Reduction Strategy." Transit equity is one of the five pillars of the strategy. Recommendation 6 states, "make transit more affordable to low-income residents"; and action 6.2 commits the City to, "ensure the roll-out of the new Presto Pass technology includes a fare-geared-to-income capacity."

http://app.toronto.ca/tmmis/viewAgendaltemHistory.do?item=2015.EX9.5

#### **ISSUE BACKGROUND**

Available and affordable public transit can effectively reduce poverty through increased access to social and health services, community resources, and economic opportunities. The inability of a portion of the population to easily move throughout the city decreases the economic and social returns on transportation investments. It hinders

economic growth and prosperity, counteracts government efforts for efficiency, and may contribute to health inequities within the population.

The City and the Province are advancing major plans to expand transit services, but the social, economic, and health benefits of expanded services will not be realized if a large portion of city residents cannot afford transit fares.

The TTC raises a higher share of revenue from the farebox than other transit agencies. In 2015, 68% of TTC's operating budget was covered by fares.<sup>1</sup> In contrast, Vancouver's Translink estimates that 37% of its operating budget will be raised by riders with the remaining mostly coming from different orders of governments.<sup>2</sup> Montreal's STM,<sup>3</sup> Chicago's CTA,<sup>4</sup> and New York's MTA<sup>5</sup> expect fares to cover around 40% of operating costs in 2016. As the third largest transit agency in North America, the TTC transports more riders than most agencies with fares bearing more of the costs.

In adopting "Toward a Policy Framework for Toronto Transit Fare Equity" in 2014, and "TO Prosperity - Toronto Poverty Reduction Strategy" in 2015, City Council recognized that investment in infrastructure must be complemented with efforts to increase transit affordability, especially for low-income residents to whom public transit is the main, or the sole, mode of transportation.

#### **City Investments**

The City makes significant investments in public transit: 18% of its 2016 operating budget and 50% of the tax supported 2016-2025 capital budget and plan are earmarked for transit.

In 2016, the City will provide the TTC a subsidy of \$493.6 million to fund the operating costs of the conventional system, and an additional \$116 million for the operating costs of Wheel Trans. The City's subsidy alleviates the need for fares to cover all operating costs.

In total, approximately \$72 million will be spent in 2016 to fund existing concession fares, which increases transit access for the following population groups, regardless of income:

- 350,700 children 12 and under<sup>6</sup>
- 204,595 secondary students (aged 13-19)<sup>7</sup>
- 213,418 full-time post-secondary students<sup>8</sup>
- 377,440 seniors (65 and up)<sup>9</sup>

In addition to these investments in the TTC, City divisions provide transportation assistance to low-income residents seeking emergency shelter, employment, medical attention, health information, and social supports.

 In 2014, five divisions spent a total of \$3.37 million in transportation assistance for an estimated 377,759 residents<sup>10</sup>

- In 2015, Shelter, Support and Housing Administration (SSHA) transferred \$375,862 to community-based housing service providers for the purchase of tokens for their clients
- In 2014 and 2015, applications to the City's major community grant programs administered by Social Development, Finance and Administration identified that between 4% and 6% of the requested funding would be spent on tokens, totalling approximately \$600,000<sup>11</sup>

Importantly, much of the funds listed above were originally designated for programming. As transit fares increased, clients began to report that they were unable to access programs due to transit costs, and service providers thus began channelling increasingly more funds and staff hours to the purchase and distribution of tokens.

#### **Provincial and Federal Investments**

The City of Toronto also delivers transportation assistance, cost-shared with the Province of Ontario, through the Ontario Works (OW) program. In 2014 Toronto Employment & Social Services (TESS) administered \$26M gross (\$2.98M City net) in transportation supports to help OW clients access medical appointments, employment activities, and job opportunities. In 2018, the cost of OW benefits will be fully borne by the Province as part of the scheduled upload of social service costs.

Recently, in recognition of both the true cost of travel in Toronto and the need to better support clients participating in employment programs, TESS enhanced its employment benefits, raising the number of clients eligible for transportation support and increasing the full-time allowance rate to match the cost of the monthly transit pass. Even with these enhancements, only 20% of Ontario Works clients are eligible for transportation-related support; 16% receive enough to buy a TTC monthly pass.<sup>12</sup>

The Federal Government has proposed substantial capital investments in public transit over the next 10-years, but it does not currently provide direct funding to transit equity programs.

The Public Transit Tax Credit provides transit users with a 15% non-refundable credit on the purchase of various unlimited travel passes. With the introduction of PRESTO, travel expenses incurred using a PRESTO card will be eligible for the federal tax credit as long as the card is used to make at least 32 one-way trips over 31 consecutive days.<sup>13</sup> According to TTC data, 40% of low-income riders take transit with the frequency required to benefit from these non-refundable tax credits, provided they earn enough income and file tax returns. The remaining 60% do not receive this benefit or any other direct support from the Federal government for transit equity.

#### Transit Remains Unaffordable for Low-income Residents

Notwithstanding these investments, transit is unaffordable for low-income Torontonians. The 10% of seniors and 29% of children living in low-income households benefit from existing concession fares,<sup>14</sup> as do full-time, post-secondary students whose earnings are limited by time constraints. In contrast, there are no discounts for low-income adults

aged 20 to 64. For these residents costly transit fares are a financial, social and health burden.

High Fares

- Between 2009 and 2016, the TTC monthly metropass increased by 30% (from \$109 to \$141.50), the token increased by 29% (from \$2.25 to \$2.90), while the minimum wage increased by 20% (from \$9.50 to \$11.40)
- The TTC adult regular monthly metropass is the second least affordable in Canada, measured in terms of a percentage of the monthly minimum wage<sup>15</sup>
- TTC riders must use the adult regular monthly pass 49 times to recover its cost and start saving; in Berlin, 29 rides are enough, in Paris, 39, and in New York, 41

No discounts or supports

- 62% of Toronto's low-income residents are aged 18 to 64; nearly all of them are not eligible for TTC discounts, or City or Provincial transportation support if they work full time
- Low-income adults pursuing post-secondary training on a part-time basis are not eligible for TTC discounts, City or Provincial transportation support
- Only approximately 20% of Ontario Works clients are eligible for transportation assistance; 16% receive enough to buy a TTC monthly metropass<sup>16</sup>

Financial burden

- The after-tax income of a two-parent family where both adults earn the minimum wage is approximately \$32,500, or \$2,708 a month. The average rent for a two-bedroom apartment in Toronto is \$1251, leaving \$1,457 for all other necessities. Two TTC adult monthly metropasses and two youth (13-19) monthly metropasses cost \$507, 35% of the disposable income of this family. If the children are 12 and under, the cost drops to \$283, or almost 20% of their disposable income<sup>17</sup>
- A single-parent with a child aged between 13 and 19, who works full-time, and earns the minimum wage, may spend approximately 19% of his or her after-tax income on TTC passes
- A part-time worker earning the minimum wage, if required to do a three-hour shift, may spend up to 20% of the income earned in the shift on tokens<sup>18</sup>
- TTC data shows that low-income residents including heavy users use cash fares and tokens more often than medium- and high-income riders, who are more like to buy monthly metropasses, which are cheaper on a per-ride basis<sup>19</sup>
- The majority of low-income residents pay per ride and end up paying more on average than everyone else

Social and health burden

- Low-income parents without a car are less likely to take a sick child to the doctor<sup>20</sup>
- Low-income Torontonians are more likely to rely on transit to access healthy food<sup>21</sup>
- Low-income families forgo free recreational activities due to transit costs<sup>22</sup>
- High TTC fares are a major barrier for racialized youth seeking stable employment;<sup>23</sup>
- Newcomers integrate more successfully in communities with adequate transit access to education and training opportunities<sup>24</sup>
- Transit exclusion reinforces other types of social exclusion, making it harder for lowincome residents to build economically stable lives<sup>25</sup>

#### Fair Pass: Transit Fare Equity Program for Low-Income Torontonians

The Fair Pass Program will aptly respond to several Council directions to increase transit access for low-income residents. It will leverage the new PRESTO technology to enhance transit equity without overburdening TTC operations, accentuating differences with transit systems in the region, or creating unfairness among disadvantaged groups. The program's design is based on:

- Two reviews of low-income transit affordability programs in Canadian and international cities, including the Greater Toronto and Hamilton Area (see Appendix A for an overview of 21 programs)
- A cost-benefit analysis of a low-income discounted transit pass program in Toronto (see Appendix B for the complete analysis)
- A Transit Fare Equity Survey, answered by 4,465 low-income residents across the city (see Appendix C for the complete community engagement report)
- A series of focused discussions with members of a community and stakeholder advisory committee<sup>26</sup>
- Several technical discussions with the TTC, City Planning, and Metrolinx

Eligibility threshold Low Income Measure (LIM) +15% (before tax, adjusted to family size)	\$45,075 (two-parent, two-child household) \$31,522 (single-parent, one-child household) \$22,537 (unattached individual)
Eligible population, including seniors and students but not children 12 and under. (Only City of Toronto residents are eligible for this program).	706,730
Estimated transit users within eligible population	193,279
Fare paid by riders (consistent with other TTC concessions in 2016)	Single fare: \$1.95 Monthly metropass: \$112.00
Implementation timeframe	Phased, 2018-2022

#### **Program Summary**

#### 1. Eligibility: LIM+15%

Eligibility thresholds for low-income transit programs vary from city to city. The Low-Income Cut Off (LICO) and enrolment in social assistance program are commonly used as eligibility criteria in Canadian cities. Programs in other countries use the Low Income Measure (LIM), enrolment in social assistance programs, and legally recognized statutes (e.g. a person with a disability, a veteran, a refugee) as eligibility criteria. The LIM is specific for Toronto and is reported annually by Statistics Canada

Both the Toronto Poverty Reduction Strategy and the Ontario Poverty Reduction Strategy adopt the LIM as the overall low-income indicator. This intentional alignment is meant to facilitate research, program-design, and financial cooperation. Consequently, the Toronto Fair Pass Program uses the LIM as its eligibility threshold, and proposes the inclusion of 15% above the LIM to ensure all vulnerable groups are eligible, including low-wage and precariously employed workers.

#### Rationale

Part-time jobs in Toronto have increased by 21% since 2010 and now constitute a quarter of all jobs.<sup>27</sup> Most of these are low-paid retail and service jobs spread throughout the city.<sup>28</sup> Precariously employed workers are commuting for short shifts, often more than once a day, and paying transit fares that can add up to 35% of their disposable incomes.<sup>29</sup> Overlooking their needs would be a major shortfall of a transit fare equity program.

The income of low-wage, precariously employed workers falls close to low-income thresholds, depending on how many shifts they get, whether they receive tips, or have any taxable benefit. If the City were to adopt the LIM as the threshold for the Fair Pass Program, low-wage workers would qualify for it in very low earning years, and not qualify for it in years where their incomes went slightly above the LIM. The negative impact of "claw backs" that cut supports to residents making economic headway, often leaving them worst off for trying to get ahead, have long been documented.<sup>30</sup> Social assistance programs are now designed to avoid these disincentives.<sup>31</sup>

With this in mind, the approach proposed in the Fair Pass Program is to set the threshold at 15% above the LIM. This will ensure that all low-income Torontonians qualify for the program, including precariously employed residents who may occasionally, or after much effort, find themselves just above the official low-income line. This approach creates a program that addresses the immediate needs of the most disadvantaged group, while also supporting residents taking the first steps toward more stable lives.

#### Cost-benefit Analysis

The cost-benefit analysis commissioned for this report modeled two eligibility scenarios using the Low-Income Measure and a higher eligibility threshold. In the first scenario, only households with an annual income of less than \$43,000 qualify for the program.<sup>32</sup> In the second scenario, households where two adults have a combined annual income of less than \$72,000 are also eligible.<sup>33</sup> The cost of the program is higher in the second scenario, but so are the benefits.

Since individuals in the second income bracket are very likely to be economically active, affordable transit is directly linked with increased employment opportunities that support economic growth and generate new tax revenues. Other studies have linked access to transit with increased government revenue due to employment growth. In Hamilton, for

example, 75% of surveyed users of a low-income monthly pass reported that the transit subsidy allowed them to keep their jobs.

The cost-benefit analysis also found that savings in the health care system would offset investments in transit equity. Affordable transit increases the likelihood of low-income individuals visiting a doctor regularly. In Calgary, for example, users of the fare-geared-to-income program were 70% less likely to miss a medical appointment. Regular visits to family physicians and continuity of care have been shown to significantly decrease emergency department visits and hospital admissions, generating considerable savings for the medical care system.<sup>34</sup>

Overall, the cost-benefit analysis found that transit discounts for low-income residents up to 35% could be safely considered an investment with high financial and economic returns. The federal and provincial governments would accrue most of the generated benefits, through savings in the health care system and increased tax revenues. These benefits, along with a shared commitment to poverty reduction, provide an opportunity for intergovernmental partnerships aimed at improving transit equity. Examples exist:

- The Province of British Columbia funds Vancouver's discounted passes for lowincome seniors and people with disabilities.
- The Province of Saskatchewan cost-shares Saskatoon's discounted low-income pass program.
- Between 2017 and 2020, the Province of Alberta will invest \$19.7 million in lowincome transit programs in Edmonton and Calgary.

City staff will engage provincial and federal counterparts on the third phase of the proposed program, which will bring direct economic benefits to all governments but is the most costly and requires additional partnerships for efficient implementation.

#### 2. Fare Media: Discounts on the Single Fare and the Monthly Metropass

According to the jurisdictional reviews commissioned for this project, most existing programs aimed at improving the affordability of transit for low-income residents offer only a discounted monthly pass. A similar program would cost the City of Toronto an estimated \$9.5M annually once fully implemented, which is considerably less than the proposed Fair Pass program. However, this approach has a major limitation: it excludes infrequent transit users, precariously employed workers with irregular schedules, and residents with very low incomes who cannot afford single fares. TTC data shows that only between 40% and 50% of low-income riders use the TTC frequently enough to benefit from a discounted monthly pass.<sup>35</sup>

The Transit Fare Equity Survey asked 4,465 low-income Torontonians to identify the discounts that best meet their needs and the factors that staff should consider when implementing these discounts. Figure 1 and Figure 2 show that low-income residents need flexible discounts that can be applied to various fare types, can be used with all TTC services, and can be purchased in many locations across the city. Alone, a discounted monthly pass would not respond to these needs.

Figure 1: Answer to the question "Please review the list of five options to make transit more affordable, and select the two options that would most help you."

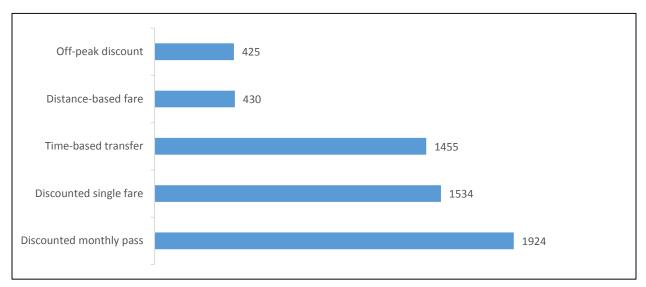
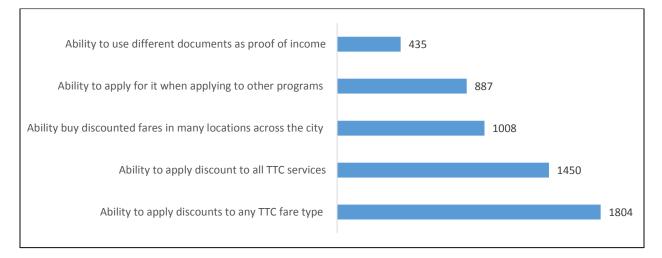


Figure 2: Answer to the question, "Please review the list of five ways to make it easier to access transit discounts, and select the two choices that would most help you"



The PRESTO technology allows discounts to be applied on the single fare. This approach permits eligible riders to benefit from the program every time they use the TTC. Learning from other jurisdictions and from the needs expressed by low-income residents, Toronto can get it right from the very start. The Fair Pass Program applies to both single fares and to the monthly metropass.

### 3. Discount Levels: 33% on the adult single fare, 21% on the adult monthly metropass

Discount levels vary greatly among low-income transit programs in other jurisdictions. Three factors were taken into account to select an adequate discount level for the Fair Pass Program: the fare media choice, fairness among and between benefitting user groups, and findings of the cost-benefit analysis. Most transit affordability initiatives offer low-income residents discounts between 30% and 70%.<sup>36</sup> Most of these discounts, however, apply only to monthly passes. Take-up rates are usually moderate as a result.

The Fair Pass Program proposes a 33% discount on the adult single fare and a 21% discount on the adult monthly metropass, which is in line with current TTC concession discounts. Applying the discount to the single fare and to the monthly pass, grants low-income residents the flexibility they need and is a significantly more effective program design. A moderate discount reduces the financial impact of this choice.

#### Efficient Allocation of Funds

From a social equity perspective, the Fair Pass Program is a more efficient allocation of funds then most TTC concessions. As Figure 3 shows, Children 12 and under ride free is the most cost-efficient concession, due to the high percentage of children living in poverty, and the fact that children paid a discounted fare before they were made exempt from it. The second most cost-effective option is the Fair Pass. As a targeted program, every dollar invested will go towards subsidising transit to low-income residents, making the cost per low-income rider considerably lower than in other TTC concessions.

		-	-	-	
Concession Group	Discount level	% of residents eligible for this concession living on a low-income	# of residents eligible for this concession living on a low-income*	Total cost of the discount	Cost per low- income resident
Children (0-12)	Free	29%	104,190	\$8.3 M	\$80
Proposed Fair Pass	33% on single fare 21% on monthly pass	100%	482,550	\$48.2 M	\$100
Students (13-19)**	33% on single fare 21% on monthly pass	28%	58,506	\$27.8 M	\$493
Seniors (65+)	33% on single fare 21% on monthly pass	10%	38,780	\$23.3 M	\$601
Post- secondary Students***	21% on monthly pass	n/a	n/a	\$13.5 M	n/a

Figure 3	Cost ne	r capita (	of subsiding	transit to	different	resident groups
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\* To allow for comparison, LIM-AT is used in all columns. \*\* Estimation based on number of residents 18 and 19 years of age living below LIM-BT. \*\*\* The post-secondary students group comprises residents of any age enrolled in a broad range of educational programs, who may or may not live in Toronto; it is not possible to estimate the number of students use this discount.

#### **IMPLEMENTATION & EVALUATION**

The Fair Pass Program purposefully adopts a three-phase, iterative implementation approach, where each phase is thoroughly evaluated and lessons are applied to the design of subsequent phases. Five general principles will guide the implementation:

- **Minimize additional administrative processes** every attempt should be made to integrate the delivery of this program into existing City processes
- **Promote user access, choice, and responsibility** information about eligibility criteria, application processes, and program rules should be widely available and easy to understand
- **Promote social equity without stigmatizing users** neither the application process nor day-to-day use of the Fair Pass card should in any way stigmatize users
- **Take into account the needs of persons with disabilities** staff should actively seek the advice of people with disabilities to ensure that information, communications, application and feedback processes are fully accessible
- Evidence based the program should be carefully evaluated to ensure that it meets the desirable social equity goals in a cost-effective manner

#### The Three Phases

The Fair Pass Program will be implemented in three phases.

Phase	Starting Date	Target Group
1	March 2018	ODSP and OW clients not in receipt of transportation supports
2	March 2019	Residents receiving housing supports or child care fee subsidy whose household income fall under the LIM+15 threshold
3	March 2020	All other Toronto residents whose household income fall under the LIM+15 threshold

**Phase 1** will prioritize OW and ODSP clients not in receipt of transportation supports.<sup>37</sup> In line with the above-stated principles, this option allows the program to be piloted with a group of residents already receiving support from City programs and services. Since the income threshold for OW and ODSP eligibility is lower than LIM+15%, these residents are automatically eligible for the Fair Pass program. No additional incometesting process will be necessary.

By leveraging existing processes and systems, the implementation of Phase 1 will avoid the duplication of administrative requirements. Whether as part of their regular service planning discussions with staff, or as a separate process, OW and ODSP clients will be able to enrol in this program without being asked to produce additional documents.

Toronto Employment and Social Services (TESS) will lead the implementation of Phase 1. As Toronto's service delivery agent for OW, TESS manages the third largest social assistance system in Canada. In 2014 alone, 10% of all Torontonians received some kind of support from TESS. An operation of this dimension requires a large and tailored infrastructure. TESS has 19 accessible offices, easily reached through public transit and strategically located in high priority neighbourhoods. TESS offices will serve OW clients eligible for Phase 1 of the Fair Pass program.

**Phase 2** of the program will include residents receiving housing supports and child care fee subsidy.

In line with the above-state principle of minimizing additional administrative processes, and the Toronto Poverty Reduction Strategy, which directs staff to "create a seamless social support system" and "integrate the intake and administration of means-tested programs," Phase 2 and 3 will require the formation of new partnerships among City divisions and between the City and other orders of government.

Phase 2 will leverage work underway through the Human Services Integration project. Though a broader and more diverse group, residents included in this phase have links with City divisions and agencies; many will already have their eligibility assessed more than once through existing processes. In an integrated human service delivery model, no additional income-testing process would be necessary.

**Phase 3** will cover all other Toronto residents living with an income below the LIM+ 15% threshold.

Phase 3 will require funding strategies that leverage financial support from other orders of government and other non-City funding sources. Phase 3 will also require information sharing protocols with other orders of government to make income verification streamlined and effective. No such protocol is currently in place. Staff will begin working on these funding strategies and protocols concurrent with the rollout of Phase 1 to allow for the necessary time for negotiations.

While the establishment of these partnerships may delay Phase 3, the benefits associated with them have broader implications. In addition to making the application process for the Fair Pass Program easier for residents and less costly for the City, the creation of a seamless social support system is a major step in supporting low-income residents struggling to meet basic needs and build stable economic lives. It is also a laudable step toward a more efficient and responsive government.

#### **Evaluation**

The complete evaluation proposal for the Fair Pass Program is found in Appendix D. Designed by an independent consultant, this comprehensive proposal lays out a plan for how to gather actionable information about program costs, processes, and short-and long-term outcomes. It contains:

- A program logic model identifying outputs, short, medium, and long-term outcomes
- An evaluation methodology describing the research instruments to be used
- Drafts of a baseline survey, a post-test survey, and questions for in-depth interviews

The three primary objectives of the proposed evaluation plan are:

- To document the costs of the program
- To understand successes and challenges associated with program implementation
- To document program impact on low-income residents

This phased implementation approach, which starts with a clearly defined population group, coupled with the roll out of PRESTO, is expected to generate a wealth of new data and offer an invaluable opportunity to gain understanding of the transit patterns and needs of low-income residents.

Drawing on these findings, the evaluation of the Fair Pass Program will allow staff to improve clients' experiences, assess whether the intended outcomes of the program are being achieved, and make refined projections about the cost of expanding the program into its subsequent phases.

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#### SIGNATURE

Peter Wallace City Manager

#### APPENDIXES

Appendix A: Canadian and International Jurisdictional Reviews - Summary Table Appendix B: Toronto Transit Fare Equity Cost Benefit Analysis Appendix C: Transit Fare Equity Community Engagement Report Appendix D: Fair Pass Evaluation Framework

<sup>1</sup> Toronto Transit Commission. 2016 Operating Budget Note, p.3. Available at <u>http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-89241.pdf</u>

<sup>2</sup> TransLink. 2016 Operating and Capital Budget, p.8. Available at, <u>http://www.translink.ca/-</u>/media/Documents/about\_translink/corporate\_overview/corporate\_reports/business\_plan/2016\_business\_ \_plan\_and\_operating\_and\_capital\_budget.pdf

<sup>3</sup> Société de transport de Montréal. Budget 2016, p. 46. Available at, <u>https://www.stm.info/sites/default/files/pdf/fr/budget2016.pdf</u>

<sup>4</sup> Chicago Transit Authority. President's 2016 Budget Recommendations, p. 45. Available at, <u>http://www.transitchicago.com/assets/1/finance\_budget/2016\_Budget\_Book\_WEB\_FINAL\_Compressed.p</u> <u>df</u>

<sup>5</sup> Metropolitan Transportation Authority. 2016 Adopted Budget. Available at, <u>http://web.mta.info/mta/news/books/pdf/MTA\_2016\_Adopted\_Budget\_February\_Financial\_Plan\_2016\_20</u> <u>19.pdf</u>

<sup>6</sup> Statistics Canada, Small Area and Administrative Data; Taxfiler (T1FF) - Family Data, 2012.

<sup>7</sup> Statistics Canada, 2011 Census of Canada.

<sup>8</sup> 2014-2015 figures provided by the Ministry of Training, Colleges and Universities.

<sup>9</sup> Statistics Canada, 2011 Census of Canada.

<sup>10</sup> Toronto Employment & Social Services; Shelters Support & Housing Administration; Parks, Forestry & Recreation; Social Development, Finance & Administration; and Toronto Public Health.

<sup>11</sup> Grant programs examined include SDFA's Access, Equity & Human Rights; SDFA's Community Safety Investments; SDFA's Community, Festivals, and Special Events; and TPH's Toronto Urban Health Fund.

<sup>12</sup> 2015 figures provided by Toronto Employment and Social Services.

<sup>13</sup> Program details available at <u>http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns360-390/364/lgblty-eng.html</u>

<sup>14</sup> Statistics Canada, Custom Tables 2001 and 2006 Census of Canada; Statistics Canada, Small Area and Administrative Data, Taxfiler (T1FF) - Family Data, and 2012.

<sup>15</sup> Toronto Public Health. 2013. Next Stop Health: Transit Access and Health Inequities in Toronto.

<sup>16</sup> 2015 figures provided by Toronto Employment and Social Services.

<sup>17</sup> Calculation based on the following assumptions: hourly minimum wage \$11.25 (April 2016), 35-hour working week, 52 weeks a year, taxes at 20.5%, both adults purchase the monthly metropass, the family pays the average rent for a two-bedroom apartment \$1251 (CMHC's Rental Market Statistics 2015, Table 3). The low estimate assumes both children are 12 years of age or under, the high estimate assumes both children are between 13 and 19 years of age.

<sup>18</sup> Calculation based on the following assumptions: hourly minimum wage \$11.25 (April 2016), income taxes at 20.5%, tokens used as the fare media.

<sup>19</sup> Toronto Public Health. 2015. Transit Fare Equity Project: Analysis of the TTC Customer Satisfaction Survey - Public Transit Use by Income.

<sup>20</sup> Williamson, D.L. & Drummond, J. 2000. Enhancing low-income parents' capacities to promote their children's health: Education is not enough. *Public Health Nursing*, 17 (2): 121-131.

<sup>21</sup> Toronto Public Health. 2010. Summary of the Toronto food strategy consultation and engagement. What we heard. Available at, -

http://wx.toronto.ca/inter/health/food.nsf/Resources/6E171B9FFA4BB82C85257750006E4043/\$file/What %20We%20Heard,%20Food%20Strategy%20June%202010%20Summary%20-%20Final.pdf

<sup>22</sup> Toronto Public Health.2011.Perspectives of parenting on a low income in Toronto. Available at, <u>http://www.toronto.ca/health/inequalities/pdf/lowincome\_parent.pdf</u>

<sup>23</sup> Access Alliance (2011). Research bulletin #1. Labour market challenges and discrimination faced by racialized groups in the Black Creek area. Toronto: Access Alliance.

<sup>24</sup> Esses, V. M., Hamilton, L. K., Bennett-AbuAyyash, A. and Burstein, M. (2010, March). Citizenship and Immigration Canada.Characteristics of welcoming community. Available at, http://welcomingcommunities.ca/wpcontent/uploads/2011/09/Characteristics-of-a-Welcoming-Community-11.pdf

<sup>25</sup> Wray, Ron (2013). The Spatial Trap: Exploring Equitable Access to Public Transit as a Social Determinant of Heath. Wellesley Institute; Wixey, Sarah, Peter Jones, Karen Lucas, and Mark Aldridge (2013). Measuring Accessibility as Experienced by Different Socially Disadvantaged Groups. Working Paper 1. Transport Studies Group, University of Westminster. Available at: <a href="http://home.wmin.ac.uk/transport/download/SAMP\_WP1\_Literature\_Review.pdf">http://home.wmin.ac.uk/transport/download/SAMP\_WP1\_Literature\_Review.pdf</a>

26 Active advisory members included representatives from the Advisory Committee on Accessible Transit (TAAC), Civil Action, Canadian Centre for Policy Alternatives, Wellesley Institute, Fair Fare Coalition, TTC Riders, United Way Toronto and York Region, University of Toronto.

<sup>27</sup> City of Toronto (2015). Toronto Employment Survey 2015. Available at, <u>http://www1.toronto.ca/City%20Of%20Toronto/City%20Planning/SIPA/Files/pdf/T/2015-Employment-Bulletin%20FINAL-accessible.pdf</u>

<sup>28</sup> Martin Prosperity Institute (2015). The Geography of Toronto's Service Class & What it Means for the City of Toronto. Available at, <u>http://www.martinprosperity.org/media/pdfs/Toronto\_election\_series-</u> <u>Geography of Service Class.pdf</u>

<sup>29</sup> See endnote 17.

<sup>30</sup> Jane Jenson (2014). Redesigning the "Welfare Mix" for Families: Policy Challenges. Canadian Policy Research Network, Discussion Paper F30. Available at: <u>http://cprn.org/documents/17519\_en.pdf</u>

<sup>31</sup> See for example Ontario's decision not ensure that low-income families keep the full Canada Child Benefit. More details available here: <u>https://news.ontario.ca/mcss/en/2016/06/ontario-ensuring-vulnerable-families-keep-full-canada-child-benefit.html</u>

<sup>32</sup> 2013 Statistics Canada LIM-AF adjusted for 2016 prices.

<sup>33</sup> The analysis also considered lone-parent families and unattached individuals. The thresholds used for lone parent families were \$39,000 (LIM-AF) and \$67,000 (living wage); for unattached individuals the values used were \$25,000 (LIM-AT) and \$43,000 (living wage).

<sup>34</sup> Toronto Public Health. 2013. Next Stop Health: Transit Access and Health Inequities in Toronto.

<sup>35</sup> Toronto Public Health. 2015. Transit Fare Equity Project: Analysis of the TTC Customer Satisfaction Survey - Public Transit Use by Income.

<sup>36</sup> Ibid.

<sup>37</sup> OW clients in receipt of the Employment Related Expenses benefit or the Medical Transportation benefit, who receive between \$100 and \$141 a month, will not be eligible for the Fare Pass Program. The value of these benefits are higher than the discount provided through the Fare Pass Program.