

Evaluation of Low Income Transit Pass Funding Model Options

The following scenarios and funding options have been developed to address the funding gap for the sliding scale Low Income Transit Pass (LITP) program, based on the outcome of Provincial funding decisions. Funding model options consist of combinations of Provincial funding, additional tax support and revised LITP fares.

Scenario A: Government of Alberta provides \$11 million in annual funding for the LITP program from 2020 onward (LITP Funding Gap = \$0).

In this scenario, the entire funding gap would be made up from Provincial funding, and no further tax support or changes to the LITP fare structure would be required. Given that LITP fares are set as a percentage discount off the Adult Monthly Pass (AMP), LITP fares would increase by 3% in 2020, in line with the AMP.

Scenario B: Government of Alberta renews the pilot annual funding of \$4.5 million for the LITP program from 2020 onward (LITP Funding Gap = \$6.5 million).

In this scenario, the remaining funding gap after accounting for Provincial funding renewal would be \$6.5 million annually. The 2019 gap is being made up through one-time funding from Council. This amount cannot be absorbed into Calgary Transit’s budget without being offset by service reductions; funding through additional tax support/reallocation of existing tax room or revised LITP fares would be required to make up the gap in a long-term sustainable manner.

Option 1: \$6.5 million funding gap is made up through additional tax support

This option would require \$6.5 million in additional tax support, making the 2019 one-time funding from Council a permanent/base increase to Calgary’s Transit’s operating budget. No changes to the LITP fare structure would be required at this time. LITP fares would increase by 3% in 2020, in line with the AMP.

Option 2: \$6.5 million funding gap is made up through a combination of additional tax support and revised LITP fares

This option would require approximately \$3.25 million in additional tax support, as well as \$3.25 million from revised LITP fares as follows:

		Current Fare Structure		Revised Fare Structure	
Band	LICO Range	2020 Pass Price	Discount off AMP	2020 Pass Price	Discount off AMP
A	0-50% LICO	\$5.45	95%	\$13.10	88%
B	50-85% LICO	\$38.15	65%	\$38.15	65%
C	85-100% LICO	\$54.50	50%	\$54.50	50%

Reflects 3% increase in AMP price proposed for 2020

Option 3 - RECOMMENDED: \$6.5 million funding gap is made up from revised LITP fares

This option would require \$6.5 million in funding from revised LITP fares as follows:

		Current Fare Structure		Revised Fare Structure	
Band	LICO Range	2020 Pass Price	Discount off AMP	2020 Pass Price	Discount off AMP
A	0-50% LICO	\$5.45	95%	\$18.55	83%
B	50-85% LICO	\$38.15	65%	\$43.60	60%
C	85-100% LICO	\$54.50	50%	\$59.95	45%

Reflects 3% increase in AMP price proposed for 2020

Given the City’s direction for significant reductions in tax support for 2020, Option 3 is recommended as the most financially sustainable funding model for Scenario B while still maintaining equitable LITP rates aligned with the ability to pay (Attachment 3). The LITP program will continue to be heavily subsidized by tax support, Provincial funding and regular fares under this option. The remaining funding gap will be made up within the program while continuing to provide significant income-based subsidies to low income Calgarians. It should be noted that the proposed 83% discount off AMP for Band A is closely aligned with the original Band A recommendation of 85% discount off AMP when the sliding scale was introduced (CPS2016-0494 Options for Sliding Scale Implementation). The recommended revised fare structure maintains equity among the bands in household transit costs, while retaining a fare structure aligned with the ability to pay. Option 3 also provides certainty on the long-term future of the program by allowing it to be more self-sustaining with a stable funding model.

Scenario C: Government of Alberta discontinues funding for the LITP program beyond 2019 (LITP Funding Gap = \$11 million).

In this scenario, the entire \$11 million funding gap for the LITP program would need to be made up through additional tax support/reallocation of existing tax room or revised LITP fares.

Option 1: \$11 million funding gap is made up through additional tax support

This option would require \$11 million in additional tax support, with no changes to the LITP fare structure required at this time. LITP fares would increase by 3% in 2020, in line with the AMP.

Option 2 – RECOMMENDED: \$11 million funding gap is made up through a combination of additional tax support and revised LITP fares

This option would require \$4.5 million in additional tax support to make up the gap from discontinued Provincial funding, as well as \$6.5 million from revised LITP fares as indicated in the table below. This option meets the commitment to provide a sub-service review that includes a material reduction in The City’s support for the operating expenditures of the sliding scale compared to 2019.

		Current Fare Structure		Revised Fare Structure	
Band	LICO Range	2020 Pass Price	Discount off AMP	2020 Pass Price	Discount off AMP
A	0-50% LICO	\$5.45	95%	\$18.55	83%
B	50-85% LICO	\$38.15	65%	\$43.60	60%
C	85-100% LICO	\$54.50	50%	\$59.95	45%

Reflects 3% increase in AMP price proposed for 2020

Option 3 - \$11 million funding gap is made up from revised LITP fares

This option would require \$11 million in funding from revised LITP fares as follows:

		Current Fare Structure		Revised Fare Structure	
Band	LICO Range	2020 Pass Price	Discount off AMP	2020 Pass Price	Discount off AMP
A	0-50% LICO	\$5.45	95%	\$24.00	78%
B	50-85% LICO	\$38.15	65%	\$54.50	50%
C	85-100% LICO	\$54.50	50%	\$81.75	25%

Reflects 3% increase in AMP price proposed for 2020

Option 4 - \$11 million funding gap is made up by discontinuing the sliding scale fare structure and returning to a single-rate LITP fare structure

As per the direction from the sub-service review, an option was evaluated to discontinue the sliding scale fare structure if the Province discontinues the pilot funding. The LITP fare structure would return to the previously-approved single rate of 50% discount off AMP for all customers under LICO (Low Income Cut Off):

Band	LICO Range	Current Fare Structure		Revised Fare Structure	
		2020 Pass Price	Discount off AMP	2020 Pass Price	Discount off AMP
A	0-50% LICO	\$5.45	95%	\$54.50	50%
B	50-85% LICO	\$38.15	65%	\$54.50	50%
C	85-100% LICO	\$54.50	50%	\$54.50	50%

Reflects 3% increase in AMP price proposed for 2020

This option would address the LITP program funding gap through an additional \$11 million in revenues as purchasing patterns return to the single-rate LITP and regular fare products similar to 2016. However, it does not align with the principles of maintaining equity through a sliding scale; further discussion on the impacts of this option can be found in Attachment 3.

Option 2 is recommended for Scenario C because it maintains LITP fares at rates more aligned with a household’s ability to pay, while still revising the fare structure to make significant contributions towards the program’s \$11 million funding gap (Attachment 3). Band A would be set at 83% discount off AMP, which is more in line with the original recommendation of 85% discount off AMP. The recommended revised fare structure will maintain equity among the bands in household transit costs, while retaining rates more aligned with the ability to pay for all bands. It is not feasible to allocate \$11 million in additional tax support to the program under the City’s budget constraints, and it will also be challenging to allocate \$4.5 million in additional tax support to make up program’s remaining funding gap under Option 2. However, while a funding partnership with the Province is the ideal state and continued advocacy will be undertaken, additional municipal tax support to backstop discontinuation of that funding would be an investment in the significant social, economic and societal benefits from the sliding scale LITP program. Investments in affordable transit for low income citizens have been shown to contribute to the overall vitality of cities, and improves labour supply and mobility, economic and community participation, and reduced use of costly health and emergency services. The portion of the funding gap from program growth would be made up through the revised fare structure, for a more financially-sustainable and stable funding model.