

## Fair Entry Low Income Transit Pass Scenarios

It is requested this document is held confidential pursuant to Section 21 (Disclosure harmful to intergovernmental relations) of the *Freedom of Information and Protection of Privacy Act* until such time Committee deems it appropriate for public consumption.

### 1. Introduction

During 2023-2026 Service Plans & Budget deliberations, Administration received direction to create forecasting scenarios relating to changes to an individual income eligibility assessment to qualify for Fair Entry, and that these scenarios would specifically focus on the Low Income Transit Pass.

The forecasts contained in this document cover two potential scenarios for application of the individual income eligibility determination as outlined in the Motion Arising. Within each of the scenarios, a high, medium and low forecast is presented. The scenarios include:

- Applying individual income eligibility to the Low Income Seniors Annual Transit Pass only; and,
- Applying individual income eligibility across all Low Income Transit Pass programs (including both the annual seniors pass and monthly pass for adults and youth).

The forecasting scenarios that follow in this attachment are based on expanded eligibility for Low Income Transit Passes based on an **individual**, rather than household, income assessment. This change to the Fair Entry assessment introduces additional applicants and changes to process. These changes are not recommended at this time in the absence of funding, and transition plans for how the entire program may, inadvertently, allocate subsidy fares to individuals in with significantly who are associated with high overall household incomes (for example, young adults with strong family supports). Care should be given in providing specific consideration for some groups versus others with similar financial circumstances.

The purpose of the scenarios in this attachment are to inform discussions between The City and the Government of Alberta on possible future changes to Transit subsidy programs.

### 2. Background and Context

The change to an individual income assessment represents a significant change for Fair Entry's eligibility screening. Currently Fair Entry's income assessment uses household income as the basis of income assessment. Statistics Canada's Low Income Cut Off (LICO) represents an income threshold below which a family will likely devote a larger share of its income on the necessities of food, shelter and clothing than the average family. In basing the threshold on household expenses as a portion of income, the LICO threshold considers household expenses as shared and growing proportionally with additional household members as opposed to a fixed expense that doubles with each new household member added.

Below is an excerpt from the Fair Entry Application currently in use. This identifies how household income as measured by LICO is currently applied to assess eligibility:

**Section 5: Other Household (Family members) Information (not already in Sections 2.2 and 2.3)**

There are only two circumstances where we require information about household\* members and their income:

1. If anyone in the household is providing a Notice of Assessment, everyone 18 years and older within the household needs to submit an income proof. Refer to the Statistics Canada Low Income Cut-Off (LICO) table below for information about household income.

**OR**

2. If anyone in the household is applying for No Cost Spay/Neuter or the Property Tax Assistance program everyone 18 years and older within the household needs to submit an income proof.

If either of these two circumstances apply to you, income documents will be required for all adult household members. Household members should provide a proof of income found in Section 8: Income Verification if they have it, otherwise a Notice of Assessment will be required.

**\*What is a household?**

A household is **all** family members living in the same home related by blood, marriage, common-law or adoption (including children). This definition is provided by Statistics Canada, it accompanies the low-income table which is based on household income.

Your Total Income can be found on your Notice of Assessment on Line 15000. When adding up the total income amounts for all household members as defined above, the household total income amount should be at or less than the Statistics Canada, Low-Income Cut Off (LICO) rate if you are using a Notice of Assessment to apply to Fair Entry. See the table below for income thresholds based on the number of family members in your household.

Statistics Canada Low Income Cut-Off (LICO) Table

Size of family	Total Income (Line 15000)
1 person	\$27,514
2 persons	\$34,254
3 persons	\$42,111
4 persons	\$51,128
5 persons	\$57,989
6 persons	\$65,401
7 or more	\$72,814

**Figure 1. Fair Entry Application Guide: Household Income Description and LICO Table (2022)**

Approval status is active for one year from the date of Fair Entry approval. In the case of transit passes, as soon as a customer is approved through Fair Entry, a transit pass can be purchased online or in-person.

Low Income Transit Pass (Adult/Youth)

A sliding scale for Adult and Youth transit pass pricing is currently in effect as outlined in the table below.

<b>Band</b>	<b>LICO Income Range</b>	<b>Price Discount Off an Adult Monthly Pass</b>	<b>2023 Low Income Transit Pass Price, per month</b>	<b>Number of Participants in Band (2022)</b>
A	0% to 50% of LICO	95 per cent	\$5.60	28,786
B	50% to 85% of LICO	65 per cent	\$39.00	20,432
C	85% to 100% of LICO	50 per cent	\$56.00	3,228

Seniors Passes

The Low Income Seniors Annual Transit Pass is an annual/yearly pass (\$30), a discount of 80 per cent of the cost of the regular Seniors Annual Transit Pass (\$150), which any Calgarian 65 and over is eligible to receive. It is worth noting that the Low Income Seniors Annual Transit Pass is a 99 per cent discount compared to the price of 12 adult monthly passes. The regular Seniors pass is a 94 per cent discount compared to the price of 12 adult monthly passes.

**3. Scope of Change and Assumptions**

A change to an assessment of incomes based on individuals rather than households would result in significant growth. LICO represents an income threshold below which a family will likely devote a larger share of its income on the necessities of food, shelter and clothing than the average family. In basing the threshold on household expenses as a portion of income, the LICO threshold considers household expenses as shared and growing proportionally with additional household members as opposed to a fixed expense that doubles with each new household member added.

The following is an example to describe the assumptions in these scenarios. A household with four people might currently apply and be assessed against the LICO for a four-person family (\$51,128) and have a household income above the LICO threshold. Under the proposed approach, if household members were interested in the Low Income Transit Pass program, an assessment would be undertaken for each individual over the age of 18. In this scenario, household members may qualify as individuals against the one-person LICO (\$27,514) threshold, each earning less than the one-person threshold, but collectively earning greater

than the four-person threshold (\$51,128). In this way, one or more of the members of the household may qualify as eligible for the Low Income Transit Pass individually, whereas as a household they may not qualify.

The estimates in this attachment are based on the assumption that LICO continues to be used for assessment of eligibility for individuals.

This does not account for the current pilot policy change for 2023 based on recent Council direction allowing children 12 and under to ride transit for free.

Estimates of pass sales are informed by the sales data from 2022. Public health guidelines related to the COVID-19 pandemic were eased significantly in March 2022. The resultant recovery in activity levels and transit service/ridership is gradual and by no means represents the future uptake in transit passes. A range of estimates is thus created to inform future decisions.

Based on a comparison of census data and Fair Entry user data, it is known that not all those eligible apply for Fair Entry subsidy programs. As such 2022 Fair Entry/subsidy program use patterns among existing eligible population were used as a proxy for current forecasting estimates.

#### 4. Low Income Seniors Annual Transit Pass Only

Based upon Statistics Canada Data and current user rates among seniors experiencing low income, it is estimated that approximately 15,000 seniors would be newly eligible and would apply for the Low Income Seniors Annual Transit Pass.

Financial forecasts examine a range of uptake among newly eligible seniors. It is known that transportation choice for seniors is complex and affected by accessibility, wait times, frequency, perception of safety and more.

Those newly eligible seniors who use transit are assumed to have been purchasing regular annual seniors passes in the past. Thus, the estimated revenue impact per year is based on the difference between the regular annual pass (\$150) and the low income annual pass (\$30), or \$120 per person.

	<b>Low</b>	<b>Medium</b>	<b>High</b>
Per cent of newly eligible using transit	25%	50%	75%
Number of transit customers	3,750	7,500	11,250
Revenue Reduction to Calgary Transit	\$450,000	\$900,000	\$1,350,000

Impacts associated with the full-time staff equivalent (FTE) staff positions required for evaluation of additional eligible applicants in Fair Entry and additional pass sales for Transit are estimated below.

	<b>Low</b>	<b>Medium</b>	<b>High</b>
Fair Entry - Number of FTEs required	0.68	1.37	2.0
Financial Impact to Fair Entry	\$69,659	\$140,341	\$204,878
Financial Impact to Calgary Transit	\$50,000	\$100,000	\$150,000

The additional sales volumes and processing throughout the year for the Low Income Seniors Annual Pass can be handled through existing Calgary Transit sales store fronts with a modest increase to staff budgets as shown in the table above.

Total estimated financial impact, including both revenue loss and administrative costs, to The City associated with the Low Income Seniors Annual Transit Pass is estimated as:

	<b>Low</b>	<b>Medium</b>	<b>High</b>
Total Financial Impact	\$569,659	\$1,140,341	\$1,704,878

#### 5. All Low Income Transit Pass Programs Impact– Monthly (Adult/Youth) and Seniors Annual

Based upon 2022 sales figures, it is estimated that 74,717 persons would purchase a Low Income Transit Pass if individual assessment is applied to the Low Income Transit Pass universally.

Of these persons, approximately 15,000 are seniors who would purchase a Low Income Seniors Annual Transit Pass, leaving approximately 60,000 new Low Income Transit Pass customers. Of these 60,000 new customers, approximately 15,000 would be youth aged 6-17.

To inform a range of scenarios, the 60,000 estimate of new Low Income Transit Pass customers is further broken into 'low estimate', 'medium estimate' and 'high estimate' as follows:

	<b>Low Estimate (minus 20 per cent)</b>	<b>Medium Estimate</b>	<b>High Estimate (plus 20 per cent)</b>
New Customers	48,000	60,000	72,000

To inform the financial implications of the scenarios, these ranges are further broken into the Low Income Transit Pass sliding scale bands A, B and C. These are based on the number of customers eligible in each band in 2022.

<b>Band</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
A	25,740	32,176	38,611
B	19,425	24,282	29,138
C	2,834	3,543	4,252
Total New Customers	48,000	60,000	72,000

The number of monthly passes sold in a year under each category is calculated based on the rate at which customers purchased passes in 2022.

<b>Band</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
A	160,956	201,195	241,434
B	108,028	135,035	162,042
C	16,127	20,159	24,191
Passes Sold in a Year	285,112	356,390	427,668

As context for growth, in 2022 just over 300,000 passes were sold. At its peak in 2019, roughly 480,000 passes were sold. Therefore, the change to an individual assessment would roughly double the sales in the Low Income Transit Pass program.

#### Uncertainty Associated with Revenue Impact

It is difficult to estimate lost revenue from the change in eligibility without detailed modelling of travel behaviour and surveys of customer segments. For example, it is uncertain how many adults who would now qualify for the Low Income Transit Pass are not taking transit today, only taking transit periodically (using single-ride tickets) or purchasing regular Adult/Youth monthly passes. Notwithstanding this, preliminary estimates see revenue impacts in the order of \$10+ million, excluding impacts to the annual low income seniors pass. This “order of magnitude” impact is included in scenarios below. Revenues from all sources, including the Low Income Transit Pass, help offset the cost of service delivery. Any reduction in revenue will need to be offset by either a corresponding reduction in expenditures (less service) or tax support.

#### Financial Impacts

If individual assessment is implemented across the entire Low Income Transit Pass program, between 56,600 and 85,000 additional applications would require processing.

If applied to those 65 and over only, approximately 3,750 to 11,250 additional applications would require processing.

The table below represents the total administrative need to process additional applicants brought on by a change to individual income assessment for the Low Income Transit Pass. This estimate does not include additional storefront space should that be deemed necessary as part of further analysis of implementation.

The estimated additional resources and staff would require an increase of approximately \$900,000 to Calgary Transit to support additional pass sales. This estimate does not include additional storefront space, because at this time it is premature to estimate the volume of in-person purchases (notwithstanding the need for greater analysis, the estimates represent a doubling in the size of the Low Income Transit Pass program over current pass sales). The City will continue to promote the availability of the Low Income Transit Pass through the online store and the My Fare mobile payment application, introduced in March 2022, and The City would invest in promotion of these media in alignment with other digital equity initiatives should expanded eligibility be introduced. This would mitigate, but not likely eliminate, the need for additional storefront space. As of December 2022, 7% per cent of Low Income Transit Passes were sold on My Fare (75% were sold in person, and 18% were sold through the eStore).

<b>Forecast Range</b>	<b>New FTEs Required to support Low Income Transit Pass (adult/youth)</b>	<b>Total costs to Fair Entry associated with Low Income Transit Pass program administration (adult/youth)</b>	<b>Transit Administrative Costs associated with Low Income Transit Pass program administration (adult/youth)</b>	<b>Transit Revenue Impacts associated with Low Income Transit Pass program (adult/youth)</b>	<b>Total Estimated Costs associated with Low Income Transit Pass program (adult/youth)</b>
Low	10.4	\$1,065,365	\$900,000	\$10,000,000	\$11,965,365
Medium	13.0	\$ 1,331,707	\$900,000	\$10,000,000	\$12,231,707
High	15.6	\$1,598,048	\$900,000	\$10,000,000	\$12,498,048

In total, implementation of individual income eligibility across all low income transit programs is outlined in the table below.

	<b>Low</b>	<b>Medium</b>	<b>High</b>
Total Low Income Seniors Annual Pass (revenue and administration)	\$569,659	\$1,140,341	\$1,704,878
Total Low Income Monthly Pass (adult/youth) (revenue and administration)	\$11,965,365	\$12,231,707	\$12,498,048
<b>Total Costs All Low Income Transit Programs (seniors and adult/youth)</b>	<b>\$12,535,024</b>	<b>\$13,372,048</b>	<b>\$14,202,926</b>

### Non-Financial Impacts

To implement any changes, database and operational processes would require updating. Estimates of timeframe to complete have not been undertaken during this preliminary analysis. There is potential for confusion among customers as new eligibility would add a layer of complexity to the current process, so an investment in communications, marketing and promotion will be required.

## 6. Summary

The change to individual income eligibility would provide expanded eligibility to more affordable transit options for many Calgarians. This in turn would provide increased community participation for persons previously not eligible. Access to the Low Income Transit pass, users have expressed, provides greater access to services, friends and family as well as employment opportunities.

It is recommended that discussions with the Government of Alberta are focused on the existing gaps between low income transit pass subsidies and existing funding agreements. The current funding of \$4.5 million annually is far less than the actual subsidy associated with the Low Income Transit Pass program under existing application criteria.

Applying individual assessment for the Low Income Seniors Annual Transit Pass is estimated to cost between \$500,000 and \$1,700,000 depending on volume of applications and passes sold under the new eligibility approach.

To implement individual assessment across the entire Low Income Transit Pass program (seniors and adult/youth) would range between \$12.5 million and \$14.2 million. The revenue impacts associated with changes in eligibility in these segments (adult and youth) are complex and require further modelling before precise estimates can be provided.