

## **Attachment A**

### **Staff Analysis of May 31, 2017 Citizen Petition – Free Youth Pass Program**

At the May 31, 2017 Formal City Council meeting, a citizen petition was presented requesting provision of free bus and light rail transportation to students in pre-school through high school, 19 years of age or younger traveling to and from school, and to their accompanying parents or guardians.

Staff provided initial analysis and a recommendation at the June 7, 2017 City Council Formal Meeting. The City Council's action on the petition directed staff to conduct further analysis and return to the Transportation and Infrastructure Subcommittee in October with evaluation of the following:

- Financial impact of free youth fares
- Legal issues and potential for inequitable treatment and discrimination
- Alternative funds and/or grants
- Other Council considerations
- Options

#### ***Background***

Public transit in the Phoenix metropolitan area is a regional system, operating in fifteen cities and unincorporated areas of Maricopa County. Each jurisdiction is credited the fare revenue for boardings that occur within their respective jurisdiction. The current transit fare policy goes beyond federal requirements by providing reduced (half price) fares for youth 6-18 years of age. Providing free rides is not permitted in the regional transit fare policy, except for children under the age of six. Payment is required for all other rides except neighborhood circulators.

Within Phoenix there are 283 public schools with enrollment over 228,000 and 108 charter schools with enrollment over 30,500. There are more than 70 public schools with attendance boundaries that cross the Phoenix boundary and residents of Phoenix and other cities attend those schools.

#### ***Financial Impact***

The financial impact of covering the costs for all youth fares pass includes several components: lost fare revenue, reimbursement to the region for youth rides in other cities, additional buses and route extensions to address increases in ridership during peak times, extending/ adding routes to serve schools in areas where transit service is currently not provided, and the cost of administering a free youth pass program. Combining these elements would result in an estimated financial impact of \$11.8 to \$24.2 million annually.

Staff incorporated appropriate methodologies to develop multiple revenue impact scenarios. This included data from the City of Tempe free youth pass program, the Phoenix Union High School District (PUHSD) Platinum Pass program, Valley Metro Origins and Destinations (O&D) survey, as well as Census data to determine the potential impact on revenues for the City of Phoenix. A range of lost revenue is

estimated to be between \$7.5 million and \$18 million. The \$7.5 million at the low end is based on O&D survey data for actual utilization of the transit system by youth. The \$18 million is based on current high school students' actual use of the current Platinum Pass applied to overall Phoenix youth population, adjusted to reflect the monthly maximum revenue per pass.

Providing free public transit rides for youth will likely require additional service emanating from two distinct impacts – increased demand on existing services, and new transit service needed in areas near schools where none exists today.

Research and experience show that ridership increases significantly when free fare transit is offered. Phoenix experienced this when the free circulator 19C was implemented during light rail construction on 19<sup>th</sup> Avenue and ridership increased 45 percent. Covering users' costs of transit will increase the demand on the system, especially during peak travel times where, on average, 22 of 38 Phoenix local routes today experience overcrowding. Managing overcrowding requires additional buses, additional drivers and all associated additional operating and maintenance costs.

Phoenix transit routes are designed and revised based on current ridership demand and other factors. As explained in more detail later in this report, school transportation in Arizona is included in funding provided by the state to schools and for most public schools, "yellow bus" service is provided for students. So, existing Phoenix transit routes do not necessarily correspond with school sites as the majority of local bus routes are on major streets. This means that in some areas and for many schools, transit routes would not provide a potential transportation solution for students even if the costs were covered. It also means that significant disparity and inequity would exist between schools depending on whether they happen to sit on existing bus routes. This creates unfairness and the potential for claims of discrimination even if not intended. If this request were to be implemented, staff would propose the addition of new transit service in areas where none exists today for more equitable distribution of public transit for all schools. Without additional revenue, these significantly increased costs would require removal of currently provided or planned transit service to Phoenix residents.

Implementation would also require additional administrative efforts to manage the program. Age and residency eligibility would need to be confirmed for each person receiving a pass; and there is a cost to produce, store, and physically distribute the passes. Administrative costs would likely range from \$150,000 to \$500,000 annually, depending on the level of actual demand for the passes and the ability to partner with schools or school districts.

A breakdown of potential costs is included in Attachment B.

### ***Service Impacts***

Because no existing funding is available to offset the financial impact of the proposal, without additional revenue, the impact of this program would mean reductions to current transit service provided to Phoenix residents. The estimated financial impact would mean a service reduction equivalent to eliminating two to six major local bus routes,

affecting approximately five to fifteen million annual rides. An alternative would be the cutting of approximately two to three hours of new service hours that were implemented last fiscal year and resulted in significantly increased ridership. Staff recommends no reductions to transit service.

### ***Legal Issues***

Arizona state law requires school districts to provide transportation, no more than twenty miles each way to and from school or to an adjacent district for nonresident students with disabilities whose education program specifies that transportation is necessary for fulfillment of the special needs program. This means that the district educating the student must provide transportation for a student with a disability if the student resides in an adjacent school district. Under federal law, Individuals with Disabilities Education Act, if it is determined that a student needs transportation to benefit from special education, then the school is obligated to provide the service. The school districts are required to provide these services under state and federal law. It is important to mention that many times students need special assistance and individuals that provide transportation services must be trained to transport a student with a disability.

Federal Transit Law requires all public transit entities comply with federal law and not engage in school bus operations using federal transit funded equipment or facilities in competition with potential service for private operators of school buses. The Federal Transit Administration (FTA) requires that the prohibition against school bus operations appear in all of Phoenix's transit operations contracts.

Making the City's public transit buses de-facto or legal school bus transportation, as opposed to its usual transit service is contrary to the federal requirement. Operating outside of federal requirements can result in extensive sanctions, including losing federal transit funds that it uses in support of its region-wide transit service. The federal allocation of transit formula funds for Phoenix currently stands at approximately \$30 million annually.

Providing free transportation to Phoenix residents but not to residents of other cities attending the same school could also be legally problematic.

In rare instances, Phoenix provides school tripper service. School trippers are used to alleviate extreme overcrowding which occurs during peak periods with students going to and from school. Tripper service refers to regularly scheduled public transit service designed or modified to accommodate the needs of school students and personnel while remaining open to the general public. The FTA provides an extremely narrow exception for this type of service. A fixed route can include a "minimal deviation" to a transit agency's route path. Any fixed route alteration must be minimal and only for schools within the immediate vicinity of the fixed route. Buses used in tripper service must be clearly marked as open to the public and may not carry designations such as "school bus" or "school special". These buses may stop only at regular service stops. All routes traveled by tripper buses must be within a regular route service as indicated in the published route schedules.

### ***Platinum Pass Program***

The Platinum Pass is a transit card available to companies, organizations or schools for their employees or students with a minimum of 20 active users. The card is charged the appropriate fare (in this case, a reduced fare), for each boarding on bus and rail service. At the end of the month, a bill is issued for each boarding up to the monthly cap of \$32 for a 31-Day reduced local pass. Currently there are 16 schools in Phoenix, as well as two school districts in other Valley cities, participating in the program to provide transportation solutions to their students. Phoenix Union High School District (PUHSD) participates in this program and has eliminated school bus service at all district schools except two. PUHSD's average cost per Platinum Pass is \$21.

The Public Transit Department and Valley Metro have discussed additional outreach to schools, including charters, for the Platinum Pass program.

### ***City of Tempe Program***

In 1996, Tempe voters passed a half-cent sales tax for transit operations and improvements in Tempe to provide free annual transit passes to youth. Starting in 2005, the Tempe Youth Transit Pass program covers the fares for youth ages six to 18 who live in Tempe and Guadalupe, when riding Valley Metro bus routes and the METRO light rail throughout the region. Because the proposal was included from the beginning, the financial impact of Tempe's youth fare program was built into their sales tax cost and revenue assumptions. The tax has no sunset and funds this program, which costs approximately \$420,000 annually.

In FY 2014-15, total Tempe participant enrollment in the Tempe Youth Pass Program was 3,775 out of the approximately 10,800 youth in the 6-18 age group. This equates to about 35 percent of eligible participants enrolled in the program. The current Tempe Youth Transit Pass program benefits students at Tempe Union High School District, Tempe Elementary, Kyrene Elementary Districts and charter school students.

### ***Alternative Funds and/or Grants***

Staff reviewed federal, state, tribal and local government funding options. Existing formula funds are fully allocated to ongoing needs and programs. All other grants are typically one-time funding competed for on an annual basis, which is not a reliable funding source for an ongoing program.

### **Federal**

The City researched potential funding sources among various federal agencies, including the Federal Transit Administration (FTA), and the Departments of Housing and Urban Development (HUD) and Education (DOE). Under the FTA, existing federal funds are fully allocated to existing transit programs. This includes the FTA's Urbanized Area Formula Grants (Section 5307), for which approximately \$6 million annually is currently allocated to Phoenix to cover necessary preventive maintenance and operations. Under HUD, funding through Community Development Block Grants (CDBG) is currently allocated to a variety of projects and initiatives. Under DOE, any reallocation of funding for these types of initiatives would come from cuts to existing education programs that serve low-income students.

### State/Local/Tribal/Foundation Grants

Government Relations staff has not identified grant funding availability to cover the costs of youth transit passes. There are very small grants to fund school bus replacements and school field trips to museums or educational facilities. Known grant opportunities are too small for this request, and are only available for short periods of time and therefore would not sustain a long-term program.

The Phoenix Government Relations Office coordinates the 12 percent tribal gaming grant process with Gila River Indian Community (GRIC), Fort McDowell Yavapai Nation, Tohono O'odham Nation, Salt River Pima-Maricopa Indian Community and Ak-Chin Indian Community. The gaming compact entered into by the State of Arizona and various tribes calls for 12 percent of gaming revenue to be contributed to cities, towns and counties for government services that benefit the general public. Each tribe has their own application process and list of priorities that benefit the general public. Most tribes do not fund projects on an on-going basis. Annual top awards are \$2,500 to \$300,000 over three years. In partnership with a municipality, any school, including charter schools, may submit a funding request to offset their transportation costs. Typically, the grant must show how the grant-funded service benefits the general public in and around that municipality.

### ***Other Council Considerations***

#### Safety Considerations

Several cities where public transit is heavily used by youth to get to and from school have also found it necessary to initiate corresponding safety programs to help ensure safe travel to and from stops and school, and to help mitigate the potential for increased truancy.

Throughout the city of Phoenix, transit stops are not located close to schools. In these areas, students could be required to walk considerable distances between the bus stop, school and home. Based on staff's review, public transit routes are more than six-tenths of a mile from more than 200 public and charter schools. Walking this distance can create safety issues for children. Although it requires the dedication of additional resources for their programs "safe passage" programs have been implemented in the cities of Chicago and Los Angeles to ensure youth can get to school and home safely without fear of harassment, bullying or violence. Increased truancy can also arise, because general transit can so easily be used to travel to non-school destinations, which is not the case with dedicated school bus systems. Within Phoenix Union High School District, which makes use of the City's existing Platinum Pass Program, the District closely monitors student attendance and will immediately suspend individual passes to manage the attendance of any specific students, as needed.

Stop Watch programs are designed for law enforcement to provide supervision and guidance to youth at transit stations. Law enforcement aims to initiate positive communication with youth, monitor youth activity and reduce the number of youth who use transit stations to congregate before, during or after school. In 2005, the Massachusetts Bay Transportation Authority (MBTA) Transit Police created the Stop

Watch Program to end the cycle of youth violence and arrests at transit stations. The MBTA Transit Police strategically monitors transit stations based on the frequency of youth activity, rumors of fights and passenger complaints.

Currently, the City of Phoenix Street Transportation Department has a safe-routes-to-school program that provides leadership, assistance, and training to schools across the city to help ensure safety for students who walk or bicycle to school. The Department also carries out various programs and initiatives to practice safe behaviors near school zones. Program staff are responsible for reviewing and responding to pedestrian and traffic related concerns that affect all public, charter, private and parochial K-12 schools in Phoenix. The Phoenix School Safety program is funded in part by a grant from the Governor's Office of Highway Safety.

#### State Funding for School Transportation

Arizona public schools received approximately \$9.8 billion in funding for the 2017-18 school year, which is approximately \$1.1 billion less since the Great Recession. Though lawmakers appropriated additional funding in FY 2017-18 over the previous year, plus the 2016 voter-approved Proposition 123, Arizona schools continue to face challenges with teacher pay/retention, overcrowded classrooms, and student transportation.

Although the state does not have an appropriation line item specifically for student transportation, they do provide a formula for calculating the Transportation Support Level (TSL). The TSL includes a calculation for funds spent on bus passes. Additionally, school districts may, through a voluntary program called Transportation Revenue Control Limit, assess an additional property tax levy to generate additional revenue for transportation costs above the TSL formula. School districts in Phoenix spent approximately \$86 million in transportation in 2016. This data is reported by school districts, which overlap city boundaries and include funding spent in schools within other cities.

Charter schools received approximately \$3.8 billion through a separate allocation called Charter School Assistance. This funding is to be used for transportation, capital assistance, etc. as they are not able to initiate bonds or overrides. Charter schools are not required to spend or report on transportation. Staff's best estimate is that a minimum of \$4 million is spent on transportation by Phoenix charter schools.

#### Means Testing

Staff researched cities and transit authorities that provide free or discounted transit fares based on a means or needs-based approach. The existing half-price fare for all youth in Phoenix is very comparable to the means-based programs in Los Angeles, Seattle and Tucson, which provide needs-based reduced fare. San Francisco, with the assistance of an annual \$6.8 million contribution by Google, provides a free fare based on income levels. Implementing means testing would require additional staffing or a third-party to administer the program, as well as result in lost revenue, additional administrative efforts, and increased costs estimated at \$3.1 to \$7.7 million annually to provide additional service.

### Circulators

Public Transit operates four neighborhood circulators. The routes range from 4 to 22 miles in length. The most current circulator passenger survey, completed in 2013, indicated that passengers use the service primarily for school, work and shopping purposes and 39% are teenagers. Three of the four neighborhood circulators routes pass by middle and high schools but do not deviate from the route like a “school tripper”. Creating a route that served all schools within a region could create conflicts with FTA regulations.

Transportation 2050 includes funding for three circulators, roughly 10 miles each in length. The first is planned for implementation in 2022 with the remaining two scheduled in the later years of the 34-year plan.

### ***Options***

1. Cover all costs and lost revenue of providing transit passes to all Phoenix youth. Combining the projected lost revenue, additional administrative efforts, and estimated cost to provide additional service, this financial impact is estimated to be approximately \$11.8 to \$24.2 million annually. This is not recommended, as implementation would require reduction of other transit services and/or rolling back of service improvements previously implemented, which would impact existing riders and other vulnerable populations. This reduction is the equivalent of eliminating two to six major local bus routes, affecting approximately five to fifteen million annual rides, or cutting two to three hours of new service hours implemented last fiscal year. Staff recommends no reductions to existing and planned transit service.
2. Maintain the existing fare program which provides free fares for youths 5 and under when accompanied by an adult, and reduced (half-price) fares for youths 6-18. This approach is in line with other cities that provide reduced and needs-based testing for youth.
3. In addition to maintaining the existing youth fare program in the second option, staff would perform targeted outreach on the Platinum Pass program. This includes proactively reaching out to public and charter schools in Phoenix to provide education on the Platinum Pass program to increase school participation in the program. Utilizing an existing program would not require additional administrative effort by the City, and there is the potential for increased transit revenue to help offset any additional service needs.

### RECOMMENDATION

Based on research and analysis of several options, staff recommends moving forward with option 3, targeted outreach to school districts and charter schools for the Platinum Pass program.