CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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Policy Analysis Report

To: Supervisor Campos
From: Budget and Legislative Analyst's Office
Date: February 18, 2014
Re: Follow-Up Analysis of the Impact of Waiving Muni Fares for Qualified San Francisco Youth

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Summary of Requested Action

You requested that the Budget and Legislative Analyst conduct an analysis of the impact of waiving Muni fares for qualified youth in San Francisco through the Free Muni for Youth program (FMFY) from March 1, 2013 through the end of the 2012-2013 school year. Specifically, you requested an analysis that takes into consideration: 1) actual participation in the Free Muni for Youth program, 2) revenue loss from waiving fares, and 3) additional costs associated with the administration of the program, as incurred by the San Francisco Municipal Transportation Agency (SFMTA) and San Francisco Unified School District (SFUSD). You indicated that additional costs might include SFMTA's efforts to alleviate additional crowding on certain routes through service changes and/or additional staff for managing crowd control on public transportation during certain times of the day, additional maintenance of MUNI vehicles, changes in fare evasion program costs, Clipper card costs and other administrative costs.

You requested that this analysis also include: the impact of expanding program eligibility to include all San Francisco youth ages 5 to 17, regardless of income, as well as 18 year old Muni riders; and, an identification of potential ongoing revenue sources to fund the program.

You directed the Budget and Legislative Analyst to also consider: changes in youth ridership levels comparing the period between September 2012 through February 2013 with the first three months of FMFY program implementation starting in March 2013; any difference between the number of youth eligible for the fee waiver and actual participation; and, the effectiveness of SFMTA and SFUSD's outreach efforts and costs.

You also requested that the analysis of the Budget and Legislative Analyst address the benefits of the program to the extent reliable data is available in areas such as increased public transit usage by youth, reductions in private vehicle usage, increased sense of safety due to less harassment by fare inspectors, and the economic impact on low-income young people and their families.

For further information about this report, please contact Fred Brousseau at the Budget and Legislative Analyst's Office.

Executive Summary

- On March 1, 2013, the SFMTA launched the Free Muni for Youth (FMFY) program, a 16-month pilot program waiving Muni fares for low and moderate income youth residents of San Francisco between the ages 5 and 17. The program was launched after SFUSD decided to reduce the use of yellow school buses for transporting students to and from school. As of February 13, 2014, 31,262 youth were registered for FMFY, or 78.2 percent of the estimated 40,000 eligible youth in San Francisco.

Program Costs

- ***Annual cost of pilot program: $2,927,438.*** The Budget and Legislative Analyst estimates that total annual program costs for the existing FMFY program is $2,927,438, comprised of an estimated $2,247,118 in lost fare revenue for SFMTA and $680,320 in net administrative and other additional variable costs reported by SFMTA staff.

- ***Annual incremental cost of expanding current program to include all 5-17 year olds regardless of income: $2,367,130.*** The Budget and Legislative Analyst estimates that expanding the existing FMFY program to include all youth ages 5 to 17, regardless of income, would increase program costs by $2,367,130, or 80.9 percent over estimated current pilot program annual costs of $2,927,438, for a total estimated annual cost of $5,294,568.

- ***Annual incremental cost of expanding current program to include all 18 year olds based on income: $1,148,659.*** The Budget and Legislative Analyst estimates that including 18 year olds in the program, based on the same income criteria as is now in place for 5-17 year olds, would result in lost fare revenue and additional net annual costs of $1,148,659.

- ***Annual cost of expanding current program to include all 18 year olds regardless of income: $1,470,137.*** The Budget and Legislative Analyst estimates that expanding the existing FMFY program to include all 18 year olds, regardless of income, would increase net annual program costs by $1,470,137. This amount is comprised of $1,148,659 for including 18 year olds based on income and an incremental $321,478 to include all other 18 year olds, regardless of income, for a total annual cost $1,470,137.

- A summary of annual FMFY program costs under the current program requirements and with the alternative sets of eligibility requirements discussed above are presented in Exhibit A. All lost fare revenue and program cost estimates are based on current fares and costs.

Exhibit A: Annual Costs for Current Pilot Program and with Expansions of Program Eligibility to Include all 5-18 Year Olds, With and Without Income Requirements	
Program Eligibility	**Annual Cost**
Annual cost of current pilot program for 5-17 year olds, based on income	$2,927,438
Incremental cost of including all 5-17 year olds, regardless of income	$2,367,130
Subtotal: Cost of program for all 5-17 year olds, regardless of income	*$5,294,568*
Annual cost of including all 18 year olds, based on income	$1,148,659
Incremental cost of including all 18 year olds, regardless of income	$321,478
Subtotal: Annual cost of including all 18 year olds, regardless of income	*$1,470,137*
Total annual cost for all 5-18 year olds regardless of income	$6,764,705

- Of the total estimated annual costs of $6,764,705 if program eligibility were expanded to all 5-17 year olds and all 18 year olds, regardless of income, $6,091,994 would be due to foregone fare revenue and the remaining $672,711 due to additional program administrative and other costs.

- Though SFMTA estimated in 2011 before FMFY was implemented that it would incur additional costs to provide additional service hours to maintain standards of capacity and operations if youth ridership were to increase after implementing FMFY, SFMTA data for certain routes with high youth ridership shows that has not been the case. For some routes where ridership has increased since FMFY was implemented, service hours and costs have not increased. On the other hand, on some routes frequently used by youth where ridership has remained the same or declined, service hours have been increased by SFMTA. In conclusion, there does not appear to be a relationship between increased ridership and increased service hours and costs.

Possible revenue sources:

- A number of potential revenue sources that could be used to fund FMFY on an ongoing basis have been proposed or discussed by the Board of Supervisors and other City officials in recent months. Three potential sources that could be used to cover FMFY program costs, subject to approval by the Board of Supervisors and the voters are: 1) an increase in the Vehicle License Fee paid by San Francisco vehicle owners, 2) an increase in the San Francisco sales tax, and 3) adoption of a special tax to impose fees on private shuttle buses operating in San Francisco.

- State law enacted in 2012 allows the City and County of San Francisco to establish an enhancement to the existing State Vehicle License Fee, with all of the incremental revenue except the State's costs to administer this fee, collected by the City and County of San Francisco. Subject to approval by the Board of Supervisors and a simple majority of the voters, the fee could be raised to its historic level of two percent of vehicle value from its current statewide rate of .65 percent of vehicle value. Using data obtained from the California Department of Motor Vehicles, the Budget and Legislative Analyst has estimated that the additional revenue to the City and County of San Francisco, if an increase in the Vehicle License Fee is approved, would be approximately $72.8 million in its first year and would likely increase in future years as vehicle values increase.

- Raising the sales tax in San Francisco by 0.5 percentage points from 8.75 percent in to 9.25 percent could generate an estimated $73 million annually, according to a July 2013 report by the Mayor's Transportation Task Force. Such an increase would require approval by the Board of Supervisors and two-thirds of the voters. The proceeds could be used to pay for some or all of SFMTA's operating costs and lost revenue forgone due to the FMFY program.

- A final potential source of revenue requiring approval by the Board of Supervisors and voters is a special tax that could be imposed on private shuttle buses that use City property and streets. The purpose of such a tax would be to generate funding to benefit the City in exchange for the use of City streets and other property for the benefit of the shuttle bus operators. The amount generated would depend on how the tax is structured for approval by the Board of Supervisors and the voters.

- Other potential sources of revenue that could be used to fund the existing FMFY program on an ongoing basis, or an expanded version of the program, include grant funding and the General Fund.

Program Benefits: SFUSD Student Survey Results

- **Youth ridership may be increasing due to FMFY:** Clipper card data indicate that there were 266,025 more Clipper card tags by youth Muni riders in May, 2013 than in May, 2012, an increase of 41.1 percent. As a result, Clipper card tags by youth represented 9.2 percent of all Clipper card tags in May, 2013, compared to only 7.1 percent of all Clipper card tags in May, 2012. This apparent increase appears to reflect an increase in the use of Clipper cards by program participants compared to other forms of payment used prior to the program and an increase in Muni ridership by program participants, according to a San Francisco Unified School District survey of approximately 6,800 high school students conducted in 2013.

- Responses to an SFUSD student survey show that additional education, outreach and/or changes in program eligibility could be made to improve program participation. Specifically, 1,111 of the 6,350 respondents to survey questions about program eligibility did not know what the FMFY pass was. Further, approximately 750, or 11.8 percent, of those respondents reported that even though they qualify for a FMFY pass, they did not have one. The Budget and Legislative Analyst could not determine if these respondents were using alternative modes of transportation or were still riding and paying for Muni on a single fare basis. Finally, over 1,000 respondents reported that they did not qualify for the FMFY pass due to their age or income.

- Student survey responses highlight some other potential benefits from the FMFY program, as well as areas of concern that, if addressed, could potentially increase Muni ridership by youth and decrease private vehicle use. Examples of some of these survey responses include:

    - 60.5 percent of the respondents reported that, recently, their family can always afford for the youth to regularly ride Muni.
    - There was no discernible change in the use of private vehicles to and from school though such behavior changes may take longer than only the first three months of the program to occur.
    - Approximately 45 percent of the respondents stated that they plan to ride public transportation regularly as adults, while 70 percent of respondents would recommend Muni to their friends.
    - 53 percent of the survey respondents felt that Muni drivers and fare inspectors treat them respectfully only *sometimes*. However, 11 percent of the respondents said that they are rarely treated respectfully while five percent said that they are never treated respectfully.

- The survey results above cannot be considered conclusive relative to the FMFY program as it was conducted after only three months of the pilot program being in place, at which point many youth registered for the program had not used it yet and many youth qualified for the program had yet signed up for it.

Policy Options

The Board of Supervisors could consider the following options for improving Free Muni for Youth program participation under the existing eligibility requirements, expanding program eligibility and participation, reducing variable costs associated with the program, and obtaining ongoing revenue to support continuation and possible expansion of the program:

1. The Board of Supervisors could request input from with SFMTA and SFUSD to jointly develop steps to improve program outreach and education to increase youth participation in the FMFY program and Muni youth ridership. Such education and outreach promotional efforts, conducted by SFMTA and SFUSD staff and/or possibly community-based organizations, could include:

    a. Clarification on the eligibility requirements as 100 percent of the Bay Area median household income, not just participation in a school's free or reduced lunch program, which has more restrictive income requirements for participation;

    b. Emphasizing the importance of tagging FMFY passes or Clipper cards every time the youth board a Muni vehicle or enter a Muni fare station;

c. Communicating the consequences of not carrying proof of payment on Muni, including Clipper cards for FMFY participants, as well as for adults misusing a FMFY Clipper card, including citations, confiscation of FMFY passes and fines; and,

d. The benefits of riding Muni as opposed to utilizing private vehicles as the primary mode of transportation throughout San Francisco.

2. The Board of Supervisors could request input from SFMTA and advocate for making the existing income-based FMFY pilot program an ongoing program, at an estimated annual net cost of $2,927,438.

3. The Board of Supervisors could request input from SFMTA and advocate for making the existing income-based FMFY pilot program an ongoing program and expanding it to include all Muni riders between the ages of 5 to 17, regardless of income, at a net incremental annual cost of $2,367,130 for a net fiscal impact of $5,294,568 ($2,927,438 for the current program + $2,367,130 incremental costs).

4. The Board of Supervisors could request input from SFMTA and advocate for making the existing income-based FMFY pilot program an ongoing program and expanding it to include 18 year old Muni riders, based on the same income criteria in place for the pilot program, since at least some 18 year olds are still in high school. The Budget and Legislative Analyst estimates that waiving fares for 18 year olds based on income would result in lost revenue and net costs of $1,148,659.

5. The Board of Supervisors could request input from SFMTA and advocate for making the existing income-based FMFY pilot program an ongoing program and expanding it to include 18 year old Muni riders, regardless of income. The Budget and Legislative Analyst estimates that waiving fares for all 18 year olds would result in lost revenue and net costs of $1,470,137 ($1,148,659 for including 18 year olds based on income and an additional $321,478 for including all 18 year olds in the program, regardless of income).

6. The Board of Supervisors could consider approving and submitting to the voters ballot measures to increase certain revenues, with a portion of the proceeds used to cover the costs of the FMFY program as currently structured, or as enhanced to increase eligibility. These options include: (1) raising the Vehicle License Fee to its historic level of two percent of the assessed value of vehicles, (2) increasing the sales tax in San Francisco by 0.5 percentage points to 9.25 percent, and (3) imposing a special tax on private shuttle buses that use City streets and bus stops, and urging San Francisco voters to approve one or more of these measures in a subsequent election.

PROGRAM ELIGIBILITY AND PARTICIPATION

ELIGIBILITY

On March 1, 2013, the SFMTA launched the Free Muni for Youth (FMFY) program, a 16-month pilot program waiving Muni fares for low and moderate income youth ages 5 to 17, living in the City and County of San Francisco. The program was launched after SFUSD decided to reduce the use of yellow school busses for transporting students to and from school. Youth are eligible for the program if their gross annual family income is at or below the Bay Area Median Income level as determined by the U.S. Department of Housing and Urban Development. Applicants self-report income and household size on their applications, but must provide documentation verifying their age. Median incomes by household size as of 2012, the year the FMFY was approved are presented in Exhibit 1.

Exhibit 1: Free Muni for Youth Program Eligibility Thresholds

Household Size	Bay Area Median Income
2	$82,400
3	$92,700
4	$103,000
5	$111,250
6	$119,500
7	$127,700
8	$135,950

Source: SFMTA

Program participants must have their participation activated on a Clipper card, known as a “pilot pass”, and must tag the card each time they board a Muni vehicle or enter a station fare gate. The pilot pass expires on June 30, 2014 or the participant’s 18th birthday, whichever comes first.

REGISTERED PARTICIPANTS

According to SFMTA, 27,437 youth were registered for FMFY as of May 31, 2013. Registered participants represent 68.6 percent of the 40,000 eligible youth in San Francisco as estimated by the Budget and Legislative Analyst.[1] SFMTA reports that as of February 13, 2014 there were 31,262 youth registered for FMFY, or 78.2 percent of the 40,000 eligible youth. This is a 13.9 percent increase from the number of registered participants as of May 2013.

Outreach Efforts

Prior to the launch of FMFY, SFUSD distributed and collected applications, verified ages, and delivered the applications to SFMTA in large batches. Between December 25, 2012 and January 1, 2013, SFMTA received approximately 8,000 applications. Beginning on January 1, 2013, applications for the program were received online or by mail.

SFMTA stated their outreach efforts included: producing 30,000 brochures (in six languages), program fact sheets, and applications (in five languages); newspaper ads in major publications, including Spanish and Chinese newspapers; ads in 14 neighborhood newspapers, large banners in seven Muni stations; 5,000 customer information cards and brochures installed throughout Muni vehicles; a dedicated web page; e-mail blasts to San Francisco schools, including parochial and independent schools; and an orientation workshop for community based organizations. SFMTA reports that they also developed bullet points to be made available for teachers to use in the classroom and a PowerPoint presentation and script. Invitations were extended to all schools to have a representative from Muni talk about "responsible ridership" and FMFY, though SFMTA reported that few schools expressed interest.

In addition to SFMTA's efforts, SFUSD reported that its administration's outreach efforts were limited to informing each school about the program while community groups and advocates conducted most of the outreach to youth and their families. Some advocates report that their community outreach was limited due to limited resources; no advocacy groups received funding from the City for their outreach efforts.

[1] SFMTA estimates that there are approximately 33,000 youth enrolled in the free or reduced school lunch program in San Francisco, which has income requirements lower than the median Bay Area income requirements for the FMFY program. It is estimated by the San Francisco Planning Department, and concurred by SFMTA, that there are approximately 47,000 youth in San Francisco that live in households that are at or below 120 percent of the Bay Area median income. Therefore, the Budget and Legislative Analyst estimates that there are approximately 40,000 youth living in households that are at or below the Bay Area median income (FMFY requirements), based on the midpoint between the 33,000 youth enrolled in the free or reduced lunch program and the estimated 47,000 youth living in households at or below 120 percent of the Bay Area median income.

ESTIMATED TOTAL PROGRAM COSTS

The Budget and Legislative Analyst estimates that the total program costs for the existing Free Muni for Youth program is $2,927,438, which includes an estimated $2,247,118 in lost fare revenue and additional variable program costs. The program costs are summarized in Exhibit 2 and discussed further below.

Exhibit 2: Summary of Estimated Income-based FMFY Program Costs	
Estimated Lost Fare Revenue	$2,247,118
Ongoing SFMTA Administration Costs	159,359
Ongoing SFUSD Administration Costs	4,790
Incremental Clipper card Contract	218,510
Fare Enforcement Staffing	83,234
Muni Transit Assistance Program (MTAP)	214,427
Maintenance (Graffiti Clean Up)	Not Estimated
Total	**$2,927,438**

Sources: Based on SFTMA 2011-2013 revenue data, and SFMTA and SFUSD reported costs.

LOST FARE REVENUE

To estimate how much revenue SFMTA may forgo annually as a result of continuing the FMFY program, the Budget and Legislative Analyst analyzed *actual* revenue collected from monthly passes and cash fare between March and May, 2013, the first three months of the program, and used the highest monthly revenue amount collected, $212,097from May 2013, as the basis for projecting a baseline annual amount that the SFMTA will continue to collect from youth while the FMFY program is in effect. For this analysis, the annualized amount of projected youth revenue was then decreased, assuming that FMFY program participation will increase by ten percent over the first year as outreach and awareness of the program increases. Although SFMTA reports that there were 31,672 youth registered for FMFY as of February 13, 2014, a 13.9 percent increase from the number of registered participants in May 2013, the Budget and Legislative Analyst assumes that a portion of the participants do not ride Muni, as was the case in the first three months of the pilot program and therefore would not contribute to estimated lost fare revenue.

To determine the annual revenue SFMTA will forgo under the FMFY program, the difference between the projected annual revenue collection under the FMFY program, assuming no change in ridership, and actual revenue collected from all youth Muni riders in FY 2011-12 was calculated. The results are illustrated in Exhibit 3. As shown, FY 2011-12 revenues from youth were $4,587,986 and the Budget and Legislative Analyst projects that annual youth revenue under the current FMFY program will be $2,545,164, resulting in a total fare revenue loss of $2,042,822.

The Budget and Legislative Analyst assumed a ten percent increase in the number of FMFY participants which would result in an increase from the 27,437 participants registered as of May 31, 2013 to 30,181 for all of FY 2013-14, the first full year of FMFY. The Budget and Legislative Analyst assumes the same level of ridership by the additional FMFY participants as the program participants in the first three months of the pilot program for an average of $74.46 in lost revenue per program participant per year ($2,042,825 divided by 27,437). With a projected 30,181 FMFY participants for a full year and average lost fare revenue of $74.46 per participant per year, SFMTA would lose an additional $204,296 ($74.46 x 2,744 additional participants = $204,296) for a total of $2,247,118 in lost annual youth revenue. If FMFY program participation increases beyond the ten percent increase assumed by the Budget and Legislative Analyst, SFMTA's revenue loss could be greater.

Exhibit 3: Estimated Lost Fare Revenue due to FMFY

	FY 2011-12 Actual Revenues	Projected Annual Revenue Collection with FMFY	Variance (Estimated Lost Fare Revenue with FMFY)
Monthly Youth Passes	$2,447,661	$889,416	($1,558,245)
Single Ride Fare[1]	$2,140,325	$1,655,748	($484,577)
Subtotal	**$4,587,986**	**$2,545,164**	**($2,042,822)**
Plus 10% Increase in Program Participation		**$2,340,868**	**($2,247,118)**

Source: SFMTA revenue data for July 2011 through May 2013.
[1] Single ride fare includes estimated cash fare paid by youth riders through the fare box, as well as youth utilizing e-cash on Clipper cards for single rides.

OTHER PROGRAM COSTS

Program Administration

The SFMTA and SFUSD provided two estimates of the FMFY program's administrative costs. The first was for program implementation and the second was for ongoing administrative costs. Because SFMTA administers most of the program, which includes processing applications, activating Clipper cards, and ongoing customer service such as addressing problem applications[2] and lost and stolen Clipper cards, the estimated costs for SFMTA are higher than for SFUSD.

The SFMTA reported incurring $271,000 in expenditures from November 2012 through April 2013 for staff, printing and supplies, much of this one-time costs, to implement the program. The Budget and Legislative Analyst agrees that SFMTA's estimates of $155,359

[2] According to SFMTA, problem applications include applications without documents verifying the applicant's age, or the applicant: may not be a resident of San Francisco, already applied with another card number, reported income that is too high for eligibility, is under 5 or over 17 years old, provided an adult or unregistered Clipper card, or reapplied with the same card number as their original, problem application.

in expenditures annually for ongoing administrative costs are reasonable. SFUSD reported incurring approximately $3,600 in expenditures for staff from November 2012 through May 2013 and anticipates incurring $4,790 annually, which the Budget and Legislative Analyst also believes is a reasonable estimate.

Additional Clipper Card Costs

The Clipper card vendor charges SFMTA transaction fees every time a Clipper card is tagged on Muni vehicles and at station fare gates including tags by FMFY program participants, even though they are not technically paying a fare but, rather, verifying their “proof of payment”, as required for all passengers. The vendor fees are not based on a set rate but fluctuate as they are weighted based on SFMTA’s proportional share of Clipper card tags and revenue across all participating Bay Area transportation systems each month.[3]

The Clipper card vendor charged SFMTA fees based on 1,857,128 FMFY Clipper card tags made by 20,537 program participants[4] between March and June 2013. The Budget and Legislative Analyst estimates that the incremental Clipper card contract costs associated with FMFY will be $218,510 annually, assuming a ten percent increase in the number of FMFY participants and that all participants will ride Muni the average number of times that active participants used the system between March and May 2013.[5] However, Clipper card contract costs could be even greater if: 1) Clipper cards are issued to new program participants such as qualified participants who have so far not enrolled in the program and for 18 year olds if the program is extended to them, as discussed further below, and 2) registered participants increase their use of Muni. Further, SFMTA noted that Clipper card costs are subject to up to a three percent per year price increase per the Clipper card contract.

Fare Enforcement

In 2013, SFMTA increased the number of Transit Fare Inspectors by approximately 20 percent and established performance standards for issuing adult citations. As a result, actual expenditures for the program and the number of citations issued to adults *and*

[3] Transaction fees are assessed based on the total volume of Clipper card tags region wide. There is one rate for the first 15 million monthly Clipper card tags region wide, and other reduced rates for the incremental tags above 15 million and 30 million tags, respectively. Once the average transaction fee for the month is calculated based on the total region wide Clipper card tags, the total fees are allocated to each transportation system based on the portion of tags (2/3) and revenue (1/3) attributed to the transportation system for that month. As the number of participants for FMFY increase, so will the fees to SFMTA attributed to youth Clipper card tags.

[4] Although 27,437 youth had registered for FMFY as of May 31, 2013, only an estimated 20,537 actually used their cards for riding Muni during the first three months of the pilot program. This amounts to an average of 90.4 tags per youth for the three month period (1,857,128 total FMFY tags divided by 20,537 youth = 90.4), or 362 tags per youth on an annual basis (90.4 average tags for the three month period x 4 = 362 tags per year).

[5] This estimate also assumes that the FMFY cards that were inactive in May, 2013 become active and similarly tag their Clipper cards an average of 362 times per year.

juveniles increased during the first three months of FMFY when compared to the same months in 2012. In addition, SFMTA initiated its "all door" policy, allowing passengers to board buses and streetcars using front or rear doors, on July 1, 2012. SFMTA is currently conducting a study to determine if the increase in fare enforcement citations is due to the "all door" policy.

From March through May 2012, juvenile citations represented 1.1 percent of all citations issued, whereas juvenile citations represented 1.9 percent of all citations issued during the same period in 2013, the first three months of FMFY, a 0.8 percent increase.[6] According to SFMTA, the citations for juveniles were primarily for youth ages 15 to 17 and were almost exclusively for youth without any proof of payment (i.e. a receipt for cash fare, valid FMFY pass, or a paid youth monthly pass). SFMTA citation data doesn't distinguish, but the Budget and Legislative Analyst believes it is likely that these citations include both FMFY participants and non-participants.

Transit Fare Inspectors issued citations and confiscated 140 FMFY Clipper cards from adults misusing the cards in the first 90 days of the pilot program.[7] Citations for the 140 confiscated FMFY Clipper cards represent only approximately 0.8 percent of all 1,849 citations issued to adults during that period and approximately 0.5 percent of the estimated Clipper cards issued to the 29,725 youth that rode Muni during the same time period.[8] Of the 140 confiscated FMFY Clipper cards, 52, or 37.1 percent of the cards, were taken from an apparent relative or individual living at the same address as the youth to whom the card was issued. However, 88 confiscated cards, or 62.9 percent of all cards confiscated, were taken from individuals who have no obvious relation to the youth the card was originally issued to. When a FMFY Clipper card is confiscated, a letter is sent to the youth registered to the card asking them to reapply for a new FMFY Clipper card and pay a $5 fee to replace the card. Additionally, they are encouraged to take measures to distinguish the FMFY Clipper card from other Clipper cards that may be used by other members of the household to prevent additional misuse, citations and confiscations. The effects of passenger educational efforts such as these are not known at this time.

The Budget and Legislative Analyst estimates that $83,234 in annual expenditures, or 1.6 percent (based on the 0.8 percent increase in citations issued to youth during the first 90 days of the program compared to the same three months in 2012 and the 0.8 percent share of citations issued to adults for confiscated, misused FMFY cards relative to the number of all citations issued to adults) of the $5,202,103 in actual expenditures incurred for fare enforcement in FY 2012-13, is due to FMFY. This estimate captures costs associated with confiscated FMFY cards and citations as well as the increase in

[6] Although SFMTA confirmed that there was a 30-day grace period in which no citations were issued to youth participating in the FMFY program, there were 129 citations issued to juveniles in the first month of the FMFY program.

[7] According to SFMTA, 645 FMFY Clipper Cards were confiscated as of January 7, 2014.

[8] The number of estimated youth with Clipper cards is based on the 27,437 FMFY participants and 2,288 youth monthly passes issued on Clipper card in May 2013. Because adult Clipper cards are issued and used on multiple transit agencies in the Bay Area region, SFMTA could not provide an estimate for the number of adult Clipper cards issued.

citations for juveniles , even though there is no evidence suggesting that all of these youth were FMFY participants.

In addition to some adults using youth Clipper cards to take advantage of the waived fare, some of the increase in juvenile citations could also be due to misunderstandings among youth about FMFY rules and legitimate mistaken use since the FMFY Clipper cards look the same as regular Clipper cards. Those who are eligible must still apply, obtain, and tag a FMFY Clipper card every time they board a Muni vehicle or enter a transit station even though they are not being charged a fare. Conversely, those who are not eligible for FMFY may not realize that they are still required to furnish proof of payment for fares on Muni vehicles and at station gates. As a result, the Budget and Legislative Analyst cannot definitively attribute all of the increase in citations for juvenile youth to the FMFY for program, but does so to provide a conservative estimate of fare enforcement costs attributed to the program. Actual fare enforcement costs attributable to FMFY may be lower.

The Budget and Legislative Analyst concludes that some of these minor fare enforcement costs could decrease in the future with additional education and outreach to youth registered for the program and their families. Youth and their families should be advised of the (a) eligibility and requirements for participating in the program, (b) restrictions for adult use and the need to keep FMFY Clipper cards separate from regular adult or youth Clipper cards, even though they look exactly the same and (c) consequences for misuse of the FMFY Clipper cards and/or utilizing Muni without proper proof of payment.

Muni Transit Assistance Program (MTAP)

The Muni Transit Assistance Program (MTAP) deploys at-risk young adults in teams of two to prevent violence, graffiti, and other security issues on Muni near schools. MTAP staff do not issue fare evasion citations and try not to cover the same routes as Transit Fare Inspectors. The Budget and Legislative Analyst assumes that all MTAP costs are attributed to youth ridership on Muni because they are deployed only on school specific bus routes and associated stops. Based on the $250,530 in expenditures for MTAP during the first 90 days of the pilot program, which is $53,607 more than the $196,924 in expenditures in the same three months in 2012, the Budget and Legislative Analyst estimates that FMFY will result in an additional $214,427 ($53,607 x 4) in expenditures annually for MTAP operations.

Other Maintenance Costs

In 2011, prior to implementation of the FMFY program, SFMTA asserted that it would incur additional maintenance costs for cleaning graffiti and trash associated with increased youth ridership as a result of implementing FMFY. The Budget and Legislative Analyst attempted to collect data from SFMTA on the actual incidents of graffiti on Muni vehicles during the first 90 days of the pilot program as well as comparable data for 2012. However, the lack of data and inconsistent format of data from various bus yards make it difficult to substantiate additional costs in graffiti cleanup attributable to FMFY.

Therefore, no estimate of additional graffiti cleanup is provided as part of the Budget and Legislative Analyst's cost estimates of the FMFY program.

SFMTA had asserted in 2011 when the FMFY program was being considered that it would need to provide additional service hours on certain transit routes that would be operating above capacity with additional ridership by FMFY program participants. The Budget and Legislative Analyst did not agree that these estimated increased service hours and related costs were entirely attributable to FMFY since many of the routes had already been operating over capacity for years and SFMTA had not increased service hours during that time due to lack of resources.

To determine if SMTA had added service hours during the first three months of the FMFY pilot program on routes frequented by youth, the Budget and Legislative Analyst reviewed 2012 and 2013 ridership and service hour data for Muni routes SFMTA has identified as heavily used by youth riders. This data does not show increased service hours and costs for all routes with increased ridership, as SFMTA had expected in 2011. The data shows that for some routes where ridership has increased since FMFY was implemented, service hours and costs have not increased. On other routes frequently used by youth where ridership has remained the same or declined, service hours were increased by SFMTA.

Exhibit 4 shows that two routes, the 14 Mission and the 49 Mission/Van Ness, experienced more than a five percent *increase* in ridership (13.6 and 8.2 percent, respectively) during the first 90 days of the pilot program.[9] However, in the same period, each route experienced more than a five percent *decrease* in service hours (5.9 and 6.6 percent, respectively). Conversely, the 22 Fillmore route *did not* experience a significant change in ridership, yet service hours increased by 19 hours, or a 7.9 percent increase, during the first 90 days of the pilot program when compared to the same months in 2012. The Budget and Legislative Analyst concludes that any new costs incurred by SFMTA due to increases in services hours on certain routes cannot be attributed to the FMFY program.

[9] The 14 Mission route serves the following schools: Balboa High School and Horace Mann Middle School. The 49 Mission/Vann Ness route serves the following schools: Balboa High School, Horace Mann Middle School, and Galileo High School. The 22 Fillmore route serves: Marina Middle School, Everett Middle School and Mission High School.

Exhibit 4: Ridership and Service Hours by Route March through May 2012 & 2013								
	Ridership				Service Hours			
Route	March - May 2012	March - May 2013	Change	% Change	March - May 2012	March - May 2013	Change	% Change
14	70,075	79,630	9,555	13.60%	374	352	-22	-5.90%
22	52,024	52,004	-20	0.00%	239	258	19	7.90%
29	55,365	58,374	3,009	5.40%	259	259	0	0.00%
48	25,915	25,731	-184	-0.70%	140	140	0	0.00%
49	64,782	70,099	5,317	8.20%	320	299	-21	-6.60%
Total	**268,161**	**285,838**	**17,677**	**6.60%**	**1,332**	**1,308**	**-24**	**-1.80%**

Source: SFMTA ridership and service hours sign-up by route.

From June 29, 2013 through August 19, 2013, service hours across the five routes in Exhibit 4 were decreased by an average of 14 percent. According to SFMTA, data collected during the summer and fall of 2012 indicated a similar 14 percent drop in ridership during the summer. Based on data provided by SFMTA, service hour levels from March through May 2013 would remain in effect from August 20, 2013 through at least October 17, 2013. As of the writing of this report, SFMTA has not indicated if service hours will increase for routes that pass by schools and have experienced increased ridership.

Potential Program Expansion

Inclusion of 18 Year Olds in FMFY Program

The Budget and Legislative Analyst estimates that expanding the existing Free Muni for Youth program to include 18 year old Muni riders would cost SFMTA an additional $1,148,659 if the program were expanded to include 18 year olds based on the same income criteria in place for the current pilot program, for a total program cost for all 5 - 18 year olds, based on income, of $4,076,097 ($2,927,438 for the current program + $1,148,659 for including 18 year olds based on income).

If FMFY eligibility were expanded to include all 18 year olds, regardless of income, program costs would increase by an additional $321,478, or a total of $1,470,137 a year ($1,148,659 for 18 year olds based on income + $321,478 for all others).

Exhibit 5 summarizes the estimated lost fare revenue and additional program costs associated with a Muni fare waiver for 18 year olds, with and without current pilot program income requirements.

Exhibit 5: Summary of Estimated FMFY Impacts if Fares are Waived for 18 Year Old San Francisco Residents				
	Estimated FMFY Current Program Costs/(Savings)	**Estimated Program Costs/(Savings) if 18 Year Olds Participate in FMFY Based on Income**	**Total Estimated Costs/(Savings) for including 18 year olds Based on Income**	**Estimated Costs/(Savings) if all 18 Year Olds Participate in FMFY Regardless of Income**
Estimated Lost Fare Revenue	$2,247,118	$1,175,856	$3,422,974	$1,504,008
Ongoing SFMTA Administration Costs	159,359	10,199	169,558	12,749
Ongoing SFUSD Administration Costs	4,790	No increase	4,790	No increase
Incremental Clipper Card Costs	218,510	4,221	222,731	5,401
Fare Enforcement Staffing	83,234	(41,617)	41,617	(52,021)
Muni Transit Assistance Program (MTAP)	214,427	No increase	214,427	No increase
Maintenance (Graffiti Clean Up)	Not Estimated	Not Estimated	Not Estimated	Not Estimated
Total	**$2,927,438**	**$1,148,659**	**$4,076,097**	**$1,470,137**

Sources: Based on SFMTA and SFUSD reported costs and Budget and Legislative Analyst assumptions and estimates of Muni ridership among 18 years old.

Due to the lack of Clipper card or fare revenue data associated with 18 year old Muni riders, the Budget and Legislative Analyst had to make several assumptions about the population of 18 year old Muni riders to calculate changes in costs if the program were expanded to include 18 year olds. First, the Budget and Legislative Analyst assumes that 2,486 of the estimated 7,270 San Francisco 18 year olds ride Muni, assuming a ridership rate for 18 year olds of 34.2 percent based on a previous analysis by the Budget and Legislative Analyst.[10] Second, 10 percent of 18 year old Muni riders, or 249 riders, are assumed to ride Muni without paying fares, which is the overall fare evasion rate SFMTA

[10] Based on U.S. Census data and SFUSD enrollment data for ninth graders in 2008, the Budget and Legislative Analyst assumes that there are 7,270 18 year olds in San Francisco. In the September 19, 2011 Budget and Legislative Analyst report estimating costs of the Free Muni for Youth program prior to its commencement, the estimated 203,400 adult Muni riders (240,000 weekday riders less 36,600 youth riders) represented approximately 29.2 percent of the adult population in San Francisco. Because 18 year olds may have fewer alternative modes of transportation than a majority of the adult population, the Budget and Legislative Analyst assumed that 34.2 percent of all 18 year olds rely on SFMTA for transportation and thus would cause a disproportionately higher amount of lost revenue compared to youth ages 5-17.

estimated in a 2009 study of fare evasion. This leaves 2,237 as the assumed number of paying 18 year old Muni riders.[11]

To calculate lost fare revenue if all 18 year olds were allowed to participate in the FMFY program, regardless of income, the Budget and Legislative Analyst assumed that 1,223, or 49.2 percent, of 18 year old Muni riders, pay for a monthly pass, which is $66 per month. This is the same as the estimated percentage of youth that paid for monthly passes in the 2011 Budget and Legislative Analyst cost-benefit analysis of the Free Muni for Youth program.[12] The remaining 1,014 18 year old Muni riders are assumed to pay cash fare of $2.00 per ride and take an average of 11 round trips per month (1,014 youth x $2 per ride x 22 rides/month x 12 months = $535,392 per year).[13]

To determine the net lost fare revenue if 18 year olds became eligible for the program based on the same income criteria currently in place for the FMFY pilot program, the Budget and Legislative Analyst adjusted the number of 18 year old Muni riders by 78.2 percent, the same participation rate relative to all estimated 5 -17 year olds assumed eligible for the FMFY program.

Based on these assumptions of 18 year old Muni riders and the way they pay for Muni, the Budget and Legislative Analyst estimates that SFMTA receives $1,504,008 in annual revenue from all 18 year olds and $1,175,856 for 18 year olds who would be eligible to participate in FMFY under the same income criteria in place for the pilot program, as summarized in Exhibit 6.

Exhibit 6: Estimated Annual Ridership and Fare Revenue Impact of Free Muni for 18 Year Old San Francisco Residents

		All 18 Year Olds		Income-based Only	
	% Total 18 Year Old Riders	All 18 Year Old Riders	Estimated Lost Fare Revenue: all 18 Year Olds	18 Year Olds based on Income	Estimated Lost Fare Revenue
Monthly Passes	49.2%	1,223	$968,616	956	$757,152
Cash Fare	40.8%	1,014	$535,392	793	$418,704
Fare Evasion	10.0%	249	None	194	None
Total	**100.0%**	**2,486**	**$1,504,008**	**1,944**	**$1,175,856**

Sources: Based on Budget and Legislative Analyst assumptions and estimates of Muni ridership among adults age 18.

[11] "Proof-of-Payment Study – Buses, Light Rail Vehicles and Streetcars", SFMTA, October 20, 2009.
[12] In the 2011 Budget and Legislative Analyst report on Free Muni for Youth, 18,000, or 49 percent of the estimated 36,600 youth riders purchased monthly passes.
[13] Similar to the assumptions made in the 2011 report, the Budget and Legislative Analyst assumes that 18 year old Muni riders that pay cash fare make an average of 11 roundtrips on Muni per month.

Expanding the FMFY program to 18 year old San Francisco residents is not expected by the Budget and Legislative Analyst to materially increase program administration costs incurred by SFUSD since some of the 18 year old San Francisco residents may not be in school. However, since the 2,486 18 year olds expected to participate in an expanded FMFY program represents approximately eight percent of the projected 30,181 youth registered for FMFY (assuming a ten percent increase in the 27,437 program participants registered as of May 2013), SFMTA's administrative costs are projected by the Budget and Legislative Analyst to increase by a maximum of eight percent, from $159,359 to $172,108 if all 18 year olds were allowed to participate in the program and by 6.4 percent from $159,359 to $169,558 if 18 year old participation were based on the same income criteria as currently in place for the pilot program.

MTAP costs are not expected to increase under either scenario because MTAP staff is already deployed on school specific bus stops and routes which would be the same schools attended by 18 year olds, to the extent that they are students.

Utilizing the growth models from a 2008 Controller's report on providing Muni services for free for all passengers,[14] the estimated annual tags per FMFY Clipper cards and weighted Clipper card cost per tag, the Budget and Legislative Analyst estimates that SFMTA will incur an additional $5,401 in Clipper card contract costs if Muni fares are waived for all 18 year old San Francisco residents and by $4,221 if Muni fares are waived for 18 year olds based on income.

Finally, because waiving Muni fares for 18 year old San Francisco residents should result in a reduction in fare evasion citations to this population, the Budget and Legislative Analyst assumes that there will be a reduction in fare enforcement costs. Since 18 year old Muni riders represent one percent of the estimated 240,000 Muni riders, fare enforcement costs should be proportionally reduced by one percent. This would result in an estimated savings of $52,021 if all 18 year olds were allowed to participate in the FMFY program, or one percent of SFMTA's actual fare enforcement expenditures of $5,202,103 in FY 2012-13. If 18 year old FMFY program participation were allowed based on income only, the Budget and Legislative Analyst estimated that fare evasion costs would decrease by $41,617 per year to adjust for the reduced number of 18 year old program participants.

Similar to the 2011 Budget and Legislative Analyst's report estimating FMFY costs prior to program commencement, the Budget and Legislative Analyst's approach to changes in service hours and costs for the FMFY program for 5-17 year olds, the Budget and Legislative Analyst did not estimate any potential costs associated with any additional service hours that might be needed due to additional ridership by 18 year old FMFY participants on routes that are already operating above capacity. As discussed above, SFMTA data shows that service hour and costs increases have not corresponded to increase in ridership on routes used heavily by youth since implementation of FMFY.

[14] "Fare Free Muni System Feasibility Analysis," study conducted by Sharon Green & Associates, AECOM Consult, Inc., Transportation Management & Design, Inc., and Causeway Financial Consulting, Inc., overseen by the San Francisco Controller and SFMTA, January 9, 2008.

IMPACT OF WAIVING FARE FOR ALL YOUTH AGES 5 TO 17 AND ALL 18 YEAR OLD SAN FRANCISCO RESIDENTS REGARDLESS OF INCOME

The Budget and Legislative Analyst estimates that expanding the existing Free Muni for Youth program to include all youth between the ages of 5 to 17, rather than only those under a certain income threshold, and all 18 year olds regardless of income would cost SFMTA $6,764,705 annually. Of this estimated annual cost, $5,294,568 is attributed to youth ages 5 to 17, regardless of income, which is $2,367,130, or 80.9 percent, more than the $2,927,438 estimated annual cost of the existing income-based FMFY program for 5-17 year olds. The remaining $1,470,137 in increased costs would be due to allowing all 18 year olds to participate in the program, regardless of income.

The Budget and Legislative Analyst's estimated increase in costs assumes that 10,126 more 5 to 17 year olds and 2,486 18 year olds, or a total of 12,612 additional participants, would be added to the FMFY program. Inclusion of these participants would cause a larger proportional loss in fare revenue than the existing participants because more of these youth are assumed to currently be paying full fare for monthly youth passes in the case of the 5 to 17 year olds or paying adult fare in the case of the 18 year olds.

Exhibit 7 summarizes the estimated lost fare revenue and additional program costs associated with expanding FMFY to all youth ages 5 to 17 and all 18 year old adults regardless of income.

Exhibit 7: Summary of Estimated FMFY Costs for ALL Youth, ages 5 – 17 and 18 year old adults			
	Estimated FMFY Program Costs/(Savings) (All 5-17 Year Olds)	**Estimated Program Costs/(Savings) for 18 Year Olds**	**Total Estimated Program Costs/(Savings) for FMFY 5-18 Y.O.**
Estimated Lost Fare Revenue	$4,587,986	$1,504,008	$6,091,994
Ongoing SFMTA Administration Costs	213,541	12,749	226,290
Ongoing SFUSD Administration Costs	5,886	No increase	5,886
Clipper Card Costs	291,634	5,401	297,035
Fare Enforcement Staffing	(83,234)	(52,021)	(135,255)
Muni Transit Assistance Program (MTAP)	278,755	No increase	278,755
Maintenance (Graffiti Clean Up)	Not Estimated	Not Estimated	Not Estimated
Total	**$5,294,568**	**$1,470,137**	**$6,764,705**

Sources: Based on SFMTA and SFUSD reported revenue and costs and Budget and Legislative Analyst assumptions and estimates of Muni ridership among adults age 18.

The estimated lost fare revenue of $4,587,986 for youth between the ages of 5 to 17 is the actual revenue collected from youth by SFMTA in FY 2011-12. This amount includes revenue from the sale of monthly passes, single or multi-ride fares using Clipper cards and cash at the fare box from all youth paying for fare on Muni. This is a conservative estimate and would be the maximum amount of estimated lost fare revenue.

The Budget and Legislative Analyst estimates that there will be an additional 10,126 Muni riders between the ages of 5 and 17 if fares are waived for all youth, regardless of income.[15] The increased ridership represents a 34 percent increase from the 30,181 expected FMFY participants in the first year of the program. The cost for SFMTA to administer the program should similarly increase by 34 percent, from $159,359 to $213,541. The rate of increase for SFUSD administrative costs is assumed to be lower than SFMTA's by the Budget and Legislative Analyst, 25 percent, since not all San Francisco youth are SFUSD students, resulting in an estimated increase in the District's administrative costs from $4,709 per year to $5,886.[16]

[15] The Budget and Legislative Analyst estimates that there are currently 33,752 total youth between the ages of 5 to 17 using Clipper cards to pay their Muni fares. This estimate is based on 30,181 registered FMFY participants (including a ten percent increase in participation from the 27,437 registered in May 2013) and 3,571 monthly passes sold to non-FMFY youth participants in May 2013 (30,181 + 3,571 = 33,752). Applying a 30 percent increase in youth ridership against the estimated total 33,752 youth participating in an expanded FMFY, based on a 2008 Controller's report for waiving Muni fares for all adults and youth, would result in additional 10,126 youth riding Muni.

[16] According to the 2007 – 2011 American Survey of Communities, there are approximately 72,000 youth ages 5 to 17 in San Francisco. As of October 2012, over 53,600 students were enrolled in SFUSD, or approximately 75 percent of the youth in San Francisco. The Budget and Legislative Analyst estimates that 7,595, or 75 percent of the estimated additional 10,126 youth riding Muni attend SFUSD. The 7,595 additional youth riders represent only 25 percent of the projected 30,181 annual FMFY participants; therefore SFUSD's variable costs are increased by 25 percent.

Clipper card costs are estimated to be $218,510 per year, the current pilot program costs (see Exhibit 2), plus an additional $73,124 in annual Clipper card costs for an estimated additional 10,126 Muni riders ages 5 to 17, averaging 362 tags per year, for a total cost of $291,634. The Budget and Legislative Analyst assumes that these additional riders currently do not own a FMFY pass, but instead pay for monthly passes, pay cash fares or ride Muni by evading fares.

With the expansion of the FMFY program to all youth, the Budget and Legislative Analyst assumes that SFMTA would realize a net savings associated with fare enforcement among Muni youth riders age 5 to 17 given the minimal impact the FMFY program had on fare enforcement costs in the first three months of program implementation. Therefore, SFMTA would realize a cost savings of $83,234 in current fare enforcement costs.

Finally, with an expected 30 percent growth in Muni ridership among youth ages 5 to 17 if fares are waived for all youth regardless of income, the variable MTAP expenditures associated with the FMFY program is also expected to increase by 30 percent, resulting in an additional $278,755 in estimated annual expenditures.

POTENTIAL ONGOING FMFY FUNDING SOURCES

The purpose of the forgone fare revenue under the Free Muni for Youth program is to pay for SFMTA's operating costs such as salaries and benefits of employees and maintenance costs associated with Muni services. Any potential source of ongoing revenue should, therefore, serve a similar purpose. The first three potential revenue sources discussed below require voter approval. The first two sources were also identified by the Mayor's Transportation Task Force in their recommendations for funding the City's transportation needs over the next 15 years.[17]

VEHICLE LICENSE FEE REVENUE

The State Legislature passed the Local Assessment Act (S.B. 1492) in September 2012, which authorized the City and County of San Francisco to impose a voter-approved local assessment through an increase in the Vehicle License Fee (VLF), on most vehicles. If certain conditions are met, including approval by a two-thirds majority of the Board of Supervisors and a simple majority of local voters, the City could increase the State VLF to its historic level of two percent of the value of the vehicle from the current Statewide rate of 0.65 percent. The City would be able to retain all collections of the VLF above 0.65 percent, or 1.35 percent of vehicle value, less the amount required by the California Department of Motor Vehicles (DMV) to administer the local assessment. The revenues would be deposited into the General Fund and would be subject to allocation during the City's annual budget process.

[17] The Mayor's Transportation Task Force is an advisory body consisting of Supervisors, San Francisco Department Staff, and business and community representatives tasked by the Mayor to develop priorities and recommendations for funding the City's transportation infrastructure through 2030.

Based on data obtained from the California Department of Motor Vehicles, the Budget and Legislative Analyst prepared an estimate that a voter-approved VLF of two percent, the historic level prior to reductions in the effective rate beginning in 1999, could generate an additional approximately $72.8 million for the City and County of San Francisco in its first year of revenue collection. This revenue would be ongoing and would be expected to grow each additional year of collection. The Mayor's Transportation Task Force has recommended a number of potential uses for the additional revenue, such as expanded Muni services (additional vehicle runs), investment in Muni fleet maintenance for more reliable service, street repaving, bicycle and pedestrian safety improvements.

However, funding required to implement the various policy options outlined in this report such as (1) continuing the existing income-based FMFY program, (2) including 18 year olds, and (3) expanding the FMFY program for all Muni riders ages 5 to 18 represents only 3.6, 5.6, and 9.2 percent of the estimated potential VLF revenue of $72.8 million. The Board of Supervisors could urge SFMTA to make the FMFY pilot program, or an expanded version of it, an ongoing program if the two percent VLF is passed and a portion of the revenues generated allocated to FMFY.

SALES TAX INCREASE

If the current sales tax rate in San Francisco were increased by 0.5 percentage points, from the current 8.75 percent to 9.25 percent, it would produce approximately $73 million in one year, according to the Mayor's Transportation Task Force.[18] As with the increased VLF discussed above, annual funding for the three variations of the FMFY program discussed in this report represents only 3.6, 5.6 and 9.2 percent of the estimated annual revenue generated by an increase in sales tax.

An increase in the sales tax requires approval by the Mayor and the City's Capital Planning Committee, two-thirds approval of the Board of Supervisors, and approval by two-thirds of the voters if the tax revenues are restricted for a particular purpose, such as transportation improvement projects; or approval by a simple majority of voters if there is no specific spending plan. Similar to the VLF, if the latter option is taken, the revenues would be deposited in the General Fund and would be subject to allocation during the annual budget process.

PRIVATE SHUTTLE BUS TAX

Private shuttle buses used to pick up and transport employees from public bus stops or other public facilites in San Francisco could potentially be taxed for their use of City streets and bus stops. To generate revenue from this source in addition to recovering City costs related to shuttle activities, such as to cover some or all of the FMFY program costs, a special tax would have to be imposed by the City, subject to approval by the two-thirds of the voters. Such a tax would be separate from the fee being charged to

[18] Mayor's Transportation Task Force: Draft Report, September 24, 2013.

these buses by SFMTA that started in January 2014, the purpose of which is to cover the costs associated with a pilot program monitoring the buses and their impact.

SFMTA has stated that because the proposed charge for use of bus stops by private vehicles will be a fee, by State law, it can only charge an amount that will enable the agency to recover its costs for the service provided. In other words, no additional revenue can be generated from this charge that could potentially be used to cover some or all of the costs of the FMFY program without imposition of a voter-approved special tax. However, if a special tax were imposed rather than a fee for use of bus stops by private vehicles, the amount generated could exceed the costs of providing the bus spaces though it would have to be used for specific purposes approved by two-thirds of the voters.

GENERAL FUND SUPPORT TO SFMTA FOR FMFY

If the Board of Supervisors determines that it wants to allocate additional General Fund revenues to the SFMTA for the FMFY program over several years, it could come from the General Fund's discretionary revenues or the General Fund Reserve.

According to the Budget and Legislative Analyst's report on the Mayor's proposed FY 2013-14 budget, $2.71 billion of the $3.6 billion[19] General Fund budget is discretionary while $890 million is unavailable due to City Charter mandated tax set-asides, baseline transfers and General Fund reserves. The $2.7 billion is available for appropriation to City departments and programs. [20]

If the Board of Supervisors appropriates additional General Fund monies to the SFMTA beyond the "Base Amount" required by the City Charter, the Board of Supervisors can specify the purposes for which such funds can be used.[21] The SFMTA could not use the appropriated revenues for anything other than the designated purposes; although, the SFMTA cannot be compelled to spend appropriated revenues.

The Board of Supervisors could allocate additional General Fund sources to the SFMTA for FMFY in two ways:

(1) *The Annual Budget Review* - The Board of Supervisors would need to work with the Mayor's office and the SFMTA to reach agreement on the Mayor proposing and the Board of Supervisors approving an additional allocation of General Fund monies to the SFMTA for FMFY. The Board of Supervisors could also reallocate funds to FMFY as part of its annual review of department budgets.

[19] The Office of the Controller reports the General Fund budget is now $3.9 billion.
[20] There may be additional restrictions on the $2.7 billion due to federal and State matching grant requirements.
[21] "Funding and Implementing the Bicycle Strategy," Budget and Legislative Analyst, December 4, 2013.

(2) *Supplemental Appropriation* – The Board of Supervisors could allocate funding from the General Fund Reserve or any other unrestricted available source. Per the City's Administrative Code, the General Fund Reserve is intended to address revenue weaknesses, expenditure overages, or other programmatic goals not anticipated during the annual budget process. Through the passage of a supplemental appropriation ordinance by a simple majority vote, the Board of Supervisors may, at any time following adoption of the annual budget, appropriate monies from the General Reserve for any lawful governmental purpose. As of December 4, 2013, the balance of the General Fund Reserve is $44,663,143.

METROPOLITAN TRANSPORTATION COMMISSION LIFELINE TRANSPORTATION PROGRAM (ONE-TIME)

The Metropolitan Transportation Commission's (MTC) Lifeline Transportation Program uses a combination of federal and state operating and capital funding sources to support projects that improve mobility and access to transit for low-income people. These grants are generally for one-time use. In 2012, the SFMTA received an allocation of $400,000 to fund a portion of the FMFY pilot program. According to the MTC, the SFMTA could apply for additional funding in future funding cycles if the pilot program were extended or became a permanent program. However, the MTC notes that regional guidelines for funding could change, which could make the FMFY program ineligible for additional funding. Further, the MTC reported that most transportation fund sources that pass through the MTC cannot be used to fund discounted transit passes, but a VLF or future sales tax expenditure plan could have funds more readily available for the FMFY program, if available.

TRANSPORTATION FUND FOR CLEAN AIR (ONE-TIME)

The Bay Area Air Quality Management District provides Transportation Fund for Clean Air (TFCA) grants for projects that will reduce vehicular air emissions. These grants are generally for one-time use. While one of the potential benefits of the FMFY program is to reduce the use of private vehicles and their air emissions by making Muni more affordable and accessible to low-income youth, the list of eligible projects for funding appear to be much more targeted than the FMFY program. For example, priority projects include the purchase or lease of clean fuel vehicles, provision of local feeder bus or shuttle services to other modes of transportation (rail, ferry and/or airport), implementation of vehicle-based projects to reduce emissions and bicycle facility improvements projects. Therefore, this source of funding is also not as viable for extending the FMFY program.

PROGRAM BENEFITS: RIDERSHIP DATA AND SFUSD STUDENT SURVEY

The Budget and Legislative Analyst reviewed data from SFMTA and responses to a SFUSD survey distributed to students in 17 high schools in San Francisco in the spring semester of 2013 to determine some of the benefits of the Free Muni for Youth pilot program. Approximately 6,800 high school students responded to the survey, comprised of both FMFY participants and non-participants, or 45.8 percent of the students enrolled in the 17 SFUSD high schools.[22] The survey included questions about Muni ridership and affordability, private vehicle use and perceptions of public transportation, Muni service and staff. Several of the questions had two parts, asking students to retrospectively reflect on a particular behavior or preference for the fall semester in 2012 (part a) and then reflect on their behavior or preferences for the spring semester in 2013 (part b). It should be noted that the survey results cannot be considered conclusive relative to the FMFY program as it was conducted during the first months of the pilot program being in place, at which point many youth registered for the program had not used it yet and many youth qualified for the program had not yet signed up for it.

CHANGES IN YOUTH RIDERSHIP AS A RESULT OF FMFY

It is difficult to assess the impact of the Free Muni for Youth pilot program on the number of youth riding Muni due to the lack of data. Specifically, while SFMTA can track program participation and some youth ridership through its Clipper card usage data, the agency does not track or have accurate data on the number of youth that pay for Muni with cash and/or evade paying fares for comparison from before and after implementation of the FMFY pilot program. Without such information, it is not possible to obtain the total picture of changes in youth ridership since the advent of the FMFY pilot program. However, though not definitive, it appears from Clipper card usage data and the SFUSD survey of high school students that youth ridership on Muni has increased as a result of FMFY.

While Clipper card data shows that use of Clipper cards by youth increased during the first 90 days of the FMFY pilot program, this is partially the result of existing Muni youth riders shifting from paying fares with cash or evading fares to using a FMFY Clipper card. Of the 27,437 youth registered for FMFY as of May 31, 2013, 14,818, or 54 percent, requested Clipper cards as they did not have one at the time of program commencement. Unfortunately, SFMTA fare payment information for sources other than Clipper cards is not broken out by youth, adults and seniors, so it is not possible to determine how many participating program youth were new riders and how many were already using Muni but paying their fares through means other than Clipper cards.

Muni weekday ridership overall declined during the first three months of FMFY

SFMTA data shows that weekday ridership as a whole on Muni decreased from 1,529,000 between March and May 2012 to 1,494,000 between March and May 2013, a decrease of 35,000. However, SFMTA ridership data does not distinguish between its fare age groups (youth, adults and seniors) to allow for a determination of the changes in ridership by age group. In spite of the overall decrease in ridership between March and May 2013, it is possible that youth ridership stayed the same or increased, but that this increase was more than offset by a decrease in adult and/or senior riders. It should

[22] Though the survey excludes responses from non-SFUSD youth as well as youth in elementary or middle school, the Budget and Legislative Analyst believes the high school survey represents the best available data on self-reported student behavior and preferences as of the writing of the report.

be noted that this decrease in overall ridership does not appear to be related to FMFY as overall Muni ridership decreased for the four years between FY 2008-09 and 2011-12.

Increase in Youth Clipper card tags appear to represent both a replacement of other payment methods by youth and an increase in the average number of youth boardings

As shown in Exhibit 8, the 1,857,128 total FMFY program participant Clipper card tags between March and May 2013 was offset by a decrease of 1,183,720 in other types of Clipper card tags by youth compared to the same three months in 2012, resulting in a net increase of 673,408 Clipper card tags by youth. This net increase could represent replacement of single fare cash payments and fare evasion with the use of FMFY Clipper cards. The net increase in Clipper card tags by youth could also represent an increase in the average number of boardings per youth. Unfortunately, a definitive comparison in youth ridership trends from before and after implementation of FMFY cannot be made with available SFMTA data since single fare cash fare payments are not tracked by age group (youth, adult, seniors).

Exhibit 8: Comparison of Youth and Adult Clipper card Tags, March – May 2012, 2013

	FMFY Pass Tags	Paid Youth Monthly Pass Tags	All other Youth Tags[1]	Total Youth Tags	Adult/ Senior/ RTC[2] Tags	All Muni Tags	% Youth
March - 2012	N/A	500,889	109,712	610,601	8,246,790	8,857,391	6.9%
March - 2013	500,147	165,124	94,889	760,160	8,319,926	9,080,086	8.4%
Change	N/A	(335,765)	(14,823)	149,559	73,136	222,695	1.5%
% Change	N/A	-67.0%	-13.5%	24.5%	0.9%	2.5%	21.4%
April - 2012	N/A	517,055	111,774	628,829	8,000,878	8,629,707	7.3%
April - 2013	662,684	130,208	93,761	886,653	8,476,492	9,363,145	9.5%
Change	N/A	(386,847)	(18,013)	257,824	475,614	733,438	2.2%
% Change	N/A	-74.8%	-16.1%	41.0%	5.9%	8.5%	30.0%
May - 2012	N/A	527,999	119,244	647,243	8,386,423	9,033,666	7.2%
May - 2013	694,297	119,738	99,233	913,268	8,497,583	9,410,851	9.7%
Change	N/A	(408,261)	(20,011)	266,025	111,160	377,185	2.5%
% Change	N/A	-77.3%	-16.8%	41.1%	1.3%	4.2%	35.4%
March to May 2012	N/A	1,545,943	340,730	1,886,673	24,634,091	26,520,764	7.1%
March to May 2013	1,857,128	415,070	287,883	2,560,081	25,294,001	27,854,082	9.2%
Change	N/A	(1,130,873)	(52,847)	673,408	659,910	1,333,318	2.1%
% Change	N/A	-73.2%	-15.5%	35.7%	2.7%	5.0%	29.2%

Source: SFMTA Clipper card data
1. "Other Youth Tags" includes tags from electronic cash fares, single fares, multi-day passes and transfers.
2. "RTC" are Regional Transit Connections, which allows people with disabilities, those traveling with an attendant, and certain veterans to ride at reduced fares on all Bay Area transportation systems.

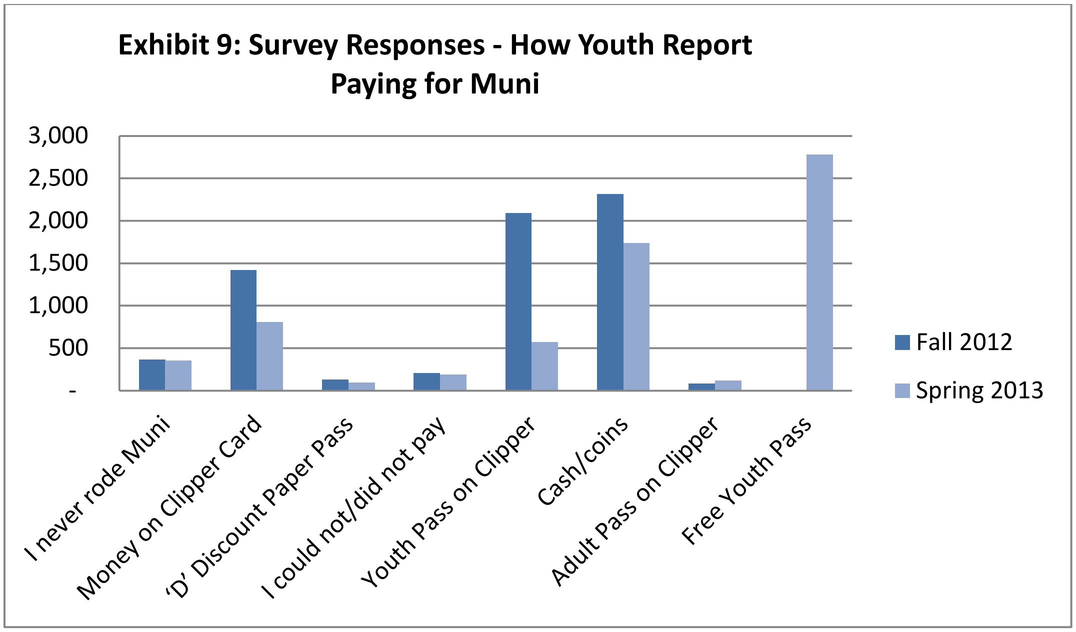
SFUSD STUDENT SURVEY RESULTS

SFUSD survey shows that much of youths' use of FMFY Clipper cards is replacing old methods of paying for Muni

Responses to the SFUSD Spring 2013 Youth Survey indicate that there has been a change in the way youth "pay" or show proof of payment on Muni. The reduction in the number of youth paying for Muni with cash value on their Clipper cards, a 'D' discount paper pass, Muni youth pass on Clipper cards and cash is roughly equivalent to the number of youth who obtained a FMFY Clipper pass in the 2013 spring semester, according to the survey.[23] As shown in Exhibit 9, there was a very small reduction in the number of youth

[23] The 'D' discount paper passes are those that are distributed to youth ages 15-17, seniors ages 65 and older and those with disabilities. The fare for these paper passes are the same as those available for youth on Clipper cards. SFMTA reports distributing a limited amount of paper passes annually.

that said they could not or did not pay for Muni between the fall of 2012 and the spring of 2013 (less than 15 students out of 6,600 respondents to this question) and in the number of youth that said they never rode Muni (only 5 students).



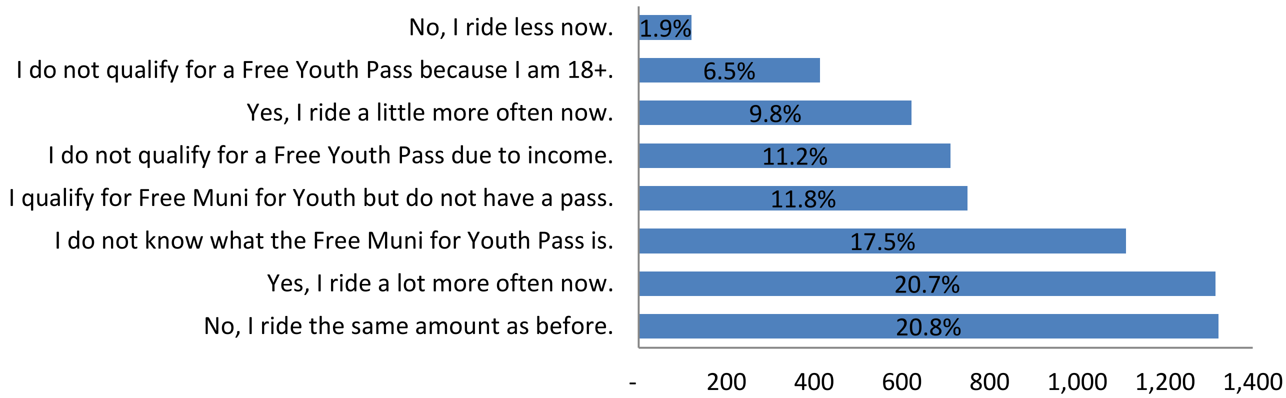
Source: SFUSD youth survey distributed in the spring of 2013.
*"'D' Discount paper pass" is for youth ages 5 to 17 and costs the same as a youth pass on Clipper.

SFMTA reports that approximately 25 percent of the registered FMFY Clipper card passes, or approximately 6,900, were inactive, or had no tags recorded on their Clipper cards between March and May 2013, the first three months of the FMFY pilot program. These participants qualified for the program but either (a) did not ride Muni and used other modes of transportation, or (b) rode Muni, but did not tag their Clipper cards, as required to show proof of payment. SFMTA, SFUSD, and community organizations should inform participants of the importance of tagging their Clipper card each time they ride Muni because it allows SFMTA to accurately collect data on Muni ridership and it is the only way participating youth can validate "proof of payment."

Most SFUSD student survey respondents report riding Muni the same or more than before the FMFY program was established

As shown in Exhibit 10, survey respondent self-reports of how having the FMFY pass has changed their Muni use indicate that 1,314 youth, or 20.7 percent of the 6,350 respondents to this set of questions, rode Muni more often with their FMFY pass, while approximately another 1,321, or 20.8 percent of respondents, reported riding Muni as much as they did before having the FMFY pass. Only 1.9 percent of respondents reported riding Muni less since the implementation of FMFY.

Exhibit 10: Survey Responses - How the Free Muni for Youth Pass Changed Muni Ridership

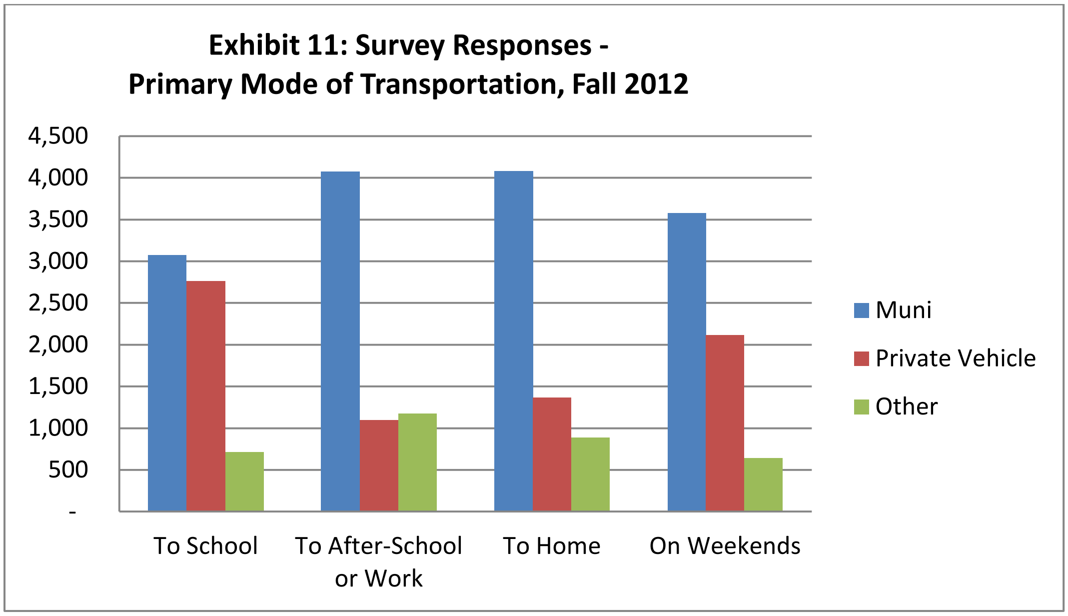


Source: SFUSD youth survey distributed in the spring of 2013.

The survey responses also highlight that additional education, outreach and/or changes in eligibility could be made to improve program participation. Specifically, 1,111, or approximately 17.5 percent of the 6,350 respondents to this question, did not know what the FMFY pass was. Further, approximately 750, or 11.8 percent of the respondents, reported that they qualify for a FMFY pass, but did not have one and/or thought they were not eligibile for the program. The Budget and Legislative Analyst could not determine if these respondents had alternative modes of transportation or were still riding and paying for Muni. Finally, over 1,000 respondents reported that they do not qualify for the FMFY pass due to their age or income.

Muni was already the most common mode of transport for youth prior to implementation of FMFY

In the Spring 2013 Youth Survey, SFUSD high school students were asked to report their mode of transportation to school, after-school activities or work, home, and on the weekends. As illustrated in Exhibit 11, Muni was the primary mode of transportation to and from school for the fall 2012 semester among a significant number of survey respondents. Though approximately 3,000, or 47 percent of the youth respondents to this question, reported riding Muni to school, over 4,000 respondents, or nearly two-thirds of the respondents to this question, reported riding Muni to after-school activities and/or home. In addition, approximately 3,500, or 57 percent of the respondents to this question, reported using Muni on the weekends. The relatively lower number of respondents riding Muni to school and the higher number of respondents receiving rides to school could be due to youth being dropped off by parents or other adults on their way to work.



Source: SFUSD youth survey distributed in the spring of 2013.
*"Private vehicle" use includes being driven by an adult or driving oneself, while "Other" includes walking or riding a school bus, bicycle, or BART to school.

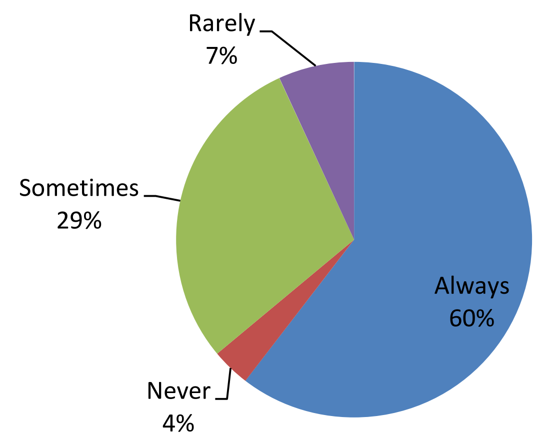
The survey asked youth to provide their primary mode of transportation in the fall 2012 semester *and* spring 2013 semester, when FMFY was implemented, to determine the impact of FMFY on Muni ridership. Responses for the spring 2013 semester appear to indicate a reduction in the number of youth riding Muni to and from school. However, further analysis shows that the number of respondents to the spring 2013 semester questions was consistently lower than the number of respondents to the fall 2012 semester questions. Further, the difference in the number of respondents completing the spring 2013 semester questions is roughly equivalent to the decrease in the number of respondents riding Muni. Therefore, the Budget and Legislative Analyst believes the survey responses for students' primary mode of transportation in the spring of 2013 are inconclusive and cannot be used to assess the change in overall Muni ridership.

Though more than half of survey respondents reported that Muni is affordable, some youth could still benefit from waived Muni fares

In the SFUSD Spring 2013 Youth survey, 60.5 percent of youth respondents to this question said that, recently, their family can always afford for the youth to ride Muni regularly. Because there was no corresponding survey question for the period before the implementation of the pilot program, the Budget and Legislative Analyst cannot determine if the availability of the FMFY pass caused a change in this percentage.

Despite the existence of the FMFY program, 6.9 percent of youth said that their family can rarely afford to pay for the youth to ride Muni regularly while 3.5 percent said their family could never afford to pay, as shown in Exhibit 12. Some of these respondents could be for youth that are currently not eligible for the FMFY program based on income or age. Expanding the program for all youth ages 5 to 17 and including adults age 18 could make Muni affordable and increase ridership for these youth.

Exhibit 12: Survey Responses - My Family can Afford for me to Ride Muni Regularly

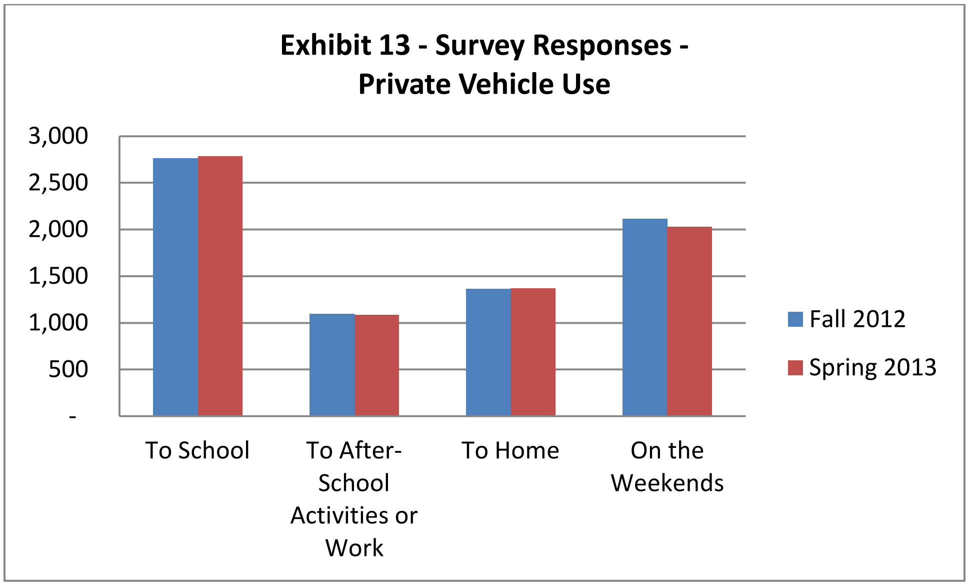


Source: SFUSD youth survey distributed in the spring of 2013.

Though survey respondents report riding Muni more often, use of private vehicle remains unchanged

According to youth survey responses and illustrated in Exhibit 13, there was only a slight change in the use of private vehicles for transportation, which includes getting rides from an adult and driving oneself, between the periods prior to and after the implementation of FMFY. Private vehicle use for going to school, going to after-school activities, and going home either increased or decreased by less than 1 percent. Similar to the impact of reduced survey responses for part two of the Muni ridership questions, the reduction in respondents to questions about private vehicle use in the spring 2013 survey could mask any possible increase in the use of private vehicles. On the other hand, because the question only asks what mode of transportation is used “most often,” the students use of Muni could still have increased throughout the day or week during the spring 2013 semester when compared to its use in the fall 2012 semester.

In the spring 2013 survey, survey respondents reported a reduction in the number of rides received from an adult and an increase in the number of youth that drove themselves each time period (morning, after-school, evening and weekend). This could be explained by the number of youth obtaining their license to drive in the spring, as 48 percent of the respondents were in the 11th or 12th grade, allowing them to state retrospectively that they obtained rides from adults in the fall of 2012, but then drove themselves in the spring semester.



Source: SFUSD youth survey distributed in the spring of 2013.

Perceptions of Muni

Survey respondents appear to generally have a positive attitude toward public transportation. Approximately 45 percent of the youth respondents plan to ride public transportation regularly as an adult while 55 percent do not plan to. Seventy percent of the respondents said they would recommend Muni to their friends.

Based on responses to several survey questions, however, youth generally believe that there is room for improvement with regards to Muni services. Between half to three-quarters of youth respondents believe that Muni only *sometimes*: (1) arrives on time, (2) can be depended on to get people to places on time, (3) has room to safely board, and (4) is generally safe to ride.

In addition, 53 percent of the survey respondents felt that Muni drivers and fare inspectors treat them respectfully, but only *sometimes*. However, 11 percent of the respondents said that they are rarely treated respectfully while five percent said that they are never treated respectfully.

Muni ridership is potentially tied to perceptions of Muni services. If Muni services improve, then more youth eligible for the FMFY pass may ride Muni, including the 25 percent of participants with inactive FMFY passes, as of May 2013.

Policy Options

The Board of Supervisors could consider the following options for improving Free Muni for Youth program participation under the existing eligibility requirements, expanding program eligibility and participation, reducing variable costs associated with the program, and obtaining ongoing revenue to support continuation and possible expansion of the program:

1. The Board of Supervisors could request input from with SFMTA and SFUSD to jointly develop steps to improve program outreach and education to increase youth participation in the FMFY program and Muni youth ridership. Such education and outreach promotional efforts, conducted by SFMTA and SFUSD staff and/or possibly community-based organizations, could include:
    a. Clarification on the eligibility requirements as 100 percent of the Bay Area median household income, not just participation in a school's free or reduced lunch program, which has more restrictive income requirements for participation;
    b. Emphasizing the importance of tagging FMFY passes or Clipper cards every time the youth board a Muni vehicle or enter a Muni fare station;
    c. Communicating the consequences of not carrying proof of payment on Muni, including Clipper cards for FMFY participants, as well as for adults misusing a FMFY Clipper card, including citations, confiscation of FMFY passes and fines; and,
    d. The benefits of riding Muni as opposed to utilizing private vehicles as the primary mode of transportation throughout San Francisco.
2. The Board of Supervisors could request input from SFMTA and advocate for making the existing income-based FMFY pilot program an ongoing program, at an estimated annual net cost of $2,927,438.
3. The Board of Supervisors could request input from SFMTA and advocate for making the existing income-based FMFY pilot program an ongoing program and expanding it to include all Muni riders between the ages of 5 to 17, regardless of income, at a net incremental annual cost of $2,367,130 for a net fiscal impact of $5,294,568 ($2,927,438 for the current program + $2,367,130 incremental costs).
4. The Board of Supervisors could request input from SFMTA and advocate for making the existing income-based FMFY pilot program an ongoing program and expanding it to include 18 year old Muni riders, based on the same income criteria in place for the pilot program, since at least some 18 year olds are still in high school. The Budget and Legislative Analyst estimates that waiving fares for 18 year olds based on income would result in lost revenue and net costs of $1,148,659.
5. The Board of Supervisors could request input from SFMTA and advocate for making the existing income-based FMFY pilot program an ongoing program and expanding it to include 18 year old Muni riders, regardless of income. The Budget and Legislative Analyst estimates that waiving fares for all 18 year olds would result in lost revenue and net costs of $1,470,137 ($1,148,659 for including 18 year olds based on income and an additional $321,478 for including all 18 year olds in the program, regardless of income).
6. The Board of Supervisors could consider approving and submitting to the voters ballot measures to increase certain revenues, with a portion of the proceeds used to cover the costs of the FMFY program as currently structured, or as enhanced to increase eligibility.

These options include: (1) raising the Vehicle License Fee to its historic level of two percent of the assessed value of vehicles, (2) increasing the sales tax in San Francisco by 0.5 percentage points to 9.25 percent, and (3) imposing a special tax on private shuttle buses that use City streets and bus stops, and urging San Francisco voters to approve one or more of these measures in a subsequent election.