



LSC Transportation Consultants, Inc.
2690 Lake Forest Road, Suite C
P.O. Box 5875
Tahoe City, CA 96145
530-583-4053 ▲ FAX: 530-583-5966
info@lsctahoe.com ▲ www.lscstrans.com

MEMORANDUM

DATE: 7/7/2023

TO: Beth Burks, Humboldt County Association of Governments

FROM: Genevieve Evans, AICP, LSC Transportation Consultants, Inc.

SUBJECT: Additional Task for Triennial Performance Audit

HTA COMMUTER FRINGE BENEFITS – OPPORTUNITIES AND PROMOTION

This memo presents an updated discussion of promoting employer subsidy of transit commuting on public transit services in Humboldt County. The Internal Revenue Service (IRS) tax code¹ currently allows employers to provide tax-free transportation benefits to their employees up to a limit of \$300 per month. The dollar amount of the transportation benefit provided to the employee does not appear as income on the employee's W-2. Employers can also allow employees to use "pre-tax" money from their paycheck to purchase transportation benefits. In this case, the employer can deduct this amount from payroll taxes. This transportation fringe benefit option covers transit passes as well as "commuter highway vehicles" such as a vanpool with 6 seats or more or parking near the place of employment. The goal of making the specific benefits nontaxable is to encourage forms of commuting that reduce road congestion and pollution. Below is a discussion of program implementation since the 2019 Commuter Fringe Benefit Memo and exploration of how Humboldt County can expand "commuter fringe benefits" through this tax code to benefit employers and employees, and to promote transit use.

Transit Fare Structures

The current fare structure for transit services in Humboldt County is depicted in Table 1. Fares are generally broken down into categories including regular, seniors (aged 62 and over), youth (aged 3 to 17) and disabled². Most services offer monthly passes or day passes at a per ride discount of the one-way cash fare. As there are multiple routes/services operating in Humboldt County, riders have the option of Multi-ride Passes, valid on Redwood Transit System (RTS), Arcata & Mad River Transit (A&MRTS), Willow Creek (WC), Southern Humboldt Intercity (SHI) and Eureka Transit System (ETS).

¹ Internal Revenue Code section 132(a). For 2023, the monthly exclusion for transit passes is \$300.

² Passengers must apply to qualify for disability status under rules of the Americans with Disabilities Act (ADA).

These Passes come in the form of a \$10 or \$20 magnetic stored value cards. When boarding any one of the transit systems, the appropriate fare is deducted from the stored value card by the electronic farebox. Passengers who are eligible for a discount must first tell the drivers about the discount. The benefit of the stored value passes is that passengers are given a per ride discount of roughly 40 percent without having to commit to a 30 day or monthly pass. And most importantly, passengers do not need separate passes for separate systems.

TABLE 1: Humboldt County Transit Fares				
System/Fare Type	Fare Category			
	Adult (18-62)	Youth (3-17)	Senior (62+)	Disabled (with valid ID card)
Arcata & Mad River (A&MRTS)				
Cash	\$1.75	\$1.25	\$1.25	\$1.25
Day Pass	\$2.50	\$1.50	\$1.50	\$1.50
Monthly Pass	\$30.00	\$25.00	\$25.00	\$25.00
Eureka Transit Service (ETS)				
Cash	\$1.70	\$1.30	\$1.30	\$1.30
Day Pass	\$3.95	\$3.00	\$3.00	\$3.00
31-Day Pass	\$48.00	\$41.00	\$41.00	\$41.00
Redwood Transit System (RTS) Mainline				
In-Town Cash	\$2.10	\$2.10	\$2.10	\$2.10
Cash Fare	\$3.50	\$3.15	\$3.15	\$3.15
Day Pass	\$5.25	\$5.25	\$5.25	\$5.25
Week Pass	\$15.75	\$13.75	\$13.75	\$13.75
31-Day Pass	\$62.00	\$57.00	\$57.00	\$57.00
Southern Humboldt Intercity (SHI)				
Cash	\$6.25	\$5.75	\$5.75	\$5.75
Card Fares	\$4.00	\$3.45	\$3.45	\$3.45
31-Day Pass	\$113.00	\$102.00	\$102.00	\$102.00
Willow Creek Intercity Transit (WC)				
Cash	\$5.00	\$4.40	\$4.40	\$4.40
Card Fares	\$3.30	\$2.75	\$2.75	\$2.75
Day Pass	\$8.00	\$8.00	\$8.00	\$8.00
31-Day Pass	\$86.00	\$81.00	\$81.00	\$81.00
Samoa Transit System (STS)				
Cash	\$3.50	\$3.15	\$3.15	\$3.15
31-Day Pass	\$62.00	\$57.00	\$57.00	\$57.00
Regional Transit Pass¹				
31-Day Regional Pass	\$50.00	\$50.00	\$50.00	\$50.00

Note 1: Includes RTS, SHI, ETS, A&MRTS, WC

Source: <https://hta.org/fares/>

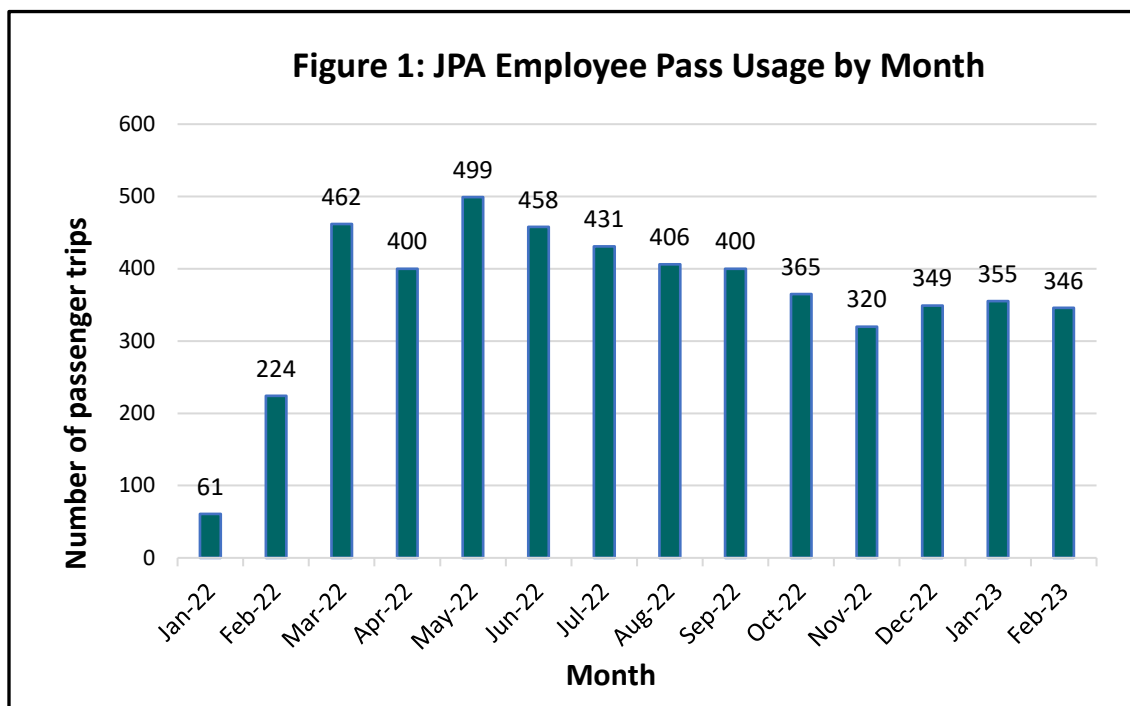
Recent Program Implementation

HTA has already taken measurable steps to encourage greater use of public transit, promote commuter benefit programs, and engage with employers in Humboldt County.

Beginning in FY 2021-22, passengers now have the option to buy a 31-day Regional Pass for \$50 that allows for unlimited rides on RTS, ETS, A&MRTS, SHI, Samoa Transit, and WC. The 31 days are continuous and begin when the magnetic card is swiped for the first time. During the first half of FY 2021-2022, 2,435 passenger trips were made using the Regional Pass. If the same rate of use held true for the second half of FY 2021-22, an estimated 4,870 passenger trips were made in FY 2021-22 using the Regional Pass or 1.4 percent of all passenger trips systemwide used the Regional Pass. While this program is not geared solely to be a commuter fringe benefit program, it is a low-cost option for employers that are interested in purchasing a transit pass for their employees.

In FY 2021-22, HTA implemented the Joint Powers Authority (JPA) Employee Pass Pilot Program, an employer subsidized transit pass program that provides free fare for employees of major regional employers. HTA provides passes to participating agencies who then distribute them to their employees. JPA member agencies receive a 20 percent discount on pass price. As of Spring 2023, the following were participating in the program: City of Eureka, County of Humboldt and Redwood Coast Energy Authority. Figure 1 shows monthly usage of the JPA Employee Pass since its implementation in January 2022. While it is too early to discern a trend, it is encouraging that use has remained relatively stable over the twelve months from March 2022 to February 2023. Thus far, the City of Eureka, Humboldt County, and Redwood Co Energy Authority are participants.

HTA provides commuter benefit information for employees and employers on its website and advertises the option for employers to start a Commuter Check program. These programs are administered by an outside Commuter Check company and provide employees with vouchers for transit passes and tickets that are redeemable at the HTA office in Eureka.



Purchasing Transit Passes

Passes can be purchased on-line through the HTA website, through the bus driver (cash only) or at the HTA transit office at 133 V Street in Eureka using Visa, Mastercard, or a personal check. HTA passes and fares can also be purchased using a free downloadable mobile phone app, “Token Transit”.

HTA has agreements with Cal Poly Humboldt and College of the Redwoods for students to ride free-of-charge. Cal Poly students pay a student body fee which makes all students eligible to ride RTS, ETS, and A&MRTS services for free with their student ID through the Jack Pass program. Staff and faculty can purchase a Jack Pass for \$60.00 per month.

Regional passes and multi-ride passes are discounted to encourage use of these types of fares. The benefits to HTA are that multi-ride fare media encourage more frequent use, reduce boarding time, and add data collection opportunities. Benefits to the riders are discounted fares, quicker boarding, ability to use on any transit system, and no exact change needed. Multi-use fare media are in the form of value-stored magnetic strip cards which are read by the farebox. Interviews conducted as part of the Triennial Performance Audit confirms that there is support from HTA staff for continued development of low-cost regional pass programs to encourage ridership.

Current Fare Use

Operating data for HTA services in FY 2021-22 is presented in Table 2 and includes boardings by fare-media type. Figure 2 shows the percentage of fare media used systemwide for fixed route services. Data from the 31-day Regional Pass and the JPA Employee Pass Pilot Program are included in the

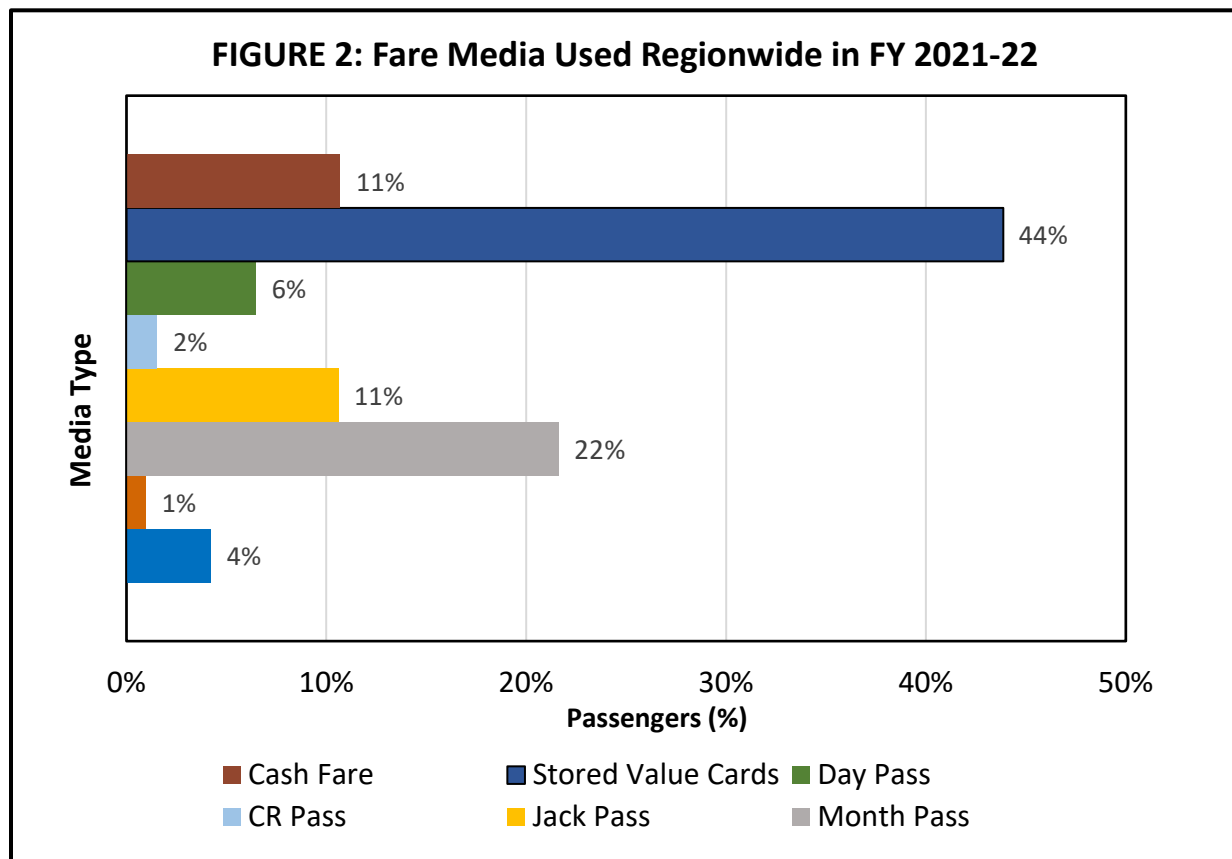


TABLE 2: HTA Operating Statistics, Fiscal Year 2021-2022

Operating Characteristics	Transit Service				Total
	Redwood Transit System (RTS) Mainline	Eureka Transit Service (ETS)	Southern Humboldt Intercity (SHI)	Willow Creek Intercity Transit (WC)	
Passengers					
Weekdays	194,698	97,664	11,269	9,405	313,036
Saturdays/Holidays	20,005	8,726	1,284	400	30,415
<i>Total</i>	<i>214,703</i>	<i>106,390</i>	<i>12,553</i>	<i>9,805</i>	<i>343,451</i>
Miles					
Weekdays	563,880	111,536	115,062	69,342	859,820
Saturdays/Holidays	50,400	12,894	25,368	15,400	104,062
<i>Total</i>	<i>614,280</i>	<i>124,430</i>	<i>140,430</i>	<i>84,742</i>	<i>963,882</i>
Hours					
Weekdays	26,705	10,424	3,155	1,942	42,226
Saturdays/Holidays	2,298	1,150	696	419	4,563
<i>Total</i>	<i>29,003</i>	<i>11,574</i>	<i>3,851</i>	<i>2,361</i>	<i>46,789</i>
Service Days					
Weekdays	254	254	254	254	1,016
Saturdays/Holidays	56	56	56	56	224
<i>Total</i>	<i>310</i>	<i>310</i>	<i>310</i>	<i>310</i>	<i>1,240</i>
Passengers by Fare Type¹					
Cash Fares	19,695	13,311	1,864	1,416	36,286
Stored Value Cards	86,681	53,124	6,073	2,875	148,753
Day Pass ²	16,064	5,789	76	22	21,951
CR Pass	5,236	--	--	--	5,236
Jack Pass	31,078	4,859	--	43	35,980
Month Pass ³	43,434	24,922	4,023	4,922	73,278
In Town Fare	3,287	--	--	5	3,287
Free/Attendants	9,235	4,047	515	522	14,319
<i>Total</i>	<i>214,710</i>	<i>106,052</i>	<i>12,551</i>	<i>9,805</i>	<i>339,090</i>
Fare Revenues	\$699,112	\$302,969	\$93,675	\$95,486	\$1,191,242
Operating Costs	\$3,630,187	\$1,554,425	\$589,917	\$346,561	\$6,121,090
<u>Avg Daily Ridership</u>					
Weekdays	767	385	44	37	308
Sat/Holidays	900	230	453	275	465
Average Fare per Trip	\$3.26	\$2.85	\$7.46	\$9.74	\$3.47

Note 1: Excludes wheelchair counts and bicycle counts.

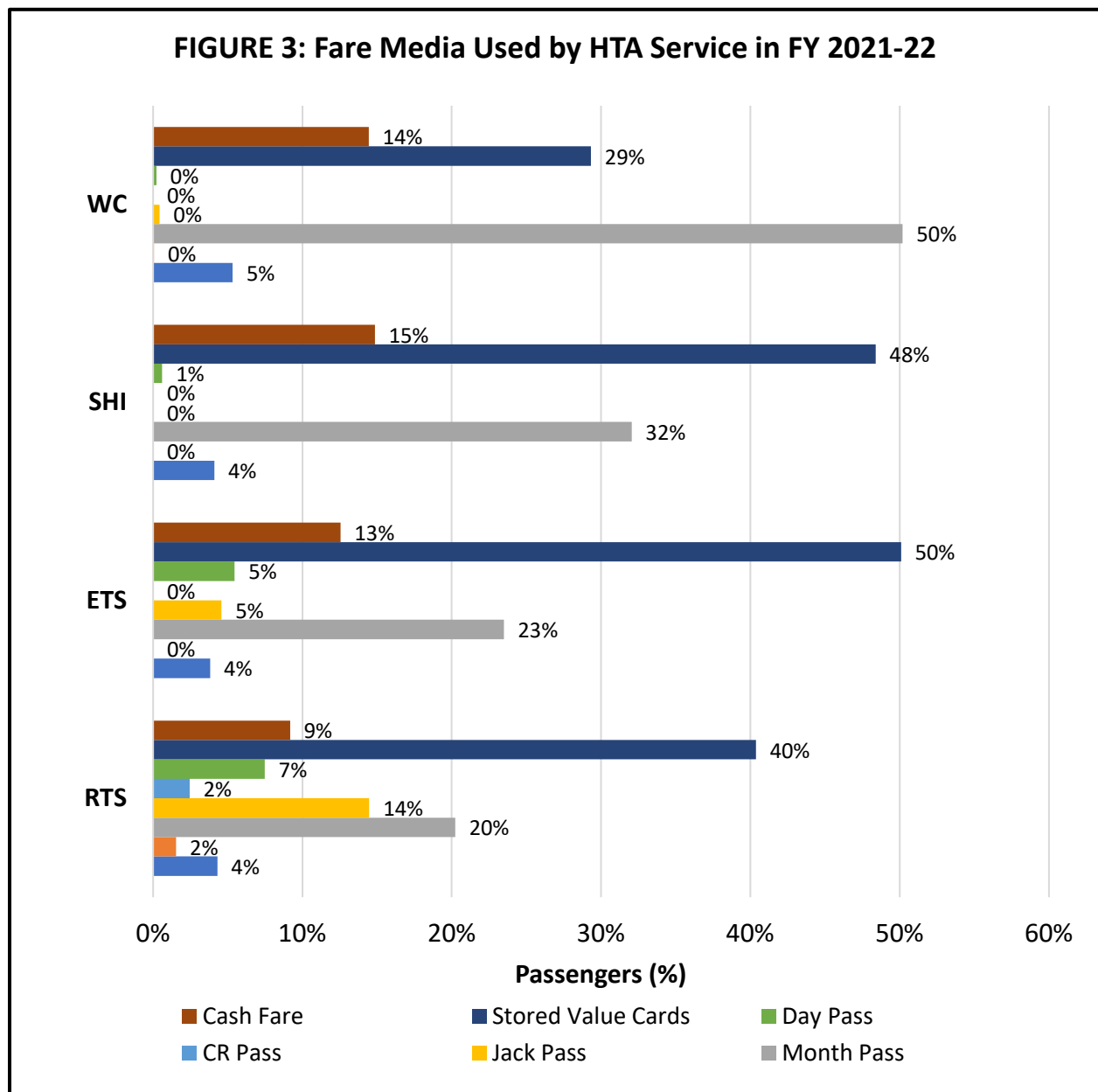
Note 2: Day pass was introduced on SHI in April.

Note 3: Includes Regional Transit Pass and JPA Employee Pass

Source: HTA Comparative Performance Activity Report, June 2022 YTD

Month Pass figures, as this is how they are currently reported in internal performance activity reports. As indicated, the most popular fare media systemwide was the stored value cards, which were used by 44 percent of passengers, followed by month passes, used by 22 percent of passengers, up from 18 percent in 2019. Jack Passes and cash fares each made up 11 percent.

Figure 3 shows the breakdown of fare type usage by HTA fixed route and shows that various fare media are more popular on some services. For example, month passes were used by 50 percent of passengers on WC and by 20 percent on RTS Mainline. Stored value cards were used by 50 percent of passengers on ETS in contrast to 29 percent on WC. Jack Passes make up 14 percent of passengers on RTS Mainline while they make up 5 percent or less for the other HTA fixed routes. On A&MRTS fixed routes, Jack Passes make up a significant percentage of ridership with 38 percent of passengers using a Jack Pass. This is mainly due to the proximity of A&MRTS routes to Cal Poly Humboldt. Overall, the trend is that stored value cards and month passes are popular options for passengers.



Employer Partnerships/Commuter Fringe Benefits

Given the popularity of passes as fare media as demonstrated in Figure 1 and 2 and preliminary evidence that the JPA Employee Pass Pilot Program is being utilized, HTA and HCAOG should continue to explore options to further increase pass sales by coordinating with employers to offer commuter fringe benefits. These options, per IRS tax code 132(a), are summarized in Table 3. As indicated, benefits provided by the employer can be in the form of a subsidy (where employers purchase transit passes or provide funds for a transit pass or other benefits for employees in addition to the employee salary) or pre-tax deductions (where employers deduct the cost of a transit pass out of their paycheck as a pre-tax benefit). The benefit to the employer in the second scenario is reduced payroll taxes. For both options, fringe benefits may help employers attract or retain employees. The benefit to the employee is either in the form of a subsidized transit pass, or the ability to purchase a transit pass with pre-tax dollars, or possibly a combination of the two benefits. The 2022 benefit allowance is up to \$280 per month and the 2023 benefit allowance is up to \$300 per month, which is significantly greater than the maximum cost of any HTA passes currently available.

TABLE 3: Types of Commuter Fringe Benefits			
Option		Employer Benefit	Employee Tax Benefit
Employer Subsidy	Employers give employees up to \$300 ¹ per month, in addition to their salary to commute via transit or vanpool.	Can improve employee recruiting and retainment.	Employee receives up to \$300 per month tax free. The employee does not pay any taxes on the value of the benefit on their W-2.
Pre-Tax Deduction	Employers allow employees to use pre-tax income to pay for qualified transit.	Employers may reduce payroll tax contribution by the amount of the pre-tax income used for qualified transit.	The amount of income reserved for transit (or vanpooling) in the employee paycheck (up to \$300) is no longer treated as taxable income. Employee has more after-tax spendable income.
<i>Note 1: The IRS Code 132(a) benefit allowance for 2022 is \$280 per month and \$300 for 2023.</i>			

Example Commuter Benefit Programs and Resources

While commuter fringe benefit programs are most common in urban areas, employers and employees can take advantage of such benefits anywhere commuter transit services are available. In Seattle, San Francisco, and many other urban areas, local ordinances require that employers over a certain size (typically with 50 employees or more) establish commuter benefit programs, and third-party businesses often manage the payroll deductions for large employers. Organizations such as the Metropolitan Transportation Commission (MTC) in the San Francisco Bay Area, the San Luis Obispo Council of Governments (SLOCOG) and Sacramento Area Council of Governments (SACOG) coordinate and promote commuter benefit programs. These organizations help employers set up programs for employees, offer literature on the benefits of programs, and share web links for participants. Commuter benefits include more than just a reduced or free transit pass but also

include parking, carpools and vanpools. Some of the resources which can offer models from which HTA and HCAOG can learn include the following:

- SLOCOG – Through their Rideshare “Commuter Club” program, SLOCOG works with employers and employees to establish multiple alternative commute options. Employers can register for commuter benefit programs online at <https://rideshare.org/program/commuter-club/>. The website provides menus with links for commuters and employers to find out how the programs work, what the benefits are, and how to participate.
- MTC – The MTC and the Bay Area Air Quality Management District use the “511.org” designation to share information about commuter fringe benefit programs at <https://511.org/employers/commuter-benefits-program>. Employers or employees can select from a menu of commuter benefit options (pre-tax transit pass purchases, employer provided subsidies, etcetera), or they can select a community to find out what specific options are available in their area.
- Commute Kern – Kern Council of Governments (Kern COG) assists the eleven incorporated cities, and the county of Kern, with their regional transportation issues. Kern COG helps employers set up Rideshare programs in the workplace and offers a free carpool/vanpool matching service via this website. Learn more about the many services Kern COG offers to assist employers with creating and managing their own Rideshare program. <https://commutekern.org/>
- Best Work Places for Commuters (BWC) – The National Center for Transit Research (NCTR) and the U.S. Environmental Protection Agency (EPA) created a program which recognizes employers for providing outstanding commuter benefits, such as free or low cost bus passes and vanpool fares and strong telework programs. The BWC program has a membership of 330 employers who are recognized and supported through fact sheets, membership lists, and other resources for anyone interested in commuter benefits programs. Information is at <https://www.bestworkplaces.org/>
- Sacramento Transportation Management Association -- As there is a large concentration of employers in one location downtown Sacramento, the region is very conducive to commuting by public transit. Many Sacramento area employers such as the State of California and Kaiser Permanente offer commuter benefits. These programs help to boost ridership on the several commuter services from the surrounding rural counties into downtown Sacramento. Many use a third party broker to manage commuter flexible spending accounts and subsidies. The Sacramento Transportation Management Association (TMA), which includes a large conglomeration of transit agencies and large employers such as Sac RT and the State Controller’s Office, provides resources for commuters as well as allows a way for members to pool resources to provide more comprehensive commute programs. <http://www.sacramento-tma.org/>

In conjunction with commuter benefit programs established by Metropolitan Planning Organizations and large employers, many agencies also offer a guaranteed ride home to ensure a safety net for those committing to commuting by bus in case they need to leave work in an emergency. For example, in the Sacramento area if a commuter uses public transit at least 60 percent of the work week to commute to an employer that a TMA member can have the TMA pay for a taxi or rental car

if the employee has an emergency or unscheduled overtime and are stranded at work without a car. In order to obtain a voucher for this purpose, commuters log in through sacregion511.org. The assurance that a transit passenger can return home to deal with an emergency (such as a sick child) is an important factor in attracting discretionary riders to public transit.

As most of these commuter benefit programs occur in large metropolitan areas, there are multiple transit operators or vanpools available for commuters to use. Therefore, it makes sense for commuters to have control over which benefits they choose. Web platforms have been developed by third party brokers to assist employees in choosing the appropriate benefit. The brokers can also provide reporting to employers. Most commuter benefit programs incorporate the use of a pre-paid debit card which can be used at pre-approved transportation merchants.

Commuter benefit programs are beneficial to both the employee and the employer. According to WageWorks (an employee benefits administrator), employees save an average of 30 percent on commuting costs while employers can save up to 7.5 percent on payroll taxes.

Potential Ridership Benefits of a Commuter Subsidy Program in Humboldt County

Research has been conducted regarding the transit ridership impacts of a commuter benefit program that can be used to estimate the impacts of such a program in Humboldt County.

Transit Cooperative Research Project (TCRP) #107 *Analyzing the Effectiveness of Commuter Benefits Programs* (2016) indicates that commuter benefit programs can increase transit ridership anywhere from 0 – 150 percent. Urban areas with paid parking, frequent transit service and large employers located close to transit stations are at the high end of the range. Areas such as Tucson, Arizona and Southern California are at the low end of the range and only saw a 0 to 3 percent increase in transit use. Washington State saw a 6 percent increase. Given the rural nature of Humboldt County, HTA services could expect to see a similar increase in transit ridership as these areas with the implementation of a commuter benefit program (average of 3 percent).

The increased transit ridership would result from both increased use by existing riders and new riders (many of whom were previously driving alone). Other survey data evaluated as part of TCRP #107 shows that after the implementation of a commuter benefit program, one could expect a reduction in single occupancy vehicle users from 1 to 9 persons per 100 employees at a workplace. Other data collected by the Victoria Transport Policy Institute shows that for a low-density suburban area, vehicle trips can be reduced by 7.9 percent when a commuter benefit program provides a transit subsidy of \$2.00 per day.

The impact of a commuter benefits program on HTA ridership will depend greatly on the number of large employers in close proximity to bus stops who are willing to participate in a program. Research also shows that the employer subsidy option has a greater impact on ridership than the pre-tax deduction option.

Recent research conducted post-COVID suggests that is becoming increasingly important for employers to consider more flexible fringe benefit packages as many employees have permanently transitioned to a more flexible work schedule. Given that current passes being offered by HTA cost significantly less than the IRS monthly benefit allowance, employers will be able to integrate HTA passes into their commuter benefit packages while providing additional options, such as fuel stipends.

Next Steps for HCAOG and HTA

Given the popularity of passes as fare media as demonstrated in Figures 1 and 2 and preliminary evidence that the JPA Employee Pass Pilot Program is being utilized, HTA and HCAOG should continue to explore options to further increase pass sales by coordinating with employers to offer commuter fringe benefits. Many choices still exist as to the type of commuter benefit employees and employers can choose from.

HTA has made measurable progress engaging employers and employees with the implementation of the JPA Employee Pass Pilot Program. The following are implementable actions that may build on the recent successes of HTA to develop commuter fringe benefit programs.

1. Solicit feedback from participating employers and employees of the JPA Employee Pass Pilot Program to evaluate the qualitative successes and shortfalls of the program. Employers that expressed interest in the program and chose to not participate should be contacted as well to evaluate their choice.
2. Continue to gauge the level of interest employers and employees have for participating in commuter fringe benefit programs, particularly interest in purchasing transit passes as a subsidized fringe benefit, and the level of understanding of these benefits. This effort could include the development of a simple fact sheet about commuter fringe benefits by listing the benefits outlined in Table 3. This could be emailed to large employers who are located near a transit stop in the region (requesting a response) and posted on the websites (with a response box to indicate interest). Attachment A includes an example fact sheet which could be distributed to employers and employees as a way to kick-start the program. HCAOG could also ask employers to distribute a survey to their employees as a way of gauging interest for the program as well as estimating potential impacts. Below is a list of survey questions which could be included:
 - What zip code do you live in?
 - During the past week how did you get to work?
 - Drove alone
 - Carpool
 - Transit
 - Bicycled or walked
 - Telecommuted
 - Did not go to work
 - If you used transit, did you drive to a bus stop?
 - If you did not use transit, why not?
 - Home or work location not convenient to transit stop
 - Inconvenient schedule
 - Need car for work
 - Too expensive
 - Need car for errands, child pick-up etc.
3. Develop a marketing campaign to promote existing and future commuter fringe benefit program options to employers and employees alike. This may include the following:
 - a. Creation and distribution of promotional and instructional material to large employers in the County.
 - b. Development of a commuter benefits program webpage as part of the HCAOG website. Here, employees could obtain information and log on to their account. Links to this site could also be included on HTA's website.

- c. Ensure that information from IRS Code 132(a) is communicated so employers and employees are aware of the tax benefits and rules. It should be made clear that the employer and employees are responsible for adhering to the tax code.
4. Research third-party administrators for a regional commuter benefit program if enough interest is expressed. Given the low staffing levels at HCAOG, a third-party vendor could be an appropriate way to manage a commuter incentive program, if cost effective. Benefit administrators offer a variety of options for commuter benefit programs such as: Pre-paid Mastercards which can only be used at pre-approved transportation vendors, commuter check vouchers, transit passes or stored value cards for the transit agency which are mailed to employees. In this scenario, employees would set up an on-line account with the benefit administrator through which all transactions would occur. HCAOG would need to determine which product will work best for the region and if using a third-party administrator is cost effective.

As HCAOG continues to explore commuter benefit possibilities, below are some additional resources:

- Kern County COG Marketing Materials <http://commutekern.org/for-employers/marketing-materials/>
- Describes steps for launching a commuter fringe benefit program <https://rideshare.org/tax-benefits/>
- White Paper on Commuter Tax Benefits https://www.bestworkplaces.org/pdf/taxbenes_07.pdf
- Third Party Administrator of Commuter Fringe Benefits programs <https://commuterbenefits.com/>
- Interpretation of tax implications <https://www.benefitslawadvisor.com/2018/01/articles/tax-cuts-and-jobs-act/2018-tax-reform-series-tax-law-changes-to-employee-fringe-benefits/>
- Federal employees have a portal for signing up for subsidized connect cards <https://psc.gov/transportation-services/transit-benefit-program-management/>

As a final note, any information provided by HTA and HCAOG on their websites should be vetted by their legal staff to ensure there is no liability in offering tax information.

Attachment A

What are Commuter Benefits?

1. Employer Subsidy

Employers give employees up to \$300 per month, in addition to their salary to commute via transit or vanpool.

or

2. Pre-tax Deduction

Employers allow employees to use pre-tax income to pay for qualified transit.

EMPLOYER

- ✓ 1. Improve employee recruiting and retainment
- ✓ 2. Reduce payroll tax contribution by the amount of the pre-tax income used for qualified transit



EMPLOYEE

- ✓ 1. Receives up to \$300 per month tax free
- ✓ 2. More after tax spendable income



Would you be interested in joining a commuter benefits program?

Contact HCAOG at 707-444-8208