Draft Low-Income Toll Report: Excerpt

The Draft Low-Income Toll Report for the Oregon Toll Program was prepared by the Oregon Department of Transportation (ODOT) at the direction of the Oregon Legislature. The full report identifies options for further consideration about the income-threshold and benefits, as well as best practices for implementation of an equitable, inclusive tolling system.

ODOT, in partnership with the Equity and Mobility Advisory Committee (EMAC), will finalize the report and present it to the Oregon Transportation Commission (OTC) in September 2022. The report is due to the Oregon Legislature by September 15, 2022, as required by House Bill 3055.

This draft report is a culmination of the work ODOT and OTC have been working on for multiple years regarding how to best address the impacts of the proposed toll projects on people with low incomes. The draft report summarizes the engagement, analysis, and research conducted thus far to inform the options for consideration and best practices. Focused engagement with the OTC, stakeholders, and the public will occur throughout summer 2022 to further inform and refine the options for consideration and best practices presented in the final report.

Options for Further Consideration

1. Provide a significant discount (e.g. credits, free trips, % discount, or full exemption) for households equal to or below 200% Federal Poverty Level (FPL).

Key Findings

- People experiencing low incomes may already have difficulty meeting basic needs such as paying for food, shelter, clothing, and healthcare. A discount or credit would alleviate the burden of choosing between paying a toll and meeting those basic needs.

- The FPL is split into household/family size, ranging from 1 to 14 people. Because the FPL does not account for many household expenses and does not account for the cost of living in specific geographies, programs in urban areas often instead use a multiple of the FPL, such as 200% FPL, instead of 100% FPL to determine qualifications.

  - In 2022, the average annual income at 200% FPL is $27,142 for a household/family size of one and $55,500 for a household/family size of four.[1]

[1] Assistant Secretary for Planning and Evaluation (ASPE). 2022 Poverty Guidelines: 48 Contiguous States (all states except Alaska and Hawaii). Retrieved on June 8, 2022 from: https://aspe.hhs.gov/sites/default/files/documents/4b515876c4674466423975826ac57583/Guidelines-2022.pdf

- In the Portland region, about 25% of the population have incomes at or below 200% of the FPL. This is lower than Oregon overall.

- Case study research and stakeholder engagement shows that the 200% FPL threshold is commonly used to determine eligibility for existing low-income benefits programs in Oregon and nationally. The 200% FPL threshold is, therefore, set precedent on who should qualify for low-income benefits programs.

- Using the same income threshold as existing low-income programs may allow ODOT to leverage other programs for low-income verification as part of the Oregon Toll Program. This would benefit people experiencing low incomes by reducing barriers to access. In addition, it potentially reduces administrative costs and security risks for ODOT associated with enrollment and verification. Additional conversations with these programs are needed to fully understand the feasibility of ODOT leveraging existing programs.

- EMAC supported a sizable benefit at 200% FPL, but was divided on whether it should be a completely free option or one that is deeply subsidized (90%).

- Findings from two separate sensitivity tests indicate how a 50% discount for people experiencing low incomes may affect project outcomes – specifically, daily traffic volumes on I-5 and I-205 and gross toll revenue.

    - For the **I-205 Toll Project**, a 50% discount for the low-income vehicle class would increase daily traffic volume by 2% and decrease gross toll revenue by 1% compared to the Project's baseline scenario (based on the modeling analysis in 2040 conditions). The baseline scenario is Alternative 3 from the I-205 Toll Project Comparison of Screening Alternatives Report, which includes two toll locations: The Abernethy Bridge and the Tualatin River bridges located east of Stafford Road.

    - For the **RMPP**, the project team applied a 50% toll discount to low-income vehicle trips, which make up about 10-15% of potential automobile trips on I-5 and I-205 (based on the modeling analysis in 2045 conditions). They also applied a 50% toll discount to the same low-income vehicle trips in addition to half of the medium-income vehicle trips, accounting for a total of 35-40% of potential auto trips on I-5 and I-205. In summary, the smaller (less inclusive) discount program (50% discount on all low-income trips) would increase daily traffic volume by 2% from the baseline, and the larger discount program (50% discount on all low-income trips and half of medium-income trips) would increase daily traffic volume by 4% from the baseline in 2045. The smaller discount program would decrease gross toll revenue by less than 5%, and the larger discount program would decrease gross toll revenue by 10% to 15%.

    - Note on findings: The sensitivity test results are not meant to represent exact outcomes of the recommendations in this report; rather, they suggest the pattern of how a low-income benefits program might affect project outcomes. The tests were performed using the Metro Regional Travel Demand Model to assess future year conditions (in 2040 or 2045). The modeling analyses involve a number of assumptions, such as 100%

enrollment in the program by all who are eligible, and the income thresholds used in the model do not perfectly match the federal poverty level used in the report recommendations. The income thresholds used in the modeling analysis for vehicle trips are divided into three groups:

- **Low Income:** Household income under approximately $30,000 per year (in current year dollars)
- **Medium Income:** Household income between $30,000 and $125,000 per year (in current year dollars)
- **High Income:** Household income above $125,000 per year (in current year dollars)

Considerations and Next steps

- The project team will perform additional analysis for both toll projects to further explore how a discount or credit for drivers with low incomes might affect project outcomes – specifically measuring change in daily traffic volume and change in gross toll revenue.
- Further along in project planning, the Level 3 Investment Grade Toll Traffic and Revenue (T&R)[2] studies for both projects will refine and confirm the impacts of the low-income policy decision. The Level 3 T&R for the I-205 Toll Project, which will implement tolls to pay for the I-205 Improvements Project, is expected to occur between mid-2023 to mid-2024.
    - Analysis of the costs to administer the low-income program will also be refined in the Level 3 Investment Grade Toll T&R study, including expected participation rates, if available and appropriate.
- Additional consideration is needed to understand customer service implications. Conveying the benefit to customers is critical. Full exemptions and credits are easier to explain, while trip-based discounts may pose more challenges to communicate.

2. Provide a smaller, more focused discount (e.g. credits or free trips) for households above 201% and up to 400% of the Federal Poverty Level.

Key Findings

- Providing a recurring credit or number of free trips for households up to 400% FPL would alleviate the burden of paying a toll for this group with moderately low incomes, who may struggle to meet basic needs.

[2] The Level 3 Toll Traffic & Revenue Study conducts a robust and independent forecast of the traffic and revenue potential for a preferred or narrowed set of toll scenarios and is used to inform and instill the confidence of investors that will arrange financing.

- The Oregon Self Sufficiency Standard (OSSS) and Asset Limited, Income Constrained, Employed (ALICE) provide additional data on cost of living to support considering some benefit provision to households up to 400% FPL.
  - The OSSS calculates how much income a family must earn to meet basic needs and is derived from the costs of housing, childcare, food, healthcare, and transportation, plus the cost of taxes and impacts of 2021 tax credits.13 In 2021, the OSSS, averaged across the state of Oregon, is $31,521 (245% FPL) for a household/family size of one and $82,447 (311% FPL) for a household/family size of four. However, when averaging the SSS for the seven counties that compose the Portland-Vancouver-Hillsboro, OR-WA Metro Area only, the thresholds increase, ranging from 254% of FPL for a household of one to 422% of FPL for a household of five.
  - The ALICE Threshold for Survival estimates a more constrained household budget that represents the bare minimum for families to make ends meet. As a multiple of FPL, the threshold for survival varies greatly depending on household size. Averaged across the state of Oregon, the Household Survival Budget is $25,380 (200% FPL) for a household of one and $75,768 (286% FPL) for a household of four.
  - The ALICE Household Stability Budget estimates the higher costs of maintaining a viable household over time including a 10% savings category that can be used in an emergency, for additional education, or to buy a home.[3] For 2018, the most recent data year, the ALICE is $51,216 (398% FPL) for a household/family size of one and $118,896 (449% FPL) for a household/family size of four.
  - In 2022, the average annual income at 400% FPL is $54,360 for a household/family size of one and $111,000 for a household/family size of four.[4] In the Portland region, about 29% of people have incomes between 201% FPL and 400% FPL.[5]
- Stakeholders support providing some benefit up to 400% FPL:
  - Respondents of the online public survey conducted in May 2022 indicated support in providing some benefit to a range of incomes, up to 300% FPL. Respondents generally chose a higher income threshold for eligibility (300% FPL) compared to a lower income threshold (200% FPL).The survey was developed prior to case study research and regional economic analysis that informed income threshold considerations. While survey respondents were asked about 300% FPL, the upper

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[3] https://www.unitedforalice.org/household-budgets-mobile/oregon

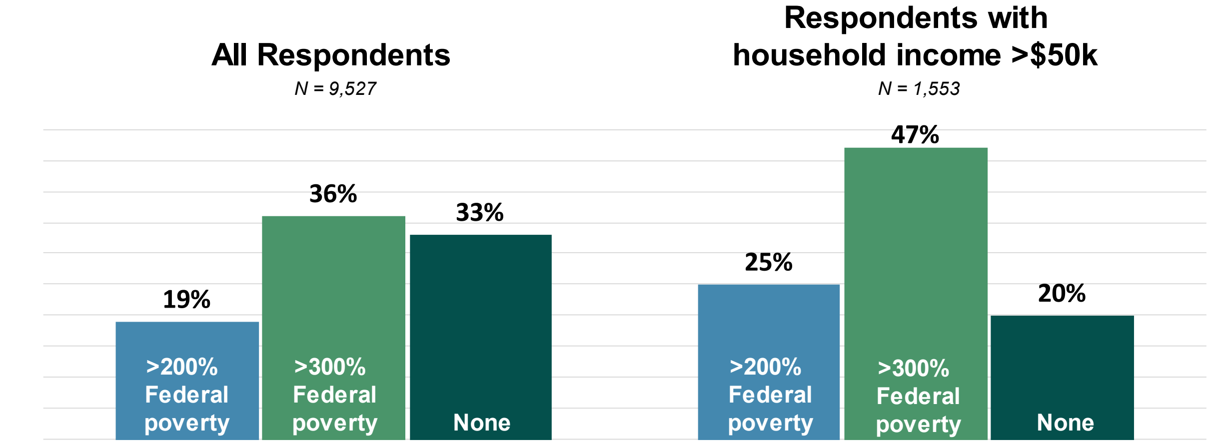
[4] Assistant Secretary for Planning and Evaluation (ASPE). 2022 Poverty Guidelines: 48 Contiguous States (all states except Alaska and Hawaii). Retrieved on June 8, 2022 from: https://aspe.hhs.gov/sites/default/files/documents/4b515876c4674466423975826ac57583/Guidelines-2022.pdf

[5] U.S. Census Bureau, American Community Survey, 2015 to 2019. S1701 POVERTY STATUS IN THE PAST 12 MONTHS.

income limit was revised to 400% FPL to reflect additional findings regarding cost of living (Figure 1).

- EMAC received a presentation on preliminary findings and members expressed support for providing a sizeable benefit at 200% FPL and a smaller benefit at 400% FPL.

Figure 1. Survey question: Who should be eligible for the low-income discount or credit? (Select one.)



Excludes responses marked "I don't have a preference/ Prefer not to answer"

Considerations and Next Steps

- Explore different certification options including self-certification because of the difficulty of verifying incomes as well the data security risk associated with collecting sensitive information, such as social security number and income, with one possible mitigation being verifiers who review but do not collect income documents. Additional research will be useful to understand the administrative costs of income verification, reviews of program usage, and revenue leakage.

- Analyze of the costs to administer the low-income program, which will be refined in the Level 3 Investment Grade Toll Traffic and Revenue study, including expected participation rates, if appropriate.

- Determine a communication strategy to inform potential applicants about the eligibility requirements and benefits for a tiered program, which is more complicated.

3. Use a certification process that leverages existing programs for verification and further explore self-certification.

Key Findings

- Qualification through existing low-income service program(s) eases enrollment challenges for applicants with incomes below 200% FPL and reduces the administrative burden and data privacy risk for ODOT.

- Self-certification allows applicants to certify their income without substantiating documents. Applicants may be asked to check a box on the application that says, "I verify that the income I selected is true" or complete an attestation form stating that applicants understand there may be penalties for misstating or falsifying information. The process may also require applicants to agree to provide proof of income in the future.[6]

- Possible benefits of qualification through existing low-income service program(s) and self-certification include improving the ease of enrollment for travelers, which addresses an enrollment barrier that could contribute to low utilization of program benefits and eliminating the need for ODOT to collect or process sensitive information.[7]

- EMAC strongly supports a self-certification model that streamlines the low-income toll program benefit enrollment process.

- The project team conducted research to identify rates of fraud among low-income toll programs as well as low-income service programs more broadly. While we found no reports of large-scale fraud among comparable programs including ones with self-certification, and the proposed low-income toll program has several features that make it an unlikely target of systemic fraud, the project team will continue to research the topic and establish business rules to prevent fraud.

- Some features of the program that can reduce the likelihood and impact of fraud include that the program is geographically bounded to only specific toll roads, that each person receives only one instance of the benefit, and potentially that the benefit from the program is bounded (if it takes the form of a credit or a number of free trips).

- ODOT can consider the following strategies to prevent fraud:

    - Requiring the use of a specific transponder that is affixed to the vehicle and cannot be transferred between vehicles.

    - Focused monitoring requiring some program participants who are frequent users of the benefit program to submit documentation to verify their income.

Considerations and Next Steps

- Coordination will be needed to ensure that the certification model(s) is interoperable with Washington agencies.

- The Level 3 T&R will provide an analysis of program administration costs.

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[6] Self-certification example: https://www.hudexchange.info/resource/4786/cdbg-selfcertification-of-annual-incomeform

[7] https://pdxscholar.library.pdx.edu/cgi/viewcontent.cgi?article=1008&context=ncpp_pub; https://www.commonwealthfund.org/sites/default/files/documents/___media_files_publications_fund_report_2009_may_1266_summer_increasing_particip_benefit_progs_v3.pdf

- If considering self-certification, additional research is needed to understand the potential risk to and impact of program fraud, as well as to understand the efficacy and tradeoffs of fraud prevention strategies.

Next Steps

Prior to the beginning of tolling, the OTC will establish a rate structure based on vehicle class, time of day, location and distance, and method and payment, and will include income-based adjustments. The options presented in the Draft Low-Income Toll Report will inform the income-based adjustments. Ultimate decision-making authority lies the OTC and will occur through the rate-setting process after further robust public engagement and analysis of traffic and revenue impacts.