

Low-Income Toll Program: Self-Certification Research

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ODOT is committed to having a low-income toll program when it begins tolling, which will be the first of its kind in the country. The earliest tolling would start in 2026. Leading up to then, we are working on the details of how to operate an easy-to-use and accessible program for customers. We heard feedback from community members last year that one way to do this is through “self-certification.” Self-certification means applicants provide their own proof of eligibility without external verification.

A key step identified in the [Low-Income Toll Report](#) was to understand potential risks, benefits and impacts of self-certification. This memo reviews key takeaways from our research of existing programs and economic assessment. The results will inform project staff and the Equity and Mobility Advisory Committee and the Statewide Rulemaking Advisory Committee as members advise on the development of the Low-Income Toll Program.

Takeaways from Research and Interviews

We used several research methods to understand the risks, benefits and impacts of self-certification. This included reviewing existing service programs that have a self-certification option for income verification, interviews with administering staff (LA Metro, Eau Claire Transit, Pacific Power, San Mateo Express, Oregon Housing and Community Services, Oregon Department of Environmental Quality, and Oregon Department of Human Services, and Washington State Housing Finance Commission), and feedback from WSP economists.

Here are key takeaways we identified through our research (additional detail is available on page 2):

1. **Programs that include self-certification use it as a first step to get people enrolled, but they do require documentation later on to verify and maintain the benefit.** We heard stories about how self-certification helps meet needs of workers who get paid in cash and may need time to gather the correct paperwork, or people who are under a time crunch at the end of the month to pay essential bills. LA Metro staff said that self-certification was an essential action in aiding their efforts to increase enrollment after years of struggle.
2. **Fraud has been minimal, and all programs had practices to address potential fraud.** All the self-certification programs came with an advisory statement on the form that notifies the applicants that the administering agency may audit or require documentation to verify. The Oregon and Washington housing agencies have an extensive history of auditing and reported extremely low levels of fraud. Once fraud was identified, people were removed from the benefit program. Examples of other practices included: automatic audit of self-certification customers after a certain benefit level is reached or a limited duration of benefit until verification is required.

- 3. Even when self-certification is offered, customers will provide documentation to verify their income or eligibility.** For example, LA Metro's current mix is about 70% income-verification and 30% self-certification. Feedback from the administering staff is that customers prefer the certainty of providing documentation.

Potential Risks and Benefits

We looked at how self-certification would affect administrative costs, participation in a low-income program, level of effort for agency oversight, and risks of fraud.

Administrative costs and participation

Research suggest that income certification and fraud control methods both incur administrative costs and contribute to low participation in public benefit programs.¹ 59% of administrative costs in the Food Stamp Program are due to certification costs. These costs are defined as the "initial determination of eligibility, calculation of benefit amounts, and re-certification of households".² An additional 5% of administrative costs is attributed to fraud control. This includes case record review, recipient interviews, and third-party information. However, this analysis did not explore the relationship between effort expenditure and error reduction rates.³

Overall, research on the administrative costs of income certification and fraud prevention is somewhat limited, possibly in part due to minimal federal requirements to estimate improper payments.⁴

Oversight

For programs that do allow income self-certification, it is common to conduct periodic oversight. As mentioned above, this includes random selection verification (Pacific Power Oregon). Random selection or periodic auditing involves verifying income for a proportion of overall participants to identify discrete cases of misuse and estimate the prevalence of misuse more broadly. An advantage of this approach is that the administrative costs are likely lower than the cost of verifying income for every applicant.

Example: The Los Angeles Metro Low-Income Fare is Easy (LIFE) program anticipates auditing self-certified participants in the next fiscal year. While representatives indicated that processing self-certification applications is far faster than verifying income (and therefore likely less costly), having a greater number of self-certified participants does raise costs associated with auditing, because there is a bigger pool to pull from.

Risk of Fraud

Benefit programs in general, and particularly programs with self-certification, commonly generate discussion and concerns about the possibilities of fraud or misuse. There is a difference between fraud

¹ https://pdxscholar.library.pdx.edu/cgi/viewcontent.cgi?article=1008&context=ncpp_pub;%20;https://www.commonwealthfund.org/sites/default/files/documents/___media_files_publications_fund_report_2009_may_1266_summer_increasing_particip_benefit_progs_v3.pdf

² <https://www.ers.usda.gov/webdocs/publications/86030/ccr-15.pdf?v=0>

³ <https://www.ers.usda.gov/webdocs/publications/86030/ccr-15.pdf?v=0>

⁴ <https://www.gao.gov/products/gao-06-347>

and misrepresentation. Misrepresentation generally occurs when qualifying for a benefit; fraud generally occurs after it is granted. Key findings include:

- Public benefit fraud in programs like the Supplemental Nutrition Assistance Program⁵ is infrequent. A nationwide study found that approximately 1 in 750 SNAP enrollees has been expelled from the program for fraud⁶.
- Proposed low-income toll program features further limit the potential for fraud. Features minimize risk because the benefits cannot be cashed out, the use of the benefit is limited, and benefits are administered on a small scale.
- Additional strategies to reduce or prevent fraud may be costly and negatively affect program enrollment.⁷ Administering a program without self-certification may be more costly than potential losses from fraud, in part due to the need to process and manage personal data. A way to mitigate this cost would be to not capture and store any personal data, but to have documents presented and note on the form the type of document presented, as well as its eligibility date/expiration date.

Financing Considerations

It appears, at least externally, that bond issuers don't really think about transit user fraud in low-income programs when considering transit agency risk. This may be in part because transit bonds are typically back by tax revenues rather than fare revenues that are impacted by low-income toll programs; on the other hand, toll bonds would be backed by toll revenues that could be impacted by the low-income toll program and self-certification.

The following summarizes our findings from low-income transit programs:

- **Low-income and self-certification programs were not mentioned as part of a recent upgrade of the Illinois Regional Transportation Authority sales tax bonds.** Moody's, as the bond issuer, didn't note this in its explanation for upgrading and downgrading.
- **LA Metro received a good rating with an identified self-certification process for low-income programs.** Fitch gives their bonds an AA+ and a stable forecast. There is no mention of the low-income program specifically, but just mentions "exposure to operations risk" as a general consideration for all transit agencies and specifies that this exposure to operations risk means that the rating is capped at the Issuer Default Rating (IDR). An increase of exposure to operations risk is not considered when re-evaluating the bond rating.
- **Risks mentioned for bonds are not due to low-income programs.** Fitch mentions that COVID ridership numbers pose a risk for NY MTA bonds, but doesn't mention low-income programs, similar

⁵ <https://www.fns.usda.gov/snap/integrity/fraud-FNS-fighting>

⁶ <https://sgp.fas.org/crs/misc/R45147.pdf>

⁷ <https://digitalcommons.usf.edu/cgi/viewcontent.cgi?article=1663&context=jpt>;
<https://www.gao.gov/assets/gao-15-593sp.pdf>

to [Moody's evaluation](#) of NY MTA. Similarly, Moody's mentioned a risk of a downgrade of [CA transit agencies](#), but this was only because there was a potential loss of federal grants.

The lack of potential fraud mentioned in these low-income program evaluations is most likely due to any risk that is associated with self-certification is so small compared to the entire transit agency budget, that it doesn't pose any real threat towards a downgrade, and could in fact improve it as many of the bond issuers discuss ridership levels post COVID-19 pandemic are an important factor in evaluating how well the transit agencies are doing financially.

Toll agencies typically issue non-recourse debt, which means no backstop by a regional or state government. Agencies with non-recourse financing could default on bonds and that is a risk that is considered by the rating agencies.

Overall, without knowing the details of the indenture, it is impossible to know exactly what rating agencies think. Assuming those transit credits are backed by a specific tax base (i.e. sales taxes, property taxes, etc.), it is likely that self-certification and fraud are less of a concern, given that revenues pledged to repay the bonds are not necessarily dependent on ridership, but rather taxes, whose payers are essentially captive customers (i.e. someone can choose not to ride transit, but you cannot really choose not to pay property taxes). All assumptions right now point to a stand-alone revenue credit for our toll program. Meaning there's no pledge of other tax revenues (i.e. fuel taxes, DMV fees, etc.). From a ratings standpoint, this would likely mean that fraud would be a relatively higher concern, given that our customers aren't necessarily captive. The overall customer base/revenue stream may be "weaker," thus making it more susceptible to impacts from fraud.

Existing Self-Certification Programs

Many agencies administer programs with varying degrees of self-certification for low-income members of the community. For the following programs, many do not specify that they use self-certification, but rather they just require users to fill out a form with no supplementary information:

- **Los Angeles Metro** has a Low-Income Fare is Easy (LIFE) Program, which offers discounts on weekly or monthly passes or 20 free rides on Metro or any participating transit agencies. When signing up, users get a free 90-day bus fare pass. After the pass expires, users can load their discounted fare onto their regular Metro card. LA Metro provides users the option to self-certify, but also to provide proof of any sort of public benefit "if you would like."
- **City of Madison Wisconsin Metro** has a [reduced transit fare pass](#) with customers filling out a self-certification form to state if they are eligible (income is at or below 150% of the Federal Poverty Level). The reduced fare permit lasts for six months. These passes must be purchased in person, are at a "limited supply" and are a "first-come first serve basis."
- **Pacific Power Oregon** also has a [Low-Income Discount Program](#) that is mostly self-certified, except it states on the form that it will "randomly select" enrolled customers to provide post-enrollment verification to continue receiving the discount. They also state that they might require post-enrollment verification if they feel the program is being overused. Re-enrollment is required every two years, but customers that receive LIHEAP or OEAP within 12 months of re-certification will automatically be re-enrolled every two years.

- **Eau Claire Wisconsin Transit** also has a self-certification process for income-qualifying fare, for people 185% below the federal poverty level. The process involves customers completing a form that says they are low income and is, not advertised as a self-certification process. The program has annual re-verification.
- **Lincoln Nebraska StarTran** completes their verification through self-certification and only require a Photo ID and birthdate with no proof of income level required. The pass must be repurchased every 31 days with the same photo ID and previous pass (customers who don't have a previous pass can request a new one with a photo ID and birthdate) and people who have up to 200% of the federal poverty level qualify. The program is not advertised as self-certifying.
- **New York City's Fair Fare's Program** also has a process that allows for self-certification. Technically, the program allows for people to self-certify for a 50% discounted Metro Card, but it is a last resort option of certification (presented as, "if none of the above are available"), and asks for a letter from customers, signed and dated, with information on their gross income for the last 30 days. Not advertised as a self-certifying process and is only available to people that are at the federal poverty level.
- **Washington State Housing Finance Commission** allows for a self-certification process for low-income housing benefits only in the third year of credit and customers must verify income with a third-party verification system after the first year. The self-certification of income form can be found here. They put into place self-certification for tax credit property owners to accept self-certification from households, but it expired on March of 2021 (according to the order that was placed). The Self Certification form is also used by several other Washington state public funders for purposes of fulfilling their recertification requirements (according to WSHFC). They do not specify which organizations use their self-certification forms as well.
- **The El Paso Electric's Low Income Smart Charging Program** allows for self-certification for income eligibility to be a part of the rebate for purchase and installation of a qualifying networked/smart Level 2 EV charging station. The rebate can be up to \$2,300. This form allows the option of either self-certifying that users are a part of a low-income assistance program, or self-certifying that their income is at or below 200% of HHS poverty guidelines, with a required signature certifying the applicant understands that they may be subject to an audit based on the information they provided.
- **The Illinois Housing Development Authority** has a Low Income Housing Tax Credit that allows for self-certification as a final option if no other program verification is accepted. The applicant also must have documented evidence of trying and failing to gain access to program verification. If self-certifying, the applicant also can't gain access to some specific programs as they don't allow self-certification. If a tenant's assets are worth less than \$5,000, they are allowed to self-certify about their assets, too. There are also specific programs such as the HOME program where the first year is certified, year 2 to year 5 is self-certified, and year six income verification must be certified.

| Agency Name | Facility Type | Program Features | Income Requirements | Proof of Income | Enrollment Method |
|---|--------------------------------|--|--|--|--|
| Los Angeles Metro | Highway Toll/Mass Transit Fare | 50% fare discount to weekly or monthly ride passes, 90-day free bus pass | 200% FPL or below | Able to provide verification via programs, can also self-certify | Online or In-Person |
| Metro Transit of Madison, Wisconsin | Mass Transit Fare | 50+% fare discount to 31-day pass | 150% FPL or below | Self-Certification form | In-Person |
| Pacific Power Oregon | Power Company | 20 or 40% discount on bill | 0-20% state median income (40%), 20%-60% state median income (20%) | Low Income Discount Program Form, randomized audits | Online or In-Person |
| Eau Claire, Wisconsin | Mass Transit Fare | Income-Qualifying Fare Permit Card, 50% discount for every ride | 185% FPL | Income-Qualifying Fare Verification Form | In-Person |
| Lincoln Nebraska StarTran | Mass Transit Fare | 31 Consecutive Day Pass for 50% discount | 200% FPL | N/A | In-Person |
| New York City | Mass Transit Fare | 50% discounted Metro Card on subway and bus fare, and MTA Access-A-Ride trips | 100% FPL | Bank Statements, Pay Stubs, Unemployment Insurance Benefits, Letter stating income | Online or In-Person (unclear if self-certification letter is available online) |
| Washington State House Financing Commission | Housing Agency | Subsidized Housing for Low-Income individuals, 9% tax credit to developers | 30% at or below local area median income | Verification allowed by HUD, after 3rd year Self-Certifying form | In-Person |
| El Paso Electric | Power Company | Tax rebate and purchase of EV Charging Station | 200% FPL | LIHEAP, Food Stamp, SNAP Enrollment, or Self-Certification of Assets | Not Listed |
| Illinois Housing Development Authority | Housing Agency | Subsidized Housing for Low-Income individuals, rent must not exceed 30% of individual's income | At or below 60% of area's median income | Third-Party Verification, if not available, signed affidavit or notarized statement, self-certification of all assets if below \$5,000 | Not Listed |