



Market Consultation: Benefits Administrator

March 2022

Invitation to Participate in Cal-ITP's Market Consultation

We're writing to invite you to participate in a Market Consultation that could shape the way that California residents qualify for and receive benefits, starting with transit discounts.

California is one of the leading economies in the world, and it's home to many of the private sector's new mobility and fintech innovators—as well as the largest and most complex public transportation system in the United States.

The California Integrated Travel Project (Cal-ITP) is an initiative of the California State Transportation Agency (CalSTA) and California Department of Transportation (Caltrans) to bring global standards for fare payment and trip planning to public transportation agencies along with seamless verification of eligibility for transit discounts.

The enrollment and verification process for transit discounts should be made significantly simpler for riders and easier and cheaper for transit providers to administer. Fall 2021 marked the official launch of the Cal-ITP Benefits demonstration tool, which allows older adults in the Monterey-Salinas Transit service area to simply use their California DMV-issued driver's license or state ID number to enroll for discounted senior fares when they pay using a contactless debit/credit card.

This demonstration proved to be a great opportunity to learn more about the required features and capabilities for such a solution. Building on this experience, Cal-ITP is currently in the process of gathering requirements for a cost-effective and user-friendly statewide solution to transit agencies for benefits administration and management.

This is an invitation for your company to participate in Cal-ITP Benefits Market Consultation. Your contributions will be valuable to help us shape the direction of this project and find the optimal and effective benefits management solution. **We must receive your response** to our 5 questions on page 10 **no later than 3:00 p.m. (PDT) on March 23rd, 2022.**

If you have any questions, please feel free to contact us at calitp@dot.ca.gov.

Kind regards,

Chad Edison, Deputy Secretary for Transportation, California State Transportation Agency

Gillian Gillett, Program Manager, California Integrated Mobility, Caltrans

James Allison, Manager of Planning, Capitol Corridor Joint Powers Authority

(Cal-ITP Steering Committee)

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1. Background

The California Integrated Travel Project (Cal-ITP) is an initiative of the California State Transportation Agency (CalSTA) and California Department of Transportation (Caltrans) to bring global standards for fare payment and real-time data to California transit agencies, along with seamless verification of eligibility for transit discounts. Cal-ITP centers its work on the principles of sustainability, equity, and optimizing the rider experience. Practically speaking, Cal-ITP's approach is to build and foster interoperable systems for payment and data sharing that give transit agencies control over their information and systems.

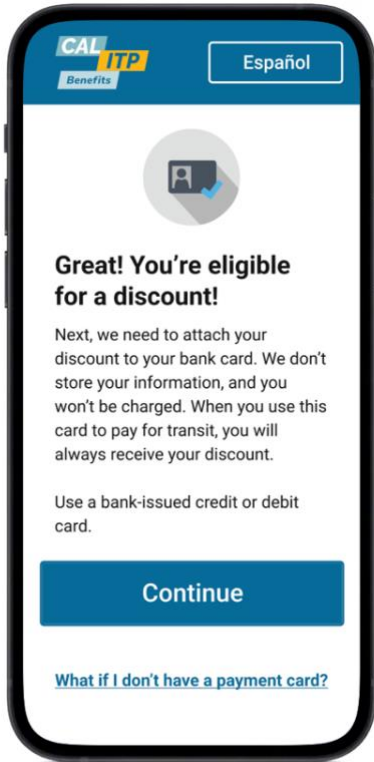
1.1. Contactless payments in transit

The program launched in earnest with a Market Sounding (October 2019) to identify barriers to seamless trip planning and fare payment, followed by a Feasibility Study published in April 2020 to quantify the economic benefits of the recommended initiatives. In 2020, Cal-ITP conducted more targeted market soundings on Real-Time Transit Vehicle Occupancy (October 2020) and Payment Issuance for California Transit (December 2020). In 2021, the program accomplished new partnerships and live-tested solutions, advancing our vision across the three primary program areas of mobility service data, payment acceptance, and eligibility verification for discounts and benefits.

Cal-ITP believes that paying for transit should be as easy as paying for a cup of coffee. Transit riders should feel confident that, no matter where they travel, they can instantly pay by tapping a contactless bank card or digital wallet. 2021 marked a major milestone in advancing this vision, as Cal-ITP successfully supported five transit providers with launching contactless payment demonstrations over the course of the year: Monterey- Salinas Transit (MST), Sacramento Regional Transit (SacRT), Santa Barbara Metropolitan Transit District (MTD), the Santa Barbara Clean Air Express through the Santa Barbara County Association of Governments (SBCAG), and the Los Angeles World Airports (LAWA) FlyAway Bus. These demonstrations helped the program learn valuable lessons on customer behavior, marketing and awareness campaigns, and integration and contracting with multiple vendors.

Cal-ITP achieved a major milestone with the recent announcement by the California Department of General Services (DGS) of its award of Master Service Agreements (MSAs) to a bench of providers of Payment Acceptance Devices (fare validators) and Transit Processor Services (for fare calculation). Public transit providers can visit the [Mobility Marketplace](#) to find these contracts and the EPAY MSA, allowing them to easily purchase the building blocks needed to stand up a contactless payment acceptance system at affordable rates.

Cal-ITP believes that, besides a seamless payment experience, the enrollment and verification process for transit discounts should be simple for riders and easy for transit providers to administer. Verification of the rider's identity may be required in order to establish eligibility, but is not a goal in itself.



Fall 2021 marked the official launch of the Cal-ITP Benefits demonstration tool, which was developed through a collaboration with the California Department of Motor Vehicles (DMV) and Monterey-Salinas Transit (MST). The Benefits tool demonstration allows older adults in the MST service area to receive their discounted senior fare when they pay using a contactless debit/credit card. Riders need a California DMV-issued driver's license or ID card to verify age and a contactless credit, debit, or prepaid card. The Benefits tool is integrated with the contactless payment acceptance demonstration and allows riders to receive their discounted fare automatically each time they tap to pay on the bus.

Figure 1 – Example site of Benefits demonstration tool

1.2. From demonstration tool to a statewide solution

The demonstration involving DMV and MST provided an outstanding opportunity for Cal-ITP to learn about the required features and capabilities for linking payment methods like bank cards with transit discounts. Building on those learnings, Cal-ITP has been collecting requirements for a scalable, cost-effective, and user-friendly statewide solution.

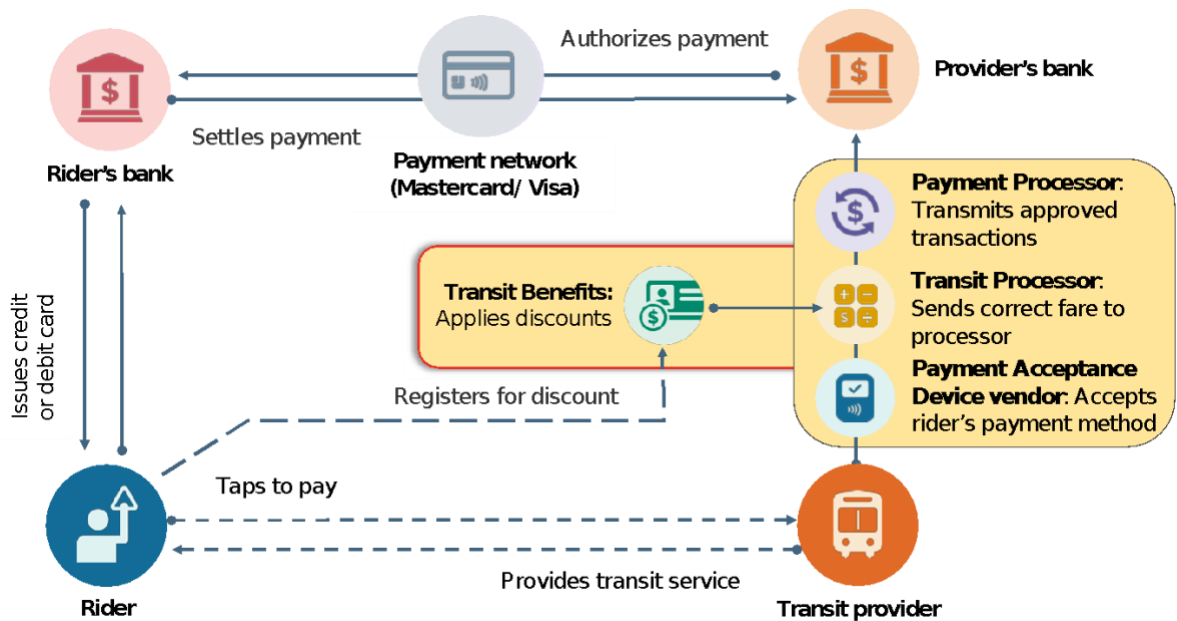


Figure 2 - Contactless Payment Acceptance in Transit



As a next step, Cal-ITP is seeking input from the market. In this Market Consultation, Cal-ITP hopes to hear from market players in the field of identity and account management and privacy-friendly data sharing in order to:

- learn about state-of-the-art technical solutions and prevalent and emerging business models;
- find similar implementations that Cal-ITP could learn from;
- validate assumptions and approaches; and
- understand which role market players can take in such a solution

Cal-ITP will use the input gathered in this Market Consultation to finalize its solution requirements and create an implementation plan for realizing statewide Benefits Administration. However, this Market Consultation is not a guarantee for future Request for Proposals from any state agency.

While the initial scope of this Market Consultation and the envisioned solution is limited to California, the requirements are valid on a national level. The lessons learned from this Market Consultation—under Chatham House rules—will be made publicly available, which might influence decision-making in other jurisdictions.

2. Envisioned Statewide Benefits Solution

2.1. State of transit benefits administration in California

Transit service providers in California provide discounted fares to many riders. These customers may be eligible for discounted fares because they meet one or more criteria (e.g., above a certain age, income below a certain level) or because an entity like a school or employer provides a benefit to a student or an employee. Transit providers that receive Federal Transit Administration (FTA) funding under the Section 5307 Urbanized Area Formula Program are required to offer fare-discount programs to individuals with disabilities, Medicare Card holders, and older adults (aka seniors). New legislation is proposed in California that may lead to free transit for all students in California ([link here](#)). And transit providers can and do offer additional discount programs for which they set their own requirements and rules.

To access fare discounts, transit users must prove that they are eligible for a discount—at every agency whose transit they ride. The verification process varies from provider to provider but often involves the local transit provider’s customer service staff administering paper applications and reviewing an applicant’s supporting documents, and coach operators are often responsible for verifying discount status when a rider boards.

For riders, these processes at transit agencies are duplicative of processes they experience with other government agencies. In many cases, eligibility is validated with physical copies of documents issued by other government agencies. For example, California DMV-issued driver’s licenses are frequently used to prove age for senior riders. Often the verification process requires an in-person application during regular business hours. From studies, it’s known that in-person processes, supporting documentation requirements, and paper or digital application



forms can act as deterrents, reducing the number of qualified applicants who begin or complete the verification process.

The goal of having a process for verification at all is to minimize the risk of abuse by people traveling for a reduced fare when they aren't supposed to. But the more verification assurance that an agency requires, the higher the burden on riders to qualify. Technology is an opportunity to improve the customer experience while still maintaining the level of certainty that transit providers want.

Some of the key hurdles that Cal-ITP is seeking a solution for:

- Eligibility verification for discounts and benefits is done by the transit providers, which is costly and misses out on economy of scale.
- The verification process for the riders is unfriendly, costly, and repetitive.
- Discounted monthly passes and transit cards are issued and administered by the transit agencies, but debit/credit bank cards are not. There is a need for an easy way to link bank cards to discounts.
- Balancing the cost of a solution and the ease of access to benefits with the risk of misuse and data privacy challenges.

At the time of writing, the solution's primary focus is transit use cases, but it is assumed that there are opportunities to scale to other use cases and modes in the mobility domain. In contrast, due to the higher levels of assurance associated with non-mobility government benefits, we do not expect that the requirements for a transit or mobility benefits administration solution provide an easy transition path to other government benefits.

2.2. Transit benefits use cases

The following examples are meant to paint a picture of the type of use cases that should be covered by a benefits administration solution:

Example 1. A 66-year-old transit rider would like to claim her discounts for transit services. The rider has a contactless bank card to pay the discounted fares where contactless is accepted. The transit rider also wants to be able to manage her benefit. For example, if her card expires, she would like to register another card without having to re-verify her age. The transit rider would also prefer not to register at each transit provider separately but automatically receive discounts across all California transit agencies, after opting into this option. The rider has a driver's license to prove her age.

Example 2. To make travel easy, a transit provider is accepting onboard contactless payments. A local college has arranged with this transit provider for all students to receive discounted fares. A student would like to use her mobile wallet to pay for fares. In order to do so, she must prove she is eligible and link her payment card in her mobile wallet to the benefit. The college has an up-to-date list of all eligible students and may reach out directly to these students. The student wishes to use a simple system to prove she's an eligible student and then link her payment card / mobile wallet to this discount, after which any trips with the mobile credential

are discounted. At the end of a semester or if the student does not pay her tuition, the benefit expires and the student stops receiving discounted fares.

Example 3. As part of a deal with a municipality, several micro-mobility providers offer reduced prices for low-income users. The shared micro-mobility services are accessible via a mobile app where the payment details of the user are also stored. The user's eligibility has been established by another program (e.g., has an EBT or Medi-Cal card). The user provides proof of identity and eligibility to the benefits administration system. She can subsequently link her low-income benefit to her micro-mobility accounts using standardized account-linking/attribute-sharing mechanisms.

Cal-ITP is gathering requirements for a user-friendly and cost-effective solution for the verification, administration, and management of benefits in transit and mobility.

2.3. Key functions and roles in statewide benefits administration

The core function of benefits administration is to link attributes to users, link contactless payment credentials to users, and share these attestations with mobility service providers for the enablement of the benefits. Where contactless payment cards are accepted in transit, a single opt-in by the user could be used to enable the benefit at all participating transit providers. A **standardized interface** for transit agencies to verify whether a payment credential is linked to a user eligible for discounts should be realized. Where mobility providers and transit agencies maintain user accounts, a standard way to link the attribute to these user accounts, such as through single sign-on mechanisms (**account linking, relying party**) might be viable through existing standards in the domain of federated identity management.

As a function of eligibility verification, **identity verification** may be necessary and can be done in multiple ways. The level of assurance required is determined by the service provider/benefits provider. Whether it is linking to the State of California's **system of record** (i.e., DMV), using a mobile ID, or leveraging new Know Your Customer (KYC) service providers that **verify official documents** for authenticity using mobile apps and selfies, the outputs are **attested attributes** that can be linked to both a **tokenized contactless EMV card** (to minimize PCI compliance) and to the accounts of mobility providers. Balancing between the risk of misusing the system and the ease of accessing benefits is a key criteria for a Benefits Administration solution. The users should be enabled to register and renew benefits, link and replace payment credentials, and share attributes with service providers.

This **customer interface** is expected to be available through channels such as web, mobile app, and transit agency customer service representatives. At the same time, entities that set the eligibility criteria for certain benefits should be able to configure criteria and assurance requirements through an online **benefits management interface** that can also be used by benefits providers, such as colleges, that maintain a list of users that are eligible for its benefits.

We assume that these functions are provided by a **Benefits Administrator**. This Benefits Administrator provides its services to transit and mobility providers on one hand (**Service Provider**), and to the transit and mobility users on the other hand (**Customers**). In case a party other than the Service Provider provides the benefits (and sets the eligibility criteria maintains a list of customers meeting these criteria), we refer to this party as the **Benefits Provider**. The

Benefits Administrator may link to or integrate with different identity providers that can attest to the customers' attributes (**Attribute Provider**).

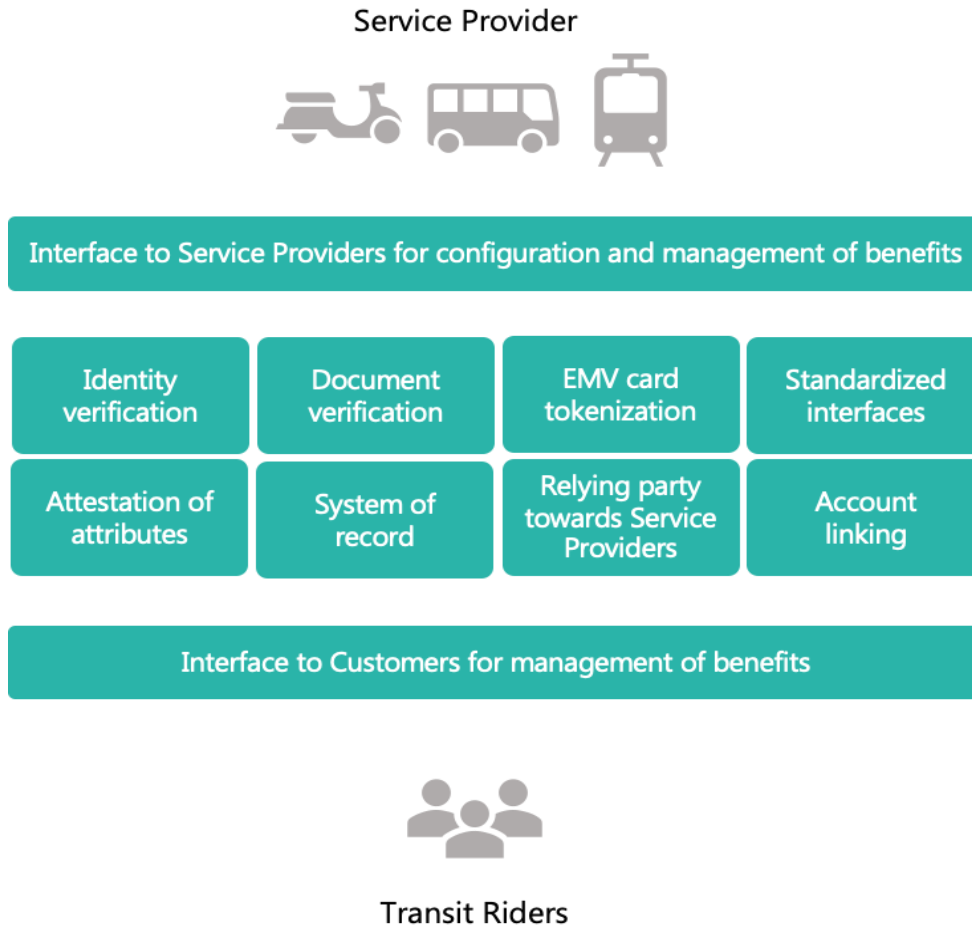


Figure 3 - Key functions in benefits administration

2.4. Key requirements in benefits administrations

We assume that the Service Provider:

- is responsible for configuring its systems to calculate prices and discounts based on customers' attributes and benefits agreed on with Benefits Providers;
- must only have access to privacy-friendly attributes: e.g., *senior* as an attribute is preferred over *date of birth*; and
- must be able to establish Customers' discounts upon revenue inspection.

We assume that an Attribute Provider:

- can verify a person's identity with a certain level of assurance;
- has access to a system of records with personal details; or
- has a way to verify the authenticity of documentation and extract personal details from the documentation; and
- can share attributes or attestations upon request of the customer;



- can revoke attributes or attestations as required.

We assume that the Benefits Administrator:

- does not act as an identity provider itself: only privacy-friendly attributes are administered;
- does not store payment card details, unless devalued using tokenization or masking mechanisms;
- does not know how and where attributes are used.

This role description of the Service Provider, Attribute Provider, and Benefits Administrator is based on preliminary research and will be advanced by this Market Consultation. The aim of this Market Consultation is to identify the ideal slicing of functions, roles, and responsibilities in a way that can best utilize the market players' capabilities and ensure the market players' interest in providing these services.



3. Market Consultation Process

3.1. Market Consultation Questions

We kindly ask the respondents of this Market Consultation to submit answers to the following questions:

1. What products and services that pertain to benefits administration functions does your organization offer?
2. Which functions do you see as integral part of the Benefits Administrator role, and which ones as potentially outside the direct scope of benefits administration?
3. Would you require partners to provide benefits administration services, and if so, which ones?
4. Can you envision a business model wherein the Benefits Administrator would have a mandatory component with predetermined pricing for linking with all transit agencies in California, and an optional component with commercial pricing for linking with mobility providers and other non-transit service providers?
5. What other similar implementations are you aware of that Cal-ITP could learn from?

Some of the key elements that Cal-ITP wishes to learn more about:

- Mechanisms and best practices for account linking
- Mechanisms and best practices for attribute sharing
- Key privacy considerations through the envisioned solution
- Which existing standards can be leveraged
- How and what should be standardized

3.2. Way of participation

Your valuable contributions will help us shape the direction of this project and find the optimal and effective Benefits Solution. We must receive your response no later than **3:00 p.m. (PDT) on March 23rd, 2022**—but we'd love to hear from you sooner than that, and we'll be continuously responding to submissions as we receive them.

Please send your brief answers to our Market Consultation Questions or any feedback to the outlined approach to calitp@dot.ca.gov.

If you have any questions, please feel free to contact us at calitp@dot.ca.gov.



Appendix: Market Consultation Terms and Conditions

- **Participation**

Participation by parties in this Market Consultation process is strictly voluntary and is neither a pre-requisite nor a pre-qualification requirement for participation in any future opportunities related to fare payment and/or inspection or trip planning services. Information provided by any participant as part of this Market Consultation shall not be construed in any way as part of a competitive solicitation.

- **Rights of Caltrans**

This Market Consultation is not an agreement to solicit or purchase goods or services. Caltrans is not bound to enter into a contract with any participant that submits a response to this Market Consultation. Caltrans shall be under no obligation to receive further information, whether written or oral, from any participant or provide any feedback.

Cal-ITP, at its sole discretion, will decide if procurement is warranted. In the event that Cal-ITP decides to proceed with procurement, procurement will be conducted through an open/public competitive procurement process in accordance with State of California procurement policies and procedures.

- **Submissions property of Cal-ITP Steering Committee**

Cal-ITP will not return the submission or accompanying documentation submitted by the participant.

- **Participants shall bear their own costs**

Neither Caltrans nor Cal-ITP will be liable for any expenses incurred, including the expenses associated with the cost of preparing responses to this Market Consultation. Participants will bear their own costs associated with or incurred through this Market Consultation process, including any costs arising out of or incurred in: (a) the preparation and issuance of this Market Consultation; (b) the preparation and making of a submission; or (c) any other activities related to this Market Consultation process.

- **Disclosure of information**

The participants hereby agree that information provided in its submission may be disclosed by Caltrans where required by law, order of a court, or tribunal. Caltrans intends to publicize a relevant summary of the results of the Market Consultation.

The participants are advised that Caltrans may be required to disclose all, a part, or parts of a participant's submission pursuant to the California Public Records Act.

- **Confidentiality**

Caltrans may share summarized results of this Market Consultation with state, joint powers, and federal funding partners, and may use the results to create a future Request for Proposals (RFP) to procure software, hardware, and/or services. We reserve the right to make public summarized versions of any information provided in response to this Market Consultation without identifying the Respondent(s) involved.