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## Making Commuter Benefits Programs More Effective

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**T**hanks to federal tax laws on commuter benefits, employers can make it cheaper or even free for employees to commute by transit. Employers may either provide employees with tax-free transit or vanpool benefits, or set up a program to allow employees to reserve pre-tax income to pay for transit or vanpool expenses. Starting Jan. 1, the tax-free limit for transit/vanpool benefits increased from \$65 to \$100 per month. (See story on page 1.)

Widespread adoption of commuter benefits programs would boost transit ridership and decrease air pollution and traffic congestion by leveling the financial playing field between commuters who drive and commuters who ride transit. However, many employers do not take advantage of these options, even though they are good for business: saving money, increasing employee job satisfaction, and helping attract and retain employees.

Research currently underway for the Transit Cooperative Research Program seeks to determine why. ICF Consulting, with assistance from the Center for Urban Transportation Research at the University of South Florida, is leading a study to identify factors that bring about successful commuter benefits programs, as well as barriers faced by employers in implementing programs. During the first part of the study, the team interviewed transportation agencies—commuter assistance programs, transit agencies, and transportation management associations—to learn more about their marketing efforts and employer response. During the second part, the team interviewed employers with commuter benefits programs to learn first-hand about the barriers encountered.

Some of the most important factors are well known. Employers located in urban areas with good transit service are more interested in commuter benefits than suburban employers with less frequent transit service. Small employers have an easier time making decisions than large employers. Mass advertising is not as effective in reaching employers as targeted, one-on-one assistance.

However, some of the lessons learned from employers were unexpected. For example, the main concern with implementing a transit benefit program

was administrative time and expense. Even though commuter benefits programs are often touted as easy to administer, deciding exactly what type of program to offer—employer-paid or employee-paid pre-tax, transit/vanpool benefits, or parking cash out—is not always easy to work out, especially for employers with multiple locations or with local TDM requirements to meet. In addition, benefits staffs are not always willing to work with employee transportation coordinators to make the necessary payroll changes.

And although the agencies often spoke to their potential clients about possible tax savings from commuter benefits programs—since any pre-tax salary reserved by employees to pay for commuter benefits reduces the employer's tax burden—in reality most employers found very little savings, or that the savings were offset by the cost of administration.

In a few cases, implementing a commuter benefits program even led to a backlash from drive-alone commuters, who disliked seeing their transit-riding colleagues receive subsidies, or carpoolers and bicyclists, whose commute choices are not eligible for these benefits programs.

How did employers overcome these barriers? Patience, persistence, and outsourcing. In many cases, the logistical problems of getting all

the players in the same room to work out program details took time and effort. Winning over key personnel—such as upper management and payroll direc-

tors—often smoothed out remaining difficulties. And for some companies, the best solution was turning the administration of the program over to third-party benefits administrators.

Once these issues were overcome, most of the employers we interviewed were satisfied with their programs. In a tight job market, commuter benefits programs helped employers stand out from the crowd, and environmentally-minded employers were pleased to be making a contribution to reducing pollution.

The team has already presented the interim report to the TCRP panel, and the final report is underway. Future research includes more interviews with employers who were unable to overcome the barriers encountered. The ultimate outcome of the research will be a user-friendly guide to transportation agencies on working with employers.

### Lessons Learned

One key recommendation of interest to transit agencies is to ensure that regional pass and voucher programs are employer-friendly. At one transit operator, employers have to physically pick up corporate passes from a downtown office, all but closing the program off to suburban employers. The most highly praised voucher and pass programs were easy to understand, easy to register for (giving employers a choice of phone, fax, and online registration), and easy to fulfill (overnight monthly pass mailings make life simple for employers). Regional programs are important, because sales representatives have an easier time selling a known regional program than explaining the intricacies of tax law.

Other recommendations include working with professional human resources organizations to ensure that employers get good information about commuter benefits programs, producing more specific implementation guides for employers, and providing financial incentives to start commuter benefits programs. The final report is expected to be released in May.

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