



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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February 8, 2024

VIA EMAIL

The Honorable Council Member Chi Ossé
cosse@council.nyc.gov

Dear Council Member Ossé,

At your request, the Independent Budget Office (IBO) has estimated the annual cost of expanding the City's Fair Fares program to cover fare-free transit for New Yorkers who are aged 65 and older or have disabilities, and whose income is less than 200 percent of the federal poverty level. Per your request, IBO has estimated this cost to the City under three different coverage scenarios: (1) fare-free local bus service only, (2) fare-free local bus service and subway service, and (3) fare-free local bus service, subway service, and Access-A-Ride paratransit.

Assuming half of eligible participants enroll, IBO estimates that the annual cost to the City would be approximately \$26 million for fare-free local bus service, \$40 million for fare-free local bus and subway service, and \$67 million for fare-free local bus service, subway service, and Access-A-Ride paratransit. These estimates include city-provided fare reimbursements to the MTA of between \$12 and \$32 million, estimated new Fair Fares administrative costs of \$13 million, and for the third scenario, an increase to City's paratransit operating subsidy of \$21 million. It is important to note that these estimates are for the cost of expanding Fair Fares, and therefore do not include the cost of the current Fair Fares program for low-income New Yorkers, which was funded at \$75 million in Fiscal Year 2023.

If you have any questions or would like additional information, please feel free to contact me at louisac@ibo.nyc.ny.us, or Emily Pramik, who prepared these estimates, at emilyp@ibo.nyc.ny.us.

Sincerely,

Louisa Chafee
Director, Independent Budget Office

MEMORANDUM

To: Louisa Chafee, Director
From: Emily Pramik, Lead Budget and Policy Analyst
Date: February 8, 2024
Subject: Annual Cost to the City of Expanding Fair Fares to Cover Free Transit for New Yorkers Aged 65 and Older or with Disabilities, Whose Income is Under 200 Percent of the Federal Poverty Level

At the request of Council Member Ossé, the Independent Budget Office (IBO) has estimated the annual cost of expanding Fair Fares NYC to cover fare-free transit for New Yorkers who are aged 65 and older or have disabilities, and whose income is less than 200 percent of the federal poverty level (currently \$30,120 for an individual and \$62,400 per year for a family of four). IBO has estimated this cost to the City under three different coverage scenarios: (1) fare-free local bus service only, (2) fare-free local bus service and subway service, and (3) fare-free local bus service, subway service, and Access-A-Ride paratransit.

Fair Fares NYC Background

The City's Fair Fares NYC program provides half-price transit trips to New York City residents between the ages of 18 and 64 with household income below 120 percent of the federal poverty level (currently \$17,496 for an individual and \$36,000 per year for a family of four), who do not otherwise qualify for reduced-price MetroCards or city-provided carfare. Participants receive half-price transit when using their Fair Fares MetroCard on the subway and local bus routes. Participating Access-A-Ride users receive a half-price discount on Access-A-Ride paratransit trips by linking their Access-A-Ride benefits to a Fair Fares account.

Fair Fares NYC does not currently offer benefits to New Yorkers aged 65 and older or many New Yorkers with disabilities, as most qualify for other reduced-price transit programs. Instead, many of these riders participate in the Metropolitan Transportation Authority's (MTA) Reduced-Fare MetroCard program, which offers half-price transit through program-issued MetroCards or, since October 2022, customers' OMNY contactless payment accounts.

Participants must apply to receive Fair Fares benefits. The Fair Fares program is administered by the City's Human Resources Administration (HRA) within the Department of Social Services. In addition to administrative costs, HRA reimburses the MTA for the difference between the full fare and the reduced price paid by Fair Fares participants.

Estimating the Cost of Free Transit for New Yorkers Aged 65 and Older or with Disabilities, with Income Below 200 Percent of the Federal Poverty Level

IBO estimates 762,000 New Yorkers—about 42 percent of the approximately 1.8 million New Yorkers who are either aged 65 and older or who have disabilities—would qualify for a program with income

limits set at 200 percent of the federal poverty level. This eligible population has grown from pre-pandemic levels; between 2019 and 2022, IBO estimates the total population of New Yorkers aged 65 and older or with disabilities grew by 11 percent, and the share of these New Yorkers living under 200 percent of the federal poverty level grew by 15 percent.

Figure 1
Over 760,000 New Yorkers Aged 65 and Older or with Disabilities Have Incomes Below 200 Percent of the Federal Poverty Level, and This Population is Growing
 New York City Adults Aged 65 and Older and Adults with Disabilities with Income Below 200% of the Federal Poverty Level

Population	2019	2022	Percentage Change 2019 to 2022
Adults Aged 65 and Older	1,242,566	1,360,458	9%
Under 200% Federal Poverty Level	460,888	516,818	12%
Adults with Disabilities	838,430	974,966	16%
Under 200% Federal Poverty Level	418,774	501,138	20%
Adults Aged 65 and Older and with Disabilities	429,411	497,217	16%
Total Population	1,651,585	1,838,207	11%
Under 200% Federal Poverty Level (IBO Estimate)	665,000	762,000	15%

SOURCES: IBO calculations based on American Community Survey (ACS) 1-Year Estimates, 2019 and 2022.
 NOTES: Population totals reflect the population for whom poverty status could be determined in the ACS. ACS estimates for income below 200% of the Federal Poverty Level were not available for the joint population of adults aged 65 or older and with disabilities, and are estimated by IBO.

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Because eligibility for the MTA’s Reduced-Fare MetroCard Program currently makes one ineligible for Fair Fares, nearly all of these 762,000 New Yorkers would be new participants in Fair Fares, and their trips would represent a new City expense for Fair Fares.¹ IBO estimates this population made 48 million transit trips from October 2022 through September 2023, including both Reduced-Fare bus and subway trips and Access-A-Ride paratransit. In the following cost estimates, we use a share of these trip counts along with each service’s average fares from January through May of 2023 (adjusted for the 2023 base fare increase of 5.5 percent) to estimate the current cost of providing fare-free transit to this population.² Because these estimates are based on current ridership, these estimates may increase in the future if the population or their transit use increases.

Figure 2
Over the Past Year, Riders Living Under 200 Percent of the Federal Poverty Level Made an Estimated 48 Million Reduced-Fare and Paratransit Trips
Estimated Reduced-Fare and Paratransit Trips by Riders Living under 200 Percent of the Federal Poverty Level, in millions

Service	IBO Trips Estimate October 2022-September 2023
Bus (Local, Select, and Limited)	21
Subway	20
Access-A-Ride - Bus Trips	2
Access-A-Ride - Subway Trips	1
Access-A-Ride - Paratransit Trips	5
Total Trips	48

SOURCES: IBO calculations based on MTA Subway and Bus Reduced-Fare MetroCard Usage data, MTA Daily Ridership data, MTA 2022 Bus Ridership Tables, and MTA-provided OMNY utilization and cash transactions for reduced-fare programs through May 2023. Share of trips under 200 percent of the federal poverty level is estimated using American Community Survey (ACS) 1-Year Estimates, 2019 and 2022. NOTES: Sums may not total due to rounding. Includes estimated cash and OMNY trips.
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To estimate the cost to the City of providing fare-free transit, we assume this population’s eligible fares would be covered entirely through participation in the Fair Fares program. Currently, the City provides a direct subsidy to the MTA to cover lost revenue due to the 50 percent price discount offered through the Fair Fares program. All scenarios analyzed by IBO would extend that subsidy to 100 percent for this population. However, we assume just a 50 percent enrollment rate among eligible participants, based on historically low enrollment rates in Fair Fares.³ If more eligible riders participate in a fare-free program, the costs estimated in this analysis would increase.

As summarized in Figure 3, IBO first calculates the MTA’s foregone fare revenue if participants’ reduced-fare and paratransit trips were made free. This foregone revenue would represent a new City expense for this program, which IBO estimates at \$10 million for local bus service, \$22 million for local bus and subway service, and \$26 million for local bus, subway, and Access-A-Ride service (paratransit riders pay a fare for each paratransit trip, equivalent to the standard local bus and subway fare). Next, because ridership would likely increase following the introduction of free service, we estimate the cost of subsidizing this new demand for free trips, assuming a 23 percent increase in participant trips across all service scenarios.⁴ We include an increase in Fair Fares program administrative costs of \$13 million to cover an estimated 378,000 new enrollees,⁵ using average per-participant administrative costs for city fiscal year 2023 and the assumed 50 percent enrollment rate of eligible New Yorkers. Finally, we include an increase of \$21 million to the City’s annual paratransit operating subsidy that would accrue from increased demand if paratransit trips were made free. The City currently subsidizes between 50 and 80 percent of Access-A-Ride operating costs after fares and dedicated taxes, so while in this scenario Access-A-Ride participants’ fares would be covered by Fair Fares, some of the growth in paratransit operating costs would also need to be covered by the City.⁶ All told, the City’s costs would range between \$26 million and \$67 million annually, depending on the type of fare-free service provided

Figure 3
Assuming Half of Eligible New Yorkers Enroll, the City Would Need \$26 to \$67 Million in Additional, Annual Funding to Provide Free Transit Through Fair Fares to Eligible New Yorkers
Estimated Annual Cost of Extending Fair Fares Coverage to New Yorkers Aged 65 and Older or with Disabilities, With Income Below 200 Percent of the Federal Poverty Level, dollars in millions

Assumptions and Cost Estimates	Fare-Free Services		
	Local Buses	Local Buses & Subway	Local Buses, Subway & Access-A-Ride
Programmatic Assumptions			
New Fair Fares Enrollment (50% of eligible)	378,000	378,000	378,000
New Fair Fares Trips, in millions	13	25	28
Costs to the City			
Fare Payments to MTA- Baseline Ridership	\$10	\$22	\$26
Fare Payments to MTA- Increased Demand	\$2	\$5	\$6
New Fair Fares Administrative Costs	\$13	\$13	\$13
Paratransit Subsidy Increase	n/a	n/a	\$21
Total Annual Costs to City for Expanded Fair Fares	\$26	\$40	\$67

SOURCES: IBO calculations based on MTA Subway and Bus Reduced-Fare MetroCard Usage data, MTA Daily Ridership data, MTA 2022 Bus Ridership Tables, MTA-provided OMNY utilization and cash transactions for reduced-fare programs through May 2023, and paratransit fares and expenses estimated for 2024 in the MTA July 2023 Financial Plan. Share of trips under 200 percent of the federal poverty level is estimated using American Community Survey (ACS) 1-Year Estimates, 2019 and 2022.
NOTES: Sums may not total due to rounding.

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Estimated Costs to the MTA Not Covered by Fair Fares Funding from the City

In addition to foregone fare revenues, which IBO expects the City would cover if Fair Fares is expanded, there are additional costs to the MTA of switching some ridership to fare-free service. Because the City’s public transit is not operated by New York City, but rather the state-affiliated MTA, the City’s financial involvement in making transit fare-free would be subject to negotiation. IBO cannot make any informed assumption about which entity would bear the burden of these costs, but we have estimated the MTA share of each scenario’s costs below, absent any other city payments or subsidies.

Our cost estimates to the MTA account for the interaction between MTA services and fare revenues. For the first program scenario, in which only local buses are made fare-free, we account for reduced subway revenue if approximately 4 percent of subway rides are replaced with free bus rides, as some riders will change their routes to take advantage of free service.⁷ IBO also accounts for revenues transferred between services; because a portion of paid bus trips end with free transfers to the subway, our cost estimates account for \$1.6 million in fare revenue from these trips that, under fare-free bus service, would no longer be collected on the bus but would still be collected upon the rider’s subsequent transfer to the subway.⁸ Finally, for the third program scenario in which all services are fare-free, IBO includes an estimated \$11 million increase in the MTA’s approximately \$593 million annual paratransit operating costs, as paratransit trips are expected to increase if made fare-free and are only partially covered by fares, dedicated taxes, and city subsidies. This \$11 million would be a cost to the MTA beyond what the City would cover under current rules for the City’s paratransit subsidy payments to the MTA. Notably, if only local buses are made free and these fares are fully subsidized by the City, we estimate the MTA would see a small net increase of \$1.1 million due to revenues from paid transfers to

the subway; however, this estimate is based on pre-pandemic transfer patterns, and updated linked trips data is needed to estimate this more accurately for today’s riders.

Figure 4
After City Fair Fares Payments, the MTA Could Face Additional Costs of \$11 Million Annually from Introducing Free Transit for Eligible New Yorkers
Estimated Annual Cost to the MTA after Subsidies from Introducing Fare-Free Service for New Yorkers Aged 65 and Older or with Disabilities, with Income Below 200 Percent of the Federal Poverty Level, dollars in millions

MTA Costs After Subsidies	Fare-Free Services		
	Local Buses	Local Buses & Subway	Local Buses, Subway, & Access-A-Ride
Foregone Subway Trip Revenue	\$0.5	n/a	n/a
Estimated Transfer Revenue to Subway	(\$1.6)	n/a	n/a
Increase to Paratransit Operating Costs	n/a	n/a	\$11.0
Total Costs to MTA	(\$1.1)	\$0.0	\$11.0

SOURCES: IBO calculations based on MTA Subway and Bus Reduced-Fare MetroCard Usage data, MTA Daily Ridership data, MTA 2022 Bus Ridership Tables, MTA-provided OMNY utilization and cash transactions for reduced-fare programs through May 2023, and paratransit fares and expenses reported in the MTA July 2023 Financial Plan. Share of trips under 200 percent of the federal poverty level is estimated using American Community Survey (ACS) 1-Year Estimates, 2019 and 2022. Transfer revenues are estimated using 2018 MTA New York City Travel Survey linked trips data.
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¹ The exception is Access-A-Ride users, who are eligible to participate in Fair Fares if they meet income eligibility rules. According to the New York City Department of Social Services, there were just over 3,000 Access-A-Ride users enrolled in Fair Fares as of November 2023; we have included these riders in fare estimates but exclude them from new Fair Fares administrative costs.

² To estimate the typical per-trip fare paid today by these riders, IBO used the latest-available average fares from January through May of 2023, and increased that average by 5.5 percent to get an expected fare per trip under the current, higher fare schedule. We use the base fare increase of 5.5 percent in order to produce a conservative estimate of foregone fare revenues; riders using 7-day or 30-day unlimited passes would see a lower effective increase to their average fares. The average fares used in IBO’s calculations are \$0.93 for bus trips, \$1.18 for subway trips, and \$2.10 for Access-A-Ride paratransit trips.

³ IBO estimates the Fair Fares program currently enrolls about one-third of eligible participants, using American Community Survey 2022 income estimates for New York City adults. IBO expects the enrollment rate in a free transit program to be higher than the half-price Fair Fares program, and thus used 50% as our enrollment assumption.

⁴ This percentage was chosen because it is the observed increase in ridership from the City of Boston’s Route 28 Fare-Free Pilot Evaluation, after subtracting systemwide bus ridership increases during the same period. Boston observed a 38 percent increase in ridership on its Route 28 bus during a fare-free pilot period in the fall of 2021, while ridership on the rest of the city’s bus system increased by 15 percent. Assuming the systemwide increase would have occurred on the Route 28 absent the fare-free pilot, the net increase attributable to the program would be a 23 percentage point growth in ridership. This was, coincidentally, also the net increase observed for Boston’s RIDE paratransit service in the fare-free pilot zone. We assume a similar growth in ridership would occur across MTA services if they were made fare-free. While not a perfect comparison, we use the Boston fare-free ridership increase because it is a real-world behavior change in response to free transit, and Boston’s local bus fare of \$1.70 is similar to the MTA’s current \$1.45 reduced fare. For more detail on Boston’s fare-free pilot program, see City of Boston, [Route 28 Fare Free Pilot Evaluation – Summary Findings](#) (March 2022).

⁵ IBO estimates 378,000 new enrollees by assuming 50% of the 762,000 eligible New Yorkers enroll in this new

program, and then excluding the 3,000 Access-A-Ride users currently enrolled in Fair Fares (we assume these participants remain enrolled in Fair Fares; they are therefore included in fare calculations, but excluded from new Fair Fares administrative costs).

⁶ Specifically, we use the MTA's 2024 paratransit operating cost estimates from the Authority's July 2023 Financial Plan to estimate the City's contributions with and without this new program. Without the program, we estimate the city subsidy to be 80 percent of \$533 million in operating costs after dedicated taxes and fares, or \$427 million. With the program, we find the current subsidy rule capping city contributions at 50 percent of net operating costs plus \$165 million would be binding, and we estimate the city would pay \$448 million, for a net increase of \$21 million.

⁷ In correspondence with IBO, the MTA estimated between 2 and 4 percent of subway rides would switch to bus rides under fare-free bus service. In the interest of providing a conservative estimate of foregone revenues, IBO estimates use the higher 4 percent assumption. A more detailed, route-level assessment of parallel bus and subway service would be needed to estimate this effect more accurately.

⁸ Based on the latest-available 2018 MTA New York City Travel Survey linked trips data, IBO estimates 16 percent of bus trips end in a transfer to the subway.