



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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February 16, 2023

VIA EMAIL

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 introducing fare-free local bus service under three scenarios: waive bus fares for (1) all riders, (2) seniors aged 65 and older and disabled riders, and (3) low-income New Yorkers, using the current Fair Fares eligibility criteria.

We estimate that the annual cost to the Metropolitan Transportation Authority (MTA) associated with eliminating local bus fares—including foregone fare revenue offset partially by any associated savings—would be \$652 million if fares were waived for all riders, \$40 million for seniors and disabled riders, and \$28 million for low-income New Yorkers. All estimates are based on 2022 ridership and current fare levels. The estimates for senior riders and disabled riders, and low-income riders are based upon 2022 usage of discounted MetroCard trips for these groups; costs may increase under fare-free bus service depending on subsequent changes in participation. For example, the city program for discounted rides for low-income New Yorkers currently has low participation rates. If all eligible low-income New Yorkers were to take part in fare-free bus services, IBO estimates the cost would increase from \$28 million to \$83 million.

Importantly, because bus service is not operated by the City of New York but rather the MTA, a state public authority, the share of these costs that would fall to the city versus the MTA or the state would be subject to negotiation. Therefore, our estimates reflect the annual cost to the MTA, which may then be subsidized in whole or in part by the city. You can find more details about these estimates in the attached memo. If you have any questions or would like additional information, please feel free to contact me at georges@ibo.ny.ny.us or Emily Pramik, who did the study, at emilyp@ibo.nyc.ny.us.

Sincerely,

George V. Sweeting
Acting Director

MEMORANDUM

To: George Sweeting, Acting Director
From: Emily Pramik, Budget and Policy Analyst
Date: February 16, 2023
Subject: Cost of Introducing Fare-Free Local Bus Service

At the request of Council Member Ossé, the Independent Budget Office (IBO) has estimated the annual cost of introducing fare-free local bus service under three scenarios: fare-free service for (1) all riders, (2) seniors and disabled riders, and (3) low-income New Yorkers. For low-income New Yorkers, IBO followed the low-income eligibility criteria currently used for Fair Fares, the city's program offering half-price transit costs to New York City residents between the ages of 18 and 64 with household income below the federal poverty line, who do not otherwise qualify for discounted transit.

Overview of New York City Local Bus Service

IBO estimates that New York City's 254 local and select bus routes provided over 415 million rides in 2022.¹ All public New York City bus service is provided by the Metropolitan Transportation Authority, a state public authority. The MTA's bus services include local buses; limited buses, which are similar to local buses but make fewer stops; Select Bus Service buses, which provide rapid transit service along priority routes for the same fare as other local buses; and express buses, which provide service between boroughs primarily for weekday commuters at a higher fare. For the purposes of this analysis, IBO examined fares associated with local, limited, and select buses (together referred to as "local bus service"), which make up nearly 98 percent of all MTA bus rides. IBO did not include the more expensive express buses in our calculations; not only do express buses comprise less than 3 percent of all bus trips, but the Fair Fares discount currently does not apply to express bus rides and the discounts for senior and disabled riders apply only to off-peak hours.

MTA bus services are provided by two distinct MTA operating agencies: New York City Transit (NYCT) and the MTA Bus Company. Both provide local and express bus service within the broader MTA bus network, but they manage different routes: the MTA Bus Company was created as a separate subsidiary of the MTA in 2004, when the MTA agreed to take over several private bus routes serving Queens, Brooklyn, and the Bronx that were formerly operated under franchise agreements with New York City. New York City no longer operates any public bus service on its own, although the city does subsidize the MTA operations directly and indirectly. The city directly subsidizes the operating costs not covered by fare revenues for MTA Bus Company routes, and indirectly funds NYCT bus service through tax revenues that are dedicated to overall MTA operations.

Local Buses Provided Over 415 Million Rides in 2022					
<i>MTA Bus Ridership 2019-2022, by Bus System, in millions</i>					
System	2019	2020	2021	2022 (IBO estimate)	2022 Percent of Total Ridership
NYCT Buses					
Local Total	546	312	307	337	79%
Express Total	11	4	5	6	1%
MTA Bus Company					
Local Total	113	62	67	78	18%
Express Total	8	4	4	5	1%
Total Local Ridership	659	374	374	415	98%
Total Express Ridership	19	8	9	10	2%
Total Bus Ridership	677	382	383	425	100%
SOURCES: IBO calculations based on MTA 2021 Bus Ridership Tables and monthly NYCT committee reports through December 2022, and MTA Daily Ridership data.					
NOTES: Local buses include Select Bus Service. Excludes reported "miscellaneous" ridership not assigned to a route, which represents less than one percent of all MTA Bus ridership. Sums may not total due to rounding.					
<i>New York City Independent Budget Office</i>					

IBO estimates MTA total local bus fare revenue collections will total \$708 million for 2022, based on reported fare revenues through November 2022 and estimated revenues for December. This local bus fare revenue represents around 4 percent of the MTA’s overall revenue for the year.² Of this total local bus revenue, \$45 million is estimated to come from reduced-price fares for seniors and disabled riders (0.3 percent of the total MTA revenue) and \$32 million from Fair Fares rides (0.2 percent of the total MTA revenue). IBO considers the “cost” of introducing fare-free service to be mainly this foregone fare revenue, offset by any savings and other adjustments resulting from the policy change.

Local Bus Trips Are Expected to Yield Over \$700 million in Fare Revenues in 2022, with Small Contributions from Reduced-Fare Programs for Seniors, Disabled Riders, and Low-Income New Yorkers (Fair Fares)			
<i>Estimated 2022 Bus Fare Revenues, by Bus System, dollars in millions</i>			
System	All Trip Revenues	Senior/Disabled Reduced-Fare Revenues	Fair Fares Revenues
NYCT Local Buses	\$575	\$39	\$26
MTA Bus Company Local Buses	132	6	6
Total Local Revenue	\$708	\$45	\$32
Share of All MTA Revenue	4%	0.3%	0.2%
SOURCES: IBO calculations based on MTA revenues as forecast in the MTA November 2022 Financial Plan, MTA 2021 Bus Ridership Tables, monthly NYCT committee reports through December 2022, MTA Daily Ridership data through December 2022, MTA-provided ridership and revenues for reduced-fare programs for 2022, and New York City Fair Fares payments to the MTA for Fiscal Year 2022.			
NOTES: Local buses include Select Bus Service. Sums may not total due to rounding.			
<i>New York City Independent Budget Office</i>			

Our cost estimates in the following sections are based on 2022 ridership and fare levels, with some adjustments to account for the effects of changing the bus fare policy on other MTA services. First, introducing fare-free bus service alongside paid subway service would impact the subway’s ridership and revenue. Our cost estimates account for reduced subway revenue if an estimated 4 percent of subway rides are replaced with free bus rides—we assume nearly all subway trips will continue, as the

subway typically provides faster and more frequent service than parallel bus trips.³ In addition, because a subset of paid bus trips currently end with free transfers to the subway, our cost estimates also account for 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 subsequent transfer to the subway. Finally, we include some operational savings from removing fare collection and enforcement from bus operations, although these were limited to costs that were quantified and readily available in MTA's 2022 July Financial Plan. (For example, fare-free service would save the \$10 million annual cost of expanding MTA's Evasion and Graffiti Lawlessness Eradication (EAGLE) fare enforcement patrols to non-Select Bus Service local routes). Other bus operating costs and capital costs are not included in these estimates, as such costs would be expected to accrue regardless of the fare policy.

Although ridership would likely increase following the introduction of free bus service, because New York City bus ridership is currently just two-thirds of pre-pandemic levels and has remained at that level for most of 2022, we do not include an estimate of additional buses or labor costs that may be needed in response to new rider demand for a free bus service.⁴ A recent evaluation of the introduction of fare-free service on Boston's bus route 28 found an increase in ridership of 38 percent while the policy was in effect.⁵ If such an increase were to occur on New York City local buses today, ridership would be approximately 2019's pre-pandemic levels. If bus ridership increased beyond the current capacity of the New York City bus system, additional costs would accrue beyond the estimates below. More detailed, route-level analysis is needed to accurately estimate the effects of increased ridership on the bus system's operating and capital expenses.

Estimating the Cost of Fare-Free Local Bus Service for All Riders

IBO estimates MTA local bus fare revenue collections will total \$708 million for 2022, which we count as an annual loss if fare-free service for all were introduced. If an estimated 4 percent of 2022 subway trips switched to bus trips under fare-free bus service, that would yield a further \$91 million in annual foregone revenue, assuming 2022 fare levels and collection rates. However, we assume some of these revenues will be recouped by the MTA through paid transfers to the subway. Based on the MTA's 2018 New York City travel survey, IBO estimates approximately 16 percent of bus trips conclude with a free subway transfer. If such trips continue to be made under fare-free bus service, the rider will enjoy a free bus ride but will then need to pay for the subsequent subway ride. The MTA would therefore make up a portion of foregone revenues in subway fares, which we estimate would amount to \$113 million annually. Finally, some operational savings would accrue to the MTA absent the need for bus fare payment and enforcement systems. For this analysis, we were able to include only those fare payment and enforcement costs enumerated in the MTA's July 2022 Financial Plan, which were EAGLE team fare enforcement and personnel costs for the MTA Bus Company's OMNY program. These savings total \$33 million per year, bringing the net annual cost of fare-free service to \$652 million.

Fare-Free Local Bus Service Will Require \$652 Million in Additional Funding Per Year	
<i>Annual Cost of Introducing Fare-Free Local Bus Service for All Riders, dollars in millions</i>	
Costs	Free Local Buses for All Riders
Foregone Local Bus Revenue	\$708
Foregone Subway Trip Revenue	91
Estimated Transfer Revenue to Subway	(113)
Operational Savings	(33)
Total Cost to the MTA Associated with Switch to Fare-Free Service	\$652
SOURCES: IBO calculations based on MTA 2021 Bus Ridership Tables, monthly NYCT committee reports through December 2022, MTA Daily Ridership data, and MTA BudgetWatch Reports through January 2023. Transfer revenues are estimated using 2018 MTA New York City Travel Survey linked trips data, and operational costs/savings are drawn from the MTA July 2022 Financial Plan. NOTE: Sums may not total due to rounding.	
<i>New York City Independent Budget Office</i>	

Estimating the Cost of Fare-Free Local Bus Service for Seniors and Disabled Riders

Based on 2022 ridership data provided by the MTA, IBO estimates seniors and disabled riders will have made over 50 million local bus trips using the MTA’s reduced-fare MetroCard in all of 2022, yielding approximately \$45 million in local bus fares. (Currently, riders 65 or older and riders with certain disabilities can apply to receive half-priced fare cards for bus and subway rides.) If a further 4 percent of riders substituted paid subway rides for free bus rides, this would yield a further \$2 million in annual foregone revenue, based upon 2022 fare levels and collection rates. Lost fare revenue, however, would be offset by an estimated \$7 million in paid transfers to the subway. No operational costs or savings are estimated for this scenario, as bus fare collection and enforcement would continue for the rest of riders. Therefore, IBO estimates the annual cost of fare-free service for seniors and disabled riders at \$40 million per year. IBO’s estimate is based on 2022 reduced-fare bus and subway ridership provided by the MTA; if participation in a fare-free program were higher than under the current reduced-fare MetroCard program for seniors and disabled riders, the estimated cost of this scenario would increase.

At 2022 Participation Rates, Fare-Free Local Bus Service for Seniors and Disabled Riders Will Require \$40 Million in Additional Funding Per Year	
<i>Annual Cost of Introducing Fare-Free Local Bus Service for Seniors and Disabled Riders, dollars in millions</i>	
Costs	Free Local Buses for Seniors/Disabled Riders
Foregone Local Bus Revenue	\$45
Foregone Subway Trip Revenue	2
Estimated Transfer Revenue to Subway	(7)
Total Cost to the MTA Associated with Switch to Fare-Free Service	\$40
SOURCES: IBO calculations based on MTA-provided ridership and revenues for reduced-fare programs for 2022. Transfer revenues are estimated using 2018 MTA New York City Travel Survey linked trips data.	
<i>New York City Independent Budget Office</i>	

Estimating the Cost of Free Local Bus Service for Low-Income New Yorkers

The city’s Fair Fares program provides half-price transit trips to New York City residents between the ages of 18 and 64 with household income below the federal poverty line (currently \$14,580 for an individual and \$30,000 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 costs when using their Fair

Fares MetroCard on the subway, local bus routes, and Access-A-Ride paratransit. Participants must apply to receive Fair Fares MetroCards, and since its inception, the program has struggled with low take-up rates. In city fiscal year 2022, enrollment hovered around 270,000. Based on IBO analysis of Census Bureau data, this means only about one-third of eligible New Yorkers are taking part in the Fair Fares program.⁶

If low-income New Yorkers participate in free bus service at current Fair Fares enrollment rates, IBO estimates this would cost \$28 million annually, including forgone bus and subway fare revenue of \$33 million offset by \$5 million in subway transfer fares.⁷ Again, we do not include any fare collection or enforcement savings for this scenario, because these efforts would continue for other riders.

Because many more low-income New Yorkers may participate in free bus service than in the current half-price fares, we have also estimated the costs of fare-free service if all eligible low-income New Yorkers participated, assuming the same levels of transit use as current Fair Fares participants. Under this scenario, IBO estimates if all 796,000 eligible New Yorkers would participate, fare-free service would cost \$83 million per year, including \$98 million in foregone bus and subway fare revenue offset by \$15 million in subway transfer fares.

If All Fair Fares-Eligible New Yorkers Participated in Fare-Free Bus Service, the Cost of this Scenario Would Increase from \$28 Million to \$83 Million Per Year		
<i>Annual Cost of Introducing Fare-Free Local Bus Service for Low-Income New Yorkers, by Program Enrollment Scenario, dollars in millions</i>		
	Fair Fares Enrollment in Fiscal Year 2022	All Fair Fares-Eligible New Yorkers
Enrollment	270,000	796,000
Foregone Local Bus Revenue	\$32	\$95
Foregone Subway Trip Revenue	1	3
Estimated Transfer Revenue to Subway	(5)	(15)
Total Cost Associated with Switch to Fare-Free Service	\$28	\$83
<small>SOURCES: IBO calculations based on MTA 2021 Bus Ridership Tables, monthly NYCT committee reports through December 2022, MTA Daily Ridership data, and New York City Fair Fares payments to the MTA for Fiscal Year 2022. Transfer revenues are estimated using 2018 MTA New York City Travel Survey linked trips data. Fair Fares eligible population is estimated from 2016-2020 American Community Survey data. New York City Independent Budget Office</small>		

Costs to the City Versus the MTA

Because public bus service is not operated by the City of New York, but rather the state-affiliated MTA, the city’s financial involvement in making up for lost bus fare revenues would be subject to negotiation. Currently, the city pays for most MTA Bus Company operating costs above costs covered by fare revenues. In 2022, the city is projected to pay \$719 million in these MTA Bus Company subsidies. If this cost-sharing agreement were to extend to the fare-waiver scenarios, IBO estimates the annual city subsidy would increase by \$132 million under the fare-free buses for all riders scenario, \$6 million under the fare-free buses for seniors and disabled riders scenario, and \$6 million under the fare-free buses for low-income riders scenario, based on 2022 usage. We do not include subway revenues in this estimate, as the city’s subsidy is calculated only based on MTA Bus Company costs and revenues, not the MTA’s revenues as a whole. We also do not account for any operational savings, as any savings for the MTA Bus

Company—namely OMNY staffing—would be negligible.

New York City's Operating Subsidy to the MTA Bus Company Could Increase by \$132 Million Per Year with Fare-Free Local Bus Service for All Riders			
<i>Estimated MTA Bus Company Subsidy Under Fare-Free Local Bus Service, by Fare Waiver Scenario, dollars in millions</i>			
MTA Bus Company Costs	Free Local Buses for All Riders	Free Local Buses for Seniors/Disabled Riders	Free Local Buses for Low-Income New Yorkers
Foregone Local Bus Revenues	\$132	\$6	\$6
City Operating Subsidy (2022, projected)	719	719	719
Total Annual MTA Bus Subsidy	\$851	\$725	\$725
SOURCES: IBO calculations based on MTA 2021 Bus Ridership Tables, monthly NYCT Committee Reports through December 2022, MTA Daily Ridership data, MTA-provided ridership and revenues for reduced-fare programs for 2022, New York City Fair Fares payments to the MTA for Fiscal Year 2022, and MTA bus subsidy projection in the MTA November 2022 Financial Plan.			
<i>New York City Independent Budget Office</i>			

There is no such cost sharing agreement for NYCT bus service, so any city contributions towards the costs of fare-free service on NYCT buses would need to be negotiated. IBO cannot make any informed assumption about which entity would bear the burden of these costs, but we have estimated the NYCT share of each scenario's costs below.

Under the fare-waiver scenario for all riders, IBO estimates the NYCT portion of foregone fare revenue to be \$666 million from both buses and subways, with \$113 million recouped in subway transfers and \$33 million in operational savings from removing EAGLE team enforcement, for a total of \$521 million in annual MTA costs. IBO includes all the estimated revenue from subway transfers here—both transfers from MTA Bus Company buses and NYCT buses—as the subway system is operated by NYCT.

For seniors and disabled riders, we estimate fare-free service would cost NYCT foregone fare bus and subway revenue of \$41 million, with \$7 million recouped in subway transfers for a total of about \$33 million per year. Finally, under the free buses for low-income New Yorkers scenario, we estimate NYCT foregone bus and subway fare revenues at \$27 million, with \$5 million recouped in subway transfers for a total of \$22 million per year, based on 2022 participation levels.

Fare-Free NYCT Bus Service Will Require an Additional \$521 Million in MTA Funding Each Year			
<i>NYCT's Annual Cost of Introducing Fare-Free Local Bus Service, by Fare Waiver Scenario, dollars in millions</i>			
Estimated NYCT Cost	Free Local Buses for All Riders	Free Local Buses for Seniors/Disabled Riders	Free Local Buses for Low-Income New Yorkers
Foregone Local Bus Revenue	\$575	\$39	\$26
Foregone Subway Trip Revenue	91	2	1
Estimated Transfer Revenue to Subway	(113)	(7)	(5)
Operational Savings	(33)	n/a	n/a
Total Cost Associated with Switch to Fare-Free Service	\$521	\$33	\$22
SOURCES: IBO calculations based on MTA 2021 Bus Ridership Tables, monthly NYCT committee reports through December 2022, MTA Daily Ridership data, MTA BudgetWatch Reports through January 2023, MTA-provided ridership and revenues for reduced-fare programs for 2022, and New York City Fair Fares payments to the MTA for Fiscal Year 2022. Transfer revenues are estimated using 2018 MTA New York City Travel Survey linked trips data, and operational costs/savings are drawn from the MTA July 2022 Financial Plan.			
NOTE: Sums may not total due to rounding.			
<i>New York City Independent Budget Office</i>			

¹ IBO's 2022 ridership estimates include reported monthly ridership through November, and estimated December ridership using MTA Daily Ridership data through December 31, 2022.

² IBO's fare revenue estimates are based on overall reported bus fare revenues through December 2022. Local fare revenues are estimated using historical ratios of local to express ridership and 2022 reported average fares for NYCT local and express buses. Total MTA revenues are taken from the MTA's November 2022 Consolidated Accrued Statement of Operations by Category, and include operating revenues, dedicated taxes, state and local subsidies, and federal aid, and exclude other below-the-line adjustments and prior-year carryover.

³ In correspondence with IBO, 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.

⁴ For more detail on pandemic-era ridership trends, see IBO's November 2022 publication [On Track for Recovery? An Examination of the MTA's Pandemic Ridership and User Revenue](#).

⁵ City of Boston Transportation (March 2022). [Route 28 Fare Free Pilot Evaluation: Summary Findings](#).

⁶ The Fair Fares eligible population is estimated from 2016-2020 American Community Survey data accessed through the Department of City Planning's Population FactFinder. The Fair Fares eligible population estimate includes all adults between the ages of 18 and 64 in households below the federal poverty line; this is an overestimate, as the number of these adults receiving city-provided carfare or other discounted fare programs, and thus ineligible for Fair Fares, could not be quantified and excluded.

⁷ Fair Fares Revenues are estimated using Fair Fares enrollment as of February 2022 and total city payments to the MTA in fiscal year 2022.