



THE TRANSIT AFFORDABILITY CRISIS

How Reduced MTA Fares
Can Help Low-Income New Yorkers Move Ahead



The Community Service Society of New York (CSS) is an informed, independent, and unwavering voice for positive action representing low-income New Yorkers. CSS addresses the root causes of economic disparity through research, advocacy, and innovative program models that strengthen and benefit all New Yorkers.

www.cssny.org

The Riders Alliance is a membership organization of subway and bus riders in New York, dedicated to winning better transit by organizing transit riders into a powerful political constituency.

www.ridersny.org

About the Authors

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The Transit Affordability Crisis:

How Reduced MTA Fares Can Help Low-Income New Yorkers Move Ahead

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He walked to class, more than an hour each way.

As a part-time student at New York City College of Technology, 22-year-old Darius Jones had limited financial aid and could not afford the tuition on his own. He was forced to drop out of school only six courses short of his Associate's degree. After unsuccessfully applying for technology-related jobs, he learned of a free computer training program and enrolled last year.

Mr. Jones started to feel more optimistic about his future but still couldn't afford a MetroCard to get to and from class. So he walked to class, more than an hour each way from his apartment in West Harlem to 138th Street in the Bronx. For about six weeks in November and December, he made the round-trip trek of more than five miles.

After getting caught in the rain one day and showing up in class soaking wet, Mr. Jones was referred to the Community Service Society (CSS), one of the agencies supported by *The New York Times* Neediest Cases Fund. CSS used \$224 from that fund to give him monthly MetroCards to get to class in January and February.¹ Mr. Jones went on to graduate from the program with two certifications he hopes will lead to a full-time job as a computer technician.

The experience of Darius Jones, and many others like him across the city, highlights the stark reality that the price of a monthly MetroCard has become out of reach to many New Yorkers struggling to get ahead. Public transit is intended to provide the infrastructure that enables individuals of all incomes to access the wealth of economic opportunities available throughout New York City and secure a better future for themselves and their families. But as incomes for all but the highest earners stagnate and subway and bus fares continue to climb, the promise of public transit as the great connector—between workers and jobs, students and schools, patients and doctors—must be renewed with a greater public commitment to ensuring transit fares remain affordable for the most economically disadvantaged families.

For New York's more than 300,000 working poor, transit expenses often exceed over 10 percent of their family budgets, limiting their ability to access jobs and forcing them to forgo other necessities. Data from the 2015 Unheard Third, our annual public opinion survey conducted with Lake Research to elevate the concerns of low-income New Yorkers, reveals that the prohibitively high cost of subway and bus fares keeps many New Yorkers—especially low-income blacks and Latinos—from getting medical care or taking a job further from home.

The idea of subsidizing transit for certain groups is nothing new. The MTA already offers half-price fares to seniors and people with disabilities. And the current fare structure of bonuses and unlimited rides provides the deepest discounts to those who can afford to lay out enough money in advance to purchase monthly passes. The city also requires many employers to offer their employees a tax deduction for qualified commuting expenses, including transit and parking, which provides tax

This report documents the transit affordability hardship that low-income families must overcome to make their daily commutes to work and higher education. It also describes how other large cities—including Seattle, San Francisco, and London—have eased the burden on low-income families through fare discount programs, and introduces a similar fare discount proposal for low-income subway and bus riders on the MTA. A half-fare discount program targeted to poor New Yorkers would

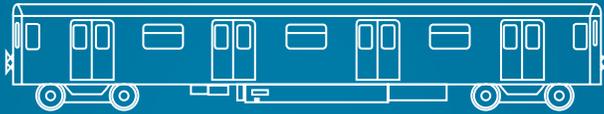
For New York's more than 300,000 working poor, transit expenses often exceed over 10 percent of their family budgets, limiting their ability to access jobs and forcing them to forgo other necessities.

savings to predominantly middle- and upper-income families. Despite a well-established precedent of subsidizing transit, none of the existing transit subsidies are well-targeted to low-income families. Shouldn't we also offer discounts to those who need it most?

Most New Yorkers agree: according to the 2014 Unheard Third, more than two out of three New Yorkers support half-price fares for low-wage workers. And among the communities that would be impacted by a reduced fare program, there is significant grassroots support for the concept: the Riders Alliance, which has been organizing riders in low-income communities, has identified a reduced fare program as a priority issue for its membership.

save those who take advantage of it as much as \$700 a year off the cost of 12 monthly passes. An estimated 800,000 adults would be eligible for the reduced fares, if we exclude seniors and persons with disabilities already covered by existing half-fare discounts. Assuming a take-up rate among regular subway and bus users comparable to that for benefits like food stamps, we estimate that 361,000 riders would participate at a cost of \$194 million a year in forgone MTA revenues. Several possible sources of additional revenue for the MTA are suggested to offset lost revenue in order to avoid the need to raise fares for other riders to cover the cost of the discounts.

1



Low-income New Yorkers rely heavily on public transit.



— “

You get discouraged when you think,
I don't have enough money to get to work.

— Leatrice S.

”



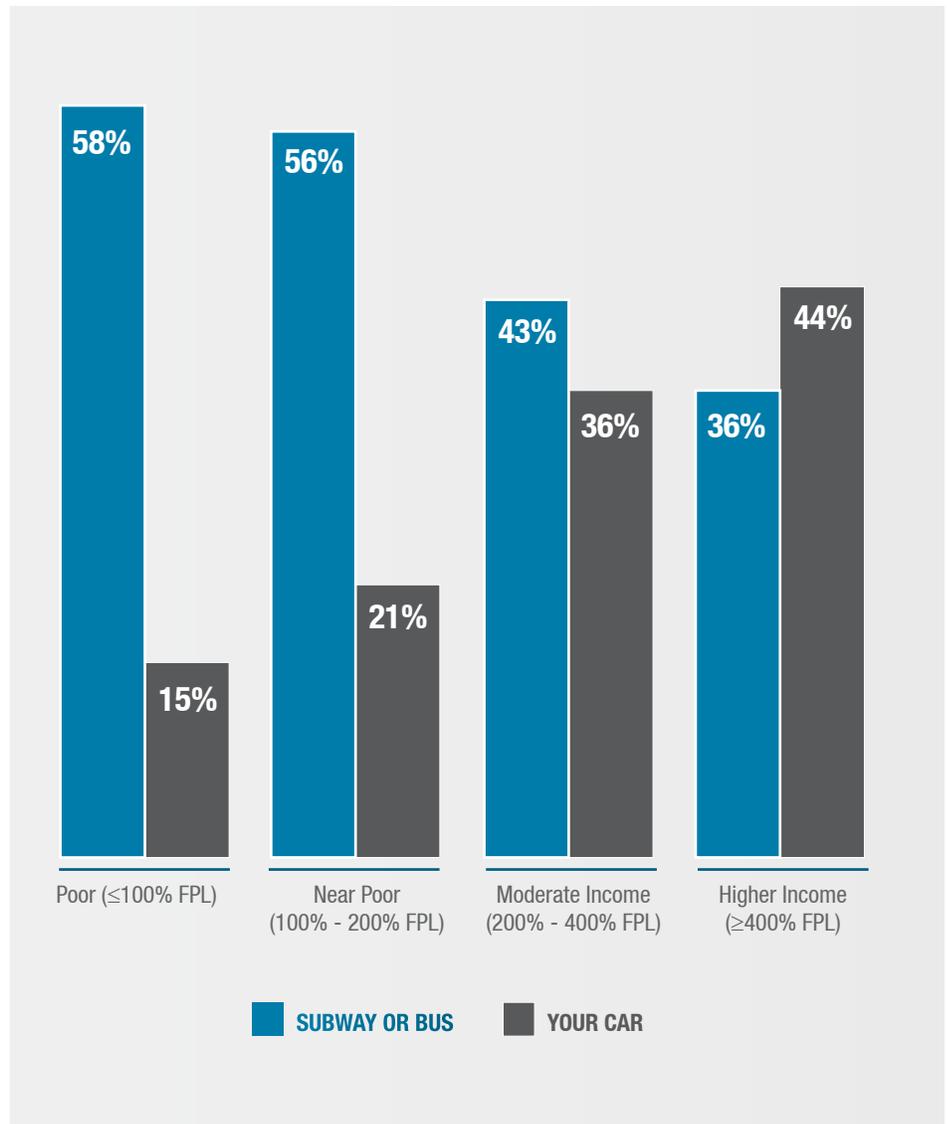
Low-income New Yorkers overwhelmingly rely on public transit, and most do not have the option of automobile travel as in the rest of the country.

Poor New Yorkers are the most transit dependent, with 58 percent relying on subways and buses to get around the city, and only 15 percent relying on private automobiles. The numbers from the 2015 Unheard Third survey are echoed in the 2014 American Community Survey, which also highlights the fact that low-income individuals in New York are uniquely transit-dependent compared to the rest of the nation: for individuals living

Because low-income New Yorkers are the most transit dependent, they are often the hardest hit when fares go up.

in families below the poverty level, only 30 percent living in New York City have access to a vehicle at home, compared to 72 percent in the rest of the state and 83 percent in the rest of the nation.^{2,3} Because low-income New Yorkers are the most transit dependent, they are often the hardest hit when fares go up because they have fewer alternatives to public transit.

Q: Which of the following do you typically use to commute to work/get around?





How do you get to a job interview when you can't afford a swipe?

Riders Alliance member Manny A. is a 49-year-old immigrant who moved to Queens at the age of 14. His childhood wasn't easy. "I raised myself," he says. As an adult, he's managed to make a living as a contract worker and manual laborer. In his free time, Manny has volunteered at soup kitchens—but he's no stranger to poverty himself. Even when employed, he has struggled to afford basic necessities like a MetroCard.

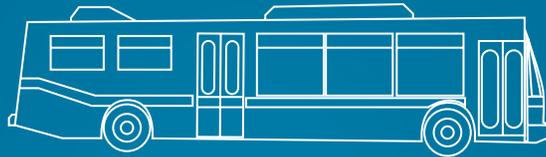
Recently, Manny was laid off from his job. Now, finding ways to ride the subway is even harder. While looking for work, Manny sometimes has to "decide either to buy a MetroCard or spend on food or rent." To get to work or job interviews, he has to find elaborate ways to get onto the subway or bus, including asking police officers or station agents to let him through—though often they refuse or simply aren't around.

While there are limited numbers of pay-per-ride MetroCards available through government or nonprofit services, he finds the process challenging, saying, "You have to go through hurdles to get social services"—and when your first priority is a job, it's hard to both look for work and apply for help as well.

Now, Manny relies on help from riders with unlimited MetroCards—an unfortunate turnaround for someone who, when he was working regularly, would use his MetroCard to swipe less fortunate subway riders into stations. "It's hard for me," said Manny, "the pride part. I don't like asking—no one should have to ask."

Manny joined the Riders Alliance to fight for reduced fares for low-income New Yorkers. "Lots of people in the neighborhood are getting arrested for hopping the turnstile," he says. "They need this." Tired of seeing people arrested or simply unable to ride the subway at all, Manny says he got involved in the campaign for reduced fares for low-income riders "for all people who need this, not just me."

2



**Low-income New Yorkers struggle
to pay for public transit.**

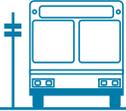
“

I was coming home from my third job interview and I had just used my last fare. I just didn't have enough to buy more.

- Christine M.

”





These transit fares place a heavy burden on the budget of low-income New Yorkers, especially for those with limited savings.

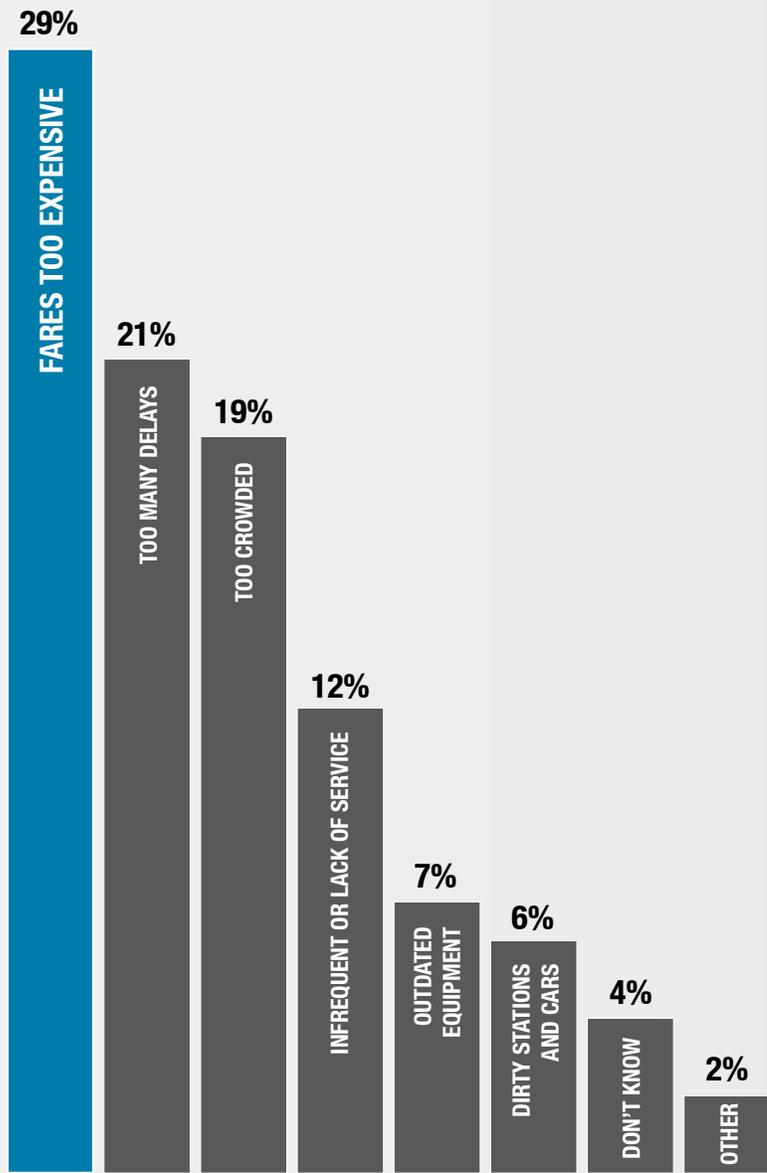
Twenty-nine percent of low-income, working-age New Yorkers report that the biggest problem with New York City subways is that the fares are too expensive. While service-related issues such as delays, crowding, and lack of service are still common complaints, affordability is viewed as the biggest problem among low-income riders.

CURRENT FARE COST

The current full-price, pay-per-ride fare on MTA subways and (non-express) buses is \$2.75, with unlimited monthly passes available for \$116.50, and unlimited 7-day passes priced at \$31. Fare increases are scheduled for 2017 and 2019. Half-price fares (\$1.35 per trip) and passes are available for seniors and individuals with a qualifying disability, regardless of income. The New York City Department of Education also distributes free, limited-use MetroCards to K-12 students at the beginning of each term.



Q: [Low-income New Yorkers] Which of the following do you think is the biggest problem with subways in New York City?

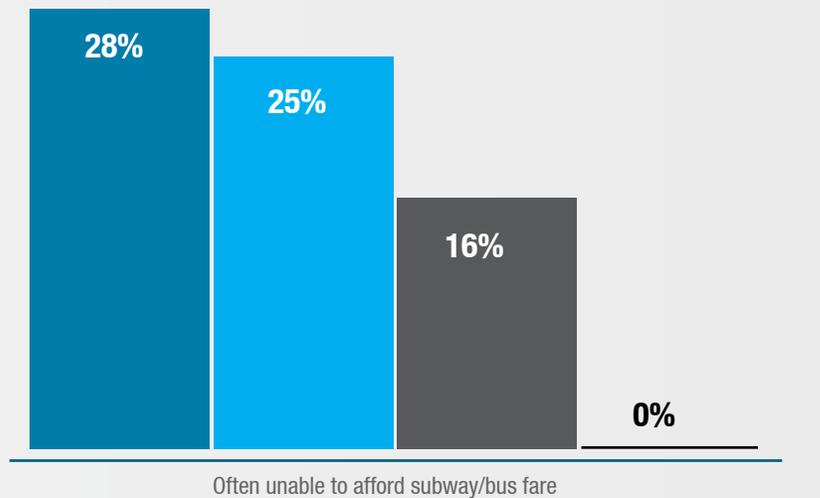


Unless otherwise noted, all charts are based on data from CSS's 2015 Unheard Third survey, with findings presented for adult respondents under 65. Seniors were excluded because they are already eligible for half-price MTA fares. Income categories are based on annual poverty guidelines from the U.S. Department of Health and Human Services. Families who reported having \$100 or less in savings are designated as low-savings.

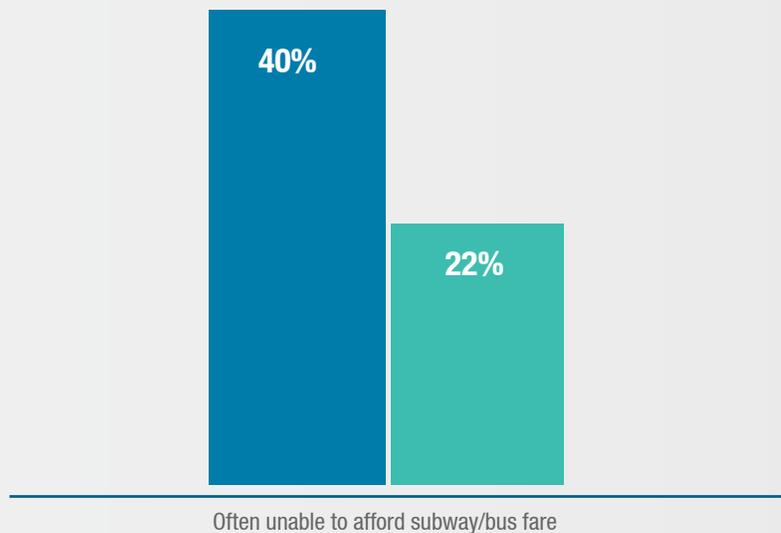
More than a quarter of poor, working-age New Yorkers were often unable to afford subway and bus fares during the past year. This hardship is even more pronounced for those who are living paycheck to paycheck; four out of ten poor, working-age New Yorkers with less than \$100 in savings said they had difficulty affording transit fares.⁴ While the MTA offers reduced fares to seniors and individuals with a qualifying disability (regardless of income), these fare discounts are not available to many of the neediest individuals.

Four out of ten poor, working-age New Yorkers with less than \$100 in savings said they had difficulty affording transit fares.

Q: In the last year, have you or any member of your household often been unable to afford subway and bus fares?



■ POOR (≤100% FPL)
 ■ MODERATE INCOME (200% - 400% FPL)
■ NEAR POOR (100% - 200% FPL)
 ■ HIGHER INCOME (≥400% FPL)



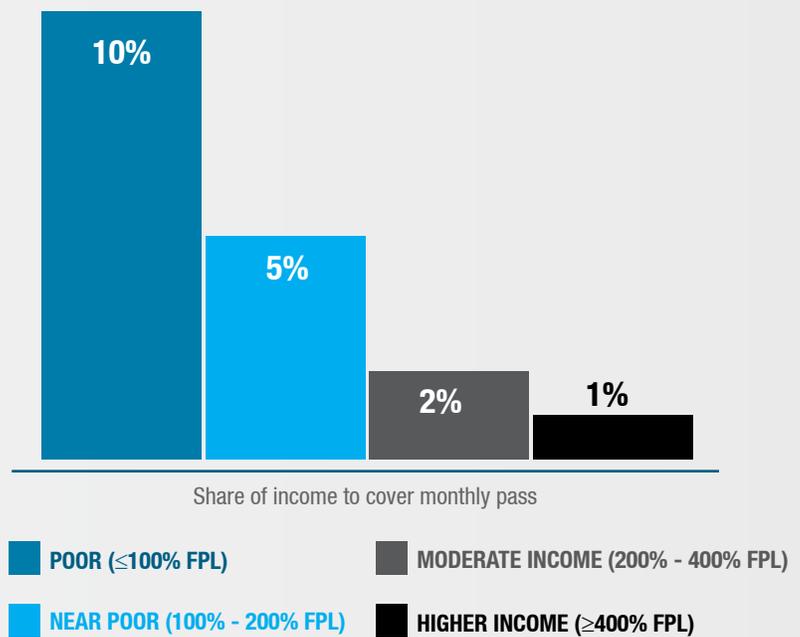
■ POOR AND LOW SAVINGS (≤100% FPL, ≤\$100)
■ POOR AND HIGHER SAVINGS (≥100% FPL, ≥\$100)

The annual cost of purchasing 30-day unlimited MetroCards comes to almost \$1,400, or almost 12 percent of the annual income for a single earner at the federal poverty level. The share of income needed to cover a year's worth of 30-day unlimited MetroCards varies with household income among Unheard Third survey respondents under the age of 65, ranging from more than 10 percent for families below the poverty level

Many of the most vulnerable families must choose between spending on basic necessities or important trips.

to less than one percent for families above 400 percent of the federal poverty level.⁵ At more than 10 percent of family income, the cost of MetroCards to cover regular travel on the MTA for poor families—especially those without a savings cushion—is so burdensome that many of the most vulnerable families must choose between spending on basic necessities or important trips that connect them to the workforce and social supports.

Share of household income needed to cover a 30-day unlimited MetroCard



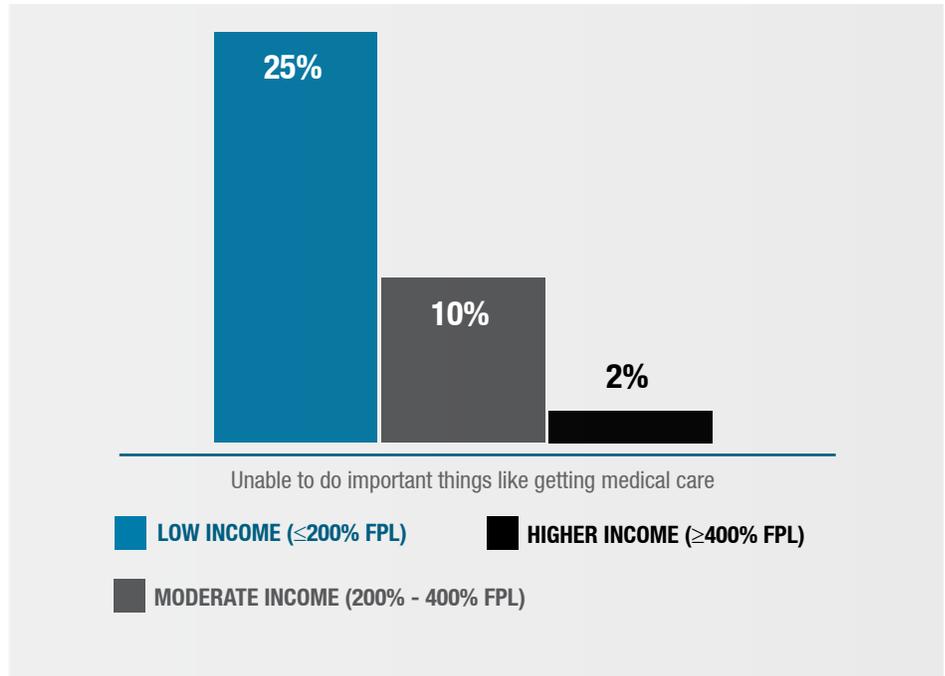
The burden of transit fares limits low-income New Yorkers' ability to get medical care and look for or take jobs further from where they live.



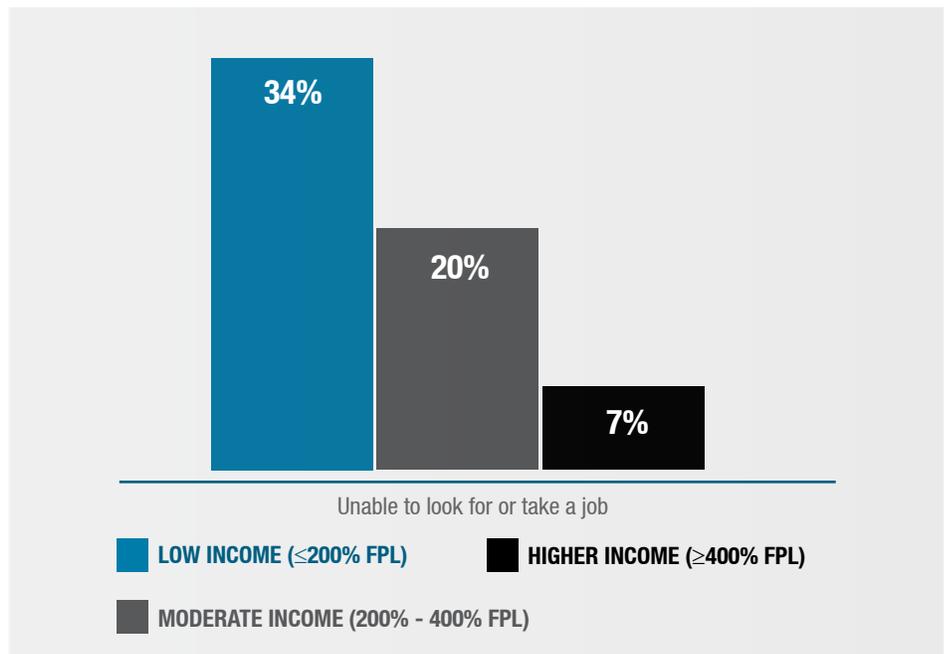
One out of four low-income, working-age New Yorkers reported that the cost of subway or bus fares prevented them from doing important things such as getting medical care, compared to only two percent of higher-income New Yorkers. Similarly, more than one out of three low-income, working-age New Yorkers said that transit fares prevented them from searching for or taking a job further from where they live, compared to seven percent of higher-income individuals. Among unemployed Unheard Third respondents, 27 percent reported that the cost of transit fares prevented them from looking for taking a job further away from their home.

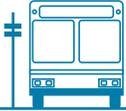
The inability of lower-income families and unemployed individuals to search for and take jobs further from their homes means high transit fares are limiting earnings and upward mobility for the most economically disadvantaged families. The link between accessibility and upward mobility is also highlighted in a recent study by economists Raj Chetty and Nathan Hendren, which finds that lifetime earnings are higher for below-median income families when they are in areas with lower commute times.⁶

Q: How frequently has the cost of subway or bus fares prevented you from doing important things like getting medical care?



Q: Do you agree or disagree with the following statement: I have not been able to look for or take a job further away from where I live because of the cost of subway or bus fares.





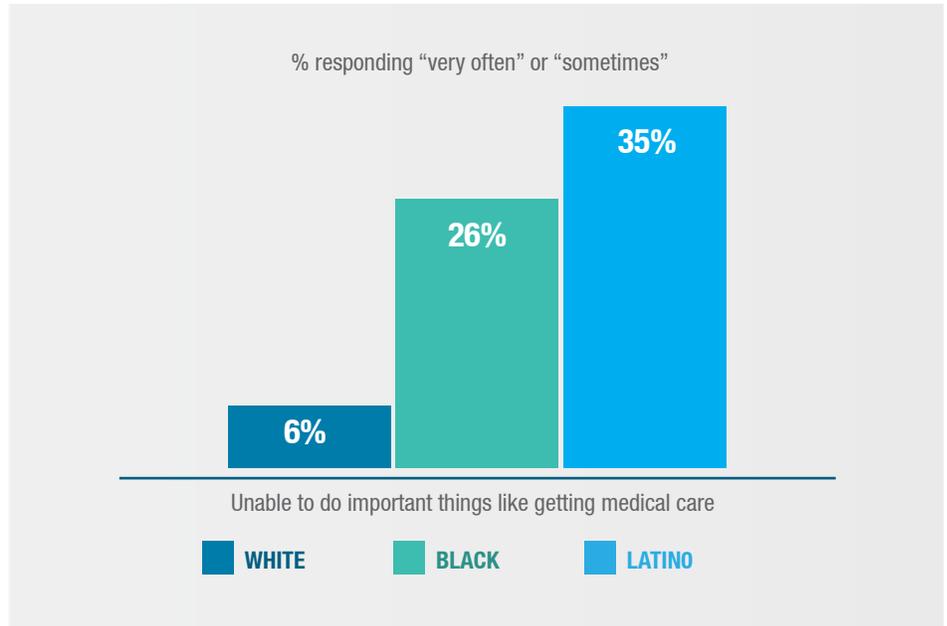
Among low-income residents, Latinos and blacks are much more likely to report that the cost of transit limits their ability to carry out important responsibilities such as looking for and taking a job.

Among low-income, working-age individuals, Latinos are more than five times as likely as whites to report that transit fares prevented them from carrying out important responsibilities such as getting medical care, and almost twice as likely to report being unable to look for or take a job in a more distant area. Thus the cost of transit is compounding the difficulties

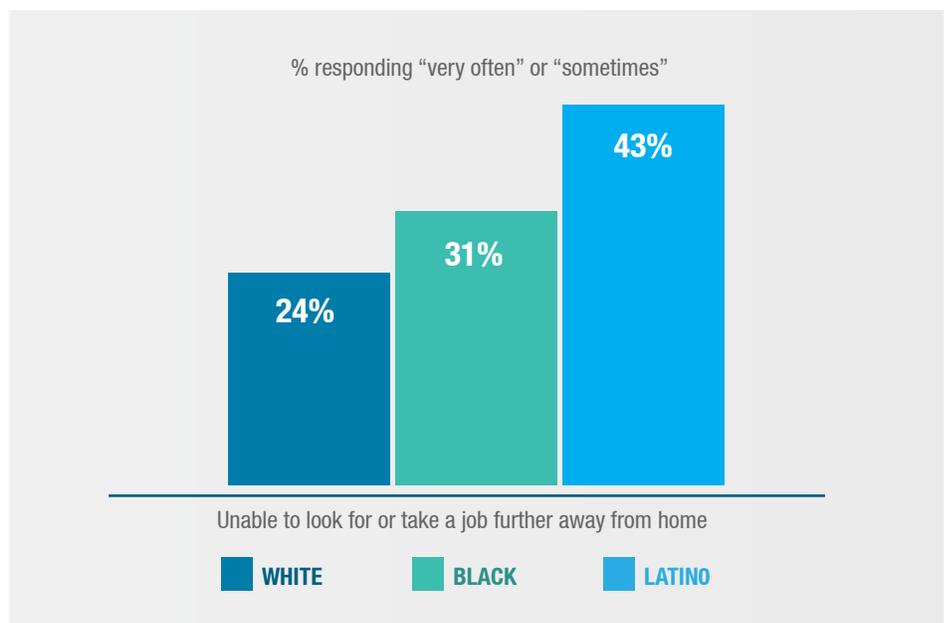
The cost of transit is compounding the difficulties that blacks and Latinos already face.

that blacks and Latinos already face in the New York City job market, with black and Latino unemployment rates of 8.3 and 7.1 percent, respectively, compared to only 3.2 percent among whites.⁷ This problem is particularly pronounced in areas of the Bronx and Queens with large concentrations of low-income Latinos, where transit fare burdens can reinforce the economic and geographic isolation of some of the most economically disadvantaged families.

Q: [Low-income New Yorkers] How frequently has the cost of subway or bus fares prevented you from doing important things like getting medical care?



Q: [Low-income New Yorkers] Do you agree or disagree with the following statement: I have not been able to look for or take a job further away from where I live because of the cost of subway or bus fares.





Choosing between a MetroCard and taking a job.

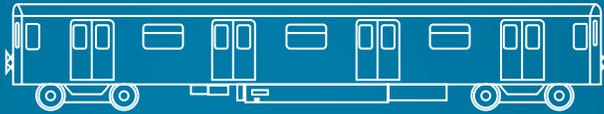
Leslie W. is a 44-year-old substitute teacher and Riders Alliance member from Central Harlem. She joined the fight for reduced fares for low-income riders because she wants to see working people succeed. To her, the rising cost of transit “feels like an attack” on the poor, who have to balance a family, rent, and living their lives.

Leslie describes herself as a “working class poor person.” On a \$17,000 a year salary, she can barely make ends meet to support her 14-year-old son. The rising cost of a MetroCard, which is a “big chunk” of her salary, forces Leslie to make tough decisions. For instance, there are times when she saves money on transit for the two of them by having her son slide under the turnstile. “I’m not proud of this,” she admits.

She’s also had to choose between a MetroCard and taking a job: “When I don’t have the fare, I don’t go to work.” That means Leslie loses out on the \$138 she gets when she teaches a class. Even though she lives with her mother to help make ends meet, she sometimes has to ask her for help paying the subway fare, which she finds embarrassing. Other times she takes the bus because she can rely on the “kindness of drivers” to let her get on without a fare. To make matters worse, Leslie is trying to advance her career, but often has to forgo her Spanish classes because she can’t afford both the cost of the class and the MetroCard—she just doesn’t have the money.

Leslie wishes she didn’t have to “calculate everything” before leaving the apartment; “It really affects my quality of life,” she says. She wants to see working people have assistance with their MetroCards, because without assistance, she knows that “the hidden message is that the working poor should not be living in New York City.”

3



Regional transit subsidies are not reaching the neediest families.



“

It's hard to afford two MetroCards for me and my child. I have to hop the turnstile or ask a person to swipe me through.

- Kathleen A.

”

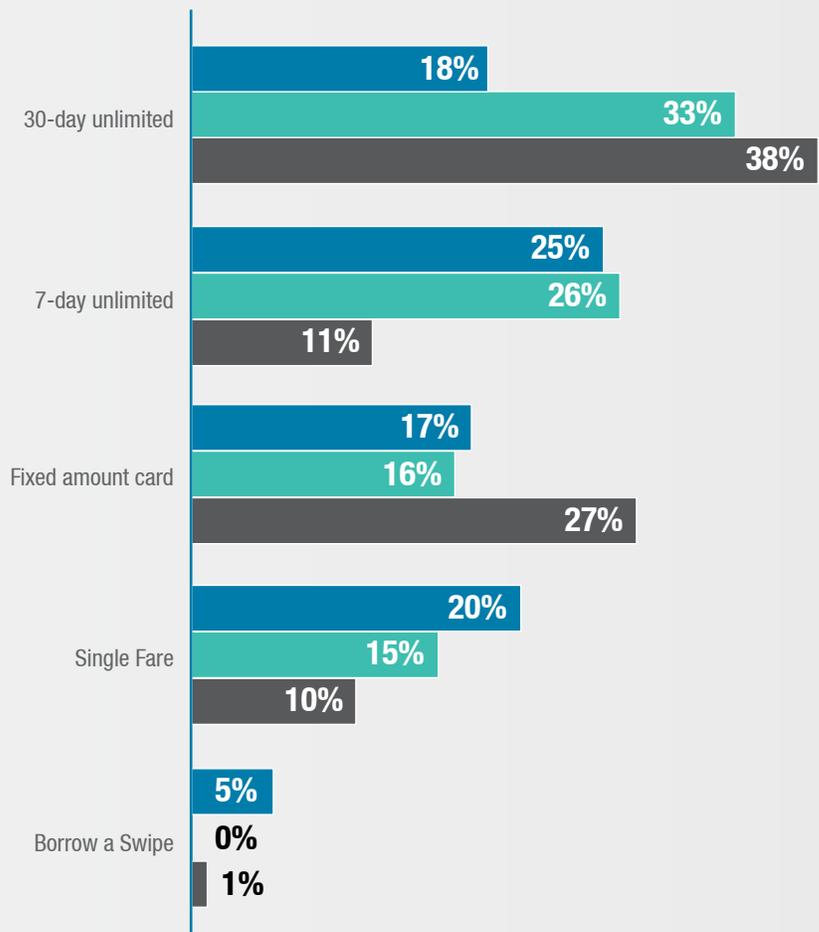


Among regular subway users, low-income New Yorkers—especially those with low savings—have difficulty paying up front for discounted monthly passes and are more likely to rely on full-price pay-per-ride fares and borrowed swipes.

Low-income, low-savings families are the least likely to purchase 30-day passes and the most likely to purchase undiscounted single fares and borrow swipes on somebody else’s MetroCard. Because 30-day MetroCards generally offer the lowest fare per trip compared to the full single ride fare, the highest average fares are typically borne by riders in low-income, low-savings families; it is these families that have the hardest time coming up with the upfront cash to pay for 30 days of MTA travel in advance, or choose not to because they are less willing to risk the costs of replacing a lost or damaged card, or changes in their job situation.

Among working-age individuals who typically commute or travel by subway or bus, low-income families with less than \$100 in savings are less than half as likely to purchase a 30-day unlimited MetroCard than moderate- and higher-income families. On the other hand, these low-income, low-savings transit users are also twice as likely to purchase full-price single ride fares. They also report resorting to borrowing a swipe almost five percent of the time, compared to less than one percent for moderate- and higher-income riders.

Q: What kind of MetroCard do you buy most often?

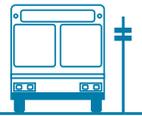


LOW INCOME AND LOW SAVINGS (<=200% FPL, <=\$100)

LOW INCOME AND HIGHER SAVINGS (<=200% FPL, >=\$100)

MODERATE AND HIGHER INCOME (>=200%)

The availability of pre-tax commuter benefits allows most workers to deduct commuting expenses (such as transit fare) from their taxable income, but the benefit does not reach many of the neediest individuals who do not earn enough to benefit from the tax deduction.

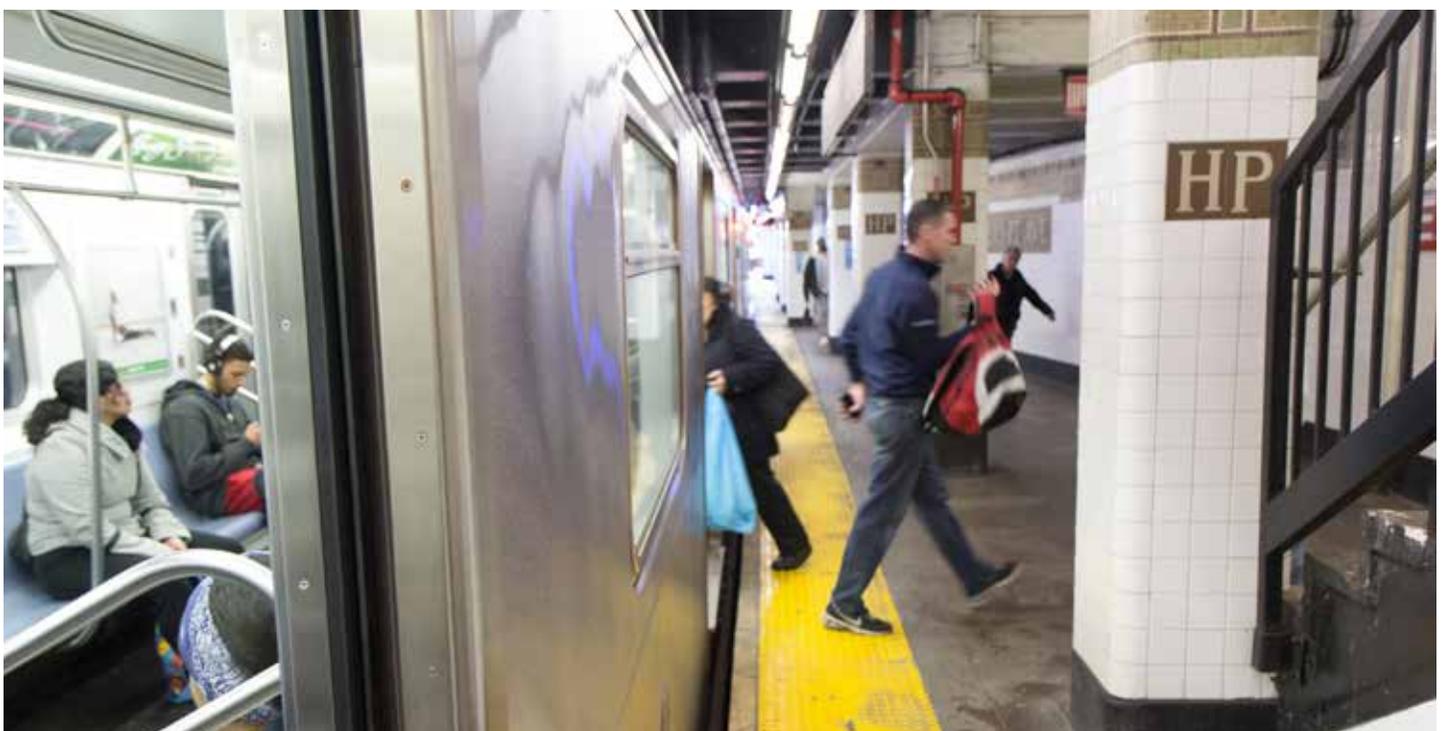


Starting in January 2016, a new city law requires New York City companies with 20 or more full-time employees to offer pre-tax commuter benefits to their workforce. As of January 1, 2016, the monthly allowance for tax-deductible commuting expenses includes \$255 for transit and another \$255 for qualified parking. While the tax deduction for monthly MetroCard passes can save higher-income New York City families over \$600 per year, the deduction is worth less to lower-income families who face lower tax rates. In fact, some families with lower earnings who are eligible for the Earned Income Tax Credit (EITC) would actually be worse off if they were to enroll in commuter benefits.^{8,9}

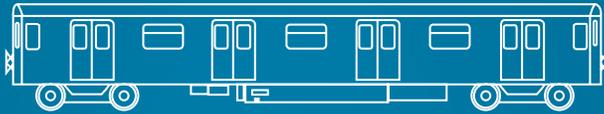
The pre-tax commuter parking benefit also yields higher tax savings to relatively more affluent suburban commuters who claim both the transit and parking allowance (e.g., those who drive to a commuter rail station). Most of the neediest commuters, however, do not own cars and benefit from the parking deduction; they are also more likely to live in New York City and rely on the MTA, allowing them to claim less than half of the \$255 transit allowance for monthly MetroCard expenses.

The pre-tax commuter benefits program offers considerable savings to many middle- and upper-income commuters. The cost to the state

of New York of a tax subsidy such as this is the forgone state and city income tax revenues. Between the commuter benefit tax subsidy, half-price MetroCards for the disabled and elderly, and discounted monthly passes that are not affordable to low-income families, substantial public resources are being used to subsidize transit fares without reaching the majority of low-income families.

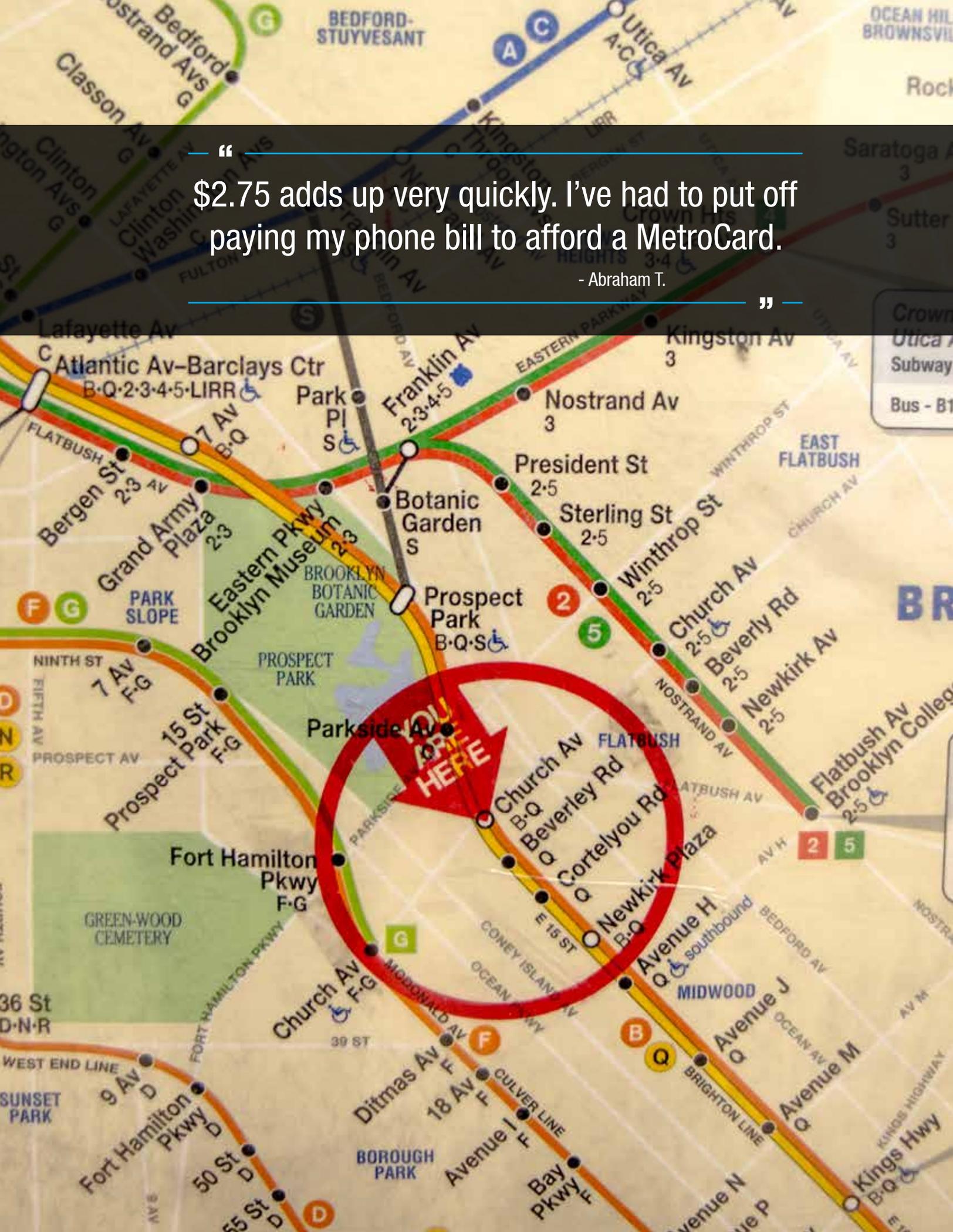


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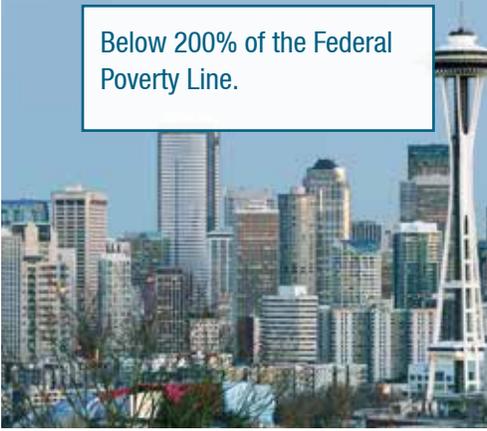
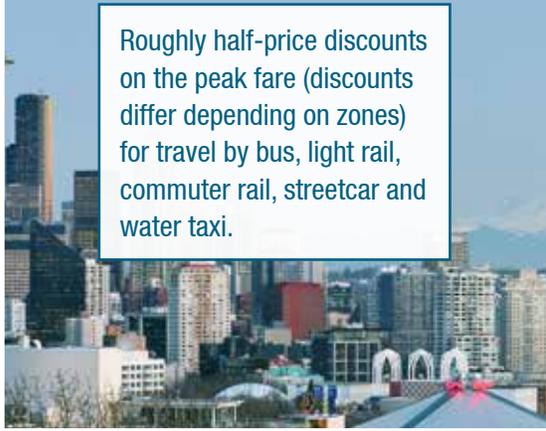
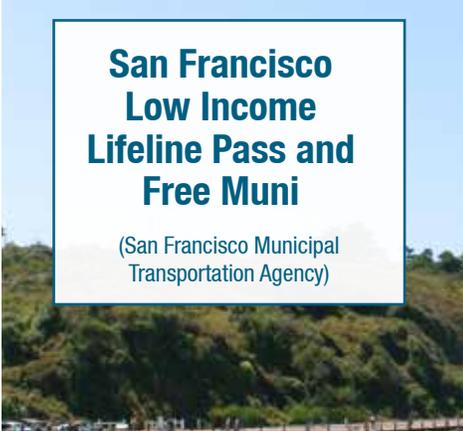
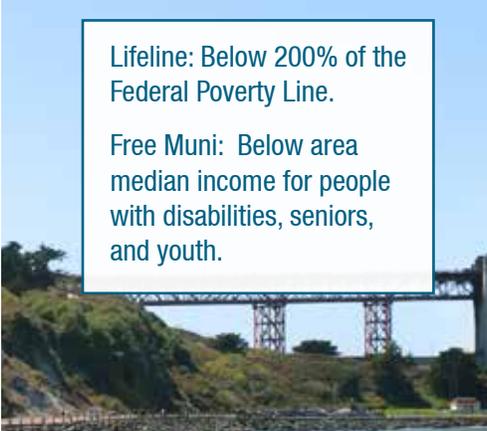
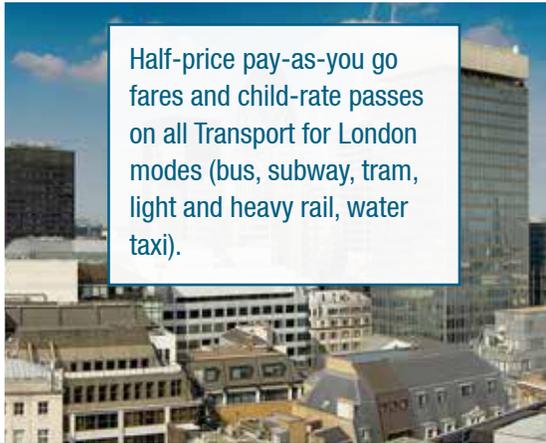


Other cities are already offering discounted fares to low-income residents.

“
\$2.75 adds up very quickly. I've had to put off
paying my phone bill to afford a MetroCard.
- Abraham T.
”



Other cities have instituted a variety of fare discount programs to ease the burden that public transit fares place on low-income residents.

CITY/PROGRAM	ELIGIBILITY	DISCOUNT
 <p>Seattle ORCA LIFT (King County Metro, Sound Transit, Kitsap Transit)</p>	 <p>Below 200% of the Federal Poverty Line.</p>	 <p>Roughly half-price discounts on the peak fare (discounts differ depending on zones) for travel by bus, light rail, commuter rail, streetcar and water taxi.</p>
 <p>San Francisco Low Income Lifeline Pass and Free Muni (San Francisco Municipal Transportation Agency)</p>	 <p>Lifeline: Below 200% of the Federal Poverty Line. Free Muni: Below area median income for people with disabilities, seniors, and youth.</p>	 <p>Lifeline: Half-price monthly pass for Muni bus and streetcar. Free Muni: Free for Muni bus and streetcar.</p>
 <p>London Jobcentre Plus Travel Discount (Transport for London)</p>	 <p>Unemployed for 3–12 months.</p>	 <p>Half-price pay-as-you go fares and child-rate passes on all Transport for London modes (bus, subway, tram, light and heavy rail, water taxi).</p>

San Francisco introduced its low-income (Lifeline) pass program in 2005, with a range of discounts for low-income and unemployed riders. Other cities, such as Charleston, Madison, Seattle, and London, have followed suit, and support for discounted fares for low-income riders is also growing in Boston and Denver.¹⁰ Most large transit systems also offer discounted fares for youth, seniors, and riders with disabilities. The table below summarizes some of the key features of selected income- or unemployment-based discount programs that are currently in place in three of the larger cities.¹¹

ADMINISTRATION

King County Metro partners with local public health departments and nonprofits for outreach and income verification. Once eligibility has been verified, individuals receive a reduced fare card that they can load money onto for discounted pay-per-ride travel or purchase discounted unlimited passes.

FUNDING AND COST

Accompanied by a 25¢ increase from general ridership and 50¢ for paratransit.

There was a projected annual revenue loss of up to \$4.75m and annual administrative costs of \$3–4m.

IMPACT

Eight months into the program, more than 20,000 individuals had registered for low-income passes, accounting for over 370,000 boardings; this implies a take-up rate of approximately 20% of eligible individuals who regularly ride King County Metro Transit.

Eligibility verification and administration through the city's Human Services Agency, which issues ID cards and stickers.

Lifeline: paid for by the transit authority.

Free Muni: originally funded by a \$3m donation from Google.

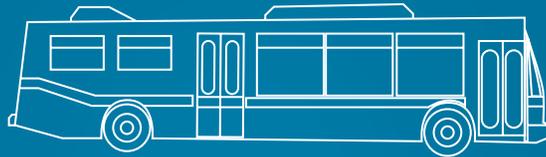
Roughly 19,500 Lifeline passes are sold every month, covering approximately 80% of eligible SF residents who regularly use public transit.

Application and eligibility review through the government agency Jobcentre Plus. Once registered, riders can purchase discounted Oyster Cards for travel throughout the system.

£25 million a year (roughly \$38 million).

Limited use of program by eligible riders, possibly due to lack of advertising and information.¹²

5



An estimated 800,000 riders would be eligible for a half-price fare for poor New Yorkers, saving those who opt to participate up to \$700 per year.

“

I don't have money for the train. But if you jump the turnstile or ask somebody to swipe you, they take you to jail. I don't want to go that route.

- Victor H.

”



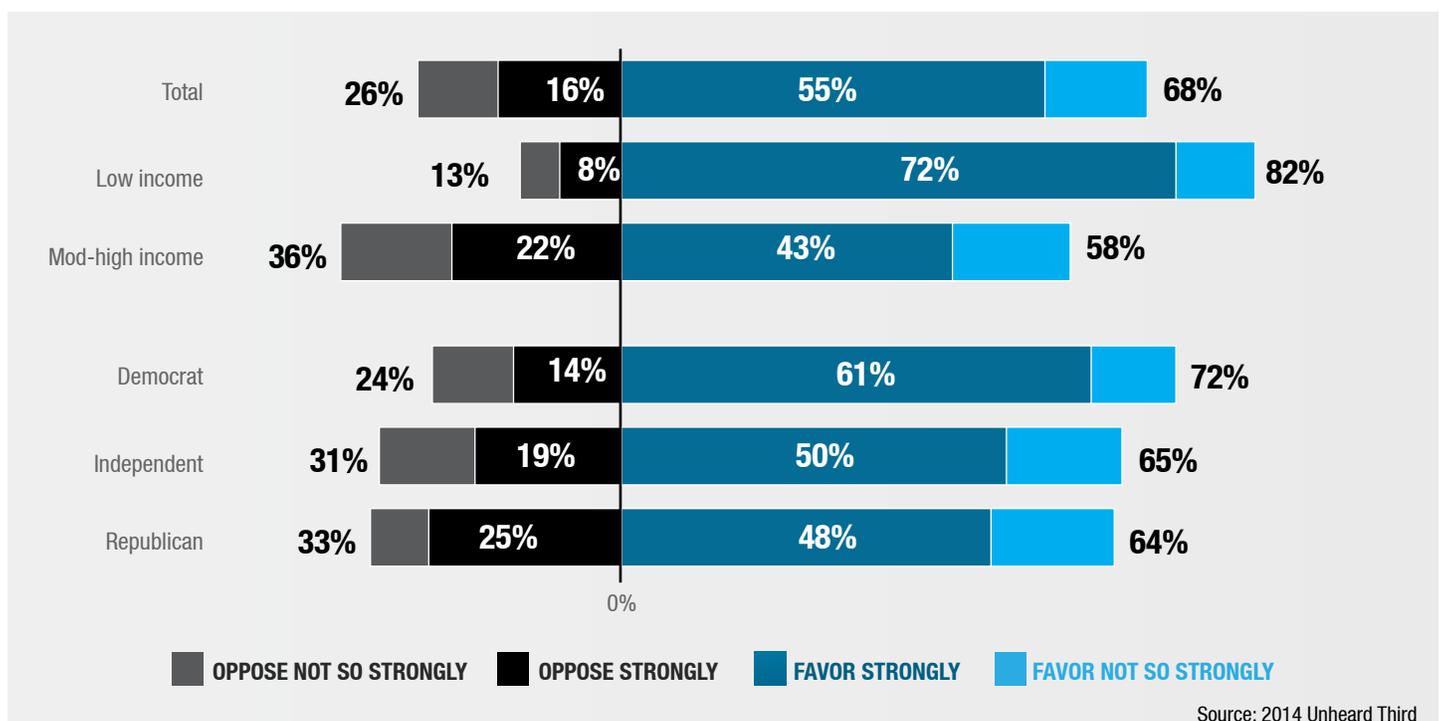


New Yorkers support half-price fares.

The 2014 Unheard Third survey found bipartisan support for the idea of offering half-price fares for low-wage workers. Two out of three New Yorkers support a half-price fare program, including over 80 percent of low-income respondents, 72 percent of respondents who identify as Democrats, and 64 percent of Republicans. With bipartisan support for fare relief, coupled with stagnating wages for low-income earners, it's time for New York to build on the experience of other cities and offer discounted fares to public transit riders with the lowest incomes.



Q: Do you support reducing subway and bus fares to half price for low-wage workers?

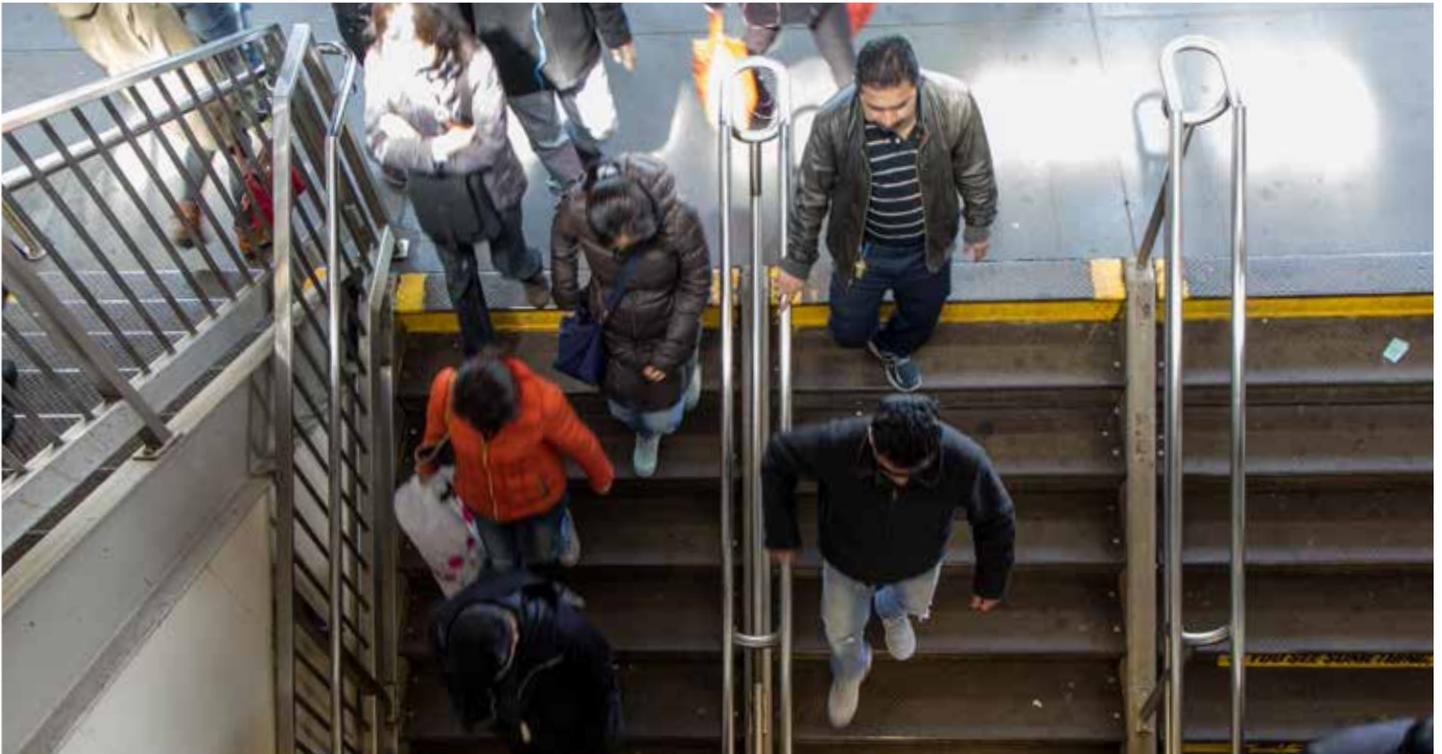


What should the income eligibility criteria be for reduced fares on the MTA? Where the income limit is set largely determines how many individuals the fare discount will reach and how much it will cost in foregone fare revenue. In making the determination we considered four factors: empirical data on which income groups reported significant hardships paying for fares now; the total projected cost and judgments about what would be politically feasible; trade-offs between helping a broader group with smaller discounts versus targeting more meaningful discounts to those most in need; and the ease of administering the program

and communicating who qualifies by linking eligibility to another well-known program, such as food stamps.

Based on the Unheard Third findings, a case could be made for setting the eligibility threshold at 200 percent of the federal poverty level, similar to the Seattle area discount fare program. A quarter of New York City's near-poor (in households between poverty and twice the poverty level) reported frequently being unable to afford bus and subway fares compared to 28 percent of those living below poverty. On the other hand, a program initially targeted to the poor would be significantly less expensive.

The technical appendix includes estimates for the projected net cost of alternative eligibility thresholds set at 100 percent of poverty, 130 percent of poverty, and 200 percent of poverty. But for purposes here, we focus on the simple case of half-price fares on the subway and all non-express MTA buses for adults in families earning below the federal poverty level. Since the MTA already offers half-fare discounts for seniors and individuals with disabilities as well as student passes, the analysis focuses on city residents not already eligible for those discounts. In the following pages, we describe the details of the proposed policy and initial estimates of the revenue implications.



A PROPOSAL FOR HALF-PRICE FARES FOR POOR NEW YORKERS

Discount

Single rides at \$1.35 (no 11 percent bonus) and unlimited MetroCards offered at half price, for travel on the subway and all MTA buses (New York City Transit and the MTA Bus Company), excluding express buses.

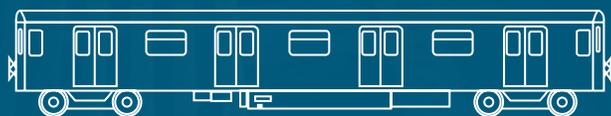
Eligibility

All city residents who are between the ages of 18 and 64 in families with incomes below the federal poverty level (FPL). As with many other public benefits administered by the New York City Human Resources Administration (HRA), it is assumed that you would not have to be a citizen or legal permanent resident to be eligible for discounted fares. Estimates from the 2014 American Community Survey place the number of non-disabled, non-elderly adults that would be newly eligible for discounted fares at just under 808,000. (For comparison, an income threshold of 130 percent of FPL, as under the HRA-administered Supplemental Nutrition Assistance Program, would cover 1.08 million newly eligible individuals. Raising the threshold to 200 percent of FPL would cover almost 1.7 million.)

Administration and Implementation

While MTA and city and state officials are best positioned to determine the most cost-effective way to implement the discount program, one way to minimize administrative costs would be to rely on existing public sector infrastructure (at HRA, for example) to certify applicant income and verify eligibility. Once eligibility has been verified, reduced-fare MetroCards could be sold directly to participants by the MTA. As an alternative, reduced-fare MetroCards could be purchased from the MTA by the city or state and then re-sold to program participants.

How many people could benefit from half-price fares in NYC?



Depending on the eligibility criteria, over one-and-half million low-income New Yorkers could access a discounted fare program.

100% of Poverty Level



807,933

Revenue Implications

Regardless of the specifics of program implementation, the costs of the program will largely be determined by the loss in revenue from MetroCard sales on MTA trips that are currently taken at full fare but would be discounted under the proposed program. In any implementation scenario, we would propose that state and city funding sources be used to cover the costs of the discount program, so that the program does not drive up fares for remaining riders. A portion of these costs would be offset by the fact that lower fares would induce eligible riders to take additional trips that generate additional revenue.

Based on recent travel survey data of New York City residents, and conservative assumptions about fare discount program take-up rates, the cost of subsidizing MetroCards in the proposed program would be roughly \$115 million during the first year of the program, and \$194 million during year two (at full take-up). These estimates should be viewed as a very preliminary projection of forgone MTA revenues (not including any additional administrative costs to implement the program), since they are highly sensitive to the details of how a fare discount program is implemented and how individuals will respond over time (see Technical Appendix for a detailed explanation of these calculations).¹³ Our baseline scenario assumes a take-up rate among regular subway and bus users comparable to that for benefits like food stamps.

A potential funding offset exists in the form of roughly \$48 million that HRA is already spending annually to fund MetroCards for low-income individuals who participate in job training or educational programs, and for qualified trips for medical appointments covered by Medicaid. Because most of these individuals would be newly eligible for discounted fares, fare discount costs could be partially offset by HRA cost savings resulting from fewer MetroCard purchases for free distribution. Program costs may also be partially offset by decreases in fare evasion, as some riders may no longer risk turnstile-hopping or asking strangers for MetroCard swipes when faced with lower fares.

Population Eligible for Half-Price Fare

130% of Poverty Level



1,081,437

200% of Poverty Level



1,674,417

FUNDING OPTIONS FOR COVERING THE COST OF DISCOUNTED FARES

Given the ongoing stalemate about how to fund the capital needs of the MTA, it is critical to avoid placing further demands on an operating budget that is already under heavy strain from interest payments on outstanding debt for capital improvements.¹⁴ It is thus our view that the cost of the fare discount program should be covered by funding sources that are external to the MTA. To the extent possible, this funding should be generated by progressive taxes or fees, so the impact of any fare discount would not be offset by an increased tax burden on the same poor individuals receiving the discount. These taxes and fees can also be used to encourage behavior that reduces congestion and emissions that worsen climate change and air quality.

Once most eligible riders have had time to take up the fare discount, and administrative costs are added to the roughly \$194 million to cover subsidized MetroCards, the cost of the proposed fare discount program is likely to exceed \$200 million on an annual basis. These costs could be covered by allocating additional funding from New York City's growing general tax revenues or from new revenue sources that have been under discussion as part of other policy proposals:

- **Allocating funds from the city budget:** City Fund revenues reached a record \$58.1 billion in fiscal year 2015, more than \$3.3 billion above the city's forecast at the beginning of the year.¹⁵ A \$200 million annual commitment from the city could be covered by less than 0.4 percent of the City Fund. Moreover, state law explicitly allows for reduced fares for a class of users upon the written request of the mayor and an agreement for the city to make up the lost revenue and associated administrative costs.¹⁶
- **Increasing the statewide gasoline tax to fund a fare discount program and other transportation needs outside of New York City:** a statewide increase of 5 cents in the sales tax on motor fuel could generate as much as \$310 million annually to fund the fare discount program as well as capital investments in bridges and roads throughout the state.¹⁷ Raising the gas tax also has a positive environmental impact by discouraging driving and encouraging more fuel efficient vehicles, at a time when retail motor gasoline prices in New York State have fallen to their lowest levels since 2004.¹⁸
- **The millionaire's tax:** extending the current "millionaire's" tax could generate billions of dollars to fund numerous public programs such as a fare discount. If the millionaire's tax is not extended beyond 2017, and the current top rates revert to 2008 law, NYS will lose more than \$3.7 billion in tax revenues now paid by the top 1 percent.¹⁹
- **Fairer tolling:** by implementing a fairer citywide tolling system such as the one called for in the Move NY Fair Plan—reducing tolls where they are too high and raising them in areas with high traffic and good transit access—substantial revenue can be generated to fund road and bridge improvements, maintain and improve the regional transit network, and cover the cost of reduced transit fares for the neediest riders, among other uses.

SUMMARY

- Other new revenue streams:** a number of ideas have been proposed as ways to generate additional revenue to fund various transportation related policy proposals. Some of these might also be used to help defray the costs of a reduced fare program. Examples include a range of fees and taxes on vehicles such as increasing vehicle registration fees, and harmonizing surcharges and taxes on taxis, black cars, and app-dispatch services like Uber and Lyft. Another group of tax proposals focuses on the housing market, such as expanding the tax on home sales of \$1 million or more, or a tax on vacant luxury apartments.

Despite a growing regional economy that is adding more and more jobs every month, incomes have been stagnating for the bottom 98 percent of the workforce, and another round of fare hikes is scheduled by the MTA in 2017. The financial burden that MetroCard expenses put on the already strained budgets of poor New Yorkers is reaching critical levels, to the point where public transit is increasingly out of reach for many of the most economically disadvantaged New Yorkers.

Without affordable public transit to connect poor New Yorkers to gainful employment opportunities, the prospects for achieving economic self-sufficiency are lessened, and reliance on costly public benefits becomes more entrenched. Twenty-seven percent of unemployed New Yorkers reported that the cost of transit fares prevented them looking for or taking a job further away from their home. For those receiving unemployment benefits this makes their transition off of public benefits that much more difficult.

The idea that local and regional governments are well positioned to help the poorest individuals commute to work on public transit is not a new one, as other U.S. cities and London already offer discounted transit fares for those with low incomes. Moreover, the state and city governments are already subsidizing transit for relatively more affluent commuters through pre-tax commuter benefits. And the MTA offers a fare structure that gives the deepest discounts to those who can afford to lay out more money in advance to purchase monthly passes. If the state and city can devote significant resources to curb commuting costs for more affluent families, it can also devote commensurate resources to help the poorest individuals commute to work, and access medical care and educational opportunities. The turnstile should be the entry point—not the barrier—to upward mobility.



Technical Appendix: Fare Discount Cost Estimates

Step 1: Estimating the Number of Fare Discount Program Participants

Income-eligible pool: The eligible pool of individuals includes all non-elderly, non-disabled adults residing in New York City between the ages of 18 and 64 and residing in families who are below 100 percent of the federal poverty level (or 130 percent, in the alternative scenario). The size of this population is estimated from the 2014 American Community Survey (ACS).

Take-up: Within the group of income-eligible individuals, we assume that take-up of the fare discount program will be concentrated among regular transit users, as more sporadic users will not go through the trouble of applying for discounted fare cards. In the 2014 ACS, 58 percent of employed individuals in the eligible population report commuting by bus or subway. In the absence of further data, it is assumed that this transit dependence rate also applies to individuals who are not employed.

Fare discount take-up among regular transit riders will depend heavily on the design and implementation of the program, especially outreach efforts. For the sake of simplicity, here it is assumed that take-up among regular transit riders will grow at a constant

monthly rate before peaking at 77 percent at the end of the first 12 months; 77 percent is the average take-up rate of Supplemental Nutrition Assistance Program (SNAP) benefits since 2010, according to figures reported by the New York City Human Resources Administration (HRA).²⁰

Step 2: Estimating Revenue Impacts

The methodology utilizes the 2010–11 Regional Household Travel Survey (RHTS) sponsored by the New York Metropolitan Transportation Council (NYMTC) and the North Jersey Transportation Planning Authority. RHTS is, to the best of our knowledge, the only publicly available data with sufficiently detailed information on MTA trip behavior for low-income individuals. The RHTS provides travel diaries for almost 19,000 households, including detailed trip information on 1,696 NYC residents in families earning less than \$30,000.²¹

First, the number of linked NYCT trips per person (free transfers and express bus trips are excluded) among income-eligible individuals in the RHTS is calculated for two fare types: cash trips (assumed to be made at the full fare of \$2.75), and pay-per-ride

(PPR) MetroCards (for simplicity, assumed to be made with the 11 percent bonus provided on MetroCard purchases of at least \$5.50). Next, the share of individuals with unlimited MetroCards is estimated as the share of individuals who used an unlimited pass for all NYCT trips in the same day; this is done to exclude individuals who “borrowed a swipe” on somebody else’s unlimited pass. Only the most intensive NYCT riders (based on daily trip total) are used for these calculations, in order to ensure that trip-taking behavior is representative of the individuals who are likely to take up the fare discount program. For example, take-up among the 58 percent of eligible individuals that are regular transit riders is assumed to be 77 percent during year two of the program, so trips per day are based only on the top 45 percent of transit riders (.77 x .58) in terms of daily NYCT trips.

For each of these three revenue streams (full fare cash trips, bonus fare PPR MetroCard trips, and unlimited passes), the revenue loss on existing trips is estimated for each fare discount scenario. For full-fare and bonus fare trips, this is done by multiplying the amount of the discount (\$1.40) times the take-up rate times the eligible population times the number of trips per day for each fare type times 365

days. For unlimited passes, the lost revenue is estimated by computing the weighted average cost of an unlimited pass in the RHTS for one year (averaged over 7- and 30-day passes) times the eligible population times the share with unlimited passes multiplied by one-half.

For the first two PPR revenue streams, additional revenue from new trips induced by lower fares is also estimated. The key assumption governing the number of new trips (and revenue) induced by the proposed fare discount program is the elasticity of transit demand with respect to the fare.²² This elasticity can vary substantially across time, space, types of individuals, and short-run versus long-run estimates. Here we rely on low- and high-elasticity scenarios of -0.19 and -0.35, respectively, based on a recent study of fare policy changes in the Transport for London (TfL)

system.²³ Induced travel is estimated separately for cash trips and pay-per-ride MetroCard trips, with each new or additional trip assumed to cost the discounted pay-per ride fare (of \$1.35) with no additional MetroCard bonus (see box below).

The introduction of discounted pay-per-ride MetroCards and unlimited MetroCards will also impact families' decisions about which types of MetroCards to purchase. It is not immediately obvious, however, whether this will lead to more or less travel on unlimited MetroCards, since the pay-per-ride fare is also discounted. Given this uncertainty, the estimates do not adjust for any response to the fare discount program in the share of travel made with unlimited passes.

About The Unheard Third

The Unheard Third 2015 is based on a scientific survey of 1,705 New York City adults conducted for CSS by Lake Research. Respondents were reached by telephone using land lines and cell phones. The survey was fielded July 19 through August 17, 2015. The margin of error is +/- 3 percentage points for the low-income sample of 1,052 respondents with incomes below twice the federal poverty level.

For each pay-per-ride trip type, the number of additional trips used to compute the revenue change from induced travel is estimated by solving for the number of new number of trips based on the midpoints arc elasticity formula:

$$\text{change in trips} = \text{elasticity of demand} \times \text{change in fare}$$

$$\text{where } \text{change in trips} = \frac{\text{new trips} - \text{old trips}}{.5 (\text{new trips} + \text{old trips})}$$

$$\text{change in fare} = \frac{\text{new fare} - \text{old fare}}{.5 (\text{new fare} + \text{old fare})}$$

Revenue Projections for Alternative Fare Discount Eligibility Criteria

Revised Estimates as of April 2016

Assumptions	100% of Poverty				130% of	
	Year 1		Year 2		Year 1	
	Low Elast.	High Elast.	Low Elast.	High Elast.	Low Elast.	High Elast.
Newly eligible pool	808,000	808,000	808,000	808,000	1,081,000	1,081,000
Regular MTA rider share	58%	58%	58%	58%	59%	59%
Take-up rate among regular riders	39%	39%	77%	77%	39%	39%
Estimated recipients	180,000	180,000	360,000	361,000	246,000	246,000
New fare	1.35	1.35	1.35	1.35	1.35	1.35
Transit demand elasticity	-0.19	-0.35	-0.19	-0.35	-0.19	-0.35
Fare Type Information						
Cash trips per person-day	0.45	0.45	0.42	0.42	0.45	0.45
Pay-per-ride MetroCard trips per person-day	1.03	1.03	0.80	0.80	1.03	1.03
Share with unlimited MetroCards	0.25	0.25	0.21	0.21	0.25	0.25
Existing travel: pay-per-ride trips (1000s)						
Annual trip total: cash trips	29,565	29,565	55,341	55,341	40,406	40,406
Annual trip total: PPR MetroCard trips	67,671	67,671	105,412	105,412	92,484	92,484
Revenue change	(117,689)	(117,689)	(196,327)	(196,327)	(160,841)	(160,841)
Existing travel: unlimited passes (1000s)						
Annual number of unlimited passes (monthly basis)	540	540	910	910	738	738
Revenue change	(33,092)	(33,092)	(55,749)	(55,749)	(45,226)	(45,226)
Induced travel: pay-per-ride trips (1000s)						
Additional cash trips	4,102	8,026	7,679	15,023	5,607	10,969
Additional PPR MetroCard trips	9,390	18,371	14,627	28,616	12,833	25,106
Revenue change	18,215	35,635	30,113	58,913	24,893	48,701
NET REVENUE CHANGE (1000s)	(132,566)	(115,145)	(221,964)	(193,163)	(181,174)	(157,365)

Poverty

200% of Poverty

Year 2		Year 1		Year 2		Data Sources
Low Elast.	High Elast.	Low Elast.	High Elast.	Low Elast.	High Elast.	
1,081,000	1,081,000	1,674,000	1,674,000	1,674,000	1,674,000	2014 ACS
59%	59%	59%	59%	59%	59%	2014 ACS (employed indiv.)
77%	77%	39%	39%	77%	77%	
491,000	491,000	380,000	380,000	760,000	760,000	
1.35	1.35	1.35	1.35	1.35	1.35	
-0.19	-0.35	-0.19	-0.35	-0.19	-0.35	Jain (2011) (London)
0.42	0.42	0.45	0.45	0.42	0.42	2010-11 RHTS
0.80	0.80	1.03	1.03	0.80	0.80	2010-11 RHTS
0.21	0.21	0.25	0.25	0.21	0.21	2010-11 RHTS

75,270	75,270	62,415	62,415	116,508	116,508
143,372	143,372	142,861	142,861	221,920	221,920
(267,027)	(267,027)	(248,454)	(248,454)	(413,321)	(413,321)
1,237	1,237	1,140	1,140	1,915	1,915
(75,825)	(75,825)	(69,861)	(69,861)	(117,367)	(117,367)
10,444	20,433	8,661	16,944	16,166	31,628
19,894	38,921	19,823	38,782	30,793	60,244
40,957	80,128	38,453	75,230	63,396	124,028
(301,895)	(262,724)	(279,862)	(243,085)	(467,292)	(406,660)

NOTES

1. The experience of Mr. Jones was documented in a *New York Times* article, “Walking Past Obstacles to Create a Steady Career Solving Computer Issue” that ran on December 13, 2015.
2. Data from the American Community Survey was accessed through the Integrated Public Use Microdata Series (IPUMS-USA, University of Minnesota, www.ipums.org).
3. Vehicle access is based on responses to the question of how many vehicles are kept at home for use by household members from the 2014 American Community Survey.
4. More than 45 percent of Unheard Third respondents who are below the poverty line also report having less than \$100 in savings.
5. Unheard Third respondents report which predetermined income range they fall into in order to determine their poverty status. Income share calculations impute household income as the midpoint of each income bracket, or 1.5 times the lower bound of the highest bracket.
6. Chetty, R., & Hendren, N. (2015). *The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates*. Working Paper, May 2015, http://www.equality-of-opportunity.org/images/nbhds_paper.pdf (accessed May 5, 2015).
7. These unemployment figures are based on New York City residents aged 16 and up in the 2015 Current Population Survey.
8. For New York City residents, low- and moderate-income workers receive an Earned Income Tax Credit from the federal, state, and city governments that is based on their taxable earnings. This credit is refundable—if the tax credit exceeds income tax liability, the IRS and NYS Department of Taxation and Finance will issue refunds to tax filers in the amount of the difference. By electing to reduce their taxable income by signing up for pre-tax commuter benefits, many of the lowest income families with children would actually lose more in refundable EITC credits than they would gain in income tax savings, leaving them worse off. While exact EITC subsidy rates depend on tax filing status, earned income, and number of children, consider the example of a family with three or more children who face the largest EITC subsidy: enrolling in pre-tax commuter benefits would cost them more in forgone tax credits than it would save in income tax liability as long as their 2015 income is less than \$14,800.
9. The online tax savings calculators from private commuter benefits providers (e.g. WageWorks) do not account for other features of the tax structure such as the EITC, potentially leading some of the neediest individuals to the incorrect conclusion that commuter benefits will save them money when it will in fact reduce their tax refund.
10. See Nicole Dungca, “Support grows for MBTA discounts for low-income riders,” *The Boston Globe*, Nov. 28, 2015, and Marielle Mondon, “Denver Activists Push for Income-Based Bus Fares,” *Next City*, Nov. 23, 2015.
11. Unless otherwise noted, cost projections and program take-up are based on the author’s calculations using information conveyed in correspondence with the relevant local transit authority.
12. See the *Mirror Online*’s “The Jobseekers’ Bonus You’ve Never Heard of: Just 4,800 discount cards handed out in city of 9 million,” from August 13, 2015 (<http://www.mirror.co.uk/news/uk-news/jobseekers-bonus-youve-never-heard-6239986>).
13. The Technical Appendix includes a detailed explanation of the revenue estimates for three scenarios: eligibility up to 100% of FPL, up to 130%, and 200%. Alternative assumptions regarding take-up among eligible riders and their responsiveness to discounted fares are also explored in the Technical Appendix.
14. An agreement on capital contributions from the city and state was reached between the governor, mayor, and MTA chairman was announced in October 2015, though the details of how these funds will be raised are still to be determined.
15. Office of the State Comptroller, “Review of the Financial Plan of the City of New York,” December 2015.
16. See Public Authorities Law 1205: Rates of Fare and Levels of Service.
17. This estimate is based on the number of taxable gallons reported by the New York State Department of Taxation and Finance for fiscal year 2015, coupled with the finding that a 5 cent increase in the gas tax leads to a reduction in gasoline consumption of 1.3% on average, nationwide (from Li, Shanjun, Joshua Linn, and Erich Muehlegger, 2014, “Gasoline Taxes and Consumer Behavior,” *American Economic Journal: Economic Policy*, 6(4): 302-42).
18. This figure is based on information provided by the US Energy Information Administration’s “Short-term Energy Outlook” from February 9, 2016.

19. Fiscal Policy Institute, “A Shared Opportunity Agenda,” February 2016. <http://fiscalspolicy.org/wp-content/uploads/2016/02/NYS-Economic-and-Fiscal-Outlook-FY-2017.pdf>

20. <http://www1.nyc.gov/assets/hra/downloads/pdf/facts/snap/2002.2013NYCSNAPParticipation.pdf>

21. THE RHTS assigns families to \$15,000 income brackets (e.g. less than \$15,000, etc.). To approximate the set of families who fall below the federal poverty level, we include the 1,891 families who meet one of the following criteria: earning less than \$15,000, earning between \$15,000 and \$30,000 with at least 2 family members, or earning between \$30,000 and \$45,000 with at least 4 family members.

22. This elasticity measures how user demand for subway and bus trips responds to a reduction in the price. For example, a transit demand elasticity of -0.4 implies that a 10 percent drop in average fares leads to a 4 percent increase in the number of trips.

23. See Jain, Nihit, “Assessing the Impact of Recent Fare Policy Changes on Public Transport Demand in London,” MIT Master’s Thesis, 2011. This study finds the elasticity with respect to system-wide fare changes to be -0.35 on TfL buses, and -0.19 on the Underground subway system.

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