

It's Only Fair:

Policies to Reduce Fare and Toll Evasion Are Critical to Transit Sustainability

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Fare evasion and license plate fraud are costly and growing problems for New York City, the Metropolitan Transportation Authority (MTA), the New York State Thruway Authority, and the Port Authority of New York and New Jersey. In 2023, the cost to the MTA alone was more than \$700 million—an amount equal to the amount of funding that would be raised through two rounds of fare hikes; and the evidence suggests the cost is growing.¹ Increasing fare and toll compliance is critical to funding the region's transit agencies and providing reliable, high-quality, affordable public transit services.

While much of the lost revenue is from fares, license plate fraud is increasingly chipping away at the bottom line of entities that collect tolls, as evaders become more brazen and sophisticated. This trend presents a risk to the success of the Central Business District Tolling Program (congestion pricing), which is set to begin in June 2024. Congestion pricing revenues are critical for the MTA; they will fund more than a quarter of the MTA's 2020-2024 Capital Program and support numerous capital projects that modernize the system and bring it to a state of good repair.

The State, the City, and affected public entities need more tools and should take additional steps to lower the fiscal risk from revenue loss. The Citizens Budget Commission (CBC) supports Governor Kathy Hochul's Executive Budget for Fiscal Year 2025 proposed policies, which would strengthen laws and efforts to enforce fare and toll compliance.



THE PROBLEM(S)

Fare evasion and license plate fraud are two distinct forms of scofflaw and criminal behavior plaguing the New York City and State transportation systems. Both problems predate the pandemic but have grown significantly over the past several years. The growth rates and scale of these challenges create substantial fiscal risk and require deft public policy interventions.

Despite various enforcement campaigns, revenue losses continue to mount. The MTA estimates more than \$700 million in lost revenue from fare and toll evasion in 2023. Based on the MTA's Blue-Ribbon Panel Report, budget documents, and updates at Board Meetings, it appears MTA fare and toll evasion is likely to continue growing, absent implementation of comprehensive and effective policy and enforcement actions.²

This significant problem is not confined to the MTA. New York City's red light camera program faces a loss of more than \$100 million in 2023, and the Port Authority is estimated to lose approximately \$40 million per year.³ Incomplete data make it challenging to accurately estimate the full cost of fare evasion and license plate fraud, but the available data suggest the losses are substantial.

FARE EVASION

Fare evasion costs have grown in recent years and accelerated during the pandemic. Recognizing the mounting costs, the MTA appointed a Blue-Ribbon Panel on Fare Evasion to study the issue and make recommendations. The Report of the Blue-Ribbon Panel found that in 2022, fare evasion cost:

- \$315 million on buses;
- \$285 million on subways; and
- \$44 million on railroads.⁴

Fare evasion has become more pervasive since the pandemic. The temporary suspension of fares on buses and the use of all-door boarding, for example, are noted as catalysts for making fare evasion more socially accepted. While fare evasion is more common on buses, it has also increased on subways and railroads.

Better fare compliance strengthens the fairness of the system and helps build broad public support for mass transit. Importantly, the Blue-Ribbon Panel report noted that changes in social norms have exacerbated the evasion problem. It described the vicious cycle seen as a part of fare evasion and toll fraud, writing that the problem, “tear(s) at the social fabric of New York,” and “is more than upsetting—as evasion grows, it can actually breed more evasion.”⁵ Furthermore, the report highlights the many social and economic factors that come into play in fare and toll evasion, discussing:

- Opportunistic evaders who walk through an open gate with others;
- Economically stressed riders who struggle to pay daily transit costs; and
- The “determined evader” who is set on not paying and may seek to profit from others’ evasion.⁶

To cut the growing costs, the MTA has already taken several steps, including:

- Conducting public information and education campaigns;
- Deploying specialized fare enforcement, “EAGLE Teams,” to target evasion on buses;
- Piloting programs that delay how quickly emergency exits open or shorten the length of time that emergency exits stay open; and
- Mechanically adjusting some turnstiles so they cannot “backcock”—turn backward to enable fare evading.

Despite these and other well-publicized efforts, fare evasion costs have continued to grow, likely exceeding \$700 million in 2023. The MTA fare revenue forecast assumes that paid ridership increases over the financial plan. However, data show paid ridership across the system has been below the McKinsey forecast since July 2023; subway ridership has been just below the forecast since then, while bus ridership has been at least 10 percentage points below the forecast.⁷ In the first two months of 2024, farebox revenue was 3.4 percent below budgeted levels (\$26.2 million).⁸

In November 2023, the MTA established a \$100 million reserve for 2024 as a hedge against greater-than-forecasted evasion on buses.⁹ The MTA’s CFO at the January 2024 MTA Board Meeting also discussed that if fare evasion is not reduced and causes paid ridership not to grow, there could be an additional annual cost of \$200 million to \$400 million in the future.¹⁰

Simply put, sufficient fare revenue is essential to operate and maintain the high-quality, reliable, and affordable transit systems New Yorkers and the region rely on. More effective fare compliance is important to ensure adequate revenues. The alternative—charging paying riders and drivers more—would be unfair.

LICENSE PLATE FRAUD

License plate fraud is perpetrated by various means. One common method is obstructing the characters on a license plate so the camera cannot successfully read it. This type of toll evasion appears as “unreadable” in toll data. Character obstruction techniques range from the simple—like scratching paint off the plate’s letters or covering the plate with a semi-transparent film—to the more complex, such as a device that flips over the license plate at the push of a button.

A more pernicious method of license plate fraud is the use of out-of-state, temporary license plates that are legally issued but fraudulent.¹¹ Out-of-state car dealers legally register with their State and sell large numbers of fraudulent temporary plates online that are not connected to actual vehicles or addresses. These enable toll evasion, granting drivers the impunity to commit crimes in an untraceable automobile. Because toll gantries can read these fraudulent plates, a bill is issued, but the owner’s address and other information are either fabricated or incorrect. This fraud is more difficult to detect because the plate was readable; early indicators of this type of fraud would likely be an increase in nonpayment of mailed toll bills. This form of toll evasion comes with the added costs of pursuing the untraceable driver for payment—with no chance of success.

Total losses from license plate fraud in New York are difficult to quantify precisely, but the available evidence—which is probably understated—indicates the problem is widespread, severe, and quickly growing. Recent public reports and data indicate that:

- License-plate-related rejections cost the NYC Speed Camera Program at least \$100 million in 2023; these rejections have grown at an “alarming” rate since the pandemic, and the growth is disproportionately high for missing or temporary license plates (226 percent greater than the next category);¹²
- The MTA lost at least \$46 million from license plate fraud in 2022;¹³
- Last year, the Port Authority of New York and New Jersey estimated its annual uncollected tolls cost at \$40 million;¹⁴ and
- The NYS Thruway Authority has struggled to collect \$276 million in unpaid tolls and fees, with 46 percent of the total originating from out-of-state vehicles; and it granted most of its dismissed fees (55 percent and \$33 million) to out-of-state motorists.¹⁵

In addition, the City’s speed camera program’s rejections for “no license plate/temporary plate” massively increased from less than 50,000 rejections in the first six months of 2019 to around 750,000 in the first six months of 2023. Similarly, though less acutely, the number of obstructed-plate rejections increased from just under 50,000 to around 300,000 in the same timeframe. Similar increases may plague other programs, such as the City’s red light camera program and the MTA’s automated bus lane camera program, but data are not publicly available. Greater transparency and knowledge sharing by these entities about the magnitude of their problem, strategies to reduce it, and the outcomes could help refine interventions for all.

NEW YORK STATE EXECUTIVE BUDGET PROPOSALS

The Governor’s Fiscal Year 2025 Executive Budget proposed a variety of policies to reduce license plate fraud and fare evasion. Effective fare and toll collection is critical not only to support the transit system but also to ensure that the costs are borne fairly by riders and drivers. Given the increasing severity and prevalence, an expanded and strengthened combination of deterrents and inducements should be adopted to increase compliance.

PROPOSED POLICIES TO REDUCE FARE EVASION

The proposed policies to reduce fare evasion primarily focus on fines but use a variety of tactics to encourage fare payment and discourage illegal behavior in the transit system.¹⁶ For example, the MTA would receive the power to issue warnings for first-time evaders—previously, a first offense resulted in a summons—but the fine for violating transit rules would increase from \$100 to \$200, while failing to appear for a summons would result in a \$50 fine.

Another proposal would grant the MTA the power to forgive the fine for evasion if the individual is eligible for and enrolls in Fair Fares—NYC’s fare-discount program for low-income residents.

Similarly, a unique policy proposal that combines carrots and sticks would enable the MTA to grant a fare card equal to half the fine amount if a second-time fare evader pays their fine in full; this both censures and positively encourages compliance. Another policy proposal would grant the MTA the ability to confiscate various fake fare-payment devices, such as forged tickets or cards.

PROPOSED POLICIES TO REDUCE LICENSE PLATE FRAUD

The license plate fraud policy proposals in the Executive Budget:

- Modify the law to explicitly outlaw various fraudulent practices;
- Increase the fines for such practices; and
- Strengthen the administrative powers of agencies to enforce the law.¹⁷

One proposed modification would make using a tolled road without payment a theft-of-services offense, increasing this from a civil to criminal infraction. Another proposal would make it illegal to sell devices that obscure license plates. The law would also impose fines, ranging from \$100 to \$500, for intentionally obscuring plates while passing through tolled facilities. Under another proposed change, law enforcement officers would be able to confiscate plate-obstructing devices, while the minimum fine would be raised to \$250. The Department of Motor Vehicles would also be empowered to restrict the transfer or registration of motor vehicles with suspended registrations due to nonpayment of tolls.

Other policy proposals similarly make it specifically illegal to fraudulently obtain credits, discounts, or exemptions from tolls as a part of congestion pricing or under the MTA's Triborough Bridge and Tunnel Authority. They also strengthen the penalties for this type of fraud, making the offense a felony if the value exceeds \$1,000. The severity of the felony increases with the value of the amount fraudulently obtained.

The Senate and Assembly one-house budget proposals did not include these measures, but the CBC encourages their adoption as important additions to the toolbox that the MTA and state agencies can use to fully address the growing fiscal threat from fare evasion.

CONCLUSION

Fare evasion and license plate fraud are two longstanding problems that have increased in fiscal impact since the pandemic. The costs to the State and local governments are high and growing; agencies have tried various approaches to solve the problem, but the costs continue to climb. New York should enact policies that both incentivize compliance with fares and tolls, while also increasing penalties for evasion. The proposals put forward by Governor Hochul in the Fiscal Year 2025 Executive Proposal offer a balanced approach, and the State should enact them.

ENDNOTES

- [1] The MTA's Blue-Ribbon Panel on Fare and Toll Evasion said these combined problems cost the MTA \$690 million in 2022. See: The Blue-Ribbon Panel on Fare and Toll Evasion, Report of the Blue-Ribbon Panel on Fare and Toll Evasion (Metropolitan Transportation Authority, May 2023), <https://new.mta.info/blue-ribbon-report-fare-toll-evasion>. The MTA added a \$100 million, below-the-line annual hedge against additional fare evasion on buses. See: Metropolitan Transportation Authority, *MTA 2024 Final Proposed Budget - November Financial Plan 2024-2027 Volume 1* (November 2023), p. III-3, <https://new.mta.info/document/127701>. The MTA Chief Financial Officer Kevin Willens answered a board member's question about the future risk from fare evasion. See: Kevin Willens, *MTA Committee Meeting: Finance Committee, January 2024*, (January 29, 2024), <https://youtu.be/a3lt67KGtOI?t=20087>.
- [2] The Blue-Ribbon Panel on Fare and Toll Evasion, Report of the Blue-Ribbon Panel on Fare and Toll Evasion (Metropolitan Transportation Authority, May 2023), <https://new.mta.info/blue-ribbon-report-fare-toll-evasion>; Metropolitan Transportation Authority, *MTA 2024 Final Proposed Budget - November Financial Plan 2024-2027 Volume 1*, (November 2023) p. III-3, <https://new.mta.info/document/127701>; and Kevin Willens, *MTA Committee Meeting: Finance Committee, January 2024*, (January 29, 2024), <https://youtu.be/a3lt67KGtOI?t=20087>.
- [3] The Office of the New York City Comptroller, *Audit Report on the New York City Department of Transportation's Speed Camera Program* (January 2024), <https://comptroller.nyc.gov/wp-content/uploads/documents/FN22-095A.pdf>; and Office of the New York State Comptroller, *New York State Thruway Authority: Selected Aspects of Toll Collections* (May 2023), www.osc.ny.gov/files/state-agencies/audits/pdf/sga-2023-22s15.pdf.
- [4] The Blue-Ribbon Panel on Fare and Toll Evasion, *Report of the Blue-Ribbon Panel on Fare and Toll Evasion*, (Metropolitan Transportation Authority, May 2023), <https://new.mta.info/blue-ribbon-report-fare-toll-evasion>.
- [5] The Blue-Ribbon Panel on Fare and Toll Evasion, *Report of the Blue-Ribbon Panel on Fare and Toll Evasion* (Metropolitan Transportation Authority, May 2023), <https://new.mta.info/blue-ribbon-report-fare-toll-evasion>.
- [6] The Blue-Ribbon Panel on Fare and Toll Evasion, *Report of the Blue-Ribbon Panel on Fare and Toll Evasion*, (Metropolitan Transportation Authority, May 2023), <https://new.mta.info/blue-ribbon-report-fare-toll-evasion>.
- [7] Metropolitan Transportation Authority, *MTA Finance Committee: Financial Performance Report* (March 25, 2024), [135371 \(mta.info\)](https://www.mta.info/135371)
- [8] Metropolitan Transportation Authority, *MTA Finance Committee: Financial Performance Report* (March 25, 2024), [135371 \(mta.info\)](https://www.mta.info/135371)
- [9] Metropolitan Transportation Authority, *MTA 2024 Final Proposed Budget - November Financial Plan 2024-2027 Volume 1*, (November 2023), p. III-3, <https://new.mta.info/document/127701>.
- [10] Kevin Willens, *MTA Committee Meeting: Finance Committee, January 2024*, (January 29, 2024), <https://youtu.be/a3lt67KGtOI?t=20087>.
- [11] Jesse Coburn, *Ghost tags: Inside New York City's black market for temporary license plates – Part 1* (Streetsblog, April 5, 2023), www.streetsblogprojects.org/ghost-tags-part-1-the-dealers.
- [12] The Office of the New York City Comptroller, *Audit Report on the New York City Department of Transportation's Speed Camera Program* (January 2024), <https://comptroller.nyc.gov/wp-content/uploads/documents/FN22-095A.pdf>.
- [13] The Blue-Ribbon Panel on Fare and Toll Evasion, *Report of the Blue-Ribbon Panel on Fare and Toll Evasion* (Metropolitan Transportation Authority, May 2023), <https://new.mta.info/blue-ribbon-report-fare-toll-evasion>.

- [14] Jesse Coburn, *Ghost tags: Inside New York City's black market for temporary license plates – Part 3* (Streetsblog, April 5, 2023), www.streetsblogprojects.org/ghost-tags-part-3-the-buyers.
- [15] Office of the New York State Comptroller, *New York State Thruway Authority: Selected Aspects of Toll Collections* (May 2023) www.osc.ny.gov/files/state-agencies/audits/pdf/sga-2023-22s15.pdf.
- [16] New York State Division of the Budget, *FY 2025 New York State Executive Budget: Transportation, Economic Development, and Environmental Conservation Article VII Legislation: Part B* (January 16, 2024), www.budget.ny.gov/pubs/archive/fy25/ex/artvii/ted-bill.pdf.
- [17] New York State Division of the Budget, *FY 2025 New York State Executive Budget: Transportation, Economic Development, and Environmental Conservation Article VII Legislation: Parts C and D* (January 16, 2024), www.budget.ny.gov/pubs/archive/fy25/ex/artvii/ted-bill.pdf.

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