

The Antiplanner

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Does Transit Cost-Effectively Help Low-Income People?

Almost every effort to justify subsidies to urban transit makes similar claims: transit supposedly saves energy, reduces greenhouse gas emissions, promotes economic development, relieves congestion, and helps low-income people. Previous policy briefs have shown that, in all but a handful of urban areas, transit [uses more energy](#) and produces more greenhouse gases than the average car; often [makes congestion worse](#); [fails to promote](#) economic growth; and [hurts the 95 percent of low-income workers](#) who don't ride transit.

But what about the 5 percent of low-income workers who do commute by transit (or, at least, did so before the pandemic)? For some transit advocates, it's not enough that nearly 80 percent of the costs of transit are subsidized. They argue that, to truly help low-income people, transit should be free. Is transit a cost-effective way of providing the mobility needed to thrive in modern cities?

Attempting to answer this question raises several more questions. How do we define "low income"? How many low-income people are dependent on transit? What might be a more cost-effective way of helping low-income transit-dependent workers?

Who Is Low Income?

[Poverty rates](#) in the United States are defined by the Department of Health and Human Services (HHS) and are based on income by family size. HHS uses one set of income numbers for all of the contiguous 48 states, regardless of differences in the costs of living. It uses a little higher set of numbers for Hawaii and an even higher one for Alaska. For 2021, the [poverty line is \\$12,880](#) for a one-person household plus \$4,540 for each additional person. Hawaii is 15 percent more while Alaska is 25 percent more.

Since this paper will rely on income and other data from 2019, it will also use the [2019 poverty line](#) which was \$12,490 for one person and \$4,420 for each additional person. That makes the line \$25,750 for a family of four.

The Department of Housing and Urban Development has a different definition for [very low-income families](#), which is basically 50 percent of the median income in

a state or metropolitan area. In many cases, regions with higher incomes also have higher costs of living (mainly housing), so a family whose income is \$75,000 in San Jose may be struggling just as much as a family whose income is \$40,000 in Houston (both of which are about half of 2019 median incomes).

Of course, some areas may be relatively wealthy without having a high cost of living. For example, housing costs in Charlotte, North Carolina are lower than in Bakersfield, California, but Charlotte's median incomes are about a third greater than Bakersfield's. Thus, 50 percent of median income overestimates the number of families in Charlotte that may have economic problems relative to Bakersfield.

Another issue is that measures of poverty or low income are generally for households or families while data regarding the incomes of transit commuters are for individuals. If a transit commuter who makes \$25,000 a year is the only worker in his or her household of four people, then that household is below the poverty line. But if there are two workers in that household who earn \$25,000 a year workers, or the household has only two or three people in it, then it is above the poverty line.

How Many Are Low Income?

According to the 2017 *National Household Travel Survey*, [70 percent](#) of households with no vehicles, and that are therefore potentially transit dependent, earn less than \$25,000 a year. If these households have four or more people, they are below the poverty line. Another 8 percent of households that have no cars earn between \$25,000 and \$35,000 a year and may lack cars due to economic hardships if they live in expensive communities or have five or more people in their household. Above \$35,000 a year, about the same percentage of households in all income classes lack automobiles, so their decision to not own a vehicle is most likely a matter of choice, not poverty.

In all, about 7.0 million households below \$25,000 a year and 7.8 million below \$35,000 a year lack an automobile. According to [table B08141](#), only about 41 per-

cent of workers in households that have no automobiles took transit to work in 2019. That suggests that about 2.8 million to 3.2 million low-income individuals are transit dependent.

At the same time, American Community Survey [table B08119](#) says that 2.4 million transit commuters earned less than \$25,000 a year in 2019 and 3.3 million earned less than \$35,000 a year. While some of those transit commuters may have been the only breadwinners in large households, this would be offset by workers who lived in households with other workers, thus bringing their total household incomes above poverty thresholds.

In short, whether from a household point of view or a transit commuter point of view, it appears that at most about 3.3 million people or households were transit-dependent in 2019 due to having low incomes rather than personal choice. Transit subsidies in 2019 totaled about \$58.9 billion, or at least \$17,750 per transit-dependent commuter.

In 2019, there were a [lot of cars](#) that could be purchased new for under \$17,750. These included the Nissan Versa at \$13,255; the Chevrolet Spark at \$14,095; Ford Fiesta at \$15,135; and Toyota Yaris at \$16,370. Several of these remain [below \\$17,750](#) in 2021. While I don't advocate buying cars for low-income transit-dependent people, this shows that the cost of using transit to provide low-income people with mobility is high.

Subsidy advocates will argue that transit provides other benefits, though I find those benefits dubious. The point is that, to the extent that the purpose of transit subsidies is to provide mobility for low-income people, then there are likely better ways of achieving that goal.

Comparing Urban Areas

Both transit subsidies and median incomes vary tremendously among urban areas. The table on page 3 shows 2019 transit subsidies in each urban area divided by the number of transit commuters who earned under \$25,000 per year, \$35,000 per year, or 50 percent of each urban area's median income (the latter being calculated by interpolating numbers in the Census Bureau's income classes). Transit for some urban areas, such as Bridgeport-Stamford, Concord, Mission Viejo, and Ogden, is partly or entirely provided by transit agencies headquartered in other urban areas (respectively New York, San Francisco, Los Angeles, and Salt Lake City), so I combined these for calculating subsidies per low-income worker.

At nearly \$152,000 per year, San Jose had the highest median family income of any major urban area in the country. It might be expected that a large number of people would be included in the 50 percent of median income group, thus pushing down the subsidy per person. But this didn't happen, partly because San Jose's high housing prices have pushed low-income people out of the region and partly because San Jose has a particularly inefficient transit system. In general, the lowest transit subsidies per

low-income commuter were in areas that mainly have bus systems, which tend to be less costly than rail.

Just counting commuting, which means about 480 transit trips per year (assuming people commute five days a week except for holidays and two weeks of vacation), it would cost far less to subsidize people's taxi, Uber, or Lyft rides than to subsidize transit. Of course, low-income transit-dependent people use transit for more than just commuting, but for the cost of current transit subsidies most urban areas could provide low-income people with a subsidy of \$15 per trip for 1,000 trips a year. Also, in most urban areas, the annual subsidy per low-income transit commuter—no matter how that number of commuters is counted—is more than the price of a new car in 2019.

Real Help for Low-Income People

In many places today, urban transit has become an amusement for high-income people. A few years ago, the median income of transit commuters was well below the median income of other American workers. Today, it is higher than that of any other commuters. In New York, Chicago, Washington, Boston, San Francisco, Seattle, San Jose, and many other urban areas, transit commuters have higher median incomes than almost anyone except people who work at home.



Rather than demand more transit subsidies, low-income advocates would do better seeking support that targets low-income people, not a specific mode of travel. [Photo](#) by David Meyer.

These high-income commuters are getting most of the benefits of subsidies to transit. If our real goal is to help low-income people, any subsidies need to be targeted to them so they won't be captured by people who don't need or deserve such subsidies.

As described in a [previous policy brief](#), the best way to help many low-income people out of poverty (as opposed to enabling them to remain poor, which most welfare programs do) is to give them low- or zero-interest loans to buy a car. Programs that have done this have found that recipients of such loans are more likely to get better and higher paying jobs, reduce their dependence on various welfare programs, and afford better housing. Since most loans would be repaid, the cost of such a program would be low.

Such programs may not work for everyone. An alter-

Subsidy Per Low-Income Commuter

Low-Income Defined As

Urbanized Area	<\$25K	<\$35K	50% MFI
New York-Bridgeport	21,415	14,306	10,367
Los Angeles-Mission Viejo	28,703	22,057	20,321
Chicago	17,995	12,672	9,799
Miami-FL.-WPB	19,054	15,856	15,853
Philadelphia	18,694	13,436	10,983
Dallas-Ft. Worth	67,670	43,209	39,205
Houston	29,015	22,199	21,031
Washington	38,560	26,879	14,919
Atlanta	23,360	16,184	14,300
Boston	25,966	17,997	10,699
Detroit	16,326	13,079	12,571
Phoenix	25,085	18,835	17,813
San Francisco-Concord	41,431	30,008	16,153
Seattle	94,370	59,639	36,789
San Diego	17,050	13,825	12,188
Minneapolis-St. Paul	32,722	23,808	17,409
Tampa-St. Petersburg	20,684	14,890	14,446
Denver	42,555	28,324	20,173
Baltimore	34,870	24,402	18,895
St. Louis	22,698	17,671	16,219
San Juan	19,151	17,507	21,239
Riverside-San Bernardino	40,726	27,625	26,579
Las Vegas	11,966	9,630	9,508
Portland	24,132	16,731	13,194
Cleveland	21,308	16,466	15,866
San Antonio	14,886	11,981	11,907
Pittsburgh	20,678	14,832	11,882
Sacramento	29,085	22,664	19,893
San Jose	59,576	45,388	29,903
Cincinnati	16,809	12,840	11,884
Kansas City	24,848	20,939	20,104
Orlando	20,981	18,162	17,901
Indianapolis	55,495	42,916	40,918
Virginia Beach-Norfolk	11,231	9,217	9,065
Milwaukee	11,897	9,182	8,639
Columbus	20,624	16,606	14,846
Austin	35,082	29,495	21,832

native idea is to give transportation vouchers, similar to food stamps or housing vouchers, to low-income people. They could use these vouchers for any common carrier, such as transit, taxis, ride hailing, Amtrak, airlines, and possibly even buying a car or gasoline for their car. If we truly believe in helping low-income people, and are not just using it as an excuse for more federal spending, then

Low-Income Defined As

Urbanized Area	<\$25K	<\$35K	50% MFI
Charlotte	28,885	21,599	18,675
Providence	18,503	15,124	12,816
Jacksonville	21,734	18,246	17,717
Memphis	52,964	46,935	48,096
Salt Lake-Ogden-Provo	21,176	16,626	17,450
Louisville	11,688	10,158	9,949
Nashville	36,516	27,880	23,725
Richmond	11,149	7,885	6,900
Buffalo	14,352	11,692	11,328
Hartford	23,708	20,793	17,729
New Orleans	18,451	15,471	15,612
Raleigh	29,881	18,888	16,537
Oklahoma City	31,969	24,709	24,436
Tucson	20,411	16,331	16,186
El Paso	54,796	48,898	54,612
Honolulu	49,233	34,107	27,810
Birmingham	26,027	21,860	21,006
Albuquerque	30,480	25,805	26,021
McAllen	12,085	12,085	12,085
Omaha	12,321	10,932	10,284
Dayton	26,884	22,206	21,506
Rochester	12,862	9,985	9,236
Allentown	13,379	10,163	9,650
Tulsa	13,758	11,708	11,546
Fresno	22,218	17,809	18,154
Sarasota-Bradenton	21,528	16,595	16,043
Springfield	13,772	11,812	10,431
Albany	10,386	7,601	6,724
Baton Rouge	15,914	15,347	14,084
Grand Rapids	17,748	13,951	13,771
Akron	31,057	21,373	22,456
New Haven	10,588	8,391	7,770
Colorado Springs	36,511	26,243	26,243
Knoxville	14,002	10,334	10,168
Columbia	9,621	6,600	6,347
Charleston	14,522	11,939	11,065
Cape Coral	24,751	23,181	23,172
Des Moines	23,539	18,925	17,450

targeted programs such as low-interest auto loans or transportation vouchers are more cost-effective than subsidies to transit.

Randal O'Toole, the Antiplanner, is a transportation and land-use policy analyst and author of Gridlock: Why We're Stuck in Traffic and What to Do About It. [Masthead photo of a free transit bus is from the TransitCenter.](#)