

SHIFT SEMINAR: HOW TO FIX TRANSIT

How Transit Got Here,
and What To Do About It.

Randal O'Toole
June 20, 2026

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DISCUSSION OUTLINE

- Participation Guidelines:
 - **Combination discussion & podcast**
 - ✓ Recorded, and attending Press will post excerpts
 - Hold questions or comments until the **end**
 - Put clarifying questions in Chat immediately
 - ✓ And our meeting facilitators will address them as flow permits
- **Presentation by Randal O'Toole**
 - Questions submitted by chat
 - Interactive Q&A
- Video and slides posted to SHIFT website: <https://www.shift-ba.org/>
- Additional articles and research:
 - Mr. O'Toole: <https://ti.org/antiplanner/>
 - SHIFT Bay Area: <https://shiftbayarea.substack.com/>

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We used to hear about the supposedly powerful highway lobby, and maybe it was powerful back in the 1950s.



Today, however, the American Public Transportation Association has a budget that is five to six times larger than all highway groups combined.

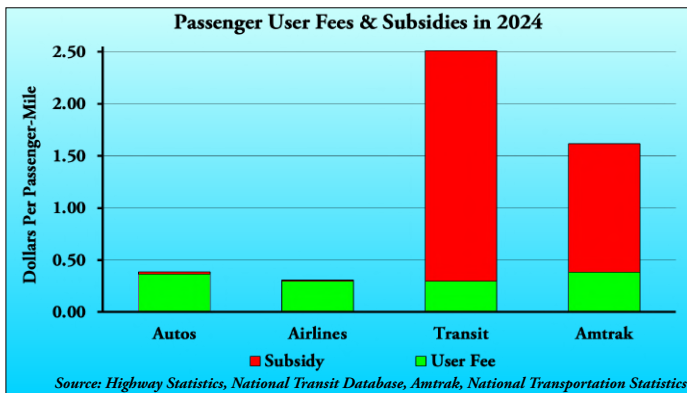
Why Should We Subsidize Public Transportation?

Many public transit agencies face financial stress due to rising costs, declining fare revenue, and declining subsidies. Transit advocates must provide a strong business case for increasing public transit funding.

8 Minute Read
April 7, 2025, 11:00 AM PDT
By Todd Litman



The transit lobby bombards us with propaganda claiming that all transportation is subsidized and all foreign countries subsidize transit, so no one should question transit subsidies here.



We are supposed to pay no attention to the fact that subsidies to transit are more than 200 times greater, per passenger-mile, than subsidies to highways.



This wasn't always true. In 1964, the transit industry was mostly private and mostly profitable. Even public agencies such as San Francisco Muni were funded mainly if not entirely out of their fare revenues.



What changed this was literally an accident of history. In the 1950s, intercity passenger train ridership was rapidly declining, and the railroads blamed the problem partly on over regulation. Many cross-country trains served 8 or 9 states and railroads wanting to cancel one train needed to get permission from every state the train served.



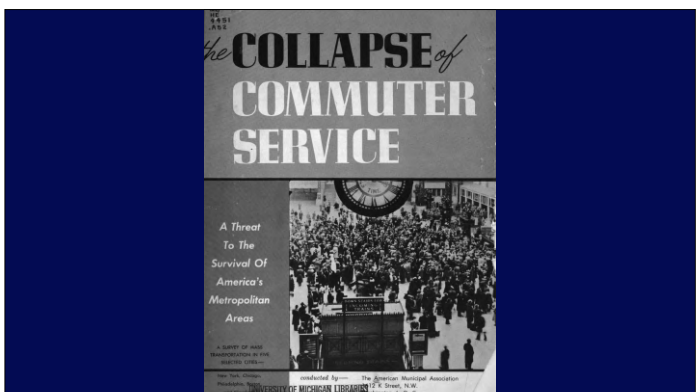
In 1958, Congress decided to remedy this by allowing railroads to cancel intercity trains by simply applying to the federal government.



When Congress wrote that law, it forgot that commuter trains in four urban areas -- Boston, Chicago, New York, and Philadelphia -- crossed state lines. When railroads proposed to cancel some of those trains, the cities turned it into a major crisis.



National magazines made the issue into cover stories.



Books were written arguing that allowing the cancellation of interstate commuter trains would threaten the survival of America's metropolitan areas (when in fact it only threatened the downtowns of four cities).



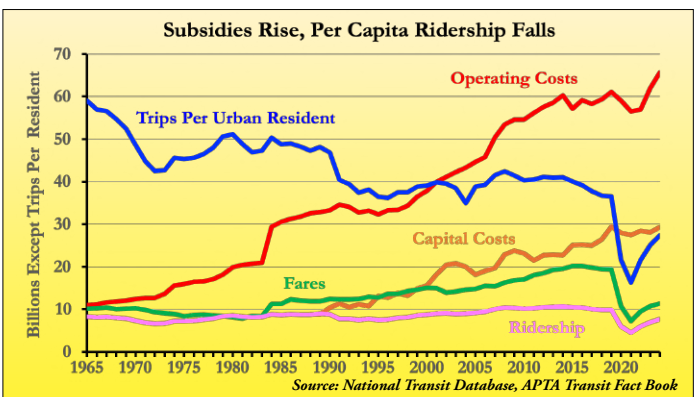
The mayors of those four cities, especially Chicago's Mayor Daley and Philadelphia's Mayor Dilworth, told Congress: "You created this problem, so you fix it."



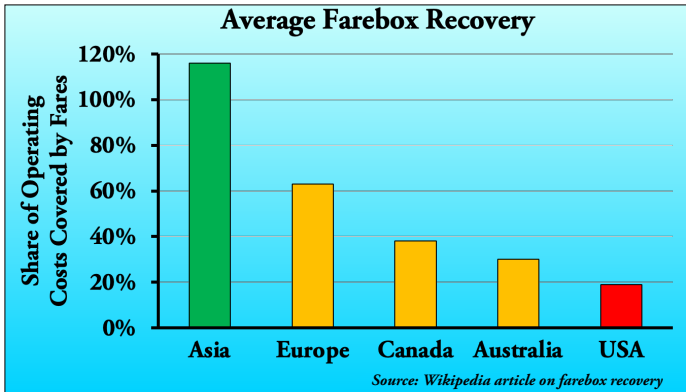
So, in 1964, Congress passed the Urban Mass Transportation Act, here being signed by President Johnson. The law offered federal funding to any state or local governments that operated transit; not just in those four urban areas and not just transit that crossed state lines.



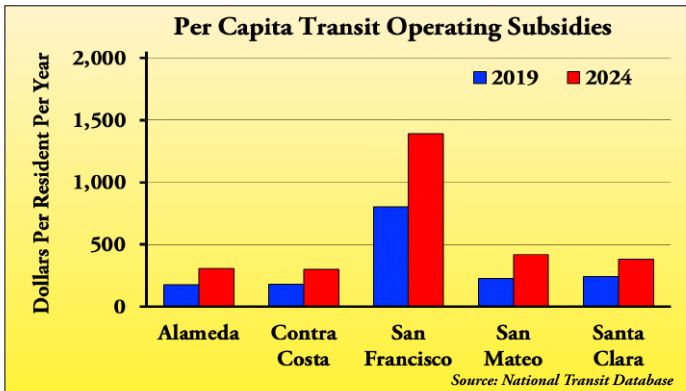
Within a few years, almost all transit systems in America were taken over by state or local governments. Agencies such as AC Transit gleefully used federal funds to buy whole new fleets of buses and some started planning new rail lines.



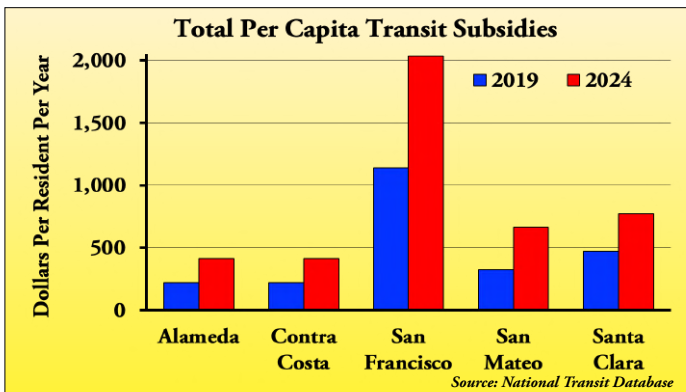
Since 1965, transit subsidies have totaled to around \$1.5 trillion, or in today's dollars, about \$2.5 trillion, yet those subsidies failed to halt transit's decline. Ridership stagnated and the number of rides taken per urban resident dropped by 50 percent between 1965 and 2019.



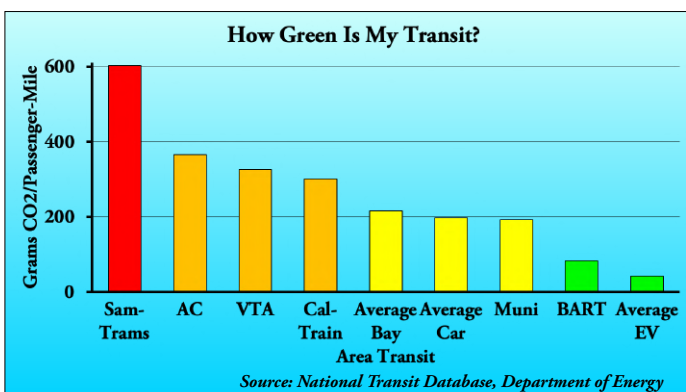
Today, the United States subsidizes transit more than any country in the world. Transit in Asia tends to earn more fares than operating costs, disproving claims that all transit is subsidized. Transit fares in Europe cover about 60 percent of operating costs, and Australia and Canada about 30 to 40 percent, but U.S. transit fares cover less than 20 percent of operating costs.



A significant share of our tax dollars go to transit subsidies. Just counting operating costs, subsidies were typically around \$200 per resident in 2019 rising to about double that in 2024. In San Francisco, subsidies were \$800 per resident in 2019 rising to \$1,400 per person in 2024.



Adding capital costs increases average subsidies to about \$300 per resident in 2019 rising to around \$500 in 2024. San Francisco is again the highest, with subsidies averaging \$1,100 per resident in 2019 rising to more than \$2,000 in 2024.



Transit advocates also like to say that transit helps save us from climate change. In fact, most transit uses as much energy and emits as much or more greenhouse gases than the average car. While BART is pretty clean, the average EV in California is even cleaner. More than a third of Bay Area cars were EVs in 2023, which did more to reduce greenhouse gas emissions for less tax dollars than BART.



Transit advocates also claim that transit promotes economic development, especially so-called transit-oriented developments that will supposedly reduce the amount of driving people do.

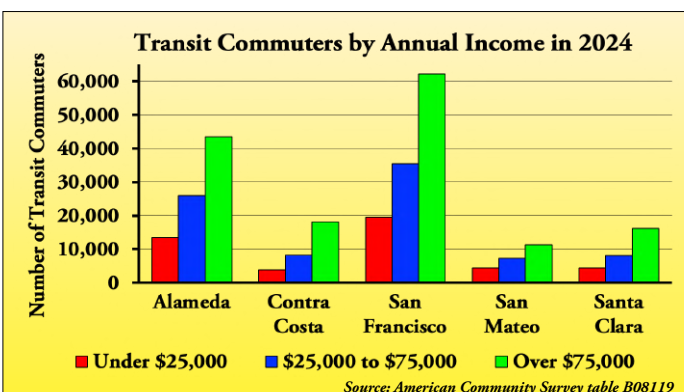
“Urban rail transit investments rarely ‘create’ new growth, but more typically redistribute growth that would have taken place without the investment.”

Robert Cervero, UC Berkeley & Samuel Seskin, Parsons Brinckerhoff

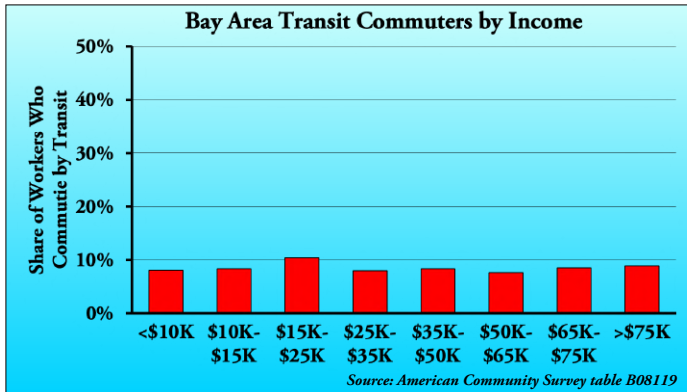
In fact, research sponsored by the Federal Transit Administration concluded that transit does not promote economic development; at best, it moves it around to different parts of the urban area.



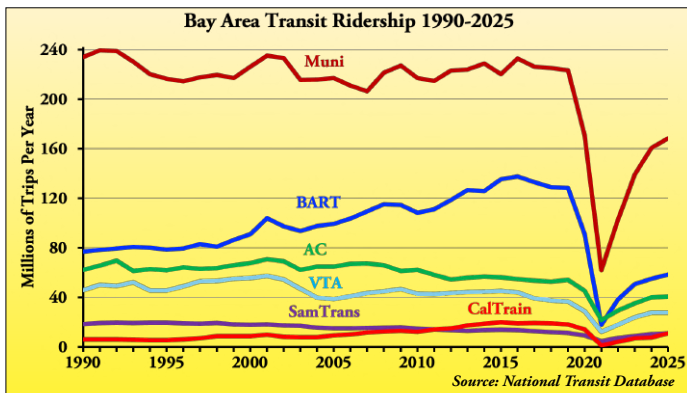
As for transit-oriented developments, they often require huge subsidies of their own because most Americans prefer to live in single-family homes, and research has shown that they do little to change transportation habits. According to UC Irvine economist David Brownstone, the effect of such developments on transportation is "too small to be useful" in reducing emissions.



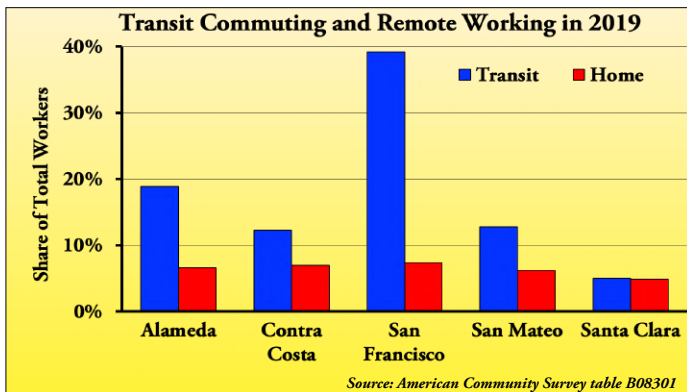
Transit advocates say subsidies help low-income people. But most Bay Area transit commuters earn more than \$75,000 a year, and they shouldn't need these subsidies.



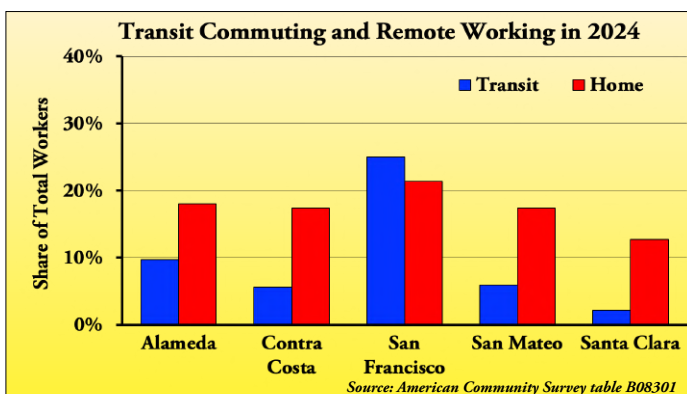
Moreover, 90 percent of people who earn under \$25,000 a year don't ride transit to work. Since the sales taxes that support transit are highly regressive, this means most low-income people are disproportionately paying for transit rides they aren't taking.



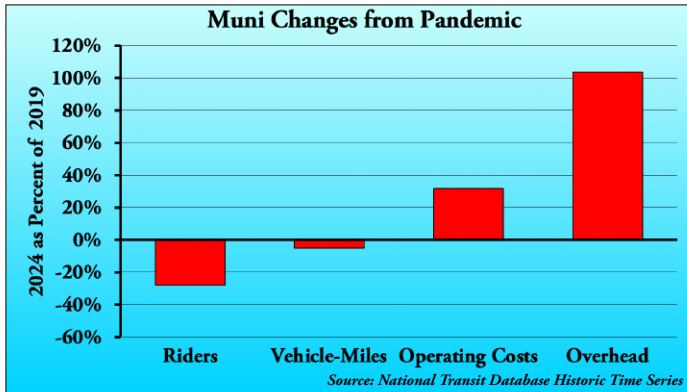
Despite the subsidies, the number of riders carried by most Bay Area agencies has been declining. AC Transit, VTA, SamTrans, and even Muni carried more riders in the early 1990s than in the years just before the pandemic.



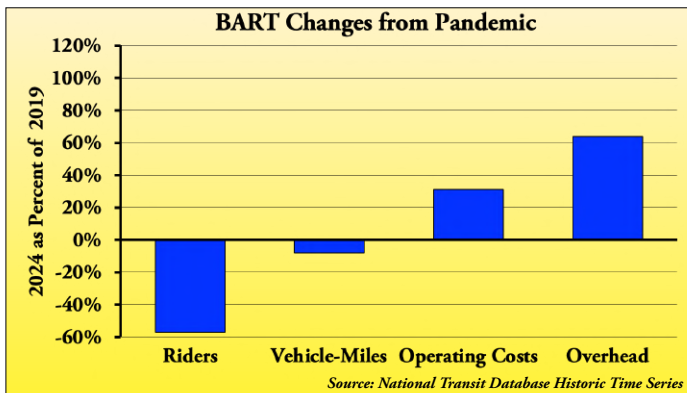
While transit was declining before 2019, the pandemic accelerated that decline. In 2019, transit commuters exceeded the number of remote workers in every Bay Area county, but transit's share of commuting was really high only in San Francisco.



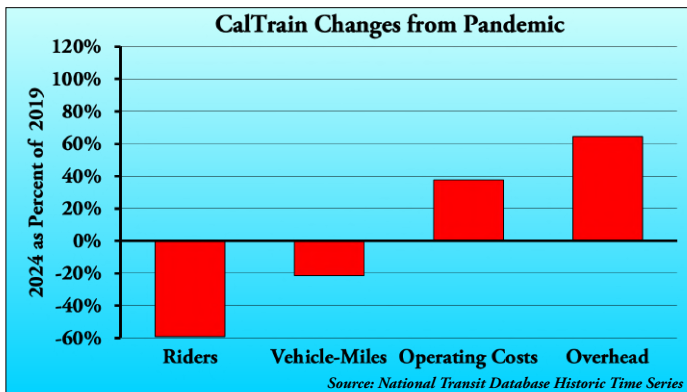
Remote working stimulated by the pandemic hit transit particularly hard. Remote workers greatly outnumbered transit commuters in 2024 in every Bay Area county except San Francisco, and even in San Francisco transit commuting had dropped from 39 percent of workers to 25 percent.



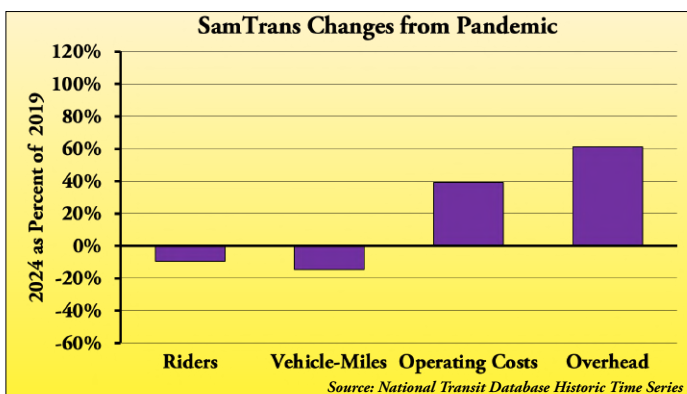
Transit agencies could have used the pandemic to reinvent themselves, but instead they used COVID relief funds to bloat their bureaucracies. As of 2024, Muni lost nearly 30 percent of its riders and it reduced service by 5 percent. But its operating costs grew by 30 percent and its administrative overhead more than doubled. More than half the increase in operating costs was bureaucratic overhead.



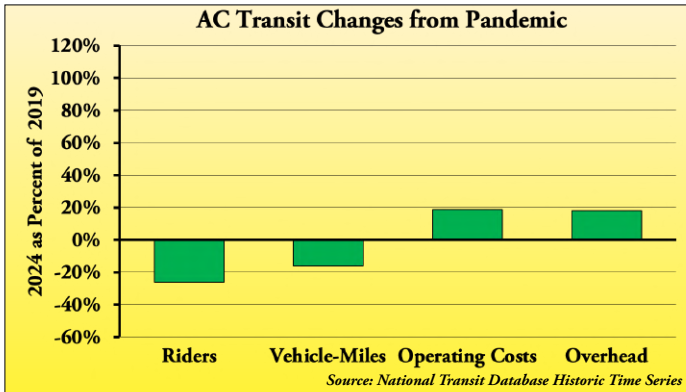
BART followed a similar pattern. Though it carried 57 percent fewer riders in 2024, it reduced service by only 8 percent. But its operating costs grew by 30 percent and its administrative overhead grew by more than 60 percent. Not quite half the increase in operating costs was in bureaucratic overhead.



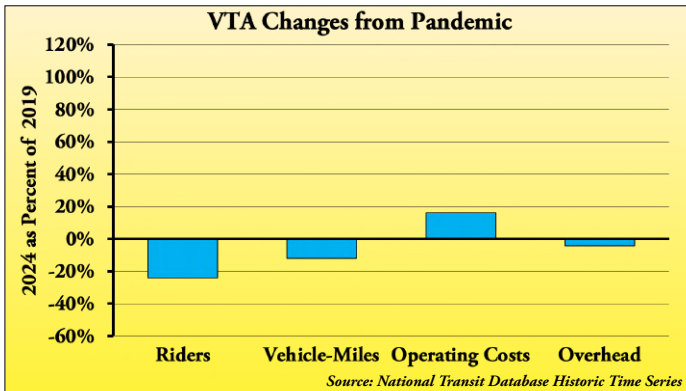
CalTrain lost 60 percent of its riders and reduced service by more than 20 percent but managed to increase its operating costs by nearly 40 percent. More than 40 percent of that increase was due to the 65 percent increase in administrative overhead.



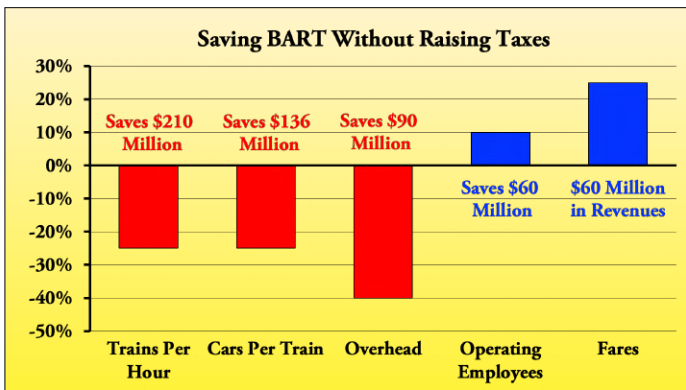
SamTrans only lost 10 percent of its riders but reduced its service by 15 percent. Despite the reduction in service, its operating costs rose by 40 percent and administrative overhead by more than 60 percent. Well over half the increase in operating costs was bureaucratic overhead.



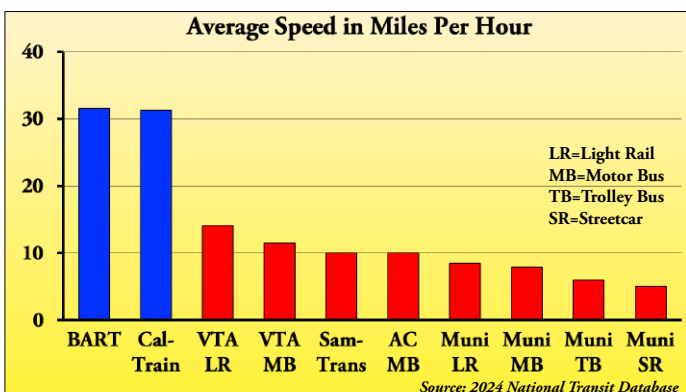
AC Transit wasn't as bad. Having lost a quarter of its riders, it reduced service by 16 percent, but increased both operating costs and overhead by nearly 20 percent.



Both Tom Rubin and I have called VTA the worst-managed transit agency in the country, and its management of BART construction would confirm that. So it is a surprise that its operating costs rose by only 16 percent and its administrative overhead actually declined by 4 percent since 2019.



Here are five ways to close BART's budget gap without raising taxes. First, since BART trains are carrying fewer passengers, reduce frequencies and the number of cars per train by 25 percent each. Second, return the overhead budget to what it was in 2019. Third, save money on overtime by increasing the number of operating employees by 10 percent. Finally, raise fares by 25 percent. These ideas will save more than \$550 million a year. Similar ideas would close budget gaps for the region's other transit agencies; I'll leave that as an exercise for the viewers.



These are only short-term measures to save transit budgets. In the long run, transit is going to need to make major changes if it is to be useful to more Americans. Transit has failed for two reasons. First, it is slow. While BART and CalTrain are reasonably fast, buses and light rail range from 6 to 15 miles per hour.



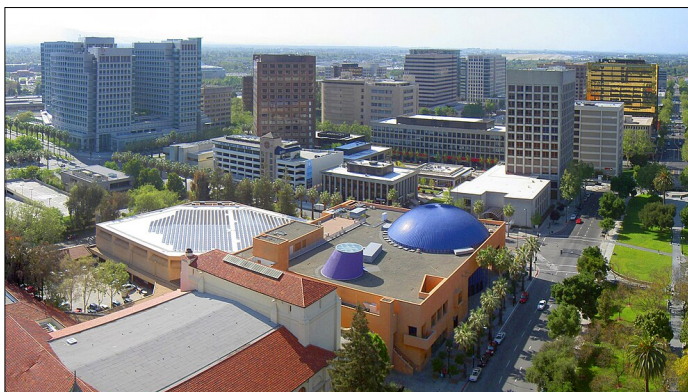
The second reason is that transit doesn't go where most people want to go. BART was designed to feed people into downtown San Francisco, but that's not where the jobs are.



Before the pandemic, downtown San Francisco had less than 15 percent of jobs in the region.



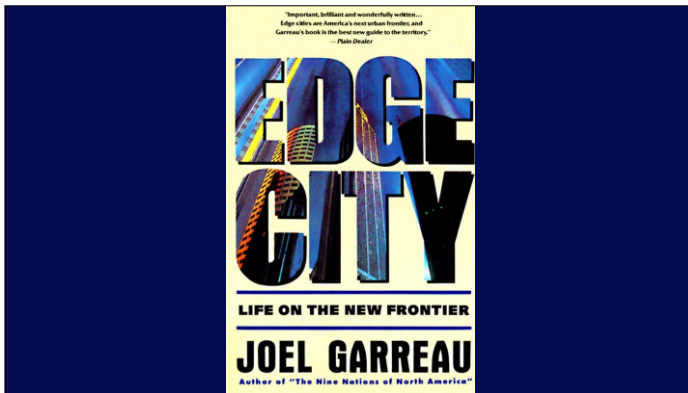
Downtown Oakland had another 1 percent.



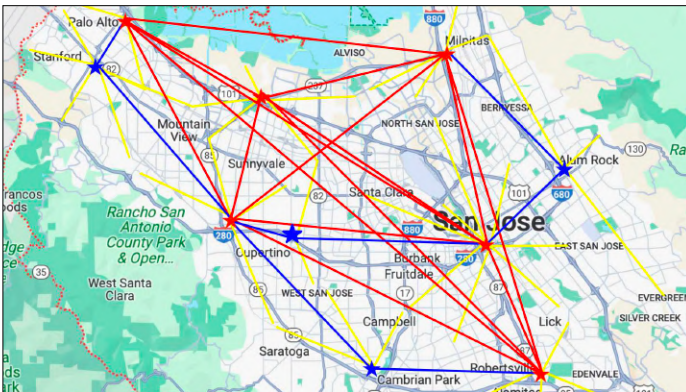
VTA funnels its buses and trains into downtown San Jose, which had less than 3 percent of Silicon Valley jobs and even fewer than downtown Oakland.



Downtown-oriented transit made sense 120 years ago when most urban jobs were in factories and most factories were downtown.



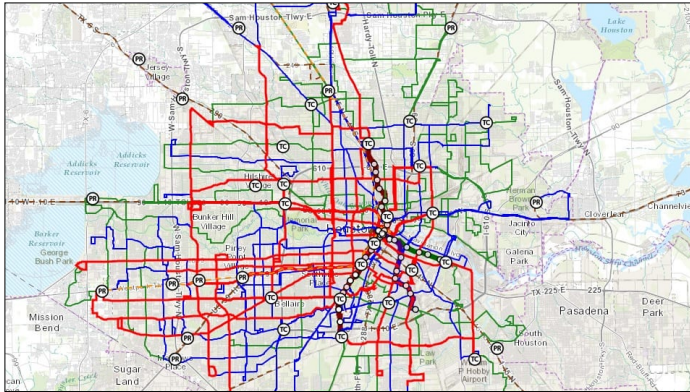
Today, most jobs have moved to the suburbs. About 30 to 40 percent of jobs are in suburban economic centers sometimes called edge cities, yet transit agencies make no real attempt to serve people who commute to those jobs. Bay Area transit carries about half the people who work in downtown San Francisco, but less than 7 percent of workers in the rest of the region.



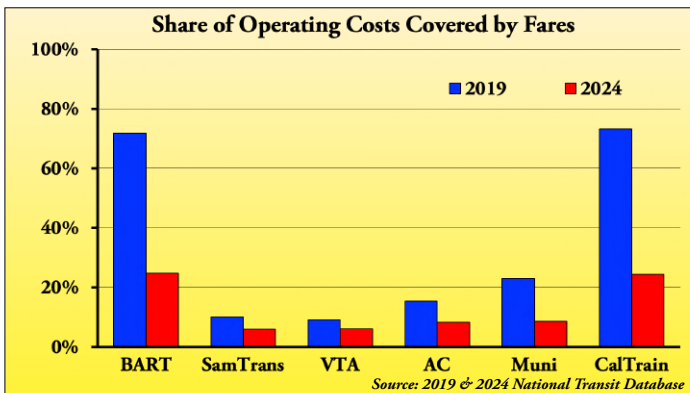
If transit is going to serve the public and not just those few who work downtown, it needs to radically change its route maps. My proposal for VTA is to identify major and minor economic centers, shown here as red and blue stars. Connect all major economic centers with other major centers using non-stop buses, shown as red lines. Connect minor edge cities with non-stop buses to two major edge cities, shown as blue lines. Radiate local buses away from every economic center, shown as yellow lines. Non-stop buses would operate mainly on freeways, more than doubling average transit speeds without increasing operating costs above what is being spent today. If this system can attract a third of the share of commuters to edge cities as transit agencies now carry to downtown jobs, it would triple transit ridership.



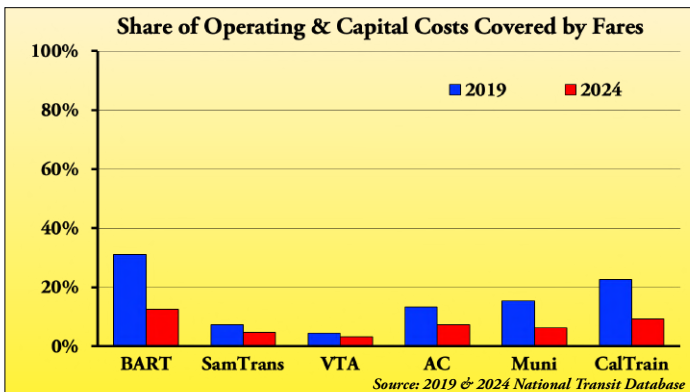
A Portland transportation consultant named Jarrett Walker has proposed a different kind of plan.



His idea is to turn hub-and-spoke transit, in which most lines go downtown, into a grid so that people can get anywhere in the region with just one change of bus. Buses would still be slow, but the half a dozen or so transit agencies that have implemented his plan have all have seen a significant increase in ridership.



The vast majority of transit agencies have shown no interest in making changes that would increase ridership by serving more economic centers. Why should they? On average, fares cover only 20 percent of operating costs, so agencies are more beholden to politicians than to riders.



When capital costs are counted, fares are even less important, covering less than 10 percent of costs. When ridership fell due to the pandemic, Congress gave agencies a giant windfall, teaching them that they would continue to get taxpayer subsidies even if they carried almost no riders.



As a result, transit agencies are more likely to undertake ridiculous projects that will thrill politicians but do little to increase ridership. In short, the real problem with transit is that it has too much money. The best way to fix it is to reduce subsidies.



All of the information cited in this presentation is available on my blog, the Antiplanner, which is ti.org/antiplanner or just search for Antiplanner and it's one of the first things on the list. Click on "useful data" in the righthand sidebar for access to transit, highway, census, and other data files, or choose "policy briefs" under the "Special Features" menu for analyses of a variety of transportation, housing, and other issues.