

TRANSFORM

Fair and Accessible Fares:

Economic Justice
in Transit



Acknowledgments

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Transform works to ensure that people of all incomes thrive in a world safe from climate chaos. We envision vibrant neighborhoods, transformed by excellent, sustainable mobility options and affordable housing, where those historically impacted by racist disinvestment now have power and voice. Learn more at: <https://transformca.org/>

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Executive Summary

Clipper, the current fare payment system used by 24 of the 27 transit operators in the Bay Area, is a closed-loop, proprietary system managed by the Metropolitan Transportation Commission (MTC). A proprietary closed-loop system presents many drawbacks, particularly for lower-income riders. Moving to an open payment system where riders can pay with their credit or debit cards presents an opportunity to increase accessibility and banking access for hard-to-reach populations. However, if done poorly, without including discount fare programs or providing banking support services, the move to open payments risks leaving low-income riders further behind.

As MTC begins rolling out its open payments system, it is essential for the agency not only to put programs in place that ensure low-income and unbanked riders can access discounted fares but also to use the transition as an opportunity to advance economic mobility and access through fare payments.

Key findings

- ▶ Sign-ups for MTC's low-income discount program, Clipper START, are lackluster, and new Clipper open payment systems do not currently support low-income fare discounts.
- ▶ Non-standardized, proprietary systems like Clipper limit the ability to deploy equitable fare programs and are not interoperable across different regions.
- ▶ Transit riders are more likely than the general population to be lower-income and un- or underbanked. Thus, the transition to open payment systems may leave the most vulnerable riders behind.

- ▶ Transit providers are ideally situated to help unbanked people become comfortable with digital payments as a trusted partner with frequent, repeated transactions.

Key recommendations

- ▶ As transit agencies move toward open payment systems, they must integrate existing transit discount and fare products to encourage ridership and increase accessibility.
- ▶ Token-based systems that link transit discounts with existing means-based verification systems could lower barriers to transit accessibility, with scalable impacts for transportation, food security, healthcare, and housing.
- ▶ Transit agencies should partner with financial service providers to ensure that un- and underbanked riders can access the full benefits of open payments and financial systems.
- ▶ In the short term, transit agencies should continue utilizing non-profits and county social services agencies to increase the uptake of Clipper START.

Introduction

Transportation is fundamental for access to opportunity and economic mobility. [Studies](#) have shown that longer commute times disproportionately decrease economic security for families with lower incomes, and limited access to public transit is associated with [lower employment](#). Transportation is also one of the [top household expenses](#) in the United States, with families spending around \$12,295 on transportation costs annually. Lower-income families tend to spend the most on transportation: in 2022, lower-income households spent 30% of their after-tax income on transportation.

In August 2025, Bay Area Rapid Transit (BART) introduced a new open fare payment system that allows riders to tap a credit or debit card to pay at fare gates rather than requiring them to have funds pre-loaded on a Clipper transit card. This approach adds convenience and could boost ridership by up to 10%. However, as other Bay Area transit agencies transition to open payments, the new system risks leaving some riders further behind because low-income and unbanked people don't have access to discount fare programs through the open payment system.

This report examines the limits of the current Clipper system and makes recommendations for a more inclusive open

payments system that can grow transit ridership and advance economic justice.

A closed-loop leaves people out

Currently, 24 transit operators in the Bay Area use Clipper as their digital transit fare payment system in addition to collecting cash fares. Managed by the Metropolitan Transportation Commission (MTC), Clipper can be loaded onto a smartphone or smartwatch, or riders may use a physical Clipper card.

Clipper is both a proprietary and [a closed-loop or pre-paid system](#).

- **Closed-loop.** All non-cash fare payments must happen within the Clipper system. Riders transfer cash onto their Clipper cards to pay, and fare discount programs are only available within the Clipper system.
- **Proprietary.** Clipper is a custom-built transit payment system, valid only in the Bay Area. Both Los Angeles' proprietary Tap Card and Clipper were built by the same company, but the two are not interoperable.



The Clipper card system is provided by [Cubic](#), a defense and transportation company that has provided fare collection transportation systems for U.S. cities such as New York, Los Angeles, Boston, and Washington, D.C.. The bespoke, closed-loop system that only Cubic can modify has led to limitations and setbacks since its introduction, from confusing sign-up processes to consistent delays, revenue lost to system outages, and the inability to add payments for last-mile mobility options such as bikeshare.

Mixed results for equity and accessibility in a closed-loop system

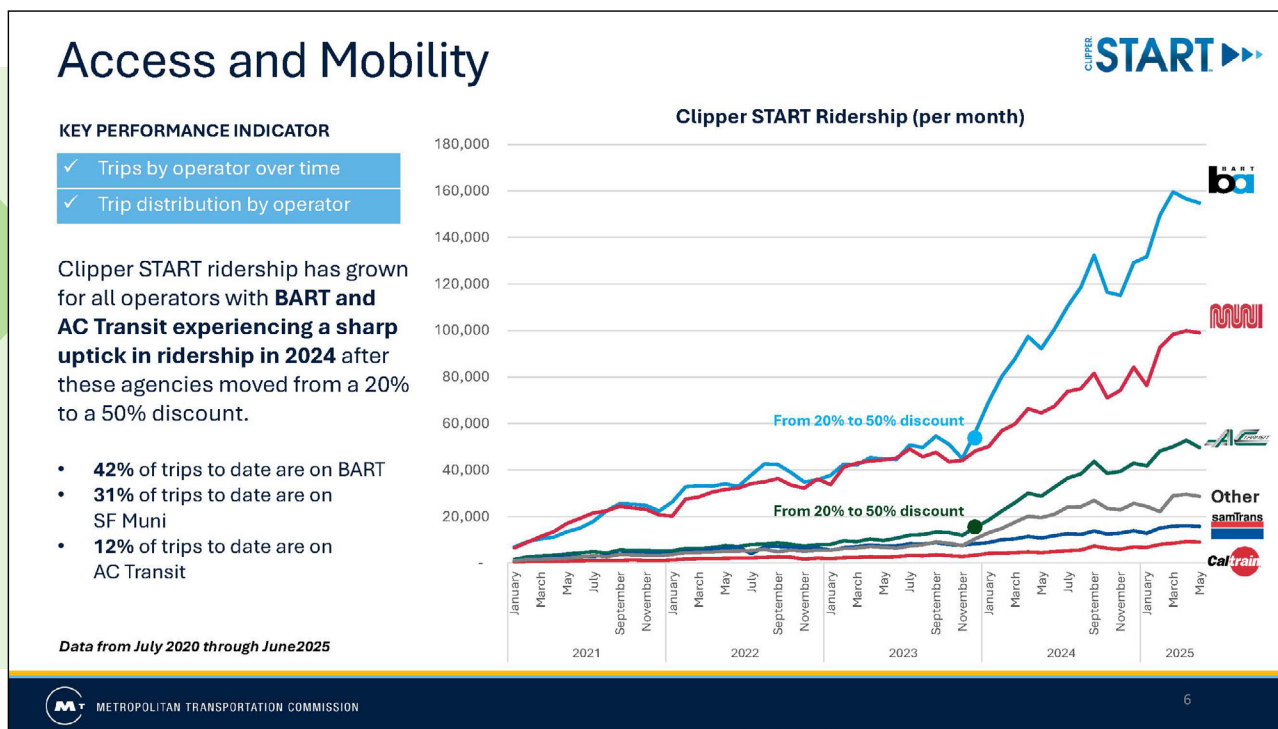
To address fare equity and accessibility within its closed-loop system, MTC launched Clipper START in 2020. Clipper START offers a 50% discount to people with incomes at or below 200% of the federal poverty level. By providing a standardized discount across transit agencies in the Bay Area starting in

2024, MTC has been able to boost Clipper START sign-ups.

However, five years into the program, many of the riders eligible for Clipper START are still not enrolled. There are approximately 1 million adults aged 19-64 in the Bay Area eligible for Clipper START based on their enrollment in Medi-Cal or CalFresh, but only 57,000 have taken advantage of the discounted fares.

New open payment options fall short

In addition to Clipper START, MTC is beginning to allow fare payments directly by credit and debit cards — known as open payments — on Bay Area transit for the first time. Open payments enable riders to pay as they go, eliminating the need to prepay for future transit trips. This is particularly important for people with limited incomes who can't afford to have money locked onto



Clipper START usage is growing, but still includes less than 1% of the approximately 1 million eligible adults.

OPEN PAYMENTS ENABLE RIDERS TO PAY AS THEY GO, ELIMINATING THE NEED TO PREPAY FOR FUTURE TRANSIT TRIPS.

Clipper Cards. However, due to the limits of its proprietary system, MTC has delayed the launch of open payments several times, and the program leaves many low-income and unbanked riders behind. This illustrates the disadvantages of relying on a single vendor like Cubic for the Bay Area's proprietary system.

Open payments are not a new idea. In addition to high-profile examples in London and New York, several transit agencies in California have already instituted open payment systems. [Monterey-Salinas Transit District](#), [Humboldt Transit Authority](#), [Capitol Corridor](#), and [Sacramento Regional Transit](#) not only support open payments but also deploy transit discount programs such as fare capping and [federally mandated fare discounts](#) by linking those programs to riders' debit and credit cards.

Unlike the open payment systems introduced by these transit operators, the Bay Area's open payment option does not currently support low-income fare discounts, preventing people eligible for the discount from benefiting from the flexibility of the pay-as-you-go system.

Not only does this discourage ridership for lower-income users, but it also requires them to either tie their money up on a Clipper card or load money on their card every time they use transit. This effectively creates a two-tier system, forcing low-income people to use a Clipper card, while everyone else can benefit from open payments.

Additionally, riders who don't have bank accounts and pay in cash are also excluded from fare discounts. Paying in cash precludes riders from getting the benefits of farecapping, free transfers, or Clipper START.

Finally, people who qualify for transit benefits in other parts of California and then move to the Bay Area would have to re-enroll through Clipper's special proprietary system to get the discount on Bay Area transit, adding additional barriers for those with the least means.



The power of fair fares to further economic justice

To make sure that all people, especially those with lower incomes, can use our transportation system equitably and efficiently, we need to rethink our approach to fare payments. Transit agencies must not only move away from proprietary, closed-loop systems like Clipper, but also prioritize fare discount programs and banking access when launching open payments. If implemented well, these changes would improve transportation access and affordability and support economic mobility by facilitating banking access for unbanked and underbanked riders.

Linking fare discounts with open payments

Transit agencies have the technology to provide accessible fare products in open payment systems. Rather than forcing low-income riders to prove their eligibility for discount programs within Clipper, and then again for other programs like Medi-Cal or CalFresh, transit agencies should instead leverage existing, verified databases. These databases, like the one provided by the [California Integrated Travel Project](#) (Cal ITP), can attach digital tokens to riders' bank accounts, which can then be applied across a variety of payment methods and programs. To make things even easier, the State of California has a list of pre-screened vendors as part of the [California Mobility Marketplace](#), a resource to help transit agencies purchase open payment hardware and software for fare collection and data plans. Connecting fare collection systems to these available data sets would allow riders to pay as they go with a tap of their phone or credit card and get the income-based discounts they qualify for.



Leveraging existing databases lowers the administrative cost for mobility providers and the administrative burden on users. That yields scalable impacts that go beyond public transit. Equitable implementation of bikeshare, bridge tolls, and congestion pricing all rely on accessible, easy-to-administer means-based discount programs. The benefits of using existing databases to streamline means-based verification also presents an opportunity beyond transit. The [Digital ID Framework](#) currently being rolled out by the California Department of Technology, for example, offers an opportunity to connect transit

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TRANSIT FARE PAYMENTS ARE AN EXCELLENT WAY TO CONNECT UN- AND UNDERBANKED INDIVIDUALS WITH BANKING SYSTEMS.

income-based verification to existing means-tested programs that touch on food security, healthcare, and housing.

However, digital tokens only benefit people with bank accounts. Token-based open payment systems must be paired with tools to support usage for unbanked and underbanked riders.

Banking access is paramount

Due to factors such as income, race, and language, transit riders are more likely to be un- or underbanked than other populations. This creates an [opportunity for transit agencies to advance economic justice](#) by helping low-income riders access banking services. Operators can act as intermediaries, partnering with financial institutions to help riders get bank accounts. This allows riders to participate in open payments and transit discounts today, and digital benefits delivery and digital transactions more broadly, as much of the economy moves away from cash.

The lack of access to credit, high costs of credit, and lack of access to credit card rewards increase overall household expenses for lower-income households. On average, lower-income households in the U.S. transfer approximately [\\$149 a year](#) to higher-income households by paying prices that are padded to cover the higher fees charged by rewards cards. It's expensive to be poor in America, and hidden inequities in the credit system add to this burden.

Transit fare payments are an excellent way to connect un- and underbanked individuals with banking systems. Frequent, cheap, and consistent fare payment transactions provide a low-stakes, repeatable experience that builds confidence in banking transactions. Token-based discount programs and the ease provided by open payment systems give riders additional incentives to try the benefits of the digital economy and banking services.

The upfront funds or credentials usually needed to open a traditional bank account can be a major barrier to banking. Transit agencies can act as information hubs to help people get low- or no-fee bank accounts by partnering with organizations such as the Cities for Financial Empowerment Fund, whose [Bank On](#) initiative works to ensure that everyone has access to a safe and affordable bank or credit union account. This is achieved through the [Bank On certification](#) process,



in which banking products are verified as having met the Bank On [National Account Standards](#). These national standards include requirements for bank and credit union accounts to have low minimum deposits, a free debit card network, insured deposits, and access to bank branches, telephone banking, and ATMs.

Transit agencies are not banks, but they can serve as a bridge between transit riders and the banking system. Facilitating access to the banking system is another way transit can lift people up and spur economic and physical mobility.



FACILITATING ACCESS TO THE BANKING SYSTEM IS ANOTHER WAY TRANSIT CAN LIFT PEOPLE UP AND SPUR ECONOMIC AS WELL PHYSICAL MOBILITY.

Short-term solutions for increasing economic justice in transit

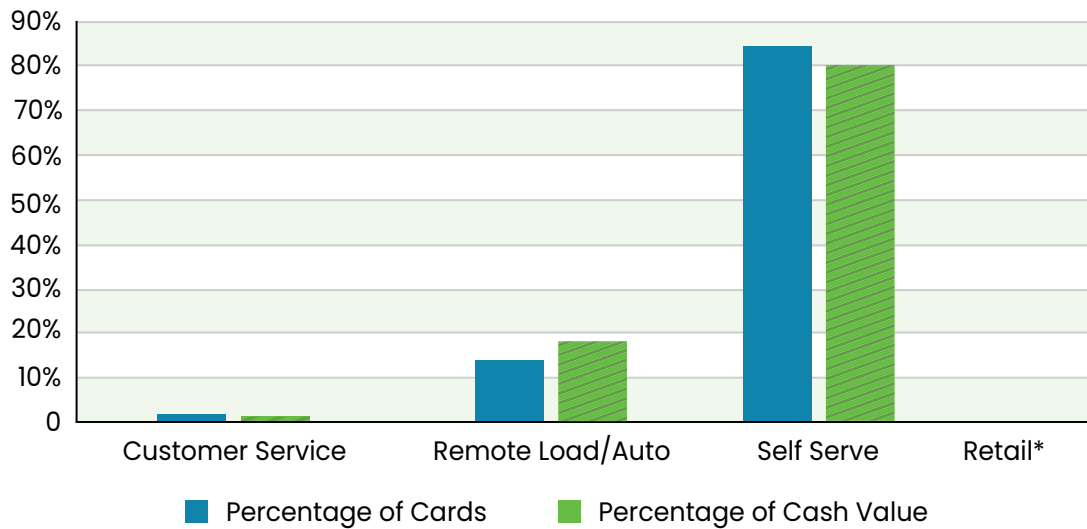
Launching open payments with perfectly connected benefit systems supported by services to help low-income people get banked won't happen overnight. To improve economic justice in transit MTC and transit operators must balance short-term improvements to Clipper START with long-term equitable open payment solutions. MTC and Bay Area transit agencies should continue to improve participation in Clipper START by partnering with non-profits and

county social services to spread awareness about the program. For example, non-profits could hold information sessions explaining what Clipper START is and promote the program at community outreach events. Transit agencies could also partner with social service agencies and utility companies to provide Clipper START sign-up information when customers sign up for social services benefits or utility discounts.

Additionally, MTC should consider extending the eligibility window for Clipper START beyond two years. Giving people more time before they have to reapply for the fare discount would reduce the administrative burden on already-overburdened communities and MTC staff.

MTC should conduct outreach to raise awareness of retail locations where riders can reload Clipper cards, while also increasing the number of these locations and making sure they are geographically distributed. For example, the Temple corridor in Alameda County between 73rd Avenue and San Leandro BART has no locations where riders can load value onto Clipper

Clipper Card Loading Preferences and Cash Value of AC Transit Users in October 2024



**Too small a percentage to show on this chart*

MTC transit data showing where AC Transit users loaded their cards

*Chart created by Andrea Torres, master's student at U.C. Berkeley
Department of City & Regional Planning*

cards. Currently, retail “remote” locations are hardly being utilized.

Finally, at its current growth rate, the funding for Clipper START will last until 2030. MTC should prioritize long-term funding for this program. The 2026 regional transit measure, if passed, includes funding for transit benefits through its transit transformation program, but transit agencies and MTC

should still seek additional funding from the state to shore up benefits that help low-income riders access transit.

While these initiatives would be helpful in the short term, it is important to note that open payments systems with low-income discounts supported by banking assistance must remain the long-term goal.

MTC MUST BALANCE SHORT-TERM IMPROVEMENTS TO CLIPPER START WITH LONG-TERM EQUITABLE OPEN PAYMENT SOLUTIONS.

Case Study

Monterey-Salinas Transit

When Monterey-Salinas Transit (MST) switched to open payments with its Tap2Ride program, it not only applied fare discount programs but also used the opportunity to help its riders get banked.

Resources for un- and underbanked riders are a priority for Monterey-Salinas Transit because its service area includes a large number of residents who tend to be underbanked, such as agricultural and hospitality workers. Prior to adding open payments, MST's best value per trip was offered through a monthly pass called the Go Card, which required an upfront investment that can be difficult for low-income riders. With the launch of the Tap2Ride program, MST helped residents access the digital economy and banking services in three ways: by connecting them with certified Bank On accounts, promoting other digital payment methods, and creating a [web page](#) highlighting trusted locations where residents could open an account.

For the initial six-month demonstration period of the program, Cash.app, a mobile banking provider, partnered with MST by purchasing a billboard in Salinas announcing that customers would receive \$1 off a trip on Monterey-Salinas Transit if they paid with Cash.app. This promotion was successful: during the demonstration period, 35% of Cash.app's new customers in the MST service area first used their Cash.app debit card on an MST bus.



Adoption of Cash.app for transit led to other uses. By the end of the demonstration period, 93% of the transactions of those new Cash.app customers were not for transit, but for other items, mostly food. Transit was the gateway into the digital economy, allowing riders to use their newly acquired digital payment method for other purchases.

This approach served unbanked residents well. The new Cash.app customers in the MST service area who topped up their accounts with cash were twice as likely as Cash.app's other customers to link their Cash.app account with a payment source other than a bank account. MST's program shows the power of transit agencies to connect unbanked people with bank accounts or digital payment methods.

Conclusion

Transportation is one of the largest household expenses for many Californians and is critical for economic and social mobility. To ensure everyone has access to all modes in our transportation system — especially lower-income riders and those who are un- or underbanked — we need to rethink our approach to collecting transit fares.

The move to open payment systems can grow transit ridership and create more accessible systems, but only if transit agencies prioritize equity and accessibility. To increase access and reduce administrative burdens, transit agencies should leverage existing, verified databases that can attach digital tokens to riders' bank accounts, which can then be applied across a variety of payment methods and programs. Additionally, transit agencies should partner with financial institutions and financial inclusion advocates to provide resources to help un- and underbanked riders gain access to transit discount programs and digital payment options.

Although the core mission of transit agencies is not banking, they are uniquely positioned to help people get bank accounts as trusted service providers that can offer low-stakes, repeatable interactions that fit into daily life and build confidence in digital banking transactions. At the intersection of transportation accessibility and economic justice, rethinking our fare payment systems is a tremendous opportunity to grow transit ridership and reorient our transportation system toward a world where all people can thrive.





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