DRIVEN TO SPEND:

Pumping Dollars out of Our Households and Communities

Surface Transportation Policy Project

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Since at least 1984, according to the Bureau of Labor Statistics, transportation has been the number two expense for households, second only to housing. Transportation costs in 2003 claimed 19.1 percent of all household expenditures, the second highest level in a 20-year period. Importantly, this expenditure level predates more recent hikes in gas prices, suggesting that current and future transportation costs are headed even higher.

As recently as the early 1960s, when the U.S. was already turning to the automobile for a greater share of all transportation trips, yet still had more compact communities and higher levels of public transit use and walking, families spent about one out of every ten dollars for

In 2003, according to the Bureau of Labor Statistic’s Consumer Expenditure Survey (BLS), the combined expenditure on housing and transporta

highest median home values according to the ACS—San Francisco, San Diego, Honolulu, Boston, New York, and Washington, D.C.—are not necessarily the most expensive. These cities each rank lower in this combined housing and transportation expenditures list in part because of the higher incomes in these areas, but also because of their lower transportation costs.

Rank by % Trans.	MSA	Trans. Expend.	% of Expend. on Trans.	% of Expend. on Hsng.	Hsng. & Trans. as % of Expend.	Avg. Vehicles per HH	Current Rail Stations	Rail Transit System Type in 2003	% Non-Auto to Work in 2003
4	Tampa	$7,291	20.4%	37.3%	57.7%	1.9	10	Small Expanding	5%
10	Miami	$8,348	19.6%	37.9%	57.5%	1.6	40	Medium	7%
16	San Diego	$8,652	18.4%	37.8%	56.1%	2.0	69	Medium	8%
14	Atlanta	$7,400	18.7%	36.8%	5				

a household’s ability to replace vehicle use and ownership with bus, rail, walking, or biking translates into a lower portion of its budget going to transportation. Households in metro areas that have the highest percentages of non-auto commuters, ranging from 13% to 31%—New York, Chicago, Honolulu, San Francisco, Boston

The previous section has outlined the cost of transportation to the average income household in the 28 metro areas. This section provides a more in-depth look at the effect on working families, particularly those earning less than $52,273.[17]

On a limited household budget, a 30% increase in gas prices is crippling, since the median household spends approximately 4% of its total expenditures on gasoline (see graphs below). While this seems like a small amount, every dollar counts for a family earning at these income levels. Working families making less than the median income, driving older inefficient vehicles, and often working two jobs can least afford these increases. Spending an extra $30-$50 per month on gasoline (depending on metro gas prices, miles driven, and fuel efficiency) reduces the median family's monthly after-tax income by 1.1%. Already limited funds that need to cover food, utilities, medical bills, education expenses, clothing, household goods, and personal care products, not to mention leisure activities, now have to cover this additional unplanned expense. If these other items are difficult to reduce or eliminate, fuel prices and the cost of vehicle ownership may also be contributing to rising credit card use and debt levels of U.S. households.

A further analysis of expenditures by income, (see Table 3 on the following page), shows lower-

	$20,000 to $29,999	$30,000 to $39,999	$40,000 to $49,999	$50,000 to $69,999	$70,000 and over	$100,000 and over
Income b						

to mention the nearly one-half of all workers, 47%, whose employers don't directly provide health insurance.[22]

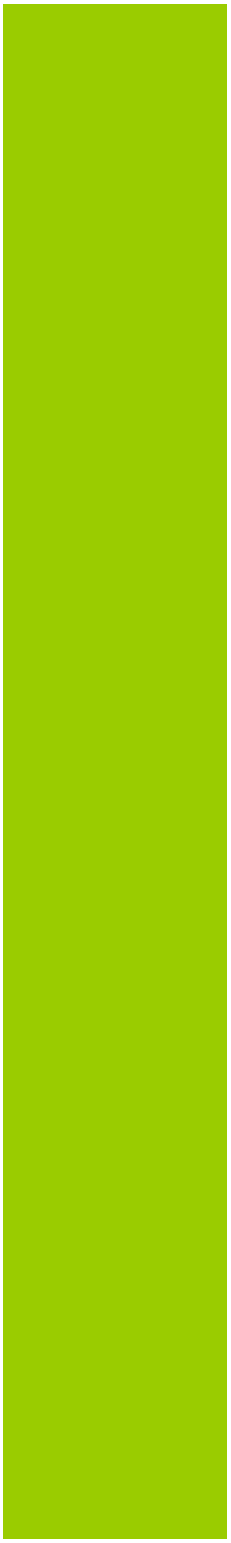
Savings from Transit

While some costs are unavoidable, expenditures on transportation in areas with good alternative modes can be much lower for those households regularly using transit and owning fewer vehicles. A current guideline for a monthly payment on autos is 5-10% of pre-tax income.[23] In the 2003 Consumer Expenditure Survey, the average payment for vehicle purchases was 6.4%. While there isn't a guideline for *total* transportation expenditures as a percent of income, it seems that the current spending levels—14.13% of income and 19.1% of expenditures—is too high. The following figure, which compares the transportation expenditures of heavy transit users to non-transit users in 2-or-more-person households, may provide some guidance on the appropriate and possible percentage of inco

When the price of necessary consumer goods increases, local economies see a decline in available consumer income to spend on other local goods. Consumers' decisions to cut spending when prices go up can be from a real or perceived need to cut back. Therefore, rising gasoline prices are not just worse for households, but also for local and state economies as household retail spending and consumer confidence is weakened by rising gas prices.[24] A shift of expenditures to cover higher fuel prices means less spending on local stores, restaurants, and schools, or on saving for a downpayment on a new home. This was the case in March 2005, when retail sales rose only 0.3%, which was less than analysts expected and th3tpxpected and th

Metro Area	# of HH in MSA	Avg. Vehicle per HH	2003 HH Expenditure on Gasoline and motor oil	2004 Loss / Household from 2003-2004 Rise in Gas Price	2004 Loss / MSA from 2003-2004 Rise in Gas Price	2005 Year to Date Loss / MSA from 2004-2005 Rise in Gas Prices
Los Angeles	3,133,774	1.9	$1,580	-$316	-$990,272,584	-$182,667,469
Kansas City	694,468	2.1	$1,559	-$312	-$216,535,122	-$39,942,460
San Diego	994,677	2	$1,513	-$303	-$300,989,260	-$55,521,022
Dallas-Ft. Worth	1,906,764	2	$1,510	-$302	-$575,842,728	-$106,220,989
San Francisco	684,453	1.9	$1,455	-$291	-$199,175,823	-$36,740,332
Anchorage	94,822	2.7	$1,450	-$290	-$27,498,380	-$5,072,401
Minn./St. Paul	1,136,615	2.6	$1,400	-$280	-$318,252,200	-$58,705,375
Detroit	1,695,331	2	$1,354	-$271	-$459,095,635	-$84,685,610
Seattle	963,552	2.3	$1,342	-$268	-$258,617,357	-$47,705,025
Denver	825,291	2.2	$1,327	-$265	-$219,032,231	-$40,403,081
Chicago	2,971,690	1.7	$1,325	-$265	-$787,497,850	-$145,263,275
Miami	776,774	1.6	$1,324	-$265	-$205,689,755	-$37,941,904
Wash., D.C.	1,848,064	1.8	$1,318	-$264	-$487,149,670	-$89,860,508
Houston	1,462,665	1.9	$1,302	-$260	-$380,877,966	-$70,257,437
Baltimore	974,071	1.6	$1,302	-$260	-$253,648,088	-$46,788,384
Milwaukee	587,657	2	$1,284	-$257	-$150,910,318	-$27,837,190
Phoenix	1,194,250	1.8	$1,266	-$253	-$302,384,100	-$55,778,317
St. Louis	1,012,419	1.9	$1,261	-$252	-$255,332,072	-$47,099,015
Portland	741,776	2.2	$1,25			

State	2003 Estimated Households	Total Gallons in 2003	Total



Analysis by MSA

Table 4 holds some surprises. While the total loss by the MSA is largely a factor of the number of households in the MSA, and New York has the most—300,000 more than the next largest MSA—New York is not number one on the list of losses. This is due to New York's low average household expenditure on gasoline and motor oil, a reflection of its low auto ownership rate and high use of non-auto modes. Los Angeles loses the most at the MSA level, more than $1 billion for 2004 and 2005, as well as the most at the household level, at least $316 in 2004. Higher gas prices, high auto ownership rates of 2.1 vehicles per household, and longer than average commutes (28.7 minutes versus 24.3 minutes nationally), combine to make its average household expenditures on gasoline and oil the top in the nation. If Los Angeles households spent what New York households spent on gas and motor oil each year, Los Angeles would be number three, after Chicago and New York.

Analysis by State

Table 5 ranks the loss by state and the loss per household. In part, the loss again is mostly a factor of the number of households in the state. However, the table isn't exactly ranked by number of households. For instance, the state of Florida has 480,000 fewer households than New York, but New York City's low auto use is likely affecting the total gallons of gasoline used at the state level. Oregon is also ranked lower by expenditures on gas than it would be if ranked by number of households. Wyoming uses more gasoline than both Washington D.C. and Alaska, though it has fewer households than either of these places.

While Congress debates the funding for transportation and what portion should go toward transit, it's worth considering these gasoline expenditures in comparison to transit expenditures. When a household spends money on transit, the money goes toward the local transit system. When a household spends on a vehicle and gasoline, the gasoline portion mostly leaves the economy, in large part to other countries from which we import our oil.

This report shows how metro areas with limited transportation choices cost families money and how high gas prices are draining dollars from regional and state economies, resources that would otherwise be available to bolster household incomes and support regional economic development. Governments and their agencies at every level—federal, state, regional, and local—can take a variety of actions to help families spend less for transportation, deal with housing and transportation costs together, and lessen the outflow of dollars from local economies.

Federal

At the federal level, Congress is now negotiating the details of new federal transportation legislation (called SAFETEA) that is expected to invest nearly $300 billion over five years. Here

that offer more than increased auto dependency and higher transportation costs for families and regions.

From the initial debate on this legislation, Congress has been pressured to weaken current rules, such as those under the National Environmental Policy Act (NEPA), that have given the public and their communities more say over how their tax dollars are invested. Pending proposals before the conferees attempt to make it easier for state transportation agencies to favor new roads and give less attention to alternatives that may provide for greater transportation choice and lower costs. The final bill should not allow federal and state transportation officials to limit public input or dismiss local land use plans, regional transportation plans, state

noteworthy that the average state is already losing more revenue each year to higher gas prices than the new federal transportation bill will provide.

2. **Use federal dollars to invest in a balanced transportation system.** The findings of this report, including the already substantial cost burdens on households and the leakage of dollars from regional economies due to escalating gas prices, should prompt every state, regional, and local leader to take a step back and consider their current investment plans before committing the substantial funding provided under the new SAFETEA law. Many state transportation officials, who are expected to control decisions on the allocation of about $200 billion in highway program resources, are not focusing on how the investment of these dollars will save money for families or cut down on the economic drag on local areas due to rising gas prices. Taken together the rising prices of oil, uncertainty about future supplies, continuing and now chronic air quality problems and unmet community economic development objectives should compel state and local leaders to examine their options more fully before moving forward with their transportation investment programs.
3. **Growing Smarter is a Good Investment.** State, regional, and local officials should also give particular attention to managing growth to better connect housing and development decisions with transportation investments. This report exposes some of the relationships between housing costs and transportation costs, an area of public inquiry that needs more attention and public review. There is a substantial public record that shows how governmental actions are having some success in balancing and integrating housing and transportation policies, which pays dividends to families by allowing them to spend less on getting around. Designing communities to be convenient, walkable, and transit-oriented, with a variety of shops and other services nearby, makes sense for families and local and regional economies. Location-efficiency (i.e., greater transportation choice) pays big dividends in economic growth and household savings. The data in this report shows that metropolitan areas with broader transit options and other defining transportation characteristics

Our previous reports noted that even during times of gasoline price stability, transportation was already the second largest expenditure for American househ