

Driven to Spend: Transportation and household spending

In regions with more transit, families spend less

Transit for Livable Communities

TLC is a non-profit organization that works to improve the quality of life in Minnesota communities by encouraging transit, walking, biking and transit-oriented development.

Our major policy initiatives include:

- Securing increased funding for transit, biking and walking.
- Encouraging development and zoning that supports walking, biking, and transit.
- Advocating for reform of state transportation funding, road design practices, and local parking policies.

To contact TLC:

Write to:

626 Selby Avenue, Suite A
St. Paul, MN 55104

Phone: 651-767-0298

E-mail: tlc@tlcminnesota.org

Web: www.tlcminnesota.org

Overview

A recent analysis of consumer spending found that transportation costs consume about 18 percent of household spending in the nation's largest urban areas. Housing and transportation combined comprise half of household spending! Spending on transportation was lowest in those regions with a strong public transit system.

The report notes that "households earning less than \$50,000 spend on average three times more per year on transportation than they do on retirement, pensions and Social Security."

Low income households spent a greater percentage of their income on transportation than households with higher incomes. Two person households earning less than \$30,000 annually spent 24% while households earning \$100,000 spent only 10%.

Households in the **Twin Cities region** spent an average of 17% of their income on transportation or \$9,280 in 2003. This is \$1,500 more than the amount spent by the average US household, but represents a lower percentage of household income than average thanks to higher household incomes in the Twin Cities region.

Transit saves families money

The study emphasizes the savings realized by households in regions with a robust transit system and opportunities for walking and bicycling.

The 11 urban areas reporting the highest percentage of non-auto

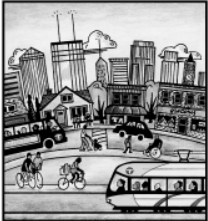
commutes (10 - 31 percent) saved, on average, \$950 per household in 2003 compared to the ten regions with the lowest percentage of non-auto commutes (3 to 6 percent).

If the rate of non-auto commuting in the Twin Cities region was the same as the average of the eleven regions with a higher percentage of transit, bike, and walk commutes, it could translate into savings of \$1,750 per household annually or \$2 billion for the region.¹

The average Twin Cities household spent 17% of its income on transportation. Low income households spent substantially more. Households in major metro areas that have a more extensive transit system spent approximately \$950 per year less on transportation costs.

This analysis of transportation spending is contained in a report prepared by the Surface Transportation Policy Project in Washington and the Center for Neighborhood Technology in Chicago using information from Consumer Expenditure Survey from the Bureau of Labor Statistics. The report is entitled Driven to Spend: Pumping Dollars out of our Households and Communities and was released in June of 2005. Data is from 2003.

TRANSIT for



Livable Communities
www.tlcmnnesota.org

Check out additional TLC policy briefs.

- *Subsidies for Roads and Transit*
- *Peer City Investment in Public Transit*
- *Sources of Funding for Transit in Peer Cities*
- *Myths about Transit in the Twin Cities Region*
- *Revenues to Minnesota's Highway Users Tax Distribution Fund*
- *Transit Routes and Ridership in North American Cities*
- *New Rail Starts*

Rising gas prices increase household costs and take money away from local communities

The study also examines the effects of rising gas prices on consumer spending and local economies. The money that is spent on gasoline is money that does not go back into the local economy and as gasoline expenditures comprise a larger portion of household budgets, family spending shifts away from other areas, such as local stores, restaurants, and schools.

In those areas with better transit options, households are losing less due to rising gas prices, thanks to less car-dependency and the efficiency of public transit.

Addressing the current situation

Lowering transportation costs also means providing more options. Alternatives to driving increase the economic stability of families and of communities. Such measures then strengthen our regional and national economies because we 'leak' less wealth. Viable transportation choices depend on how we build our communities. More efficient community design results in more transportation choices (walking, biking) and can help manage the cost of living.

For a copy of *Driven to Spend* see:
www.transact.org

¹ The analysis in this paragraph was done by TLC based on data in *Driven to Spend*.