

# DRIVEN TO SPEND:

Pumping Dollars out of Our Households and  
Communities



**Surface Transportation Policy  
Project**

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## Summary

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 transportation, as compared to nearly one out of every five dollars in 2003.

Combined, the costs of transportation and housing account for 52 percent of the average family's budget, which explains why there is growing public debate on the need for policies that address these issues in tandem. Health care, which has been the subject of much recent public debate, and food are the third and fourth highest expenses, but even when combined they are still less than transportation.

Beginning with the release of the first *Driven to Debt*<sup>1</sup> report in 2000, the Surface Transportation Policy Project (STPP) and the Center for Neighborhood Technology (CNT) have been documenting the rising cost of transportation and its affects on U.S. households. This version of *Driven to Spend* comes at a pivotal time:

- The latest Consumer Expenditure Survey (2003) shows the combined costs of housing and transportation have increased, to \$21,213 (or 52% of expenditures) for the average income household;
- Recent hikes in housing prices as well as the continuing increase in gasoline prices—from \$1.39 per gallon in 2002 to \$1.60 per gallon during the 2003 survey period, and to the current 2005 average of \$2.09 per gallon<sup>2</sup>—indicate that these costs are probably already claiming a greater share of family budgets than shown in this report; and
- Congress is now working to reach agreement on a nearly \$300 billion commitment to the next federal transportation law, which, depending on how these funds are invested, will influence future household transportation expenditures.

### Key Findings

- Households in regions that have invested in public transportation reap financial benefits from having affordable transportation options, even as gasoline prices rise.
- Lower income households are particularly burdened by higher transportation costs since these expenditures claim a higher percentage of their budgets even if they are spending less.
- Regions with public transit are losing less per household from the increase in gas prices than those without due to investments by federal, state, and local governments in more efficient transportation systems, effectively lowering household transportation expenditures and converting transportation dollars that would otherwise leave the region in the form of higher payments for gasoline to dollars that help pay for local transportation services plus other household expenses.

## Introduction

In 2003, according to the Bureau of Labor Statistic's Consumer Expenditure Survey (BLS), the combined expenditure on housing and transportation for the average income family in the U.S. reached the second highest level in twenty years, 52%, second only to the combined share in 2002 of 52.2%. This was 3.4% higher than the lowest, which was 48.6% in 1991.<sup>3</sup> The share for transportation remained at 19.1%, the same as in 2002.

High costs notwithstanding, this 2003 Survey doesn't even capture the last year-and-a-half of rising gasoline prices, or the latest jump in the Consumer Price Index<sup>4</sup>, or the 9% rise in home prices<sup>5</sup>, or finally the onset of flat and declining incomes.<sup>6</sup> Specifically, since 2003, gasoline prices have risen by 30%, from \$1.60 in 2003 to \$2.09 year-to-date in 2005.<sup>7</sup>

What does such a rise in gasoline prices mean for household transportation expenditures? Gasoline and motor oil is approximately 16% of a household's transportation expenditures. If this one component rose by 30%, we estimate the total average expenditures on transportation by the end of 2005 will rise by 4.8%, or \$391, from 2002-2003 levels. This rise is more than the typical household spends annually on prescription drugs and medicines (\$312) and dental services (\$311) in fee-for-service health care plans<sup>8</sup>, fresh fruits and vegetables, and more than a month of utilities and phone service. The jump in gas prices combined with other economic trends suggests the next Consumer Expenditure Survey, for 2004-2005, will show little change in household income, but further increases in household expenditures on housing and transportation, leaving a smaller share of income available for other needs, including retirement savings, rising health care costs, elder care giving, and college funds.

### **Mobility is a Necessity**

The topic of rising housing costs is in the news daily, but besides the focus on rising gas prices, the total cost of transportation is not adequately addressed. The Bureau of Labor Statistics tracks three goods as basic necessities; food, apparel, and housing. As basic necessities, national and state policies work to keep these items affordable. Transportation--an obligatory expense to get to and from work, home, school, and shopping--is not categorized as a basic necessity, even though it is the second highest expenditure and it continues to rise in price. For example, from 1992 to 2003, as a percent of expenditures, housing rose by 3.6%, but transportation rose by a huge 8.8%. If transportation was a national policy priority, and was considered a basic household need, would we continue to see such extreme rises?

# Who Spends the Most on Housing & Transportation?

The average cost of housing and transportation has increased for the nation as a whole, but a detailed look at the 28 major U.S. Metropolitan Statistical Areas (MSA) tracked by the BLS shows the costs are not uniform throughout the U.S. On average, the combined share for housing and transportation as a percentage of all expenditures in these areas is slightly higher than the national average, 52.6% compared to 52% nationally. There is quite a range, however, even among these 28 MSAs, from a high of 57.7% in Tampa, to a low of 45.8% in Pittsburgh. For transportation costs alone, the average in these MSAs is lower than the national average—18.2% compared to 19.1% at the national level—but here too there is a substantial range, from 14% in Baltimore to 20.9% in Houston. (See Table 1 for the range of transportation expenditures by MSA.)

The variation in the combined housing-transportation costs for the 28 MSAs is shown in Table 2 on the following page. Specifically, it lists each MSA and the dollar amount and percentage the average household spends annually on transportation, as well as the combined percentage spent on housing and transportation. It also displays several measures that influence household expenditures on transportation, including average vehicles per household, the size of the region's fixed rail transit system as of 2003,<sup>9</sup> and the share of workers that commute by non-auto means to work.

While our focus in this report is the rising cost of transportation, the table displays both housing and transportation since the two are closely linked and together they constitute the affordability of a place. The ability to modify transportation costs through the use of transit and lower vehicle ownership can make the combined costs of housing and transportation lower in even the most expensive markets. In this list, Tampa and Miami are the least affordable MSAs, requiring the highest expenditures for housing and transportation. This is an alternative view of affordability than traditional measures, which usually focus on housing alone. The 2003 American Community Survey (ACS), for example, ranks Tampa and Miami lower than a number of other cities in Table 2 in terms of the median home values. Conversely, when transportation costs are taken into account, several of the places with the

**Table 1. 2003 Household Expenditures on Transportation by Metropolitan Area**

Rank	MSA	% of Household Expenditures on Transportation
1	Houston	20.9%
2	Cleveland	20.5%
3	Detroit	20.5%
4	Tampa	20.4%
5	Kansas City	20.2%
6	Cincinnati	20.0%
7	Anchorage	19.9%
8	Dallas- Fort Worth	19.7%
9	Phoenix	19.6%
10	Miami	19.6%
11	Denver	19.2%
12	Seattle	19.0%
13	St. Louis	18.7%
14	Atlanta	18.7%
15	Los-Angeles	18.4%
16	San Diego	18.4%
17	Honolulu	18.0%
18	Boston	17.2%
19	Minneapolis- St. Paul	17.2%
20	Chicago	16.9%
21	Milwaukee	16.6%
22	San Francisco	16.6%
23	Pittsburgh	16.6%
24	Philadelphia	15.9%
25	Washington D.C.	15.4%
26	New York	15.4%
27	Portland	15.1%
28	Baltimore	14.0%
	<b>United States</b>	<b>19.1%</b>

Source: Selected metropolitan statistical areas: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2002-2003.

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%	55.5%	1.8	46	Medium	6%
22	San Francisco	\$8,802	16.6%	38.3%	54.9%	1.9	305	Extensive	15%
15	Los-Angeles	\$9,162	18.4%	36.1%	54.6%	1.9	124	Large	9%
18	Boston	\$7,175	17.2%	36.4%	53.5%	1.6	280	Extensive	14%
6	Cincinnati	\$7,803	20.0%	33.5%	53.5%	1.9	0	-	6%
2	Cleveland	\$7,702	20.5%	32.9%	53.5%	1.8	50	Medium	6%
3	Detroit	\$9,024	20.5%	32.8%	53.3%	2.0	0	-	4%
20	Chicago	\$7,961	16.9%	36.3%	53.2%	1.7	418	Extensive	16%
26	New York	\$7,729	15.4%	37.6%	53.0%	1.4	962	Extensive	31%
12	Seattle	\$9,347	19.0%	33.8%	52.9%	2.3	23	Small Expanding	11%
1	Houston	\$9,891	20.9%	31.9%	52.7%	1.9	18	Small Expanding	6%
9	Phoenix	\$8,659	19.6%	32.9%	52.6%	1.8	0	New Start	6%
5	Kansas City	\$8,794	20.2%	32.3%	52.5%	2.1	0	New Start	3%
25	Washington D.C.	\$7,853	15.4%	37.0%	52.4%	1.8	169	Large	13%
11	Denver	\$9,652	19.2%	33.0%	52.3%	2.2	31	Small Expanding	8%
17	Honolulu	\$8,023	18.0%	34.1%	52.1%	1.6	0	-	16%
24	Philadelphia	\$6,510	15.9%	36.1%	51.9%	1.7	337	Extensive	14%
21	Milwaukee	\$6,797	16.6%	35.1%	51.8%	2.0	0	-	7%
7	Anchorage	\$10,765	19.9%	31.7%	51.5%	2.7	0	-	7%
8	Dallas- Fort Worth	\$9,815	19.7%	31.5%	51.2%	2.0	54	Medium	4%
13	St. Louis	\$8,359	18.7%	31.3%	50.0%	1.9	28	Small Expanding*	5%
27	Portland	\$6,807	15.1%	34.5%	49.6%	2.2	110	Large	10%
19	Minneapolis- St. Paul	\$9,280	17.2%	32.3%	49.4%	2.6	0	New Start	8%
28	Baltimore	\$5,605	14.0%	34.6%	48.6%	1.6	77	Medium	12%
23	Pittsburgh	\$6,972	16.6%	29.2%	45.8%	2.0	72	Medium	10%
	<b>United States</b>	<b>\$7,781</b>	<b>19.1%</b>	<b>32.9%</b>	<b>52.0%</b>	<b>1.9</b>	<b>3,971</b>		<b>9.0%</b>

Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2002-2003, Selected Metropolitan Statistical Areas: Average Annual Expenditures and Characteristics. System Types and Number of Rail Stations are from Reconnecting America's Center for Transit-Oriented Development's classification in *Hidden in Plain Sight: Capturing the Demand for Housing Near Transit*, April 2005 for the Federal Transit Administration (\*St. Louis System and stations adjusted).

Table 2 also highlights the association between the level of household transportation expenditures and transportation choice, represented by the presence and size of a fixed-rail or bus rapid transit system and the percent of workers who commute by non-auto means. Clearly,

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, Philadelphia and Washington D.C.—spend less of their expenditures on transportation. These same households also generally have a lower number of average vehicles per household, which translates into savings since auto ownership is the most expensive portion of transportation. On the other hand, households in MSAs that have the lowest share of workers commuting to work by non-auto means, ranging from 3% to 5%, have higher shares of expenditures for transportation. These MSAs include Kansas City, Dallas-Fort Worth, Detroit, Tampa, and St. Louis, and not one has a large or extensive transit system.

Three of the six MSAs with low non-auto commute shares (Kansas City, Detroit, Tampa) are also within the six MSAs with the highest transportation expenditures—Houston, Cleveland, Detroit, Tampa, Kansas City, and Cincinnati. In this group, four are addressing their transit systems. Cleveland is making improvements to its medium-sized system and constructing a Bus Rapid Transit (BRT) line, Houston and Tampa have small, but expanding systems, and Kansas City is opening its new BRT line, MAX, this July. Cincinnati is studying its transportation options, including expanded bus, new rail, and highway construction, but rail plans have not been recommended for funding from the FTA. Detroit, however, has made few investments in its transit system and has not made plans for fixed-rail or BRT or other substantial improvements to its existing transit system. Its current system is under-funded; it operates fewer than 600 buses for more than 70 million annual riders, one-third of whom do not own a personal vehicle;<sup>10</sup> and there are continuing coordination challenges between city and suburban transit providers.

To further illustrate the differences between MSAs, if Baltimore households spent the national average on transportation, (19.1% instead of 14%), they would have spent an extra \$2 billion in 2003 on transportation, and if Houston households would have spent the national average on transportation (19.1% instead of 20.9%), they would have saved \$1.2 billion on transportation. This example shows that household transportation expenditures have a substantial impact on a household and the region.

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It should be noted that the percentage of housing and transportation expenditures in the Survey does not always reflect the high costs in some areas. For instance, Minneapolis-St. Paul has the sixth highest total expenditure on transportation, \$9,280, however the income levels of the Survey respondents for Minneapolis-St. Paul may not be representative of the average



household incomes for the area<sup>11</sup>, and as a result the percentage the Survey respondents spent on transportation was a lower portion their incomes. Atlanta's often cited high transportation prices are not reflected in the Survey either. Yet, anecdotes about the high transportation costs in Atlanta have been well-reported<sup>i, 12</sup>.

The substantial impact the rise in gasoline prices is having on many households is largely a factor of the increase in miles households are driving each year and the lower fuel efficiency of their vehicles. The total vehicle miles driven on all U.S. roads increased from 1980 to 2000 by 81.2%,<sup>13</sup> and the average driver today drives 12.4% more than she did just 10 years ago. Additionally, the average fuel efficiency of the U.S. car and light truck fleet today, 20.4 mpg,<sup>14</sup> is below the fleet average achieved years ago. At the national average for vehicle miles traveled per year, 9,915 miles per person,<sup>15</sup> an average family could be driving 20,000 miles per year. Using standard fuel efficiencies, the increase in gas prices could cost each family at least an extra \$483 this year. Conversely, the same household driving only one vehicle—the national average is 1.7<sup>16</sup>—may get by with only \$181 in additional gasoline expenditures.

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<sup>i</sup>A recent demographic study cited in a May 20<sup>th</sup> article in the *Atlanta Journal Constitution* found the average commuting couple in the Atlanta region would spend approximately \$4,500 on gasoline this year (*Atlanta Journal Constitution*, May 20, 2005). In another article featuring the high prices and long commutes in the Atlanta area, MSNBC interviewed a woman who used two full tanks of gas per week to drop her children off at day care and then commute 43 miles to work, sometimes taking up to 80 minutes one way.<sup>1</sup> At two full tanks a week, it's likely she's spending at least \$2,500 per year just on gasoline. (NBC News, April 28, 2005). Adding a second commuter to this woman's household would explain the \$4,500 annual figure in the *Atlanta Journal Constitution* article.

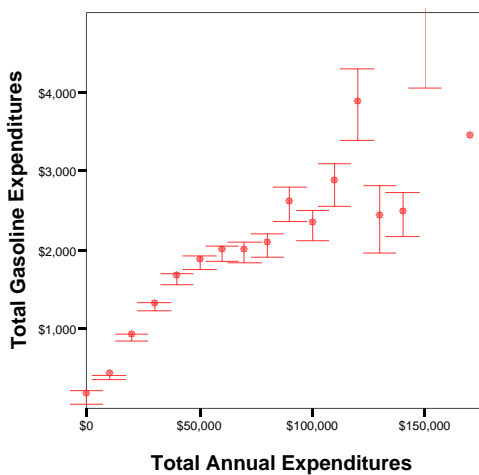
# The Uneven Impact on Lower-Income Households

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.<sup>17</sup>

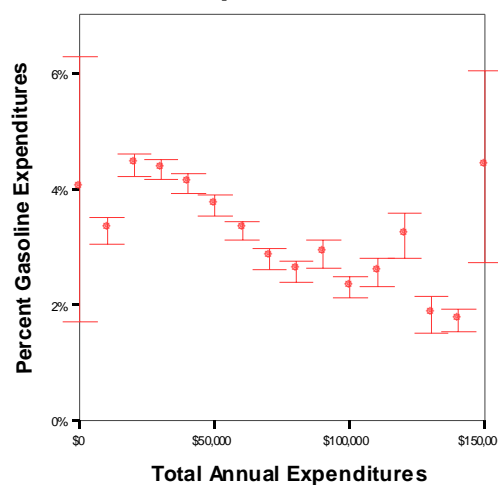
On a limited household budget, a 30% increase in gas prices is crippling, since the median household spends approximately 4% of its total expenditures on gasoline (see graphs below). While this seems like a small amount, every dollar counts for a family earning at these income levels. Working families 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.

Figure 1

2003 Gasoline Expenditures by Total Household Expenditures



2003 Percent of Expenditures on Gasoline by Total Household Expenditures



Source: Public Use Survey Microdata, Consumer Expenditure Survey 2002-2003, Bureau of Labor Statistics.

These graphs show that while lower income households spend less on gas (graph on the left), they do not spend that much less relative to income. For example, the difference between the expenditures of a household earning \$40,000 and a household earning twice that much is only about \$500. Even at an income below \$50,000, annual expenditures on gasoline are approximately \$1,500. Therefore, annual expenditures on gasoline take a larger chunk of household expenditures for lower-income households --more than 4% versus 2.3%.

A further analysis of expenditures by income, (see Table 3 on the following page), shows lower-income households spend less in nearly all expenditure categories than higher income households and yet are still unable to cover their expenditures with their after tax incomes. The income categories in this table relate to working families earning 50% (\$26,136), 80% (\$41,811), 100% (\$52,273), 120% (\$62,727), 150% (\$78,409), and 300% (\$156,819) of the 2003 U.S. Median Family Income.

Several expenditures in the table are similar in price to just the increase a household is likely spending on gasoline this year, e.g. education, medical services, vehicle maintenance and repairs. Given a lower-income household's total income versus total expenditures (98% to 131%), a several hundred dollar per year increase in gasoline and motor oil most likely means that a household faces the difficult choice to cut out some expense all together, or to cut a little more from each category that isn't a necessity. And these households are already doing with less: they eat out less, spend less on alcohol (at least three times less than those earning more than \$100,000), more often buy used cars instead of new, and use less telephone service. In general, they spend less in every expenditure category.

So where else are lower-income households not spending money? Education spending is much lower in these households, as is the percentage of household members with college educations. The proportion of aggregate expenditures allocated to entertainment ranges from 9% by the lowest income quintile to 40% by the highest. In particular, the lowest income quintiles are less able to afford entertainment fees and admissions, which include arts, cultural, and educational opportunities that enrich and inform. And whereas higher-income households spend \$13,802 a year on retirement, pensions, and Social Security<sup>18</sup>, lower-income households spend five times less, as low as \$1,396 per year.

As the social security debate rages on, it's worth noting 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 contributions. By MSA, for the average income family, the range is as low as one time more in Baltimore and as high as 2.7 times more in Miami. This means that if Miami households could lower their transportation costs from \$8,348 to what they are in Baltimore, \$5,605, they might be able to increase their retirement savings from \$3,082 to \$5,825. While it's difficult to directly relate these two expenditures without looking at state pension programs, major employers, and the local economies, it is not unfounded to think that savings from a decrease in one expenditure category could be used to fund another. For example, would spending less on a short-term need like transportation allow households to spend more in areas that are better long-term investments, like their family's education and their own retirement?

*...households earning less than \$50,000 spend on average 3 times more per year on transportation than they do on retirement, pensions and Social Security.*

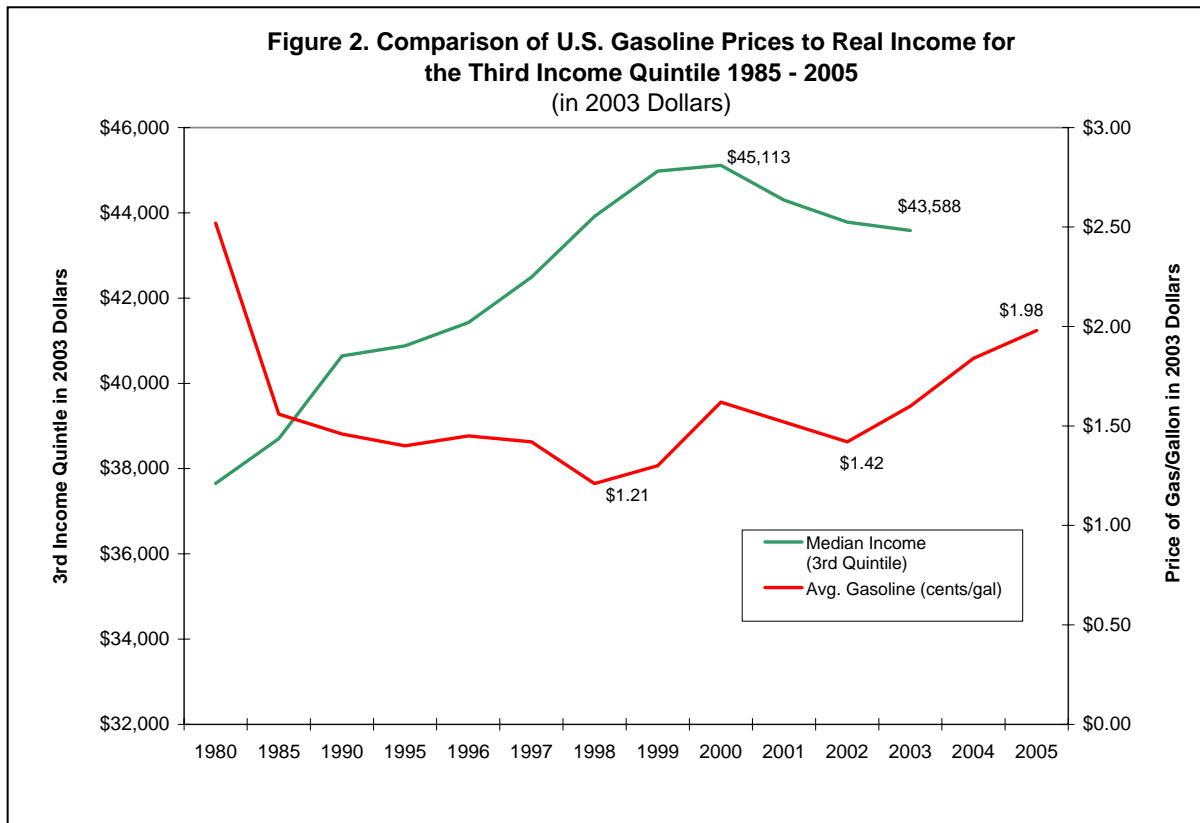
**Table 3. 2003 Household Expenditures for Two or More Person Households  
by Percent of Household Income**

	<b>\$20,000 to \$29,999</b>	<b>\$30,000 to \$39,999</b>	<b>\$40,000 to \$49,999</b>	<b>\$50,000 to \$69,999</b>	<b>\$70,000 and over</b>	<b>\$100,000 and over</b>
Income before taxes	\$24,657	\$34,579	\$44,560	\$59,220	\$117,306	\$154,665
Income after taxes	23,685	33,933	43,272	57,087	110,175	144,146
<b>Average annual expenditures</b>	<b>\$31,127</b>	<b>\$36,894</b>	<b>\$42,594</b>	<b>\$51,839</b>	<b>\$78,447</b>	<b>\$93,515</b>
Expenditures as % of after tax	131%	109%	98%	91%	71%	65%
Balance remaining after Expenditures	-\$7,442	-\$2,961	\$678	\$5,248	\$31,728	\$50,631
<b>Average Persons in Household</b>	<b>3</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>	<b>3.1</b>
Children under 18	0.9	0.9	0.9	0.9	0.9	0.8
Persons 65 and over	0.5	0.4	0.3	0.2	0.1	0.1
Earners	1.2	1.5	1.7	1.9	2.1	2
<b>Vehicles</b>	<b>1.8</b>	<b>2.2</b>	<b>2.4</b>	<b>2.7</b>	<b>3</b>	<b>2.8</b>
Percent with College Education	38	45	53	62	79	87
<b>Food</b>	<b>5,031</b>	<b>5,578</b>	<b>6,036</b>	<b>7,044</b>	<b>9,089</b>	<b>9,926</b>
Food at home	3,388	3,567	3,697	4,009	4,698	4,726
Food away from home	1,643	2,011	2,339	3,035	4,391	5,201
Alcoholic beverages	267	303	412	477	817	1,127
<b>Housing</b>	<b>10,262</b>	<b>11,456</b>	<b>13,192</b>	<b>15,483</b>	<b>24,010</b>	<b>28,941</b>
Shelter	5,615	6,383	7,356	8,573	14,041	17,253
Percent Homeowners	60	67	73	79	90	92
Mortgage interest and charges	1,416	1,902	2,765	3,768	7,028	8,340
Rented dwellings	2,612	2,487	2,261	1,906	1,266	1,288
Utilities, fuels, and public services	<b>2,624</b>	<b>2,803</b>	<b>3,035</b>	<b>3,333</b>	<b>3,984</b>	<b>4,336</b>
Telephone services	<b>879</b>	<b>946</b>	<b>1,051</b>	<b>1,206</b>	<b>1,431</b>	<b>1,512</b>
Housekeeping supplies	494	551	589	921	965	1,186
Laundry and cleaning supplies	149	157	145	178	206	192
<b>Apparel and services</b>	<b>1,269</b>	<b>1,674</b>	<b>1,721</b>	<b>2,109</b>	<b>3,392</b>	<b>3,756</b>
<b>Transportation</b>	<b>5,966</b>	<b>7,633</b>	<b>8,992</b>	<b>11,218</b>	<b>14,169</b>	<b>15,526</b>
Vehicle purchases (net outlay)	2,694	3,677	4,385	5,636	6,826	7,604
Cars and trucks, new	933	1,449	1,875	2,579	4,294	5,621
Cars and trucks, used	1,752	2,197	2,420	2,947	2,376	1,865
Gasoline and motor oil	1,167	1,429	1,551	1,768	2,066	2,123
Other vehicle expenses	\$1,840	\$2,277	\$2,749	\$3,381	\$4,453	\$4,632
Vehicle finance charges	263	403	467	625	743	668
Maintenance and repairs	537	613	762	908	1,171	1,191
Vehicle insurance	778	959	1,078	1,232	1,523	1,611
Vehicle rental, leases, licenses, other	262	302	443	617	1,016	1,161
Public transportation	264	249	307	433	825	1,167
<b>Health care</b>	<b>2,598</b>	<b>2,712</b>	<b>2,912</b>	<b>2,990</b>	<b>3,402</b>	<b>3,809</b>
Health insurance	1,314	1,401	1,485	1,519	1,663	1,837
Medical services	513	638	747	784	981	1,122
Drugs	648	558	561	554	582	642
Medical supplies	122	115	118	132	176	208
<b>Entertainment</b>	<b>1,422</b>	<b>1,786</b>	<b>2,037</b>	<b>2,602</b>	<b>4,431</b>	<b>5,124</b>
Personal care products and services	450	497	555	674	981	1,131
Reading	88	104	129	153	255	296
<b>Education</b>	<b>282</b>	<b>347</b>	<b>466</b>	<b>643</b>	<b>1,876</b>	<b>2,858</b>
Cash contributions	872	961	1,099	1,388	2,875	4,547
<b>Retirement, Pensions, and Social Security</b>	<b>1,396</b>	<b>2,423</b>	<b>3,490</b>	<b>5,155</b>	<b>10,738</b>	<b>13,802</b>
Net change in total assets and liabilities	(\$5,804)	(\$4,877)	(\$10,223)	(\$12,226)	(\$30,069)	\$57,802
Net change in total assets	2,108	5,138	4,964	5,615	14,763	16,771
Net change in total liabilities	7,912	10,015	15,186	17,841	44,831	74,573

Source: \$20,000 to \$70,000 and over expenditures are from 2003 Cross-Tab "Size of Consumer Unit (2 or more persons) by Income Before Taxes", Table 36. Consumer Expenditure Survey, 2002-2003. The \$100,000 and over household expenditures are from 2003 Table 2300.

## Incomes Decline while Prices Rise

Working families are also being hit by declining wages, in addition to rising prices. In just over the last two decades, median incomes have generally enjoyed modest growth each year, with higher growth rates in the late 1990s. However, since 2000, real income has been declining each year. At the same time, gas prices have rebounded from their decline from 2000 to 2002 and have been increasing. The graph below (Figure 2) indicates this double hit to households.



Source: Historical Household Income by Each Fifth and Top 5 Percent, U.S. Census, and Energy Information Administration average weekly gasoline prices.

And gas prices are not the only consumer good that is getting more expensive. As of April 2005, according to the Bureau of Labor Statistics, “Consumer prices are rising faster than wages for blue-collar and non-managerial workers, who account for 80 percent of the workforce.”<sup>19</sup> After adjusting for inflation, average weekly wages for those workers fell 0.3% in March 2005, down 0.5% from the prior year. Additionally, while consumer spending was keeping pace despite rising prices and declining wages, it is starting to slow down. This decline in consumer spending will further add to the negative financial situation of these workers since many of their employers may also be affected from declining consumer sales.<sup>20</sup> Adding to rising costs, if inflationary pressures continue, the federal reserve may continue to raise interest rates, causing “rents and car prices to rise,” according to Peter D. Schiff, president of Euro Pacific Capital, Inc.<sup>21</sup> Finally, health care costs will also likely further cut into both employer and employee finances. Benefit costs rose by 7% last year and many corporations will be forced to fund benefits over raises, not

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

## 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.<sup>23</sup> 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 income to spend on transportation and still be mobile.

**Figure 3. Transportation Expenditures of Transit and Non-Transit Users in two or more person households**

<b>Annual Income &amp; Expenses</b>	<b>Own 2 or more vehicles</b>	<b>Own 1 or less vehicles and do not use transit</b>	<b>Own 1 or less vehicles and are heavy transit users</b>
Total Income before Taxes	\$69,537	\$45,638	\$45,938
Total Transportation	\$13,189	\$7,315	\$4,372
Income After Transportation Expenditures	\$56,348	\$38,322	\$41,567
Average Autos	2.4	0.7	0.4
Total Gas	\$1,937	\$1,311	\$609
Mass Transit	\$35	\$0	\$1,115
<b>Transportation as % of Income</b>	<b>19%</b>	<b>16%</b>	<b>10%</b>

Source: Bureau of Labor Statistic's Consumer Expenditure Survey 2002-2003, Public Use Microsample Data for households with two or more persons.

In Figure 3, households that own at least two vehicles—2.4 vehicles on average—and rarely use transit spend 19% of income on transportation. Households that only own 1 or less vehicle and do not use transit still spend a fair share of their budget on transportation, 16%. But households who own 1 or less vehicles—on average .4—and have above average transit use on average spend only 10% of their incomes on transportation. This lower expenditure means these households have more money to spend on other items. After subtracting total transportation expenditures from income, for each of the household types, the heavy transit users have a greater portion of their incomes left over, \$41,567, than the non-transit users in the third column, \$38,322, although the heavy transit users, spend \$1,115 on transit and \$609 on gas.

## Which Areas Lose the Most to Higher Gasoline Prices?

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.<sup>24</sup> 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 the second month consumer confidence declined.<sup>25</sup>

A USA Today/CNN/Gallup poll released April 4 documents consumer reactions to continual rises in gas prices: "Fifty percent of Americans have cut back significantly on the amount of driving they do; more than a third of the respondents said they had reduced their spending significantly because of the higher prices."<sup>26</sup> Apparently, gas prices are not inelastic and consumers can make changes when prices rise. Nationally, according to the American Petroleum Institute, "every penny increase [in gasoline] means more than \$1.4 billion in higher costs," which as the Institute's chief economist states, "...is money that will not be spent on other goods and services."<sup>27</sup> "Each day, American drivers burn 11% of the world's crude oil in the form of gasoline,"<sup>28</sup> and each day they spend a half billion dollars on gasoline.<sup>29</sup>

The *New York Times* cited a specific case of a consumer cutting back. The featured woman went from driving her son to private school and then on to work to switching him to a nearby public school and then taking the bus herself. As a result, she claimed that the amount she was saving on gas and parking, \$493 per month, was instead going into a college fund for her children. At such a rate of savings, this consumer would save \$5,916 a year!<sup>30</sup>

In areas where driving is the only way to get around, cutting back on driving can also be doubly costly to the economy, since it means households are also cutting back on going out. As people decide to stay in since it's too expensive to drive, not only are they reducing their gas expenditures to save money, they're not spending money on local entertainment or restaurants.<sup>31</sup> In times like these, areas where people can walk or take transit to places of commerce may be better off. The following tables<sup>ii</sup> by MSA and State show that higher density places with better transit options are losing less per household than those with higher car ownership and lower transit use.

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<sup>ii</sup> Tables 4 and 5 show the estimated loss due to the rise in gasoline prices from the average price per gallon in 2003 to the average price in 2004 and the average price in 2005 as of the week of June 6. Table 4 shows loss per MSA based on spending at the household level in 2003 according to the households in the Consumer Expenditure Survey. The increased expenditure is based on the 2004 and 2005 average gasoline prices per gallon from the Energy Information Administration. The calculations in Table 5 are based on the total gallons of gasoline and gasohol consumed in each state based on reports from State motor-fuel tax agencies as reported to the Federal Highway Administration's Office of Highway Statistics.

**Table 4. Loss to Households (HH) by MSA from Increasing Gasoline Prices 2003 - 2005**

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	\$1,253	-\$251	-\$185,889,066	-\$34,289,433
Atlanta	1,504,871	1.8	\$1,222	-\$244	-\$367,790,472	-\$67,843,295
Pittsburgh	966,500	2	\$1,164	-\$233	-\$225,001,200	-\$41,504,128
Boston	1,323,487	1.6	\$1,159	-\$232	-\$306,784,287	-\$56,589,983
Cincinnati	645,048	1.9	\$1,152	-\$230	-\$148,619,059	-\$27,414,540
Philadelphia	1,914,246	1.7	\$1,142	-\$228	-\$437,213,786	-\$80,649,244
Tampa	1,009,316	1.9	\$1,142	-\$228	-\$230,527,774	-\$42,523,569
Honolulu	286,450	1.6	\$1,142	-\$228	-\$65,425,180	-\$12,068,447
Cleveland	892,562	1.8	\$1,107	-\$221	-\$197,613,227	-\$36,452,093
New York	3,484,108	1.4	\$1,101	-\$220	-\$767,200,582	-\$141,519,205

Source: Households based on 2003 U.S. Current Population Survey; Expenditures based on 2003 Consumer Expenditure Survey, and Gasoline Prices are from EIA Average Weekly National Gasoline Prices. Rise in Gasoline prices from 2003 to 2005 is 30%.



<b>Table 5. Increased Statewide Expenditures on Gasoline</b>				
<b>State</b>	<b>2003 Estimated Households</b>	<b>Total Gallons in 2003</b>	<b>Total Expenditures in 2003</b>	<b>Additional Statewide Expenditure on Gasoline in 2004</b>
California	11,856,538	15,291,318,000	\$25,077,761,520	\$4,281,569,040
Texas	7,634,767	11,438,815,000	\$18,759,656,600	\$3,202,868,200
Florida	6,637,845	8,177,899,000	\$13,411,754,360	\$2,289,811,720
New York	7,118,706	5,878,203,000	\$9,640,252,920	\$1,645,896,840
Ohio	4,480,461	5,246,185,000	\$8,603,743,400	\$1,468,931,800
Pennsylvania	4,801,049	5,198,738,000	\$8,525,930,320	\$1,455,646,640
Illinois	4,624,605	5,160,627,000	\$8,463,428,280	\$1,444,975,560
Michigan	3,884,081	5,073,046,000	\$8,319,795,440	\$1,420,452,880
Georgia	3,152,672	5,042,648,000	\$8,269,942,720	\$1,411,941,440
New Jersey	3,122,552	4,498,312,000	\$7,377,231,680	\$1,259,527,360
North Carolina	3,270,705	4,333,388,000	\$7,106,756,320	\$1,213,348,640
Virginia	2,790,262	3,967,114,000	\$6,506,066,960	\$1,110,791,920
Indiana	2,350,535	3,304,859,000	\$5,419,968,760	\$925,360,520
Missouri	2,284,663	3,219,217,000	\$5,279,515,880	\$901,380,760
Tennessee	2,295,640	3,065,375,000	\$5,027,215,000	\$858,305,000
Massachusetts	2,435,941	2,856,187,000	\$4,684,146,680	\$799,732,360
Washington	2,382,320	2,744,367,000	\$4,500,761,880	\$768,422,760
Minnesota	2,011,984	2,729,882,000	\$4,477,006,480	\$764,366,960
Arizona	2,048,918	2,644,830,000	\$4,337,521,200	\$740,552,400
Maryland	2,048,134	2,633,084,000	\$4,318,257,760	\$737,263,520
Wisconsin	2,159,083	2,570,318,000	\$4,215,321,520	\$719,689,040
Alabama	1,743,476	2,510,664,000	\$4,117,488,960	\$702,985,920
Louisiana	1,672,717	2,451,856,000	\$4,021,043,840	\$686,519,680
South Carolina	1,567,798	2,386,648,000	\$3,914,102,720	\$668,261,440
Kentucky	1,607,214	2,316,436,000	\$3,798,955,040	\$648,602,080
Colorado	1,821,318	2,060,502,000	\$3,379,223,280	\$576,940,560
Oklahoma	1,341,376	1,851,927,000	\$3,037,160,280	\$518,539,560
Connecticut	1,323,339	1,643,523,000	\$2,695,377,720	\$460,186,440
Mississippi	1,055,591	1,634,036,000	\$2,679,819,040	\$457,530,080
Iowa	1,158,018	1,633,710,000	\$2,679,284,400	\$457,438,800
Oregon	1,409,401	1,562,443,000	\$2,562,406,520	\$437,484,040
Arkansas	1,075,918	1,453,019,000	\$2,382,951,160	\$406,845,320
Kansas	1,058,600	1,382,793,000	\$2,267,780,520	\$387,182,040
Nevada	833,679	1,062,557,000	\$1,742,593,480	\$297,515,960
Utah	752,030	1,028,499,000	\$1,686,738,360	\$287,979,720
New Mexico	698,088	970,936,000	\$1,592,335,040	\$271,862,080
Nebraska	675,472	884,526,000	\$1,450,622,640	\$247,667,280
West Virginia	731,690	835,553,000	\$1,370,306,920	\$233,954,840
Maine	535,091	776,789,000	\$1,273,933,960	\$217,500,920
New Hampshire	492,948	721,600,000	\$1,183,424,000	\$202,048,000
Idaho	503,145	623,066,000	\$1,021,828,240	\$174,458,480
Montana	365,680	509,611,000	\$835,762,040	\$142,691,080
Hawaii	419,441	447,536,000	\$733,959,040	\$125,310,080
South Dakota	299,280	436,284,000	\$715,505,760	\$122,159,520
Delaware	303,790	424,548,000	\$696,258,720	\$118,873,440
Rhode Island*	411,579	401,102,000	\$657,807,280	\$112,308,560
North Dakota	254,464	371,826,000	\$609,794,640	\$104,111,280
Vermont	242,047	354,097,000	\$580,719,080	\$99,147,160
Wyoming	198,778	352,050,000	\$577,362,000	\$98,574,000
Alaska	229,408	296,465,000	\$486,202,600	\$83,010,200
Washington, D.C.	246,669	149,015,000	\$244,384,600	\$41,724,200
<b>Total</b>	<b>108,419,506</b>	<b>138,608,029,000</b>	<b>227,317,167,560</b>	<b>38,810,248,120</b>

Sources: Households based on 2003 U.S. Current Population Survey. Gasoline prices, Energy Information Administration. Total Gallons per state, U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 2003, Motor Fuel Use, Table MF-21. \*Values for Rhode island from 2002.

## 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.

# Recommendations

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 are some steps that Congressional negotiators can take to help families and their regions cope with transportation costs, including high gas prices:

- 1. Affirm core programs and policies.** Beginning with the 1991 ISTEA law, Congress embraced a set of core program activities, emphasizing the delivery of flexible funding to state and local officials to allow them to craft transportation solutions that fit their needs. However, during this renewal cycle, priority has been given to “earmarking” a greater share of these program dollars to finance a substantially larger number of Member projects. Already there are more than 4,000 project earmarks in the pending legislation and the potential for even more when a final agreement is reached. If enacted in the final bill, fewer resources will be available to state and local officials to direct toward investments that combat rising transportation costs. More to the point, many of these project earmarks are not calibrated to the new reality of higher gas prices and are out of phase with the investments that are needed to reduce the outflow of dollars from households and regions.
- 2. Increase funding share for auto alternatives.** Congress has numerous opportunities to expand travel options for the public and help shield families from rising transportation costs as it completes work on the “SAFETEA” legislation. A strong commitment to public transportation is a good place to start, ensuring that at least 20 percent of the bill’s funding is committed to public transit programs. Monthly commute benefits should be the same for those who use transit and vanpools as those who drive to work. A strong commitment to a Safe Routes to School program promises to make walking and bicycling safer for school-age children, saving on school transportation costs. Likewise, ensuring a “fair share” of safety funds to make walking and bicycling safer will make it easier for families to save on transportation costs. And, innovative non-motorized pilot programs to show how alternatives to automobile travel can decrease traffic congestion and energy usage.
- 3. Keep rules in place to examine a full range of project alternatives, including transit, walking, and rail.** Federal transportation programs should require transportation decision-makers at the state and local level to examine a range of modal alternatives

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 conservation plans, and the views of resource agencies when planning for transportation projects.

- 4. Stay committed to clean air.** Existing federal transportation rules have prompted state, regional, and local transportation agencies to consider more fully how projects funded with federal transportation dollars affect air quality, resulting in different investment choices. In fact, successful efforts to curb air pollution have embraced many different strategies, such as expanding public transit, promoting walking and bicycling, increasing carpool and vanpool use and deploying new technologies. Getting serious about air quality is also about providing travel options and lowering transportation costs. About one out of every two Americans now lives in areas with unhealthy air quality.

Despite these realities, there are proposals before the conferees that would ease current rules on agencies operating in areas in non-compliance with federal air quality standards. Specifically, these agencies will find it easier to build new highways and shift their emphasis away from less polluting investments, such as expanding public transit systems, investing in facilities for walking and bicycling and pursuing innovative traffic management strategies.

## State, Regional, and Local

State, regional and local elected and appointed officials should consider these actions before moving forward to expend new funds that will be provided under the SAFETEA legislation:

- 1. Take advantage of the flexibility in federal transportation programs.** These are volatile times for oil prices and oil supplies and this challenges state and local leaders to evaluate all their options and hedge their bets before committing the resources under any new federal legislation. It is certain that the new law will continue to give state and local officials considerable flexibility over how they use federal highway dollars. This means they have the opportunity to pursue a range of investments that can lower the costs to families, from keeping existing highway systems in a better state of repair, to expanding transit services, deploying new signal systems and other technologies, improving operations, testing out innovative traffic management strategies, and/or making improvements to existing highway infrastructure to promote greater public transit use, walking, and bicycling. Federal dollars can be used for these and other purposes, despite restrictions in many state laws that limit how state transportation dollars can be used. In states with these funding limitations, delivering more travel options and strategies that help families and regions save on energy costs will rely on state and local officials making wiser use of the more flexible federal transportation dollars. It is

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 save money for families and slow the outflow of dollars from regional economies to pay for higher gas prices.
- 4. Make Family Budgets and Regional Economics a Priority.** The data provided by the Bureau of Labor Statistics (BLS) that allows for the tracking of household expenditures in these 28 selected metropolitan areas provides a powerful tool for understanding transportation costs as well as the linkages between transportation and housing decisions. This data allows officials in these areas to measure how public decisions affect taxpayers. At a minimum, State and local officials throughout the U.S. should insist that their transportation and housing leaders provide better data and information aimed at improving the transparency of transportation and housing program finances, giving these decision-makers and the public some better tools for measuring how public investments and decisions are affecting household expenditures and local economies.

## Conclusion

Our previous reports noted that even during times of gasoline price stability, transportation was already the second largest expenditure for American households; this report, however, suggests that those relatively stable times might be a thing of the past. The last run-up in gas prices since the turn of the millennium amounts to an annual cost increase to the nation of about \$100 billion.

Discussions on transportation policy go forward as though the cost of living doesn't matter. In fact, that's exactly what has occurred over the last three years of debate on the reauthorization of TEA-21 and the more recent debate on the future of Amtrak and inter-city passenger rail transportation.

This report underscores why better management of household and business travel demand, focused on providing alternatives to automobile travel, should be seen as America's first line of defense in delivering more conservation, greater economic security for families and communities, and stronger regional and national economies that don't "leak" their wealth. Providing transportation choice on the ground, as this report shows, is the pathway for addressing these challenges head on.

With the 1991 ISTEA law, Congress wisely required analysis of the effects of transportation decisions on communities and mobility. Within this framework, everyday actions that might result in amenities such as grocery stores being located near centers of population can, in effect, count as the right kind of actions. Similarly, investments in long-lived public transportation or in creative and flexible forms of transit such as car-sharing count for their ability to reduce the need to travel by automobile, and the associated need to purchase gasoline to fuel that travel. That kind of information, married to the understanding that providing more travel options, can be a significant means of generating savings and thereby generating wealth, providing a front line of defense against the continued drain of dollars to pay for gasoline.

Importantly, Congress still has time during the conference committee on SAFETEA to require States, Metropolitan Planning Organizations, and the U.S. Department of Transportation to undertake regular analysis of the sort provided in this report, answering both questions of trend and of the impact of proposed public investments on pocketbooks and regional economies.

Americans now realize that how we build our homes and offices determines how dependent we are on electricity and natural gas; that understanding can be extended to how we build our communities, what kinds of transportation choices result, and what these choices can do for helping manage the cost of living. Congress wisely gave States and regional transportation agencies the power to use federal dollars flexibly in exchange for their willingness to assume environmental and economic responsibility. It's time for these decision-makers to assume more responsibility for helping families save on transportation costs and, in so doing, better manage our scarce public investment resources.

## Endnotes

- <sup>1</sup> Previous versions of Driven to Spend, “Driven to Spend”, and “Transportation Costs and the American Dream”, can be accessed on the Surface Transportation Policy Project’s website, [www.transact.org](http://www.transact.org).
- <sup>2</sup> “Retail Gasoline Historical Prices”, *Energy Information Administration*, Washington D.C., <http://tonto.eia.doe.gov/oog/ftparea/wogirs/xls/pswrgvwag.xls>.
- <sup>3</sup> Based on Center for Neighborhood Technology analysis of 1984-2003 Consumer Expenditure Surveys, *Bureau of Labor Statistics*, <http://www.bls.gov/cex>.
- <sup>4</sup> In March 2005, the CPI rose .4%, the biggest increase in more than two years. Henderson, Nell. 2005. “Rising Consumer Prices Outpace Gains in Wages.” *Washington Post*, April 21.
- <sup>5</sup> Riccardi, Nicholas. 2005. “Wages Lagging Behind Prices: Inflation has outpaced the rise in salaries for the first time in 14 years. And workers are paying a bigger share of the costs of their healthcare.” *Los Angeles Times*, April 11.
- <sup>6</sup> In 2004, the CPI rose more quickly than wages for the first time since 1990-1991, by 2.7%, while wages rose by just 2.5%. Riccardi, Nicholas. 2005. *Los Angeles Times*, April 11.
- <sup>7</sup> “All Grades All Formulations Retail” from “Retail Gasoline Historical Prices”, *Energy Information Administration*, Washington D.C. <http://tonto.eia.doe.gov/oog/ftparea/wogirs/xls/pswrgvwag.xls>.
- <sup>8</sup> Eric J. Keil, “Out-of-pocket spending for private health insurance”, *Consumer Expenditures, 1999 and 2000, Monthly Labor Review*, May 2003.
- <sup>9</sup> Transit System Type by Reconnecting America’s Center for Transit Oriented Development, “Hidden in Plain Sight: Capturing the Demand for Housing Near Transit”, April 2004 for the Federal Transit Administration.
- <sup>10</sup> “Living for The City: Developing Smart Growth Leadership in Detroit”, *Michigan Land Use Institute and the National Association for the Advancement of Colored People*, Spring 2005.
- <sup>11</sup> An exact geographical comparison of the 2003 American Community Survey and the 2003 Consumer Expenditure Survey 2003 is not available, however in the 2003 American Community Survey the estimated mean household income for the cities of Minneapolis and St. Paul were \$57,526 and \$52,790, respectively, and the mean household income in the largest county, Hennepin, was \$73,414, whereas the mean household income of the Survey respondents in the Minneapolis-St. Paul area for the 2003 Consumer Expenditure Survey was \$69,758 and their total expenditures were \$54,088.
- <sup>12</sup> Atlanta Journal Constitution. 2005. A Vehicle to go broke: The rising cost of automobile ownership makes transportation alternatives all the more urgent. May 20.; Teague, Don. 2005. Commuters feel the crunch in Atlanta as U.S. population shifts South, traffic flows. *NBC News*, April 28.
- <sup>13</sup> U.S. Department of Transportation, Federal Highway Statistics, Office of Highway Policy Information. Our Nation’s Highways 2000. <http://www.fhwa.dot.gov/ohim/onh00/onh2p1.htm>.
- <sup>14</sup> U.S. Department of Energy, Energy Efficiency, and Renewable Energy. *2004 Transportation Data Energy Book, Edition 24*. Oak Ridge National Laboratory, Tables 4-1 and 4-2.
- <sup>15</sup> U.S. Department of Transportation, Federal Highway Administration. *Highway Statistics 2003*. Motor Fuel Use, Table MF-21, Total Gallons per State (total combined gasoline and gasohol). <http://www.fhwa.dot.gov/policy/ohim/hs03/hm/mf21.htm>.
- <sup>16</sup> U.S. Census 2000
- <sup>17</sup> Estimated Median Family Income, American Community Survey, 2003.
- <sup>18</sup> In the Consumer Expenditure Survey, the category “Retirement, pensions, and Social Security” includes all Social Security contributions paid by employees; employee contributions to railroad retirement, government retirement, and private pension programs; and retirement programs for the self-employed.
- <sup>19</sup> Henderson, Nell. *Washington Post*, April 21, 2005, page E01.
- <sup>20</sup> Ibid.
- <sup>21</sup> Ibid.
- <sup>22</sup> Riccardi, Nicholas. 2005. *Los Angeles Times*, April 11.
- <sup>23</sup> Tompor, Susan. 2005. Don’t drive yourself into the poorhouse: It’s easy to overspend when car buying, so don’t look beyond the size of the monthly payment. *Knight Ridder Newspapers*, April 3.
- <sup>24</sup> Henderson, Nell. 2005. Rising Consumer Prices Outpace Gains in Wages. *Washington Post*, April 21.
- <sup>25</sup> Mouawad, Jad. 2005. Oil’s Lesser Role in U.S. Economy Limits Damage from High Prices. *New York Times*, April 23.
- <sup>26</sup> Ibid.
- <sup>27</sup> Ibid.
- <sup>28</sup> Ibid.
- <sup>29</sup> Based on the average annual household expenditures on gasoline and motor oil in the 2003 Consumer Expenditure Survey, Bureau of Labor Statistics and the number of households in the U.S. from the American Community Survey, U.S. Census, 2003.
- <sup>30</sup> Ibid.
- <sup>31</sup> Riccardi, Nicholas. 2005. *Los Angeles Times*, April 11.