

How Much Do California's Low-Income Households Spend on Transportation?

Because high transportation costs can hinder employment prospects and economic self-sufficiency, California policymakers have fashioned a variety of programs to make transportation more affordable for low-income households. However, little empirical research has examined actual transportation expenditures among these households or addressed the more general issue of transportation affordability.

In *Transportation Spending by Low-Income California Households: Lessons for the San Francisco Bay Area*, PPIC research fellow Lorien Rice explores the role that these expenditures play in household budgets, both in California's metropolitan areas and in the Bay Area more specifically. In particular, she analyzes vehicle and transit expenditure data, estimates costs for various commutes in the Bay Area, and explores mode choices and other travel factors that influence monetary costs. Responding to a request from the Metropolitan Transportation Commission (MTC), Rice also reviews policy options to address transportation affordability and proposes ideas for further research. Her findings indicate that low- and higher-income households spend about the same portion of their budgets on transportation—despite the fact that low-income households are more likely to use public transit, carpool, or walk to work.

Key Findings

Transportation was the third-largest budget item for low-income households in California's metropolitan areas. For the state's low-income households—roughly speaking, the lowest 25 percent of the income distribution—only spending on housing and food outstripped transportation expenditures. For higher-income households, transportation replaced food as the second-largest budget item.

Low-income households in the state's urban areas allocated a slightly smaller proportion of their household expenditures to transportation than did higher-income households. Across all forms of transportation, average

annual expenditures among low-income households came to \$2,164, which accounted for 13 percent of their household budgets (see the table). Higher-income households spent an average of \$6,569 annually on transportation, which represented 15 percent of their budgets.

Median Annual Transportation Expenditures for California Households

	Low-Income Households		All Other Households	
	Dollar Amount	% of Household Budget	Dollar Amount	% of Household Budget
Transportation expenditures for all households	2,164	13	6,569	15
Public transit expenditures for transit users	360	2	434	1
Private vehicle expenditures for vehicle users	3,586	19	7,144	16

Source: Consumer Expenditure Survey, Bureau of Labor Statistics, 1999–2001.

Cost appears to be a barrier to private vehicle use among low-income households. Vehicle ownership rates are substantially lower for the low-income population than for others. In the Bay Area, only 53 percent of low-income workers drive alone to work compared to 70 percent of higher-income workers. Among low-income California households that use private vehicles, expenditures related to those vehicles consumed about 19 percent of their household budgets compared to 16 percent for higher-income households. Some low-income households had very high vehicle expenditures; 10 percent of low-income households devoted 35 percent or more of their budgets to private vehicles.

For most low-income households, transit fares were unlikely to be a major barrier to reaching essential destinations, although transit fares may pose a barrier for some. Low-income households that used transit regularly spent an average of \$360, or 2 percent of their total expen-

ditures, on public transit. Factors such as route location, service frequency, and punctuality appear to be more important than transit costs. The importance of nonmonetary factors is underscored by the low-income vehicle ownership rate of 66 percent, which demonstrates that the majority of low-income households are choosing to own private vehicles in spite of the substantially higher expenditure levels that accompany vehicle use. Among welfare recipients only a small share indicate that the monetary costs of transit are a concern. Rice notes, however, that the nonmonetary costs—including commuting time, loss of access, and forgone job opportunities—may be high for low-income households relying on public transit. For some, even the monetary costs may be a barrier. Rice finds that transit costs for some illustrative commutes in the Bay Area accounted for about 5 to 10 percent of the median income for low-income households. This figure would be higher if it included noncommuting transit expenditures, suggesting that Bay Area fares may be unaffordable for some residents.

Low-income commuters were less likely than others to drive alone and more likely to carpool, walk, or travel by bus. Although low-income commuters were less likely than their more affluent counterparts to drive alone to work, over half did so. About 17 percent of low-income workers carpooled compared to 12 percent of other workers; 12 percent took the bus to work compared to 5 percent of others; and 7 percent walked to work compared to 3 percent of higher-income workers. Use rates for light rail, trolleys, ferries, and bicycles were similar across the two income groups.

Low-income workers had slightly shorter commute times than did other workers. On average, low-income workers had 28 minute commutes compared to 30 minute trips for other commuters. These shorter commute times are associated with shorter distances traveled. Low-income transit users had significantly shorter commutes than their higher-income counterparts, and the propensity to walk among low-income workers also lowered their average commute time. (The average walking commute was only ten minutes.) Drivers in both income groups spent about the same amount of time on the road.

Rice notes that although low-income households spend a slightly smaller share of their budgets on transportation than do more affluent households, the findings do not

provide definitive answers about whether transportation is affordable—that is, whether the cost of transportation is a barrier to access to essential destinations, such as jobs and health care. For several reasons, affordability cannot be inferred from expenditure data alone. First, a household may have low expenditures on a budget item, such as a private vehicle, precisely because it is unaffordable. Second, even cost data cannot fully capture affordability, which is also a function of the costs of competing household budget items, the ability to borrow or draw on savings to cover costs, the level of transportation needs, and the quality of transportation services available. However, the analysis does suggest that private vehicle costs may hinder vehicle ownership for low-income households and that some families may find transit costs problematic as well.

Rice concludes that transportation planners concerned about affordability should weigh the benefits associated with each policy option in terms of time costs, mobility, and other aspects of transportation quality. Lower costs do not necessarily make families better off if they come attached to longer commute times or reduced mobility. If the quality of service for low-cost modes of transportation is improved such that households choose to limit vehicle ownership and use, this may substantially reduce the cost of transportation for these families. She also notes that no single policy solution is likely to make transportation affordable for all low-income families. Policies should therefore accommodate differences in the geographical distribution of jobs and workers as well as the needs of specific subgroups, such as households with children or those with extremely low incomes.

Rice also identifies two priority areas for future research. Surveys of low-income Bay Area residents could help gauge the relative importance of transportation costs compared to other factors, such as the reliability of public transit, commute times, and safety. The results could also help identify specific subgroups that need financial assistance. A second promising area for future research is the formal evaluation of different transportation affordability programs in the Bay Area. A wide variety of projects addressing transportation affordability are already in place around the Bay Area, and new ones will certainly appear over time. Evaluating the success of these projects will help policymakers understand how to allocate resources to meet the transportation needs of low-income households most effectively.

This research brief summarizes a report by Lorien Rice, Transportation Spending by Low-Income California Households: Lessons for the San Francisco Bay Area (2004, 190 pp., \$15.00, ISBN 1-58213-090-6). The report may be ordered by phone at (800) 232-5343 [U.S. mainland] or (415) 291-4400 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California.
