

Economic Impacts to Local Economies

Full Report: Measuring the Economic Benefits of Rural and Small Urban Transit Services in Greater Minnesota

Transit impacts local economies in several ways. Economic impacts include those from transit spending, improved access to shopping, and increased population in the community.

Economic Impacts from Transit Spending

The impacts from transit spending are those that result from the existence of transit operations, including direct effects, indirect effects, and induced economic activity. The direct effect includes jobs created directly by the transit system – drivers, dispatchers, mechanics, bookkeepers, program directors, etc. The indirect effect results from jobs and income spent in industries that supply inputs or services to public transit such as fuel, repairs, insurance, etc. Induced economic activity results from the income generated through both the direct and indirect effects. These induced effects occur when the people who work for the transit system or the businesses indirectly affected by transit spend their new income in the community. This spending supports additional jobs in the local economy. Economic impacts were estimating using an input-output model, which is a quantitative economic model that traces the path of spending throughout the local economy. The method uses multipliers to capture this path of effects.

The TREDTransit Calculator, an online software tool produced by TREDIS, was used to estimate economic impacts from transit spending. The analysis estimated total jobs supported, labor income, value added, and output. Value added includes labor income, taxes, and other income or profit. Output is the total change in local sales.

Rural transit directly supports 1,758 jobs throughout the state, and 169 additional jobs are supported through the indirect and induced effects. For rural systems, direct labor income is \$37.8 million, plus an additional \$5.6 million through indirect and induced effects. The direct value added is \$37.9 million, and indirect and induced value added provide an additional \$7.4 million. The estimated output effects include \$51.8 million in direct effects, plus an additional \$19.7 million through indirect and induced effects. Total impacts are 1,928 jobs supported, \$43.4 million in labor income, \$45.2 million in value added, and \$71.5 million in output.

Across Greater Minnesota, urban transit directly supports 916 jobs, and 271 additional jobs are supported through the indirect and induced effects. Direct labor income is \$25.3 million, plus an additional \$10.0 million through indirect and induced effects. The direct value added is \$25.8 million, and indirect and induced value added provide an additional \$12.8 million. The estimated output effects include \$45.1 million in direct effects plus an additional \$27.6 million through indirect and induced effects. Total impacts are 1,187 jobs supported, \$35.3 million in labor income, \$38.7 million in value added, and \$72.7 million in output.

While government investment in other activities could also generate jobs, income, and economic activity, investment in transit is particularly effective in generating economic impacts because labor costs represent a large majority of transit costs, and transit employees typically live within the communities they serve. Therefore, dollars spent on transit are likely to stay within the local community.

Economic Impacts from Improved Access to Shopping

Transit also impacts the local economy by improving access to local businesses for those who cannot or do not drive. To estimate these impacts, rider surveys from six case study agencies in Greater Minnesota collected information about the number of transit trips that support local businesses, such as for shopping and restaurants, that otherwise would not have been made had transit not been available. Based on survey responses, estimates were made for the average amount of spending made on these trips to estimate total new spending in the community. Then, economic multipliers were used estimate the overall impacts of this increased spending.

Table 1 shows the estimated economic impacts of total shopping trips made by transit riders in Greater Minnesota. Some of these shopping trips would still occur if transit was not available, but some would be lost to out-of-state online shopping. Table 2 estimates the economic impacts of shopping supported by transit that would have occurred online if there were no transit.

Table 1. Economic Impacts of Total Shopping Trips Made by Transit Riders in Greater Minnesota

| | Rural | Urban | Total |
|------------------|-----------|-----------|-----------|
| Earnings (\$) | 1,227,824 | 1,527,483 | 2,755,307 |
| Jobs | 48 | 60 | 108 |
| Value Added (\$) | 2,566,598 | 3,190,431 | 5,757,029 |

Table 2. Economic Impacts in Greater Minnesota of Shopping That Would Have Occurred Online

| | Rural | Urban | Total |
|------------------|---------|---------|---------|
| Earnings (\$) | 178,034 | 290,222 | 468,256 |
| Jobs | 7 | 11 | 18 |
| Value Added (\$) | 372,157 | 606,182 | 978,339 |

Economic Impacts from Keeping People Living in the Community

Transit can further impact the local economy by allowing residents to continue living in the community. Without transit, some may need to move to another city with improved access to amenities. Transit, therefore, supports population, which then supports the local economy. Based on survey responses, 7% to 21% of transit riders, depending on the transit agency, said they would move to another town or city if the bus service was not available in their community. Table 3 details the economic impacts of keeping these individuals in the local community for six case study agencies.

Table 3. Economic Impacts of Keeping People in the Community

| | Paul Bunyan Transit | SMART | St. Cloud Metro Bus | St. Peter Transit | Timber Trails | Trailblazer Transit |
|-------------------------|---------------------------|---------|---------------------------|-------------------------|------------------|------------------------|
| Earnings (\$) | 118,662 | 418,243 | 3,294,278 | 67,728 | 83,720 | 293,509 |
| Jobs | 3 | 11 | 93 | 2 | 2 | 8 |
| Value Added (\$) | 235,814 | 781,552 | 6,414,782 | 128,370 | 163,024 | 571,535 |