



# Project Summary

Texas Department of Transportation

## 0-6194: Quantifying the Purchasing Power of Public Transportation in Texas

### Background

Investments in public transportation in Texas contribute to the state and local economy by improving transportation options, which in turn creates benefits for individuals, businesses, and governments. While these benefits are generally recognized, there is no formal estimate of the economic impacts of public transportation in Texas. The research for this project documented the purchasing power of public transportation and quantified the impact on state and local economies.

Public transportation services in Texas are provided by many different agencies. Each of these agencies buys goods and services on an individual basis. There are only a few examples of cooperative purchasing, usually to purchase vehicles. The many public transportation providers and the lack of coordination lead to inefficiencies. Research for this project identified how cooperative purchasing can reduce costs and administrative overhead for procurement activities.

### What the Researchers Did

The research was structured into three tracks. In one track, researchers gathered data from providers to quantify the investment in public transportation in Texas. The data were used to estimate the economic impact of the expenditures.

In another track, researchers explored the resources available for implementation of cooperative purchasing. Researchers also surveyed public transportation providers to document current practice and to measure interest in cooperative purchasing and green purchasing. Green purchasing includes the acquisition of recycled content products, environmentally preferable services, and alternatives to hazardous or toxic chemicals.

In the third track, researchers assessed the opportunities for expanded cooperative purchasing by public transportation providers in Texas.

### What They Found

*Purchasing Power and Economic Impact* - According to the research, the purchasing power of public transportation in Texas is more than \$1.8 billion annually. Transit providers spend more than \$1.2 billion in operating expenses (2007) and almost \$0.6 billion in capital expenses (average annual 2005-2007). The estimated impact of expenditures for public transportation on the economy of Texas is based on the multiplier concept. The multiplier concept recognizes that when an expenditure is made, the initial direct outlay of money creates additional business activity, stimulates employment, and generates household income and government revenue.

### Research Performed by:

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The economic impact of public transportation on the economy of Texas is estimated to be a multiplier of 2.11. The \$1.8 billion in annual expenditures generates more than \$3.8 billion in direct, indirect, and induced economic impact in the state. Researchers documented the economic impact on the local economy by calculating the multiplier effect of expenditures for public transportation in each Texas Department of Transportation (TxDOT) district.

*Current Practices in Cooperative Purchasing* - Cooperative purchasing is increasingly popular at federal, state, and local levels. Several state agencies and associations offer resources for cooperative purchasing, including the Texas State Comptroller of Public Accounts, Houston-Galveston Area Council, and Texas Municipal League.

Researchers investigated and documented the cost saving benefits of programs sponsored by Texas Procurement and Support Services (TPASS) for the Comptroller. TPASS provides opportunities for transit providers to use purchase cards and fuel cards.

Researchers found that most urban and rural transit providers are members of the Texas Cooperative Purchasing Program and eligible for a state purchase card; however, only 16 providers reported using state purchase cards. Transit providers using the card reported benefits in savings for administrative costs, revenue from rebates, and improved end-user control of small purchases.

The state fuel card provides a means for purchase of federal tax-exempt fuel and related automotive goods and services. Researchers confirmed the savings from fuel discounts and rebates; however, only a few transit providers currently take advantage of savings by using the state fuel card.

A survey of transit providers in Texas provided information regarding current practices in cooperative purchasing. Almost 40 percent of transit providers have not participated in any cooperative purchasing. Although 60 percent have participated in one or more cooperative purchasing programs, the majority (93 percent) of these used cooperative purchasing to procure vehicles. Survey respondents who do not participate said they are unaware of the cooperative purchasing opportunities available through state and regional programs.

## *What This Means*

Dollars invested in public transportation in Texas flow through all sectors of the economy and through urban and rural areas of the state. This research confirms that investment in public transportation provides an economic stimulus of as much as 2.11 dollars for every dollar invested by increasing jobs, income, profit, and tax revenue.

Cooperative purchasing can save direct costs, generate rebates, and reduce administrative costs. However, many transit providers are not aware of the benefits of cooperative purchasing and have not participated in available programs. TxDOT can expand the opportunities for transit providers in Texas to use cooperative purchasing by actively providing information to more providers.

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