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Prepared for Rep. Louise McIntosh Slaughter

The Impact of Increased Gasoline Prices in the Buffalo and Rochester Areas

BACKGROUND

In recent weeks, gasoline prices have increased dramatically, exceeding \$2.25 per gallon and reaching record highs in April 2005.¹ The cost of gasoline is expected to remain high, with the United States Energy Information Administration predicting prices at record levels through the summer.² This will be the second consecutive summer with record high gasoline prices.³

These high gasoline prices have significant impacts on family budgets — and on the economy as a whole. Increased expenditures for gasoline reduce families' discretionary income and can result in inflation in the price of consumer goods. One analyst indicated that “for low-income households in particular, the choice increasingly is becoming: “Do I fill my gasoline tank or do I buy something else?”⁴

At the request of Rep. Louise McIntosh Slaughter, this analysis examines the impact of the increase in gasoline prices in the Buffalo and Rochester areas. It finds that the increased costs could force motorists in the Buffalo and Rochester areas to pay almost \$200 million more for gasoline in the spring and summer than they did over the same time period in 2003. For the average family in the Buffalo area, the increase in gasoline prices could increase fuel costs by approximately \$370 over the next six months. For the average family in the Rochester area, the increase in gasoline prices could increase fuel costs by approximately \$400 over the next six months.

METHODOLOGY

This analysis estimates the increased amount that consumers will spend on gasoline from April 1, 2005, through September 30, 2005, due to rising gasoline costs. It is based upon (1) data from

¹ *Gasoline Keeps On Rising*, CNN Money (Apr. 8, 2005).

² Energy Information Administration, *Short Term Energy Outlook* (Apr. 7, 2005) (online at <http://www.eia.doe.gov/emeu/steo/pub/contents.html>).

³ *Id.*

⁴ Mark Zandi, quoted in *Get Used to High Gas Prices, U.S. Says*, Los Angeles Times (Apr. 8, 2005).

the United States. Energy Information Administration that tracks changes in fuel prices and (2) data from the Department of Transportation's Federal Highway Administration that tracks fuel usage and driving patterns at the state and local level. This data is used to estimate total gasoline usage for the state and for the Buffalo and Rochester areas. Total increased spending on gasoline is determined by multiplying the estimated increase in gasoline prices between 2003 and 2005 by the estimated amount of gasoline that will be used in the area.

FINDINGS

A. Gasoline Prices in the Buffalo and Rochester Areas

In recent months, gasoline prices have increased rapidly statewide and in the Buffalo and Rochester areas. On April 8, 2005, the average price of a gallon of regular gas in New York was \$2.31.⁵ Compared to prices one year ago, this represents an increase of 44 cents per gallon.⁶ Prices have increased by a similar amount in the Buffalo and Rochester areas. On April 8, 2005, the average price of a gallon of regular gasoline in the Buffalo area was \$2.28, an increase of 42 cents per gallon compared to prices one year ago.⁷ The average price of a gallon of regular gasoline in the Rochester area was \$2.30 an increase of 45 cents per gallon compared to prices one year ago.⁸

The U.S. Energy Information Administration has predicted that gas prices will remain at or near record high levels through the summer, the second consecutive year of record gasoline prices.⁹ In 2003, from April through September, the average gasoline price in the U.S. was \$1.61 per gallon.¹⁰ In 2004, over this same time period, the average price of a gallon of gasoline was \$1.93 per gallon. The United States Energy Information Administration predicts that over the same time period in 2005, the average price of a gallon of gasoline will be \$2.28. This represents a 67 cent increase per gallon compared to 2003 prices — a 42% increase.

B. The Impact of Increased Gasoline Prices in the Buffalo and Rochester Areas

In 2005, drivers in New York State will purchase approximately 6.1 billion gallons of gasoline, over 500 million gallons per month.¹¹ Assuming that average gasoline prices are 67 cents per

⁵ AAA, *Daily Fuel Gauge Report* (March 29 2005).

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ Energy Information Administration, *supra* note 2.

¹⁰ *Id.*

¹¹ The latest statewide data available from the Federal Highway Administration is for 2003. FHWA, *2003 Monthly Motor Fuel Use Reported by States* (Nov. 2004). This data shows that drivers in New York purchased 5.9 billion gallons of gasoline in 2003. According to the Energy Information Administration, gasoline use will increase by approximately 3% between 2003 and 2005. A 3%

gallon higher this year than in 2003, increased gasoline prices would cost drivers statewide an additional \$340 million monthly compared to what they paid in 2003. Over the six-month spring and summer driving period, the total increased cost would be \$2 billion.

An estimated 6% of all gasoline used in New York is used in the Buffalo area.¹² This means that Buffalo drivers purchase approximately 30 million gallons of gasoline monthly. Assuming that gas prices in the region are 67 cents per gallon higher this summer than in 2003, increased gasoline prices will cost Buffalo drivers an additional \$20 million monthly compared to what they paid in 2003. Over the six-month spring and summer driving season, the total increased cost for Buffalo drivers would be approximately \$120 million.

An estimated 4% of all gasoline used in New York is used in the Rochester area.¹³ This means that Rochester drivers purchase approximately 20 million gallons of gasoline monthly. Assuming gas prices in the region remain 67 cents per gallon higher this summer than in 2003, increased gasoline prices will cost Rochester drivers an additional \$13 million monthly compared to 2003. Over the six month spring and summer driving season, the total increased cost for Rochester drivers would be approximately \$78 million.

C. Individual Costs of Increased Gasoline Prices in Buffalo and Rochester

There are an estimated 650,000 drivers in the Buffalo area.¹⁴ On a per-driver basis, the increased gasoline prices will cost the average driver in Buffalo approximately \$185 more in fuel costs between April 1 and September 30 compared to 2003. An average two-car family in the Buffalo area will spend an additional \$370 on gasoline during this six-month period.

There are an estimated 390,000 drivers in the Rochester area.¹⁵ On a per-driver basis the increased gasoline prices will cost the average driver in Rochester almost \$200 more over the next six months than in 2003. An average two-car family in the Rochester area will spend an additional \$400 on gasoline during the next six months.

increase in gasoline use in New York would result in New York drivers using 6.1 billion gallons of gasoline in 2005. Energy Information Administration, *supra* note 2.

¹² Based on Federal Highway Administration estimates that 6% of all vehicle miles traveled in New York are in the Buffalo area. This analysis assumes that gasoline use is in direct proportion to vehicle miles traveled. Federal Highway Administration, *Highway Statistics, 2003* (2005).

¹³ *Id.* Based on Federal Highway Administration estimates that 4% of all vehicle miles traveled in New York are in the Rochester area.

¹⁴ Federal Highway Administration data show that statewide, there are 592 registered drivers for every 1,000 individuals in New York. *Id.* Assuming this ratio applies to the population of the Buffalo area, which is 1.1 million, there would be 650,000 drivers in the Buffalo area.

¹⁵ *Id.* Assuming the ratio of 592 drivers for every 1,000 individuals applies to the population of the Rochester area, which is 658,000, there would be 390,000 drivers in the Rochester area.

CONCLUSION

This analysis finds that increasing gasoline costs will have a significant impact on drivers in the Buffalo and Rochester areas. In the aggregate, increased gasoline prices could cost area drivers almost \$200 million over the next six months, with the average two-car family in the area paying \$370 to \$400 extra for gasoline during this period.