



MEMORANDUM

To: Transportation Committee

Date: September 10, 2009

From: Matt Maloney

Re: Transportation Financial Plan (Forecast of Core Revenues)

For *GO TO 2040*, CMAP is preparing a forecast of both *core* as well as *reasonably expected* revenue sources. This breakdown reflects the current guidance from FHWA and FTA for the preparation of a fiscal constraint in long range transportation plans. The accompanying tables represent CMAP's first effort at forecasting core revenues over the 2040 planning horizon. These figures are subject to change based on ongoing quality control and feedback from transportation implementers. Revenue totals are reflected in "year of expenditure" dollars, which is commensurate with the federal requirement for MPO long range plans. Forecasted expenditures will be shared with the Committee in the near future and will also be reflected in year of expenditure dollars.

The revenue forecast for *GO TO 2040* has been constructed somewhat differently than in past plans. The main two differences are 1) the use of year of expenditure dollars rather than constant dollars and 2) considerably more attention paid to analyzing local "own-source" revenues. These are non state and federal sourced revenues used by municipalities, counties and townships for transportation purposes. Please see the attached table on revenue assumptions for more detail. Staff is currently working on an accompanying report which will give more detail on historical transportation finance trends in northeastern Illinois.

Forecasting core revenues is meant to provide a benchmark from which additional funding can be identified. The overriding assumptions used to forecast core revenue trends include the following:

- Northeastern Illinois anticipates continued revenues from federal, state, and local sources for the building, operations, and maintenance of the current roadway and transit systems over the long range planning horizon;

- Over the planning horizon, the various sources of transportation revenues and allocation mechanisms are assumed to remain the same as today. Thus, the core forecast does not include any tax increases or alterations to funding formulas;
- For the different revenue sources, historical trends are used to predict future revenues. Different methods are utilized for different revenue sources. This reflects the differing levels of variance among these sources throughout recent years.

All core revenue sources, whether federal highway and transit funds, State motor fuel tax funds, or local sales tax funds, reflect policy decisions made by various units of government. These decisions are nearly impossible to predict. It can be argued that the only way to compensate for this uncertainty in a long range forecasting exercise is to divorce the revenue totals from their sources by consolidating most or all revenue sources into one regional number. This would assume the continued flow of dollars to northeastern Illinois based on historical trends but make no assumptions regarding the delivery systems of these revenues.

However, it is similarly important for CMAP to provide its partners with the most up-to-date information on existing revenue sources and their historical trends. While it is not the role of the fiscal constraint to make specific policy recommendations, a clear exposition of funding sources and historical dollar amounts helps to ground the regional dialogue around matters of transportation policy and finance. Providing this information requires identifying and analyzing historical trends across varying revenue sources and making a series of different assumptions based upon these trends. In many cases, CMAP has consolidated certain funding sources, particularly at the federal and local levels. Please see the fiscal constraint table and accompanying descriptions and assumptions for more detail.

FHWA/FTA guidance on the fiscal constraint also permits MPOs to calculate revenues that can “reasonably be expected”. What is “reasonable” usually constitutes a judgment call, based upon the current political and policy climate at various levels of government. The region’s “reasonably expected” revenues may include new sources of transportation funding likely to materialize during the 2040 planning horizon. These could include elements such as:

- An increase in the State MFT.
- The institution of a vehicle miles traveled (VMT) tax.
- The institution of congestion pricing on segments of the region’s expressways.
- The institution of variable parking pricing in the region.
- Public-private partnerships for financing major projects.
- Other financing mechanisms specific to selected major capital projects.

CMAP staff continues to analyze some of these reasonably expected revenues and will continue to present these matters to the Transportation Committee as the *GO TO 2040* process moves forward.

ACTION REQUESTED: Discussion of the Core Revenue Forecasts

GO TO 2040 PLAN (RTP) REGIONAL REVENUES- "YEAR OF EXPENDITURE" DOLLARS (Millions)

	REVENUE SOURCES	FY 11-15	FY 16-20	FY 21-25	FY 26-30	FY 31-35	FY 36-40	TOTAL
Federal	Surface Transportation Program	\$600	\$760	\$963	\$1,220	\$1,545	\$1,956	\$7,044
	Congestion Mitigation and Air Quality Program	\$302	\$383	\$484	\$614	\$777	\$984	\$3,544
	Other Federal Highway	\$1,907	\$2,415	\$3,059	\$3,875	\$4,908	\$6,216	\$22,380
	Federal Transit Funding- Major Formula Programs	\$2,401	\$2,921	\$3,554	\$4,324	\$5,261	\$6,401	\$24,863
	Federal Transit Funding- New Starts	\$827	\$1,006	\$1,224	\$1,489	\$1,812	\$2,204	\$8,562
	Federal Subtotal							\$66,392
State	Public Transportation Fund (PTF)	\$1,531	\$1,782	\$2,076	\$2,418	\$2,817	\$3,281	\$13,905
	State Motor Fuel Tax (MFT)	\$1,454	\$1,557	\$1,660	\$1,763	\$1,866	\$1,969	\$10,268
	Motor Vehicle Registration Fees Component of Road/Construction Fund	\$2,953	\$3,423	\$3,969	\$4,601	\$5,333	\$6,183	\$26,461
	Toll Revenues- Illinois Tollway	\$3,905	\$4,402	\$4,675	\$4,883	\$5,015	\$5,123	\$28,004
	State Capital Program Revenues	\$4,362	\$0	\$5,519	\$0	\$6,296	\$0	\$16,177
	Reduced Fare Reimbursement	\$181	\$181	\$181	\$181	\$181	\$181	\$1,087
	State Subtotal							\$95,901
Local	RTA Sales Tax	\$5,103	\$5,940	\$6,919	\$8,060	\$9,389	\$10,938	\$46,349
	Local Allotment of State Motor Fuel Tax	\$1,997	\$2,139	\$2,280	\$2,422	\$2,563	\$2,705	\$14,105
	Collar County Transportation Empowerment Program	\$589	\$686	\$799	\$931	\$1,084	\$1,263	\$5,353
	County Option Motor Fuel Taxes	\$160	\$168	\$177	\$186	\$195	\$205	\$1,091
	Other Local Own Source Revenues	\$6,630	\$7,196	\$7,809	\$8,475	\$9,198	\$9,982	\$49,289
	Real Estate Transfer Tax	\$461	\$527	\$602	\$688	\$786	\$898	\$3,962
	Transit Passenger Fares	\$4,759	\$5,131	\$5,452	\$5,722	\$5,943	\$6,112	\$33,119
	Local Subtotal							\$153,269
	TOTAL	\$40,122	\$40,617	\$51,402	\$51,851	\$64,968	\$66,603	\$315,563

	REVENUE SOURCES	Description and Revenue Projection Assumptions
Federal	Surface Transportation Program (STP)	<p>Description: The Surface Transportation Program consists of the local program, state STP funds expended in the region, the transportation enhancements program, and safety funds. The STP-L, STP-U, STP-R, and STP-C portions of these funds are distributed by formula and may be used for roads not classified as local or rural minor collectors, bridges on a public road, or transit capital projects. 10% of the state's STP allocation must be used for safety projects and 10% must be used for enhancement projects.</p> <p>Assumption: Historical annual revenues have shown a high degree of variance. Revenue forecasts are based upon annual awards over the last ten years. Through 2011, these revenues are assumed to stay the same as the inflation-adjusted average of 1997-2008. After 2011, revenues are assumed to grow at a rate of 4.84% annual, which is commensurate with IDOT assumptions regarding growth in federal aid.</p>
	Congestion Mitigation and Air Quality Program (CMAQ)	<p>Description: Program to reduce congestion and improve air quality in non-attainment areas.</p> <p>Assumption: Revenue forecasts are based upon annual awards over the last ten years. Through 2011, these revenues are assumed to stay the same as the inflation-adjusted average of 1997-2008. After 2011, revenues are assumed to grow at a rate of 4.84% annual, which is commensurate with IDOT assumptions regarding growth in federal aid.</p>
	Other Federal Highway	<p>Description: Includes other federal highway programs including but not limited to the Highway Bridge Replacement and Rehabilitation Program, Highway Earmarks, National Highway System program, and the Federal Aid-Interstate program.</p> <p>Assumption: Revenues are based upon annual awards over the last ten years. Through 2011, these revenues are assumed to stay the same as the inflation-adjusted average of 1997-2008. After 2011, revenues are assumed to grow at a rate of 4.84% annual, which is commensurate with IDOT assumptions regarding growth in federal aid.</p>
	Federal Transit Funding- Major Formula Programs	<p>Description: Includes Sec 5309 Rail Modernization and Sec 5307/5340 Urban Formula funds.</p> <p>Assumption: Revenues were projected by the RTA. 2011-2040 is forecast to grow at a long term (1992-2009) avg rate for formula programs (4.0%).</p>
	Federal Transit Funding- New Starts	<p>Description: Includes Sec 5309 New Start programs, which provide funding primarily for major fixed guideway capital investment projects.</p> <p>Assumption: Revenues were projected by the RTA. 2011-2040 is forecast to grow at a long term (1992-2009) avg rate for formula programs (4.0%).</p>

	REVENUE SOURCES	Description and Revenue Projection Assumptions
State	Public Transportation Fund	<p>Description: State Public Transportation Fund (PTF) receipts equal 30% of RTA sales tax receipts.</p> <p>Assumption: PTF revenues will continue to equal 30% of projected RTA sales tax revenues throughout the plan period.</p>
	State Motor Fuel Tax (MFT)	<p>Description: Portion of 19 cent/gallon excise tax retained by IDOT for the Road Fund and Construction Account. This tax was last raised in 1990. After various deductions, IDOT retains 45.6% of MFT revenues.</p> <p>Assumption: The current 19 cent/gallon rate remains unchanged throughout the Plan period. Revenues are assumed to grow via a linear trendline based on collections from 1991-2008. Annual growth rates range from 1.48% (in 2011) to 1% (in 2040). Of the portion retained by IDOT in the Road and Construction funds, NE Illinois is assumed to "receive" 45% of these revenues in State road construction and maintenance projects.</p>
	State Motor Vehicle Registration Fees	<p>Description: Annual registration fees for vehicles- almost all of this amount is retained by IDOT for the Road Fund and Construction Account. Recent state-wide revenues have totaled just over \$1B annual. Fees include \$38 for motor cycle and \$98 for auto license plates. Fees were recently raised in 2009.</p> <p>Assumption: Revenues have been fairly stable over time. A 3% annual growth rate was used to forecast revenues out to 2040. Similar to the State MFT, NE Illinois is assumed to "receive" 45% of these revenues in State road construction and maintenance projects.</p>
	Toll Revenues- Illinois Tollway	<p>Description:Toll revenues forecasted to be collected on the 286.5 mile system. The current toll rate structure went into effect on January 1, 2005.</p> <p>Assumption: Revenue projections were prepared through 2034 by Wilbur Smith Associates for the Illinois Tollway. CMAP continued these projections out to 2040. The projections assume retaining the rate structure currently in effect. The annual revenue growth is 4.97% between 2009 and 2016 and 0.94% between 2016 and 2034, reflecting a maturing Tollway service area.</p>
	State Capital Program Revenues	<p>Description: Revenues from State of Illinois capital programs are provided by a combination of state debt and federal and local matching funds.</p> <p>Assumption: Historically, state capital programs have occurred every ten years. They are typically five or six year programs. These funds are assumed to be awarded every ten years throughout the planning period and last for a period of five years. Estimated regional revenues from the current Illinois Jobs Now! and Illinois Jump Start program were used to make future projections.</p>
	Reduced Fare Reimbursement	<p>Description: This operating assistance, mandated by law, is partial reimbursement from the State of Illinois to the Service Boards for discounts provided to students, elderly, and disabled riders.</p> <p>Assumption: The RTA forecasts just over \$36M in annual revenues in the near-term. CMAP assumes a continuation of the RTA short term forecasts over the planning period.</p>

	REVENUE SOURCES	Description and Revenue Projection Assumptions
Local	RTA Sales Tax	<p>Description: The RTA sales tax is the equivalent of 1.25% of sales in Cook County and 0.75% of sales in the DuPage, Kane, Lake, McHenry, and Will counties.</p> <p>Assumption: RTA sales tax revenues are assumed to grow 1.1% in 2010, 2.1% in 2011, 2.7% in 2012, and 3.1% per year throughout the remainder of the Plan period.</p>
	Local Allotment of State Motor Fuel Tax	<p>Description: Municipalities, Counties, and Township Allotment of the State Motor Fuel Tax.</p> <p>Assumption: Municipal Population, Township Road Miles, and County Vehicle Registrations relative to the rest of the State are assumed to remain constant. Revenues are assumed to grow via a linear trendline based on collections from 1991-2008. Annual growth rates range from 1.48% (in 2011) to 1% (in 2040).</p>
	Collar County Transportation Empowerment Program	<p>Description: ¼% of sales tax, disbursed from the Illinois Department of Revenue to DuPage, Kane, Lake, McHenry, and Will Counties, to be spent under the stewardship of the individual county boards for roads, transit or public safety purposes.</p> <p>Assumption: Similar to the assumptions underlying the RTA's portion of the sales tax, these revenues are assumed to grow 1.1% in 2010, 2.1% in 2011, 2.7% in 2012, and 3.1% per year throughout the remainder of the Plan period.</p>
	County Option Motor Fuel Taxes	<p>Description: DuPage, Kane, and McHenry Counties impose a 4 cent/gallon gas tax. These revenues are used by the county divisions of transportation for maintaining county road networks.</p> <p>Assumption: The 4 cent/gallon tax remains the same as today throughout the plan period. The assumption is 1% annual growth after 2011, similar to recent trends.</p>
	Other Local Own Source Revenues	<p>Description: These are local revenues used for transportation projects other than state or federal funds or locally imposed motor fuel taxes or sales taxes. Local units of government with jurisdiction over transportation include municipalities, counties, and townships.</p> <p>Assumption: These revenues are assumed to remain at 2008 levels through 2011. After this point, revenues are forecast to grow at 1.65% annual, which is the average of OMB/CPI inflation estimates out to 2019.</p>
	Real Estate Transfer Tax	<p>Description: On April 1, 2008, the Real Estate Transfer Tax in the City of Chicago was increased by \$1.50 per \$500 to help fund the CTA.</p> <p>Assumption: 2011 forecasted revenues are from the 2009 RTA Two Year Financial Plan. Revenues are assumed to grow by 2.7% per year, which is what the RTA financial plan forecasts as annual growth between 2010 and 2011.</p>
	Transit Passenger Fares	<p>Description: Farebox revenues collected by the Chicago Transit Authority, Metra, and Pace.</p> <p>Assumption: Revenues are assumed to grow based on historical trends. A polynomial trendline provided the best fit for historical data, and was used to forecast future revenues.</p>