

**Recommendation:** IDOT and the General Assembly Should Boost Illinois' Economic Competitiveness through Targeted Transportation Investments

The future prosperity of Illinois depends on making strategic transportation investments. As the economic catalyst of the state, northeastern Illinois produces the greatest return per public dollar. In tough economic and fiscal times, the Illinois Department of Transportation and the General Assembly should lead a new approach to transportation investments based on economic and system performance rather than an arbitrary formula. This is a key recommendation of GO TO 2040, northeastern Illinois' comprehensive regional plan, which was adopted unanimously by the CMAP Board and MPO Policy Committee in October 2010. Reinforcing the economic vitality of northeastern Illinois and other metros will not only increase spending efficiencies, it will also improve the business climate and help restore the economic and fiscal vitality of Illinois.

### The 55/45 Problem

While the State has flexibility in allocating gas tax and vehicle fees that accrue to the Road Fund and State Construction Account, in practice IDOT and the General Assembly have followed a rather arbitrary way of distributing these funds. This is sometimes referred to as the "55/45 split," where District 1 typically receives around 45 percent of the allocation, and very often less. In fact, CMAP analysis indicates that between 1992 and 2009, the annual District 1 program averaged only **41 percent of total statewide resources**. The amount of funds at stake is large -- in FY 2011 alone, the General Assembly authorized over **\$2.5 billion** statewide in new appropriated spending from these funds.

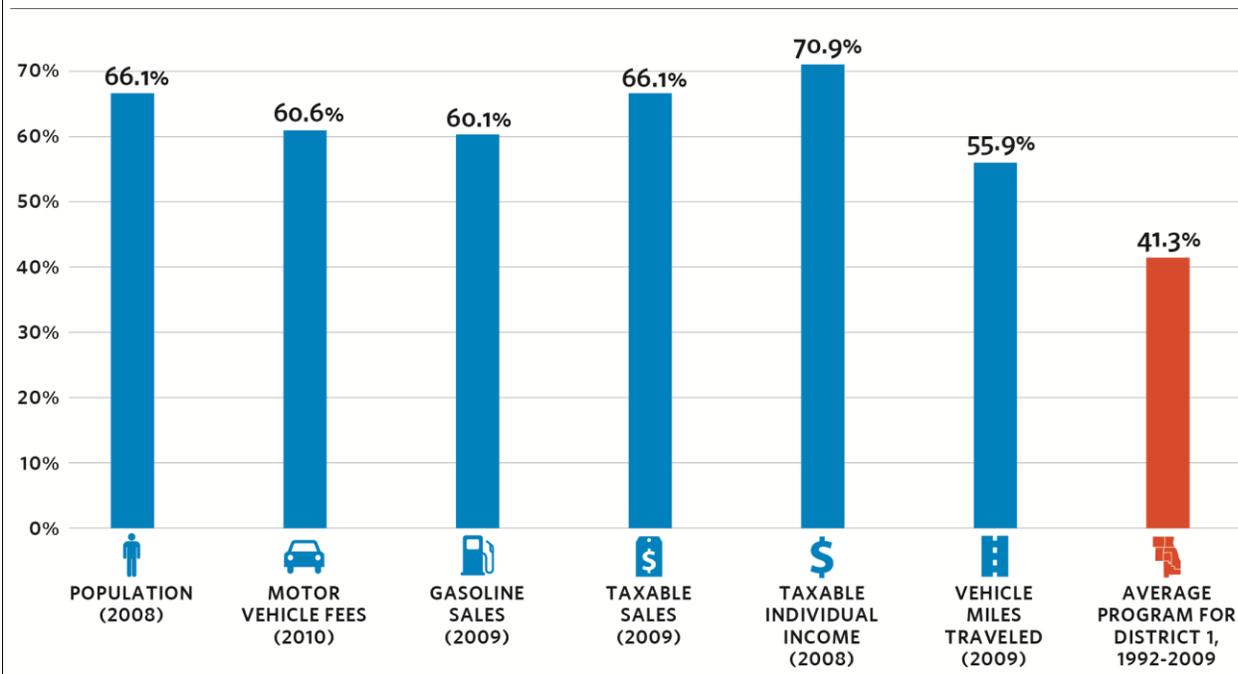
### Northeastern Illinois Drives the Economic and Fiscal Sustainability of the State

Focusing transportation investments toward northeastern Illinois will catalyze private investment, which leads to a better fiscal situation for the state. Surveys consistently indicate that businesses want good infrastructure systems, including rapid access to airports and efficient movement of goods. While it is just one corner of the state in geographic terms, northeastern Illinois generates over **70 percent of the gross state product and nearly 56 percent of vehicle miles traveled (VMT)**. Furthermore, the intensity of highway use is far greater. Northeastern Illinois has more than **4 times the VMT per lane mile as the rest of the state**. Northeastern Illinois now ranks as the **most congested metro area in the U.S.**, as measured by yearly delay per auto commuter and congestion cost per auto commuter.

Congestion is symptomatic of high levels of economic activity, but it also presents a major barrier to economic efficiency. Targeting investments toward the congestion problem will lead to economic benefits -- such as more efficient freight movements and increased worker productivity -- that are far broader and more sustainable than the "boom and bust" approach to job creation. For example, CMAP analysis estimates that targeting investments toward GO TO 2040's major capital projects will yield a **Gross Regional Product (GRP) to expenditure ratio of 1.26**, which is significantly greater than the 1.1 impact ratios of more generalized infrastructure investments.

The majority of tax revenues accruing to state transportation funds are generated from user fees paid in northeastern Illinois -- namely, the federal and state gas taxes and motor vehicle registration fees. According to data gathered from the Department of Revenue and Secretary of State, **northeastern Illinois contributes over 60 percent of both the state's gasoline sales taxes and motor vehicle registration fees**. Of course, sales and income taxes remain the primary revenue drivers for the state, generating almost 85 percent of annual state revenue collections. The vast majority of these revenues are also generated in northeastern Illinois, which supplies **two-thirds of the state's taxable retail sales and over 70 percent of taxable individual income**.

## By the numbers: northeastern Illinois percentage of state totals



Source: CMAP analysis of data from the Illinois Department of Transportation, Illinois Department of Revenue, Illinois Secretary of State, and U.S. Census

Northeastern Illinois also has a robust public transit system, which improves access and mobility and helps limit congestion. However, this is funded almost entirely by regional sales taxes, passenger fares, and federal capital assistance; annual state transit operating assistance funds are limited, and state capital assistance for transit is not appropriated on a consistent annual basis. Northeastern Illinois' robust transit network, which also faces an extensive maintenance backlog, should not be used as an excuse to shortchange the region on state transportation dollars.

### Moving Ahead with More Targeted Transportation Investments

Illinois, like many other U.S. states, lacks a "performance driven approach" to programming transportation dollars. Some states, such as Virginia and Maryland, have taken recent steps in implementing performance measurement systems for transportation investments. Currently, IDOT's approach to prioritizing transportation projects appears to emphasize pavement condition ratings and total lane mileage as factors in program development, but the overall process lacks transparency. It is less clear how or whether IDOT considers VMT or "VMT per lane mile," though relying on these "intensity of use" measures would better target funds to reduce congestion and to maximize the public's return on investment. When making spending decisions, IDOT and the General Assembly should, at a minimum, place a greater emphasis on where people live and work (and where VMT and congestion are highest). This will bring economic and fiscal returns to our metro areas and statewide.