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MEMORANDUM

To: CMAP Transportation Committee

From: CMAP staff

Date: September 9, 2016

Re: Transportation revenue trends in northeastern Illinois

Federal regulations require that CMAP update the region's financial plan for transportation every four years. The financial plan must demonstrate that resources from public and private sources are reasonably expected to carry out the region's transportation plan.

This memorandum provides an overview of historical revenue trends, and how they compare to the GO TO 2040 forecast, as updated in 2014. While the methodology used in GO TO 2040 was intended to provide a planning-level total for the entire planning period, not to forecast annual revenues, it is still instructive to compare the forecast against actual revenues. GO TO 2040 assumed that northeastern Illinois would continue to receive revenues from federal, state, and local sources for building, operating, administering, maintaining, and enhancing the current roadway and transit system. Initial analysis of data from the past few years indicates that core revenue growth has been lower than assumed in the GO TO 2040 forecast for several revenue sources.

In addition to funding sources the region currently receives, GO TO 2040 included a set of new or increased revenues reasonably expected to be available during the planning period. GO TO 2040 assumed that some of this revenue would be available by 2016. However, none of the reasonably expected revenue sources have been implemented to date.

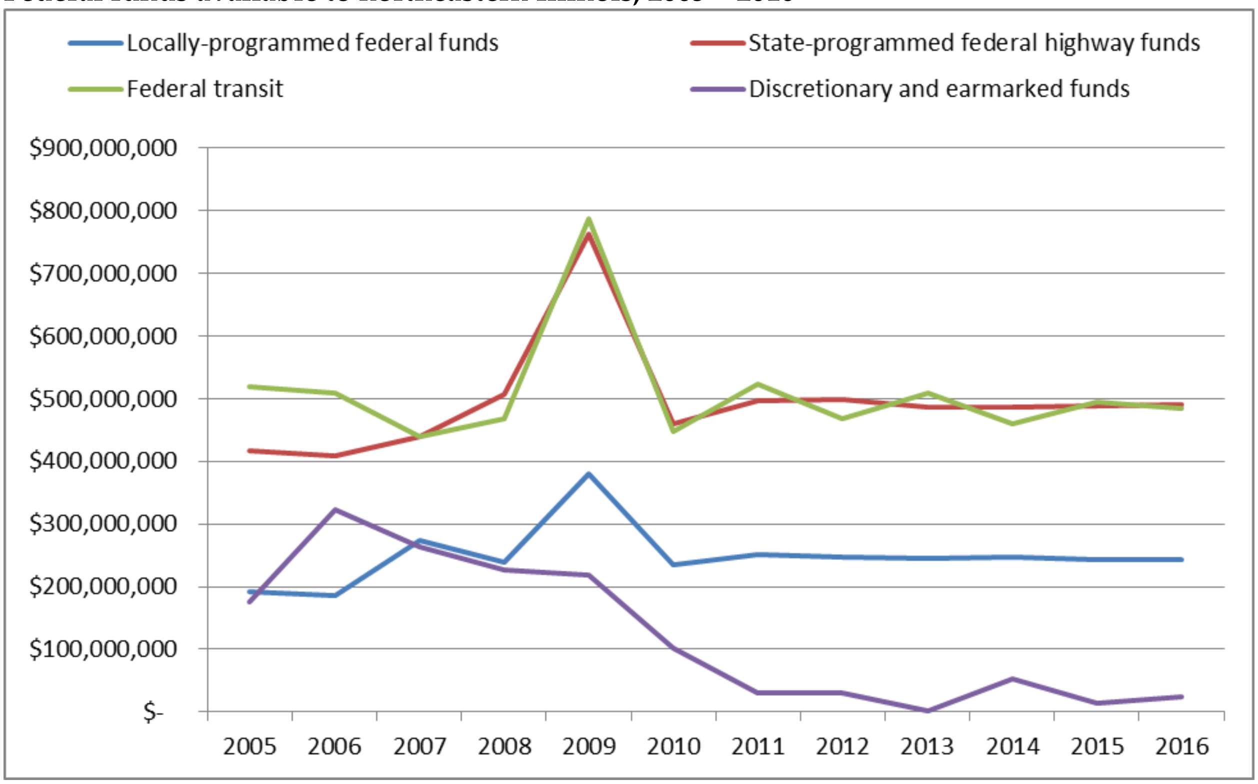
ON TO 2050 financial plan development will include analysis of historical revenue trends and recent revenue policy changes undertaken by federal, state, and local entities. The revenues will be used to constrain expenditures on the region's transportation system. Ensuring sufficient resources to adequately maintain and operate, upgrade, and expand the system between now and 2050 will require carefully allocating expenditures based on regional priorities and implementing new or enhanced revenue sources.

Federal revenue

Since SAFETEA-LU was enacted in 2005, federal revenue has been relatively stagnant. Excluding discretionary and earmarked funds, growth between 2005 and 2016 has been 8.0 percent in the aggregate, which equates to a compound annual growth rate of 0.7 percent. As a result, these revenues have not kept pace with inflationary increases in the cost of labor and materials over time. When discretionary and earmarked funds are included, revenues have actually decreased since 2005. This reduction is primarily a result of less FTA New Starts money being awarded to the region and an end to High Priority Projects in recent federal transportation funding authorizations.

For purposes of analysis, CMAP categorizes federal revenues in four main groups: competitive, transit, state-programmed highway, and locally-programmed, the latter being used flexibly for transit, highway, and nonmotorized transportation projects. The following chart provides an overview of federal resources flowing to northeastern Illinois between 2005 and 2016, in nominal dollars.

Federal funds available to northeastern Illinois, 2005 – 2016



Note: Discretionary and earmarked funds include Projects of National and Regional Significance (PNRS) or FTA New Starts, as well as high priority projects. Higher funding levels in 2009 are due to ARRA. Revenues are in nominal dollars.
Source: Chicago Metropolitan Agency for Planning analysis of Federal Highway Administration and Regional Transportation Authority data

The GO TO 2040 update revenue forecasts were based on historical growth. The forecast assumed that between 2014 and 2018, average annual growth of federal transit revenues would be 2.6 percent, followed by 2.4 percent annual growth for the remainder of the planning period. Other federal revenues were forecast to increase 3.6 percent annually over the course of the planning period. An assumption of continued receipt of discretionary funds throughout the planning period was embedded in each of these forecasts. These growth rates were consistent with trends from earlier years, but are higher than the growth experienced in recent years. The following chart provides a comparison of the compound annual growth rate between 2014-16 with GO TO 2040 growth rate assumptions for these revenue sources.

Federal revenue growth rates, GO TO 2040 forecast compared to actual revenues

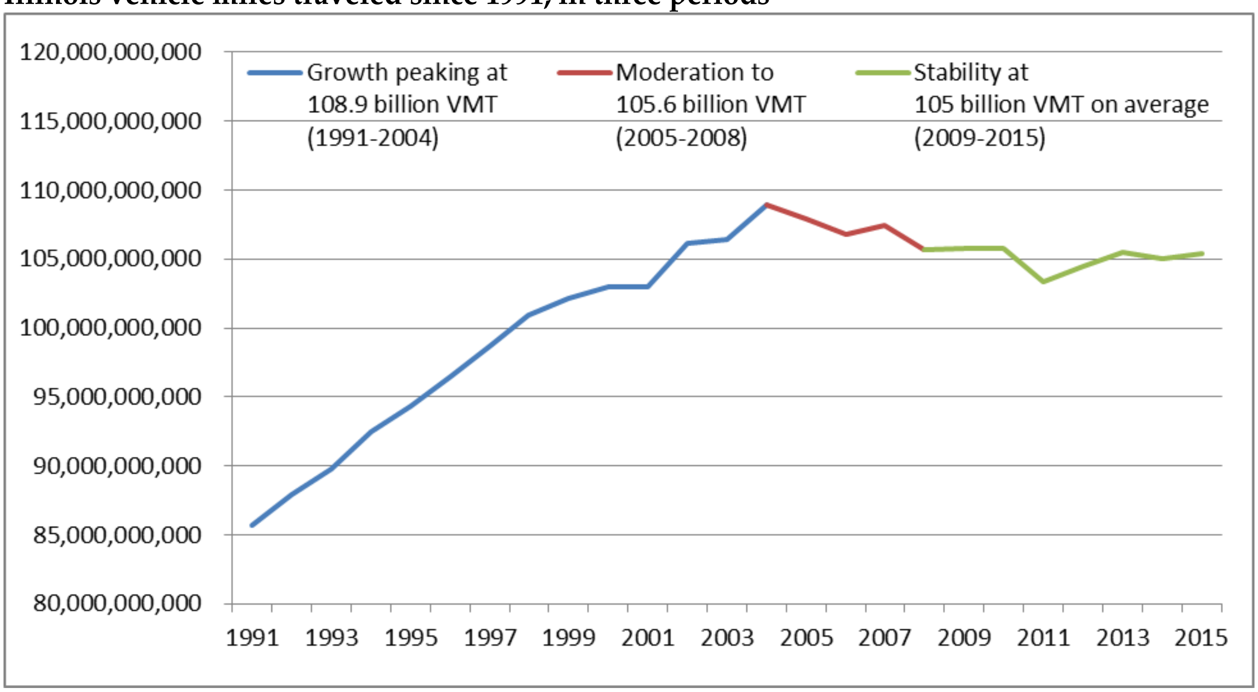
Federal revenue type	Growth rate assumed in GO TO 2040	Actual 2014 – 16 compound annual growth rate
Transit	2.6% to 2018; 2.4% thereafter	2.6%
State-programmed highway	3.6%	0.3%
Locally-programmed	3.6%	-0.6%

Note: Discretionary funds are assumed to occur in the forecast across each revenue type.
Source: Chicago Metropolitan Agency for Planning analysis of Federal Highway Administration and Regional Transportation Authority data

State motor fuel tax and local allotments

Based on projected improvements in fleetwide vehicle fuel economy and assumed stability in vehicle travel over the planning period, GO TO 2040 assumed that state motor fuel tax (MFT) revenues would decline throughout the planning period. While vehicle miles traveled (VMT) statewide has been relatively stable since 2008, this was preceded by a longer period of growth. The following chart provides an overview of statewide VMT growth over the past 25 years.

Illinois vehicle miles traveled since 1991, in three periods

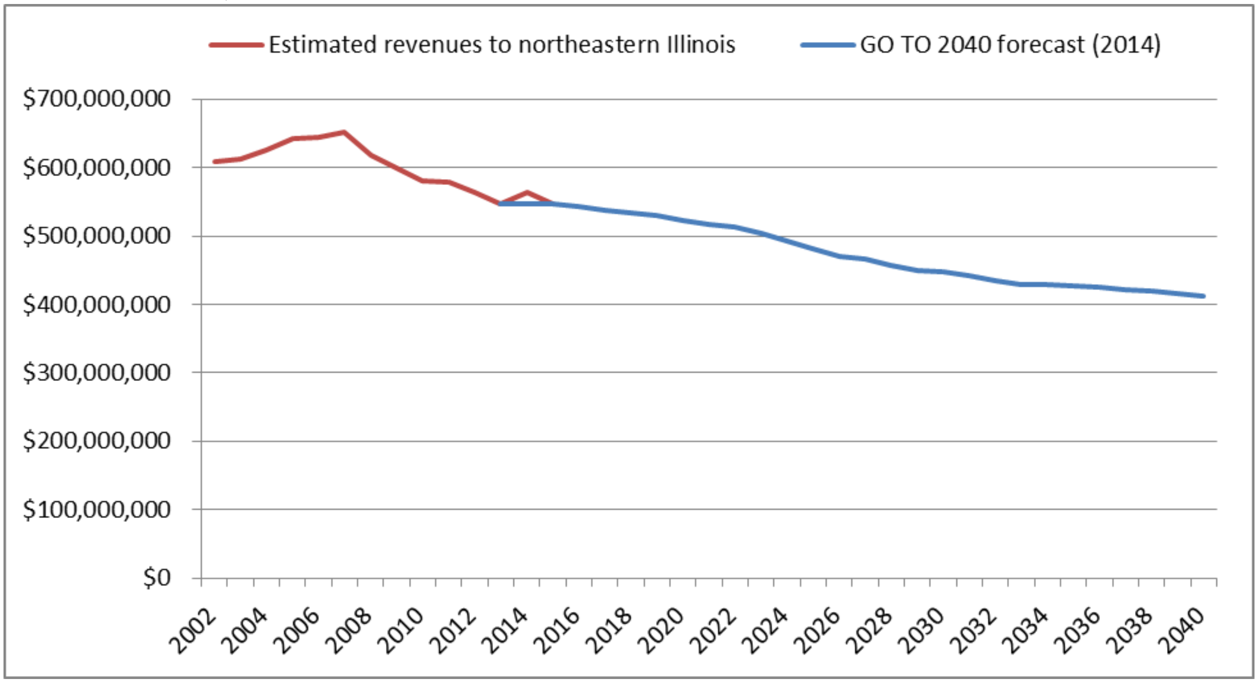


Source: Chicago Metropolitan Agency for Planning analysis of Illinois Department of Transportation data

Stability in VMT paired with improvements in vehicle fuel economy has reduced fuel consumption in Illinois. Accordingly, estimated state MFT revenues flowing to northeastern Illinois have dropped, including both disbursements to local governments and Road Fund and

State Construction Account revenues spent by the Illinois Department of Transportation (IDOT) in the region. The following chart compares estimated state MFT revenues flowing to the region with GO TO 2040 forecasts approved in 2014.

State motor fuel tax revenue to northeastern Illinois, estimated revenues compared to the GO TO 2040 forecast, 2002-2040



Source: GO TO 2040 Financial Plan for Transportation, 2014 and Chicago Metropolitan Agency for Planning analysis of Illinois Department of Transportation data

After six years of declining state MFT revenue, increases in fuel consumption in 2014 resulted in increases in revenues to the region. This increase was followed by a decrease in revenues to the region by an estimated 3 percent in 2015. Estimated revenues to northeastern Illinois were higher than forecast in 2014 and similar to forecasted revenues in 2015.[1]

Motor vehicle registration fee revenue

The region's transportation system benefits from state vehicle registration (MVR) fee revenue that accrues to the state's Road Fund and State Construction Account. GO TO 2040 included a forecast of MVR fee revenues being spent in northeastern Illinois via these funds, with an annual 3 percent growth rate intended to account for growth in registrations as well as periodic increases in the fee rates.

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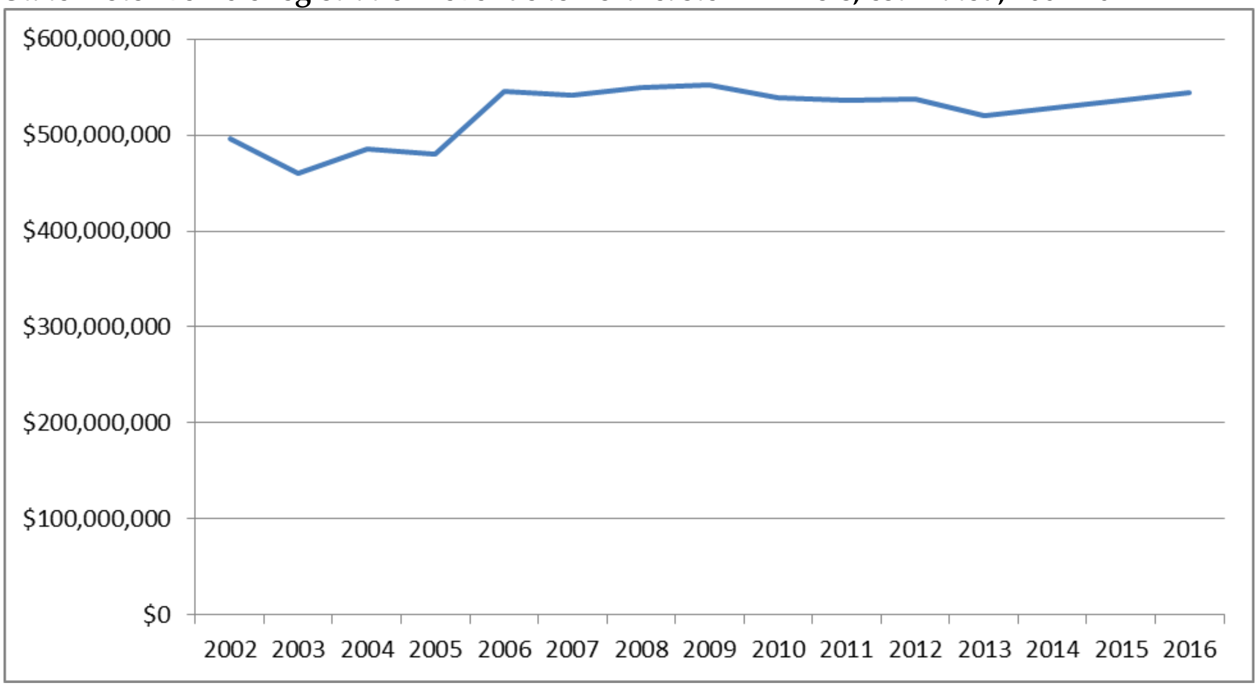
[1] Note that gross revenues accruing to the State of Illinois actually increased in both 2014 and 2015. However, growth in gross revenues does not necessarily translate to growth in revenues to northeastern Illinois. This is because the increase in gross revenues was less than the increase in International Fuel Tax Agreement (IFTA) payments to other states, which are deducted from gross collections. Under the IFTA, Illinois imposes a motor fuel use tax on fuel used by interstate commercial vehicles. Illinois administers these taxes for Illinois-based commercial carriers that qualify, and apportions payments to other states based on the carriers' interstate mileage. This particular phenomenon was not specifically anticipated by the GO TO 2040 forecast, but did result in a revenue level to the region consistent with the forecast.

However, statewide growth in registration counts have flattened in recent years, which has coincided with slower rates of state population growth and slower growth in vehicles per capita, particularly for passenger vehicles. Passenger cars currently account for about two-thirds of registrations, while the remaining third includes motorcycles, trucks, and other types of vehicles.

Revenue growth has been stagnant. Because rates vary by vehicle type, registration counts do not directly correspond to revenues. Over the past 15 years, compound annual growth in motor vehicle registration revenues to the Road Fund and State Construction Accounts was 0.7 percent. The following chart provides an overview of estimated motor vehicle registration revenues accruing to northeastern Illinois between 2002 and 2016, in nominal dollars.

State motor vehicle registration revenue to northeastern Illinois, estimated, 2002-16

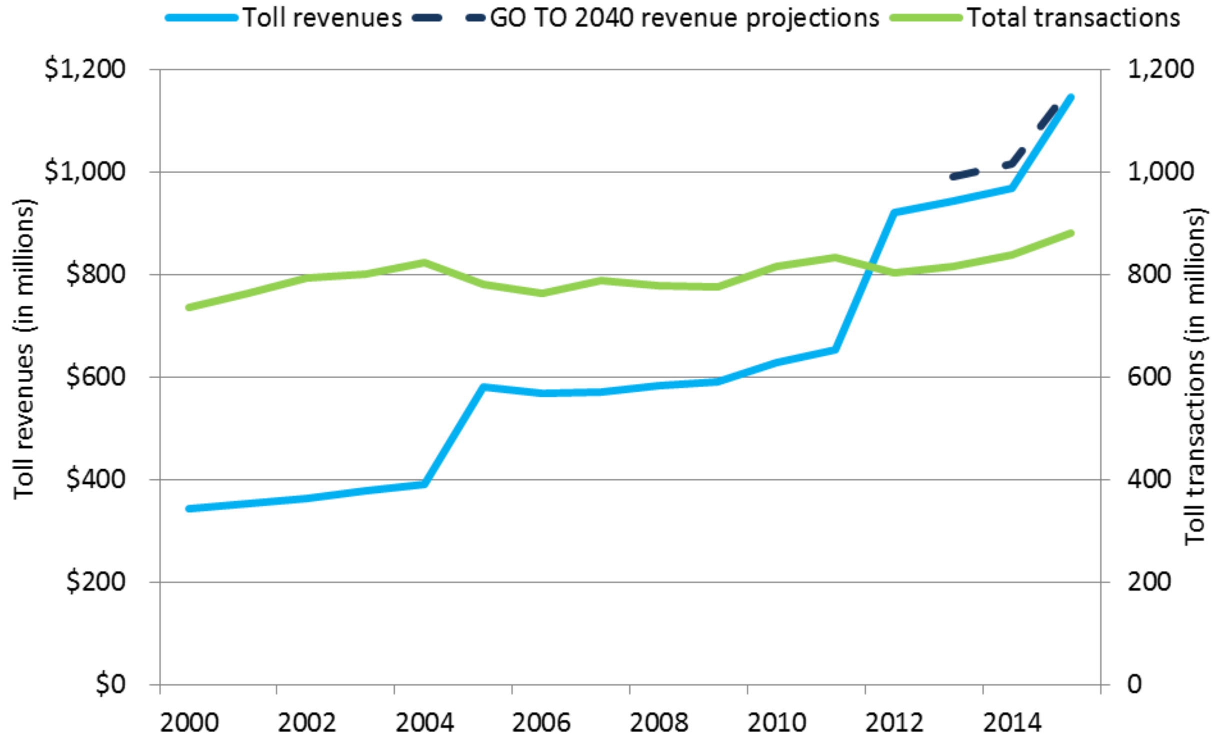


Source: Chicago Metropolitan Agency for Planning analysis of Illinois Office of the Comptroller data

Toll revenue

GO TO 2040 assumed annual increases in toll revenue throughout the planning period based on forecasts published periodically by the Illinois Tollway. Toll revenues have increased in part due to increases in toll rates approved in 2012, but actual toll revenues for 2015 were 1.7 percent lower than those forecasted in GO TO 2040. While transactions were actually higher than anticipated, toll revenue per transaction was lower than projected. The following chart compares actual toll revenues to toll transactions and GO TO 2040 revenue forecasts, which are indicated with a dashed line.

Toll revenues compared with toll transactions and GO TO 2040 revenue forecasts, 2000-15



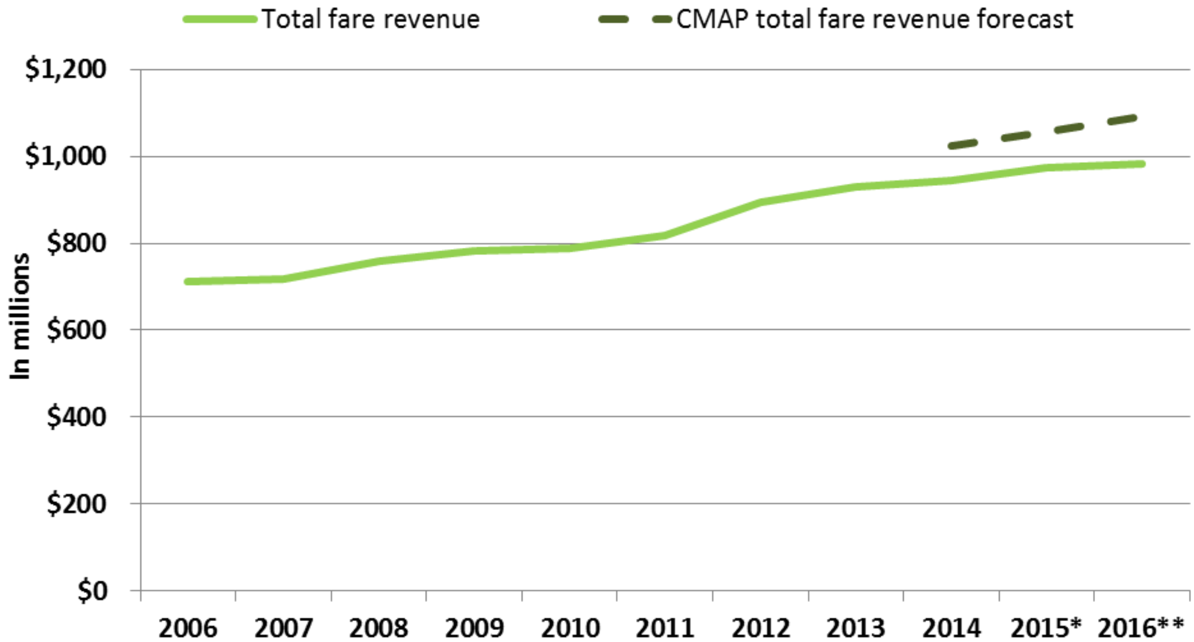
Source: Chicago Metropolitan Agency for Planning analysis of Illinois Tollway data

The rate of increase for both passenger and commercial transactions has been higher in recent years than has been typical since 2000. The number of commercial transactions experienced an average annual increase of 4.1 percent since 2012. This included an increase of 2.8 percent between 2014 and 2015, despite the planned increase in toll rates for commercial vehicles. Passenger transactions experienced an average annual increase of 3.0 percent since 2012, with most of the growth occurring between 2014-15, due to increased passenger transactions on the Tri-State Tollway relative to the other expressways.

Transit passenger fares

GO TO 2040 financial plan projections exceeded actual system-wide fare revenues from the period 2014-16. Specifically, projected fare revenue on CTA and Metra was lower than anticipated, which can be partially attributed to declining ridership. According to CMAP analysis of RTA ridership data, in 2015, the RTA system experienced the third consecutive year of system ridership losses after ridership peaked in 2012 primarily as a result of declines in CTA and Pace bus ridership. However, ridership is stabilizing systemwide due to growth in CTA rail ridership over the past couple of years. In 2016, RTA system ridership is projected to increase by 0.6 percent. The following chart illustrates total fare revenue since 2006 across the region's entire transit system as compared to GO TO 2040 revenue forecasts.

Transit passenger fare revenue compared to GO TO 2040 forecasts, 2006-16



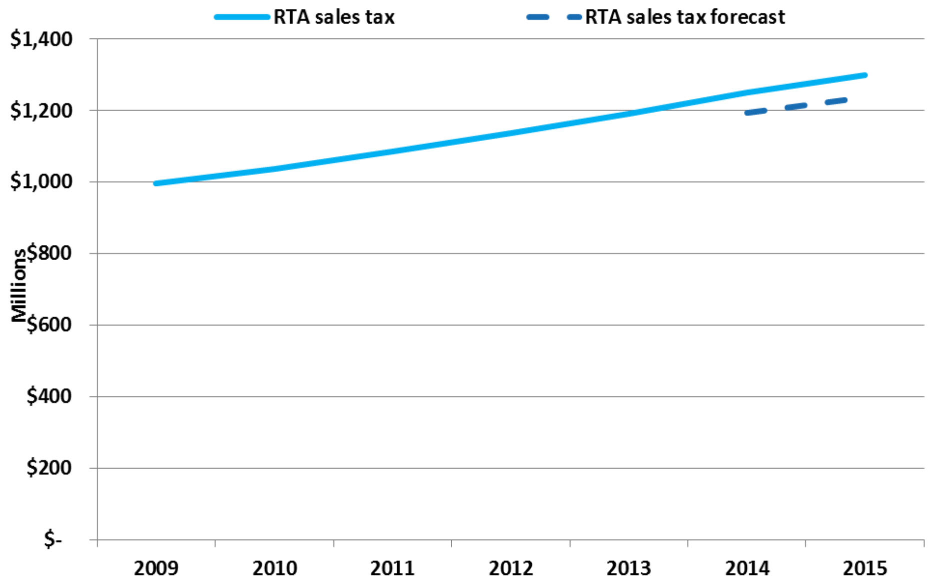
*estimate **budgeted

Source: Chicago Metropolitan Agency for Planning analysis of Regional Transportation Authority data

RTA sales tax

Total sales tax revenues for the six-county region exceeded GO TO 2040 revenue forecasts, increasing by 9.0 percent from 2013-15. These increases were primarily attributable to higher revenues generated within Cook County. Cook County sales tax revenue increased 9.5 percent during the period of 2013-15. The RTA sales tax has a history of steady growth, at an average pace of approximately 4.5 percent since 2009, while GO TO 2040 assumed a 3 percent growth rate. The following chart illustrates total RTA sales tax revenue collected from the region's six counties and distributed to RTA, CTA, Metra, and Pace, compared to GO TO 2040 revenue forecasts.

RTA sales tax revenue compared to GO TO 2040 forecasts, 2009-15



Source: Chicago Metropolitan Agency for Planning analysis of Regional Transportation Authority data

Reasonably expected revenues

In accordance with federal guidance permitting the inclusion of all resources reasonably expected to be made available during the planning period, GO TO 2040 makes several policy recommendations to implement new or enhanced revenue sources.[2] Implementing these revenues is required to achieve much of the transportation system modernization and expansion elements of the plan. The following table provides an overview of reasonably expected revenue forecasts included in the GO TO 2040 update.

Reasonably expected revenue forecasts, 2015-40, in millions (year of expenditure dollars)

State motor fuel tax increase and long-term replacement	$17,300
Congestion pricing on the existing system	$11,700
Performance-based funding	$8,300
Variable parking pricing	$1,500
Total reasonably expected revenues	**$38,800**

Among the revenue sources, it was assumed that congestion pricing on the existing system and the long-term replacement to the state MFT would not be implemented until later in the planning period. However, it was assumed that the 8-cent state MFT rate increase, additional parking pricing by local governments, as well as statewide performance-based funding for state highway projects would be implemented by 2016. To date, no bill with a state MFT rate increase has been enacted, the State has not implemented a statewide performance-based

[2] Exploration of funding strategies for ON TO 2050 is underway. See http://www.cmap.illinois.gov/onto2050/strategy-papers/transportation-system-funding for more information on the Transportation System Funding Concepts strategy paper.

funding framework, and CMAP is not aware of any municipality having recently implemented parking pricing (although some with existing policies may have changed them). As a result, more than $500 million in revenue forecasted in GO TO 2040 has not been realized by the region.

Conclusion

With some exceptions, there are several transportation revenue sources that have not met GO TO 2040 assumptions for growth in recent years. Moreover, the lack of implementation of the policy changes necessary to realize the assumed reasonably expected revenues has further eroded the available transportation funding resources anticipated for northeastern Illinois. Over the coming months, CMAP staff will begin working with partners to create a revenue forecast for ON TO 2050, including all sources expected to be available between 2019-40. To the extent that current sources of revenue are insufficient to meet expected expenditure needs, the region will need to work to prioritize investments in the transportation system and implement policy changes to bring more revenue to the region.