

**MEMORANDUM**

**To:** Regional Coordinating Committee

**From:** CMAP Staff

**Date:** February 1, 2012

**Re:** Performance-Based Evaluation Criteria and Transportation Funding

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CMAP staff presented a [memorandum](#) to the Regional Coordinating Committee on December 14, 2011 on the topic of performance based evaluation criteria and transportation funding. In this memorandum, staff outlined a proposed new approach to allocating transportation funds in Illinois. The Committee instructed staff to approach the Illinois Department of Transportation (IDOT) and Regional Transportation Authority (RTA) in a collaborative manner to move forward on this issue. Staff presented the [memorandum](#) to the CMAP Board on January 11, 2012 and the MPO Policy Committee on January 12, 2012.

The Board agreed to send a letter, along with the memorandum, to IDOT and the RTA requesting to work cooperatively on the topic. This letter was made available to the MPO Policy Committee at their meeting. The MPO Policy Committee offered a number of comments to the staff memo, which were incorporated, and agreed that the process should move forward.

The attached packet contains the abovementioned documents as well as a draft strategy document proposing next steps on this issue. An itemized list of documents is available below.

- Redlined version of the staff memorandum presented to the CMAP Board and MPO Policy Committee in January, showing edits made in response to MPO Policy Committee members' comments.
- CMAP Board letter to IDOT and the RTA, dated January 12, 2012
- Draft strategy document outlining next steps for CMAP staff on this issue.

**ACTION REQUESTED:** Discussion

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# Chicago Metropolitan Agency for Planning

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January 12, 2012

The Honorable Ann L. Schneider, Secretary of Transportation  
Illinois Department of Transportation  
2300 S. Dirksen Parkway  
Springfield, Illinois 62764

John S. Gates, Chairman  
Regional Transportation Authority  
175 W. Jackson Boulevard, Suite 1650  
Chicago, Illinois 60604

Dear Secretary Schneider and Chairman Gates,

The Board of the Chicago Metropolitan Agency for Planning supports the use of performance-based evaluation criteria in the allocation of scarce transportation funds. Transportation projects should be selected for funding based on clearly documented needs and through a transparent, deliberative process. This approach is particularly timely given the fiscal climate and the growing federal emphasis on performance measurement.

The attached memorandum outlines a potential way forward on this issue, proposing a multistep process in which (1) regional stakeholders would determine priorities for the transportation system and develop a list of candidate projects, (2) a broad group of stakeholders would determine statewide goals, funding levels, and evaluation criteria, and subsequently (3) select projects based on the predetermined criteria. This process would create a formal voice for regional stakeholders and develop an inclusive set of evaluation criteria to better capture the impact of the transportation system on society. The MPO Policy Committee discussed this proposal at its January meeting; several comments from committee members have yet to be incorporated into the memorandum, but will soon be addressed.

The CMAP Board would prefer to work cooperatively with IDOT and the RTA to implement a new performance-based funding system. We will be in touch very soon to facilitate those important interactions.

GO TO 2040 emphasizes that all levels of government should seek to coordinate policies and investments to increase efficiency and produce more effective local and regional outcomes. Strategic investment is

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January 12, 2012  
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especially pertinent in the transportation sector, given the critical role of transportation infrastructure in supporting and furthering metropolitan Chicago's position as a global transportation hub and the economic engine of the state and Midwest.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald R. Bennett". The signature is fluid and cursive, with a large initial "G" and a long, sweeping underline.

Gerald R. Bennett  
Chair, CMAP Board

TG:GRB/stk  
Enclosure

cc: Charles Ingersoll, Director-Office of Planning and Programming, IDOT  
Susan Stitt, Planning Services Section Chief, IDOT  
Jeff South, Bureau Chief-Bureau of Statewide Program Planning, IDOT  
Bruce Carmitchel, Senior Metro Planning Manager, IDOT  
Joe Costello, Executive Director-RTA  
Grace Gallucci, Senior Deputy Executive Director, RTA  
Leanne Redden, Senior Deputy Executive Director, RTA



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## MEMORANDUM

**To:** ~~CMAP Board~~ Regional Coordinating Committee

**From:** CMAP staff

**Date:** ~~January-February 1108~~, 2012

**Re:** Performance-Based Evaluation Criteria and Transportation Funding

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GO TO 2040 emphasizes that all levels of government should seek to coordinate policies and investments to increase efficiency and produce more effective local and regional outcomes. Strategic investment is especially pertinent in the transportation sector, given the critical role of a well-maintained, modern transportation system in supporting and furthering metropolitan Chicago's position as a global transportation hub and the economic engine of the state and the Midwest.

GO TO 2040 [recommends](#) a series of implementation actions for creating more efficient use of scarce transportation dollars. First, transportation funding decisions should be based on transparent evaluation criteria, and the State and the region's transportation stakeholders should develop and utilize the necessary performance measures. CMAP strongly believes that metropolitan planning organizations (MPOs) should be involved in the identification of goals, targets, and performance measures in cooperation with the State. MPOs have the appropriate perspective and professional expertise to contribute to these policy decisions. Second, the plan specifically targets the current state practice of allocating 45 percent of road funding to northeastern Illinois, and recommends that performance-driven criteria rather than an arbitrary formula be used to determine these investments.

Focusing on strategic transportation investments is particularly timely, given recent progress on federal transportation reauthorization. The use of performance measures is a centerpiece of the Senate's surface transportation reauthorization bill, [Moving Ahead for Progress in the 21<sup>st</sup> Century \(MAP-21\)](#), and will likely represent a key component of the final bill to be passed by

Congress. The bill as it currently stands would require states to develop performance measures and targets for various issues under each of the core program areas, and to develop plans to meet these targets.

The following reviews recent efforts by CMAP staff in researching performance-based evaluation criteria for transportation funding, both in response to the plan's recommendation and from subsequent direction by the Regional Coordinating Committee, CMAP Board, and MPO Policy Committee. It summarizes the use of performance measures for highways and transit, both among peer states and in northeastern Illinois, and then suggests potential ways forward on this issue.

### **Previous Direction from the CMAP Board, and MPO Policy Committee, and Regional Coordinating Committee on the "55/45" Split**

Since the adoption of GO TO 2040, the CMAP Board, MPO Policy Committee and the Regional Coordinating Committee have addressed the "55/45 split" issue in more detail, and a policy brief from March 2011 is available [here](#). These committees directed staff to conduct more research and outreach, specifically with downstate partners, to create a broader-based constituency for altering the current allocation system. Since then, CMAP staff has reached out to various entities including IDOT, the Governor's office, the Councils of Governments, County Board Chairs, Metro Counties, the Metropolitan Mayors Caucus, the Illinois MPO Advisory Council, the Transportation for Illinois coalition, and others.

CMAP staff also conducted more detailed analysis on our region's historical share of state funds, as well as how other metropolitan areas of the state have fared under the system. The main finding of this analysis is that other metropolitan areas in Illinois have received disproportionately more revenue than our region; thus the issue is better defined as an "upstate/downstate" split rather than an "urban/rural" one. Barring a net increase in federal or state funding, many downstate regions would stand to lose relative to northeastern Illinois under alternative funding scenarios. This reality creates a challenging policy environment for any suggestions of a new formula.

At the October meeting of the Regional Coordinating Committee, CMAP staff [presented](#) initial research on the use of performance-based evaluation measures for transportation, in the context of the 55/45 issue. Overall, staff identified **three main issues** with the current methods used by the Illinois Department of Transportation (IDOT) to annually distribute state highway funds:

- In terms of project selection, IDOT uses evaluation criteria largely emphasizing physical conditions of the highway system, such as pavement and structural condition ratings, as well as traffic volumes. Larger capacity-adding projects do not appear to be evaluated for economic or environmental impact, including congestion impacts.

- IDOT’s public documentation does not specify exactly how it uses performance measures to evaluate and prioritize projects. It is difficult to determine how data are collected and weighted, and relevant regional stakeholders like MPOs are typically not directly consulted in the process.
- While IDOT uses performance measures to allocate funding within District 1 and among Districts 2 through 9, the fundamental distribution of funds in Illinois is predicated on an arbitrary formula. A longstanding ad hoc agreement within the General Assembly directs 45 percent of transportation funds to District 1 in northeastern Illinois and the remaining 55 percent to the eight downstate districts.

The CMAP Board and MPO Policy Committee also discussed this issue in their October meeting. In general, all three committees expressed an interest in moving toward a more performance-based funding allocation system. Some members noted that the current system is outdated and fails to respond well to current needs. Specifically, CMAP staff was requested to (1) investigate other states’ processes in more detail, including more information on implementation timelines, (2) investigate the impact these strategies have had on the geographic distributions of funds in their respective states, (3) expand the scope to transit, and (4) begin developing hypothetical performance-based scenarios for Illinois.

Lastly, the Regional Coordinating Committee discussed the contents of this memo at their most recent meeting in December. The consensus of the committee was to forward this material to the CMAP Board and MPO Policy Committee for their review, which was done at those committees’ January meetings. The CMAP Board directed CMAP staff to send a letter, along with this memorandum, to IDOT and RTA requesting to work cooperatively to implement a new performance-based funding system. The MPO Policy Committee had a number of comments, which have been incorporated into this memorandum, and agreed that this process should move forward.

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### Experience in Other States - Highways

CMAP staff compared IDOT’s practice to neighboring states, and also profiled performance-based project evaluation processes among various federal and regional programs. This analysis primarily focused on three state case studies: Kansas, Missouri, and Ohio. These states, like Illinois, must allocate resources between major metropolitan areas and rural areas; among highway, transit, rail, bicycle, pedestrian, and multimodal projects; reduce congestion and protect the environment; and maintain safety on an aging transportation system. In reviewing these other states’ systems, certain commonalities were found. In summary, these states:

- initiated their systems through their state DOTs, and in some cases, later formalized these systems in law;
- divide their funding into various programmatic areas;

- use explicitly-defined and publicly-available formulas to evaluate the various types of projects and employ a mix of formula and competitive processes to distribute funds, depending upon the type of project;
- formalize the participation of metropolitan planning organizations;
- use a separate commission or other entity to help evaluate and select projects.

For example, the [Kansas Department of Transportation](#) pools its funding into three programmatic areas— preservation, modernization, and expansion – and applies a tiered evaluation process to select projects within each category. Preservation projects are scored using only existing engineering criteria. Modernization projects are mostly scored using engineering criteria, but also consider regional priorities. Expansion projects consider engineering criteria, regional priorities, and economic impacts. The more detailed weights are presented below:

KDOT Project Selection Criteria

	Engineering	Regional Priorities	Economic Impact
Preservation	100%	-	-
Modernization	80%	20%	-
Expansion	50%	25%	25%

Engineering formulas vary depending on the type of preservation, modernization, or expansion project. Regional priorities, or “local input”, are calculated by KDOT staff based on input from local consultation meetings and the local knowledge of their district officials. Points are based on a project’s perceived safety benefits, regional impact, system connectivity benefits, and other factors. Economic impacts are modeled with the TREDIS software. TREDIS uses input-output models to estimate a project’s impact on jobs and gross regional income. [Note that the Kansas program guarantees a minimum of \\$8 million in transportation spending per county.](#)

While these states use performance-based evaluation criteria to evaluate projects for funding *within separate programmatic areas*, there is comparatively little rigor in allocating funds *to each area*. In Ohio, the Transportation Review Advisory Council’s scope is limited to large capital projects, defined as those exceeding \$12 million. In Missouri, funding levels are defined by the Highways and Transportation Commission, with some programmatic areas receiving fixed allocations and others receiving flexible allocations each year; the fixed funding levels are revised periodically. In Kansas, the 10-year capital program fully funds preservation projects, while funding levels for the other two main programmatic areas roughly correspond to those from prior capital programs.

CMAP staff conducted interviews with state DOTs and MPOs in Missouri, Ohio, and Kansas, and, on the whole, the interviewees communicated that their performance-based processes have improved the overall selection of projects. The framework these

systems provide helps to improve the working relationships among stakeholders, promote transparency and certainty in the programming process, and ensure that meritorious projects are selected for funding. Soliciting the input of a broad range of stakeholders increases their commitment to the state's program, helps stakeholders understand the inherent tradeoffs in developing a transportation program, and ensures that a broad range of evaluation criteria is considered.

CMAP research indicates that the development process for a performance-based funding system can range in length from a few months to several years. In Missouri, the new project evaluation system was developed in approximately six to nine months, and immediately applied to the annual State Transportation Improvement Program. In Ohio, the development process lasted some two to three years, first initiated by ODOT and later codified by the legislature. In Kansas, the initial outreach to local stakeholders lasted two years, while the follow-up local consultation process lasted approximately four months.

It is important to note that the transition to a performance-based system may not materially affect the geographic distribution of transportation funds. In Ohio and Missouri, where performance-based systems have been in operation for a decade or longer, funding levels vary by district from year to year in response to needs. To illustrate, District 6 in Missouri, which contains the St. Louis metropolitan area, received as much as 51 percent of statewide expenditures in 2007 and as little as 16 percent in 2008. However, funding levels tend to average out in the long run, with overall distributions resembling those in place before the transition to a performance-based system. In Missouri, urban districts received 49.88 percent of highway expenditures over the nine-year 2003-2011 period, which corresponds to their historic 50 percent share of funding.

### **Allocation of Transit Capital Funds in Northeastern Illinois**

Staff was also asked to include transit in further items on this topic. Transit systems in Illinois receive capital funding from federal, state, and local sources. Federal funds are distributed to states by formula through programs like the Urbanized Formula (Section 5307) and Rail and Fixed Guideway Modernization (Section 5309). State capital funding is typically raised through the Series B bond program, and large bond issuances are often financed through various fee increases. Local capital funds come from the RTA's Strategic Capital Improvement Program bonds, and are financed to an extent through state revenues.

Through its research, CMAP staff identified **three main issues** with transit funding:

- The allocation of the RTA Sales Tax and its related Public Transportation Fund revenues—the backbone of northeast Illinois transit's operations—is statutorily determined, and is not linked to Service Board performance or need.

- The State does not describe how transit projects are included within major capital programs such as Jump Start and Illinois Jobs Now!
- While the RTA and Service Boards have taken great strides at collecting data on their assets and infrastructure and have begun utilizing it to prepare and evaluate their capital programs, it is too early to determine the extent of its effectiveness since the overall process and tools are still in the development stage.

RTA Sales Tax

The RTA Sales Tax, although primarily used to fund operations, merits brief discussion here. Its revenues, which represent the bulk of operating funds for northeast Illinois transit, are shared among the RTA and Service Boards according to specific formulas defined in state legislation.

The RTA Sales Tax has two components. The first component consists of a 1 percent rate in Cook County and a 0.25 percent rate in DuPage, Kane, Lake, McHenry, and Will Counties. Of this revenue, the RTA retains 15 percent of revenues for discretionary grants, which could include capital projects, and the remaining 85 percent is distributed to the Service Boards by formula depending on location in which the revenues were generated:

	RTA	CTA	Metra	Pace
<b>Chicago</b>	15%	85%	---	---
<b>Suburban Cook</b>	15%	(30%	55%	15% of remaining 85%)
<b>Collar Counties</b>	15%	(---	70%	30% of remaining 85%)

In 2008, Public Act 95-0708 increased the RTA sales tax by 0.25 percent throughout the six-county RTA region. It also established the Real Estate Transfer Tax (RETT) rate of \$1.50 for every \$500 in sales price in the City of Chicago. The State provides a 30 percent match to the RTA Sales Tax from the Public Transportation Fund (PTF). The funds associated with the 2008 increase of the RTA Sales Tax and the associated PTF funds are pooled and distributed to the RTA as defined by statute: some \$145 million in funding is set aside for three programs (Regional ADA Paratransit Fund, Suburban Community Mobility Fund, and the RTA innovation, Coordination, and Enhancement Fund), and the remaining funds are allocated to the Service Boards according to formula (48 percent to CTA, 39 percent to Metra, and 13 percent to Pace).

The RTA Sales Tax and Public Transportation Fund provided some \$1.2 billion in revenue to northeastern Illinois transit in 2011. As described here, the distribution of these funds is defined in law, and is based on somewhat arbitrary formulas and program set-asides.

## State Capital Programming

The two most recent capital programs in Illinois, Jump Start and Illinois Jobs Now!, were passed during the spring and summer of 2009. These two programs provide \$9.5 billion in funding for transportation, including \$3 billion (32 percent) for transit. Transit revenues are divided according to a 90-10 split, with 90 percent of revenues allocated to northeastern Illinois and the remaining 10 percent downstate. To illustrate, Illinois Jobs Now! provided \$1.8 billion to transit in northeastern Illinois and \$200 million to downstate transit agencies. Revenues come from bond issuance, and the debt service is covered by increased motor vehicle fees, liquor taxes, sales taxes, and new video gaming revenues. These additional user fees (and other fees) are deposited into a newly-created Capital Projects Fund, which also finances non-transportation capital projects across the state.

There is no indication from [public documentation](#) how the State selects transit projects for inclusion in its multiyear capital programs. According to the RTA, the capital projects included in the multiyear program must be in the RTA's adopted capital program and therefore have undergone evaluation through the existing budgeting process. The state's overall goals for a multiyear capital program, such as job creation, also inform which projects are chosen.

## Service Boards Capital Programming and Asset Condition Evaluation

CMAAP staff analyzed the most recent capital programs for each of three regional Service Boards. These documents—available [here](#) for the CTA, [here](#) for Metra, and [here](#) for Pace—list the types of projects to be funded, in what amount, and the sources of these funds. The programs identify three broad goals for their capital programs—maintenance, enhancements, and expansions—demonstrate their capital needs, and utilize the criteria and process outlined in the RTA's Capital Plan Development Process (described in this [presentation](#) on slide 50). This process was developed cooperatively by the Service Boards and RTA, and adopted by the RTA Board in 2008.

The service boards and the RTA have done some considerable work in analyzing asset conditions. RTA is currently refining its objective, needs-based [capital programming process](#). Furthermore, the RTA has recently received a [grant](#) to partner with the Federal Transit Administration in developing a Transit Asset Management Program. This effort will include consistent, data-driven decision tools to help RTA monitor and improve the state of good repair of its capital assets. The program will better link upstream asset data and condition analyses with downstream capital project prioritization and budgeting.

The Service Boards, in turn, also refer to recent or upcoming strategic capital planning processes. For example, the CTA is implementing an [asset management system](#), which will collect data on the asset inventory into a new database, update condition data, develop reporting and modeling tools to assist the CTA's capital planning process, and create a method for maintaining this

data in the long term. CMAP anticipates that these studies will more fully detail regional transit systems needs and the rationale for the selection of individual capital projects.

The RTA recently [evaluated](#) the condition of its Service Boards' capital assets. The 18-month effort used asset age as a proxy for condition, evaluated assets in five major categories, and identified five major cost components. According to the RTA's analysis, the three Service Boards have combined capital needs of \$24.6 billion over ten years. Fifty-six percent of the total costs are needed to address the backlog, 28 percent to address normal replacement costs, and the remaining 16 percent to address routine capital maintenance costs. The CTA accounts for about 61 percent of needs, Metra 30 percent, and Pace 9 percent.

The data collected for the RTA's capital needs analysis is essential for moving toward performance-based capital programming. This data can illustrate where needs are greatest and how to optimize an investment mix given the agency's priorities. While the RTA and Service Boards are taking the necessary first step in collecting this data, it has yet to be fully integrated into a systematic, long-term capital programming process.

#### Capital Programming Among Peer Transit Systems

CMAP staff reviewed five major American transit agencies: New York Metropolitan Transportation Authority, Los Angeles County Metropolitan Transportation Authority, Washington Metropolitan Area Transit Authority, Massachusetts Bay Transportation Authority, and Southeast Pennsylvania Transportation Authority. Despite the diversity in funding levels and revenue sources, the transit agencies have broadly similar profiles. All receive a mix of federal, state, and local revenue sources to fund their operations and capital expenses; sales taxes are a particularly popular source of revenue. Each agency has internal processes for tracking the condition of its assets and making capital funding decisions. Often, state and/or local funds are allocated according to predetermined formulas, similar to the RTA. For example, Washington Metro's bus and rail operating subsidies are [shared](#) by the jurisdictions it serves, as is the agency's expected \$438 million in [debt issuance](#). The proportions assigned to each jurisdiction are based on formulas that include weighted population and population densities, service provision, and service consumption by location.

However, the agencies' explicit use of performance measures in capital programming is less consistent. Here we briefly discuss two examples that illustrate opposite ends of the spectrum. New York MTA has expressed its intent to move towards a more performance-based system. Los Angeles Metro, on the other hand, works under specific direction from voter-approved ordinances.

According to its 2010-2014 [Capital Program](#), New York MTA will implement expanded transparency measures and base its investment decisions on explicit performance data: "Each investment will address a documented and fully justified need, and deliver

a specific and measureable customer benefit... Assets will no longer be replaced simply because they are old or at the end of their 'useful life'<sup>1</sup>. Additionally, MTA recognizes several responses to a documented capital need, ranging from no response to extension of useful life through rehabilitation to outright replacement. MTA will apply life cycle costing and a performance management perspective when deciding which of these options is most appropriate.

Los Angeles Metro is heavily dependent on voter-approved sales taxes to fund its capital program. The ordinances that authorize local sales taxes allocate funding based on specifically defined formulas or in support of specifically identified projects; these decisions result from the political process. Measure R, for example, is a thirty-year half-cent sales tax for transportation projects approved by voters in 2008. Its estimated \$40 billion in revenues will be distributed to [projects](#) explicitly identified in the enabling [ordinance](#), such as the Orange Line extension.

### Potential Ways Forward for Illinois

Over the past several months of research, CMAP staff has shifted its focus from the narrow "55/45" issue in the State's highway funding to a broader discussion of IDOT's programming process. Rather than implementing some other arbitrary split, CMAP is intent on improving the transparency and accountability of both IDOT's highway improvement program and the State and region's funding for transit. CMAP believes in a more participatory annual process that invites relevant stakeholders to work with IDOT in developing the funding program. Additionally, CMAP supports incorporating broader evaluation criteria, including measures of a project's economic impact, into the prioritization process.

### Highway Funding

CMAP recommends a new outcome-driven process to allocate state highway funds. CMAP envisions this process to occur **once every few years** to determine the State's multiyear highway program; a simplified version of the process could be implemented midway through the program in order to assess progress made toward established goals and to reassess funding allocations in response to emerging needs. CMAP stresses that this proposal would continue the current state practice of developing a **multiyear highway program, currently done through the five-year Highway Improvement Program.** The following discussion walks through the proposal in a step-by-step fashion, and is followed by a flow chart to visually describe the process.

*Step 1: Determine Regional Priorities and Develop List of Candidate Projects*

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<sup>1</sup> MTA, p. 5

As an initial preparatory step, each of the state's **metropolitan planning organizations**, all of which include IDOT as a member, would meet internally to determine priorities and identify a list of potential highway projects to be funded. The MPOs would develop their own methods to complete both of these tasks; three processes at CMAP demonstrate potential approaches that involve multiple stakeholders, integrate quantitative and qualitative data, and incorporate explicit evaluation criteria. The first example is CMAP's [evaluation](#) of major capital projects for inclusion in GO TO 2040. CMAP staff prepared quantitative analyses of a project's effect on long-term economic development, congestion, mode split, air quality and energy use, jobs-housing access, and other variables. After each project's quantitative scores, CMAP staff provided brief narrative descriptions of other project criteria, including the project's cost and current status. This information, both quantitative and qualitative, was used to facilitate a deliberative process within the agency's committee system to determine which projects would ultimately be included in the regional plan.

The second example is CMAP's administration of federal [Congestion Mitigation and Air Quality Improvement](#) (CMAQ) program revenues. The CMAQ program funds transportation projects that improve air quality and reduce traffic congestion in regions that fail to meet one or more EPA air quality standards. In 2011, CMAP adopted a [focused programming](#) approach for the program. Under focused programming, applicants to the CMAQ program demonstrate their project's consistency with GO TO 2040. CMAP staff evaluates applicants through four of its committees—an ad hoc committee for direct emissions reductions, an ad hoc committee for transit, the Bicycle and Pedestrian Task Force, and the Regional Transportation Operations Coalition—which prioritize projects for the Project Selection Committee (PSC). The PSC considers the air quality cost-benefit ratio, but also takes into account qualitative factors such as project readiness, modal mix, and regional equity in developing a 5-year program.

CMAP recommends that IDOT identify potential highway projects for non-metropolitan areas according to its internal processes.

#### *Step 2: Determine Statewide Goals, Funding Levels, and Evaluation Criteria*

CMAP recommends that a state-level policy group meet to identify goals and priorities for the state highway system. Goal-setting is a critical component of a performance-based funding system in transportation, and the decisions made at this stage would inform subsequent funding allocations. At their December meeting, the Regional Coordinating Committee discussed that this state-level policy group should be managed by IDOT, should include a diverse set of transportation stakeholders, MPOs chief among them, and its membership should be representative of the state as a whole. MPOs would enter this process having determined their goals and priorities in Step 1.

Such a group would not be the first to determine policy goals for the state transportation system. For example, IDOT's most recent [State Transportation Plan](#), published in 2007, identifies several broad goals organized into thematic areas such as finance and safety.

However, the State Transportation Plan does not include specific, robust goals, nor does it link funding allocations with performance outcomes. While CMAP staff does not prescribe a goal-setting process in this memorandum, it is anticipated that the state-level policy group will consider a variety of transportation performance data, as well as the regional goals and priorities developed in Step 1, to identify robust performance goals for the transportation system. These performance measures could include the transportation system's physical conditions, congestion, and economic impact.

After identifying official state goals and policies, this policy group would pool state highway funds (excluding the CMAQ and local STP programs, which are programmed regionally) and divide them into three broad programmatic categories: **Maintenance, Modernization, and Expansion**. Maintenance projects would include activities such as resurfacing, pavement markings, painting, landscape, bridge and culvert repairs, bridge rehabilitation and replacement, and signage. Modernization include geometric improvements to roadways, the use of innovative pavements, safety projects, grade separation of intersections, and intelligent transportation systems (ITS) projects including corridor management and traveler information systems. Expansion projects would include new lanes, new interchanges, new bridges, and new roadways. Each of the broad programmatic categories would contain appropriate subcategories, for example bridge repair and repaving for Maintenance projects, safety and traveler information for Modernization projects, and new lanes and new interchanges for Expansion projects. These categories correspond to the three key objectives of IDOT and RTA's capital programs, as well as the three main project types discussed in CMAP's GO TO 2040.

CMAP acknowledges that not all federal and state transportation funds are flexible among project types. CMAP anticipates the state-level policy group to pool funds to the extent permissible by law and creatively assemble funding packages within the three broad programmatic areas in order to support prioritized projects.

### *Step 3: Statewide Project Selection*

After the state-level policy group determines overall funding levels for broad programmatic areas and subcategories, it would determine the appropriate **performance measures and their weights** for each programmatic area and subcategory to be used in selecting individual projects for funding. The peer states discussed earlier provide examples of performance-based formulas used to score individual projects. In general, CMAP staff anticipates that following types of performance measures to be applied to each programmatic area:

- Maintenance projects – These projects would be based almost entirely on traditional **engineering criteria** such as vehicle-miles traveled, vehicle-hours-traveled, volume-to-capacity ratios, pavement and bridge condition ratings, levels of service, and lane-miles. IDOT's existing engineering formulas, data collection systems, and prioritization processes would likely continue in their current form.

- Modernization projects – These projects would be based on similar **engineering criteria**, but also on their **economic impact** and the **priorities of regional transportation stakeholders**. Economic impact would likely be measured by number of jobs created and change in gross regional and state product.
- Expansion projects – These projects would also be based on **engineering criteria**, **economic impact**, and **regional priorities**.

As described above, CMAP recommends that the evaluation criteria for modernization and expansion projects include formal mechanisms to solicit and incorporate the input of the state’s metropolitan planning organizations. CMAP does not recommend a specific process to do so, but emphasizes that MPOs should have the flexibility to determine priorities in a regionally-appropriate manner. Again, CMAP’s selection of major capital projects in GO TO 2040 and air quality and congestion mitigation projects through the CMAQ program provide examples of how such a regional prioritization process might work.

At this step, the statewide policy group would need to determine an appropriate process to combine the quantitative performance formulas and scores with more qualitative regional priorities developed by MPOs. Again, CMAP emphasizes that different types of projects would be subject to different criteria; Modernization and Expansion projects, for example, would include broader metrics to capture economic impact and regional priorities.

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After evaluation criteria have been determined, projects from across the state determined in Step 1 would compete for available funds for each category and subcategory using the pre-established criteria. Through a deliberative, transparent process, projects would be ranked from highest-scoring to lowest-scoring; the highest-scoring projects would be awarded funding until all funds are exhausted. CMAP stresses that project “scores” would not necessarily be quantitative determinations, but would rather blend quantitative and qualitative criteria using the professional judgment of the state-level policy group. CMAP anticipates that IDOT would award funds under this process; there would be no change in their current programming authority. Again, CMAP stresses that the CMAQ and local STP programs would be exempted from this programming process.

The following flow chart describes the three-step process visually.

## CMAP Recommendation for a Three-Step Highway Funding Process

### Step 1: Determine Regional Priorities and Develop List of Candidate Projects

- Initial preparatory step
- Each MPO would meet internally to determine its goals and priorities for statewide funding allocations and evaluation criteria.
- Each MPO would also determine lists of potential highway projects in its region. IDOT would identify potential projects in non-metropolitan areas.
- MPOs would determine their own processes to complete the above; CMAP's selection process for GO TO 2040 major capital projects and the CMAQ program are examples.

### Step 2: Determine Statewide Goals, Funding Levels, and Evaluation Criteria

- A state-level policy group—including MPOs—would meet to determine overall goals and priorities for the transportation system.
- This group would pool state highway funds (excluding CMAQ and STP) and allocate them into three broad programmatic areas:
  - Maintenance
  - Modernization
  - Expansion
- The state-level policy group would determine performance measures and evaluation criteria for the programmatic areas and their subcategories.
- The evaluation criteria for modernization and expansion projects would provide a formal role for MPOs.

### Step 3: Statewide Project Selection for the Multiyear Highway Program

- Projects determined in Step 1 would compete for funding from the various categories.
- Projects would be scored using the performance measures identified in Step 2.
- Projects would be programmed according to -and- the professional judgment of the state-level policy group. Projects would then be funded from highest-ranking to lowest-ranking until the relevant funds are exhausted.
- The evaluation process would be transparent and deliberative, and would result in a multiyear highway program. Projects would then be funded from highest-ranking to lowest-ranking until the relevant funds are exhausted.

## Transit Funding

The transit discussion has multiple components: how the State allocates capital funds, how the RTA allocates the discretionary capital funds among the three Service Boards, and how the Service Boards select capital projects. We recommend that the RTA and Service Boards continue to take the lead in identifying and prioritizing their capital needs, and that the State maintain its more limited role as financier for a portion of these capital needs.

There is relatively little guidance from peer transit agencies on how to implement a performance-based capital funding system at the regional level; the RTA's recent work on transit asset management appears to be new territory. We recommend the RTA continue the development of the pilot project and further convene a wider group of stakeholders, including MPOs, to determine the appropriate performance measures and weights by which transit capital funding ought to be allocated within northeastern Illinois. This group would advocate for an appropriate legislative response after reaching a consensus. The RTA's recent work on capital needs assessment is a useful first step, and will likely represent a critical reference for the proposed task force. While our emphasis here is on capital funding, the distribution of RTA's operating funds is strictly defined in law, and leaves little room for a more performance-based approach. We believe this issue will also need to be addressed in the long run, likely through a deliberative outreach process similar to what we recommend for transit capital funding.

At the state level, we recommend that IDOT impose transparency measures to demonstrate to the public how it allocates resources from its various public transportation funds. The State should also describe how it selects individual projects for inclusion in major capital programs such as Jump Start and Illinois Jobs Now!

## **Recommended Implementation Actions**

At their December 2011 meeting, the Regional Coordinating Committee advised the CMAP Board and MPO Policy Committee to recommend the implementation of performance-based funding systems for both highway and transit funds. While the committee discussed the potential benefits of state legislation and/or the formation of a new independent commission to help compel a new process, the committee's preferred approach was to recommend that IDOT and the RTA lead the implementation without new legislation or the creation of a new oversight entity.

As described earlier, IDOT enjoys flexibility in programming the funds that accrue to the State's Road Fund and Construction Account, and the longstanding "55/45 split" is not statutorily defined. IDOT could therefore move toward a more inclusive performance-based process under its own initiative. Indeed, the systems profiled in Ohio, Missouri, and Kansas were each initiated by a state department of

transportation or transportation commission. The Service Boards also enjoy flexibility in spending the capital resources they receive from federal and state sources, and there is indication from the RTA that the Service Boards are already moving down this path.

As mentioned in the introduction, federal reauthorization of the surface transportation program is likely to require the increased use of performance measures by state and regional governments. CMAP believes it is to the State's advantage to begin implementing its own performance-based system in anticipation of a long-term federal bill.

### **Conclusion**

Although a performance-based accountability system relies on quantitative measures, it is not an entirely objective exercise. For one, defining "performance" is not straightforward, particularly when a transportation system's multiple goals conflict. There is no objective way to choose metrics, which come in many shapes and sizes, or to integrate qualitative criteria. Deciding how to employ agreed-upon evaluation criteria is no less clear-cut. These many concerns can be summarized in three basic questions: (1) what to measure, (2) how to measure it, and (3) how to use these measurements.

The performance-based systems recommended here do not answer all these policy questions. However, they do provide for greater transparency and a more prominent role for MPOs and other stakeholders in the development of the State's highway improvement and transit programs. They promote the participation of a broader range of stakeholders, and incorporate both quantitative and qualitative data into the deliberation process. These systems build incrementally on existing practice, and, for capital expenditures, can be directly implemented by IDOT, RTA, or Service Boards. Reforms to the allocation of transit operating revenues would require legislation, while IDOT enjoys greater discretion to spend highway operating revenues.

A performance-based funding system can move the region and state toward improved coordination and strategic investment as identified in GO TO 2040. Moreover, performance-based systems can improve public accountability, and help to ensure that scarce public resources are spent most effectively.



## MEMORANDUM

**To:** Regional Coordinating Committee

**From:** CMAP Staff

**Date:** February 1, 2012

**Re:** Next Steps:  
Performance-Based Evaluation Criteria and Transportation Funding

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During its January 11, 2012 meeting, the CMAP Board directed staff to move forward on the issue of performance-based evaluation system for state transportation funding. This memorandum outlines a potential strategy for doing so. CMAP staff has decided to focus its efforts on the use of performance measures for highway funding; the Regional Transportation Authority is currently working on a performance-based budgeting and decision tools for transit funding. Furthermore, staff has also decided to focus its attention on the project selection process.

The proposed strategy has five major components:

- Issue brief
- Staff-to-staff meetings
- Outreach to relevant stakeholders
- TPCB application
- Policy Updates

Each will be discussed in turn.

### ISSUE BRIEF

After approval of the most recent edits to the memorandum presented in December and January, CMAP staff will convert the document into an Issue Brief and make this available on the CMAP website. The most recent edits are being recirculated to the Regional Coordinating Committee for their review.

### **STAFF-TO-STAFF MEETINGS**

CMAP staff received a letter from the Illinois Department of Transportation (IDOT) staff dated January 23, 2012 commenting on the performance-based programming memorandum presented to the Metropolitan Planning Organization (MPO) Policy Committee. CMAP staff capitalized on this opportunity to request staff-level meetings between the two agencies, and in its response letter asked IDOT to identify appropriate staff persons to participate. Additionally, CMAP staff is relying on its more informal knowledge and relationships to identify potential participants in staff-level meetings. It is anticipated that staff-level meetings would begin in the late winter or early spring 2012.

### **OUTREACH TO RELEVANT STAKEHOLDERS**

CMAP staff will begin to contact relevant stakeholders to present its proposal, receive comments, and invite to future rounds of staff-to-staff meetings. These stakeholders would include downstate metropolitan planning organizations, and CMAP staff intends to present a briefing on the proposal at an upcoming Illinois MPO Advisory Council meeting. Additionally, CMAP staff intends to reach out to stakeholders in the regional civic community over the coming weeks.

### **TPCB APPLICATION**

The Federal Highway Administration offers the Transportation Planning Capacity Building (TPCB) Program to bring together transportation practitioners through webinars, peer exchanges, and workshops to discuss complex issues, share experiences, and provide training and technical assistance. CMAP staff has submitted an application to the [TPCB Peer Program](#) to convene state department of transportation and metropolitan planning organization officials from across the country to discuss their experiences with implementing performance-based funding systems. CMAP staff expects such an opportunity to be a valuable learning experience, allowing IDOT and MPO staff to learn in detail how other state funding systems were implemented, how they currently operate, the challenges experienced, and the various outcomes of the performance-based systems. If the application is successful, FHWA would pay travel, accommodation, meal, and incidental expenses. CMAP staff has contacted the Federal Highway Administration Illinois Division Office, which expressed support for the application.

### **POLICY UPDATES**

CMAP staff has completed substantial research on the topic of performance-based evaluation criteria and transportation funding, and has assembled substantial volumes of material exceeding that which has been included in the memoranda to the CMAP Board and committees over the past three months. CMAP staff will begin to translate this research into a series of Policy Updates, which are anticipated to improve public awareness and present an outlet for the more extensive background research.

**ACTION REQUESTED:** Discussion

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