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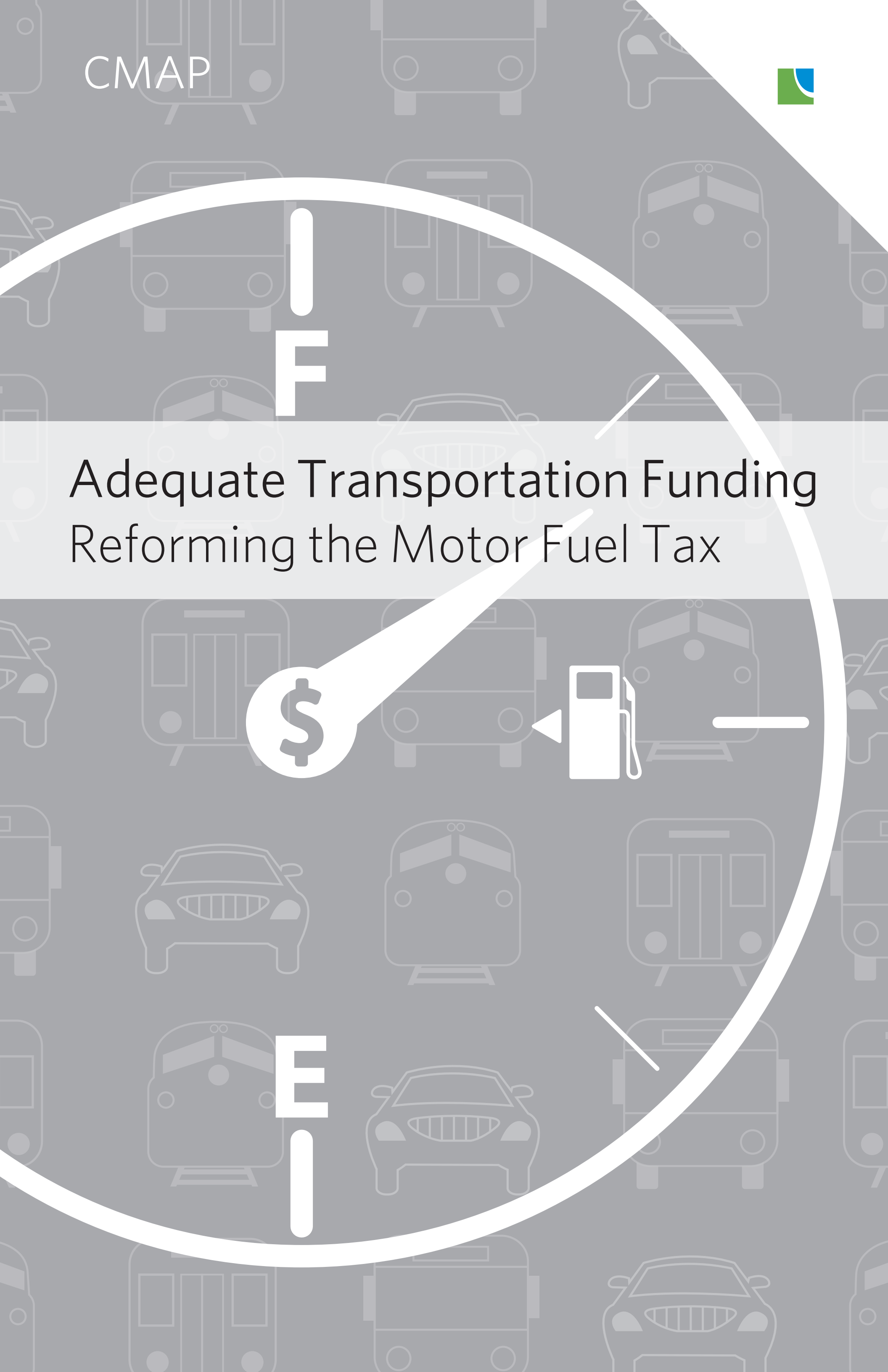


Adequate Transportation Funding

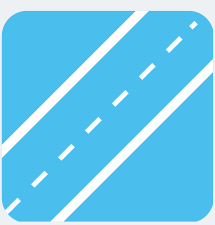
Reforming the Motor Fuel Tax

Despite being one of the state and federal government's primary revenue sources for transportation funding, motor fuel taxes (MFTs) have not been increased in over 20 years. Because of inflation, Illinois MFT revenue buys 42 percent less than it did when it was enacted in 1991. Meanwhile Illinois and the Chicago region have major investment needs just to maintain existing roads, bridges, and transit systems. Additionally, the region needs to expand and modernize the system to relieve congestion and serve population and job growth. While transportation is still a significant strength of Illinois, the state must invest in our system to compete with other U.S. and global economic centers.

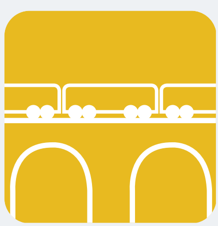
The transportation funding problem

- **MFT revenues have been declining annually.**
- **Revenue forecasts indicate the region will barely have enough overall funding to maintain the existing transportation system.**
- **The region also needs funding to modernize and expand the system.**

The region must enhance its existing revenue streams and implement new revenue sources to support transportation investments needed to keep Illinois competitive in a global economy.

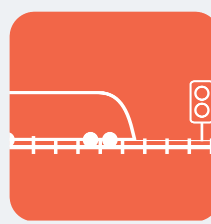


25%
of the regions highways are in unacceptable ride condition



8.8%
of bridges are structurally deficient

30%
of transit vehicles are not in a state of good repair



34%
of transit guideway elements are not in a state of good repair

Source: Chicago Metropolitan Agency for Planning www.cmap.illinois.gov/mobility/explore, 2015.

Why increase the MFT?

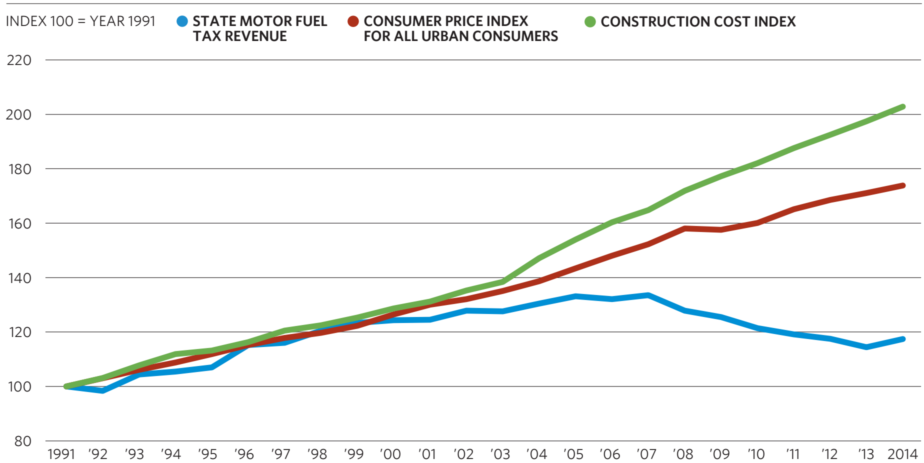
Illinois MFT revenues have generally been declining for the past decade. Moreover, the MFT is unable to keep up with increases in the cost of construction, and so has lost significant purchasing power over time.

The state MFT has remained $0.19 per gallon since 1991. As a per-gallon tax, MFT revenues have failed to keep pace with inflation in construction costs over the past quarter-century. The cost to operate, maintain, and expand the state's transportation system increases over time; to keep up, revenues must grow. The following chart compares the growth in state motor fuel tax revenue to growth in inflation and construction costs.

Why isn't the state MFT revenue increasing anymore?

- **The flat, per-gallon rate does not rise with inflation.**
- **Vehicle fuel economy improvements reduce motor fuel purchases.**
- **Vehicle miles traveled have stabilized.**

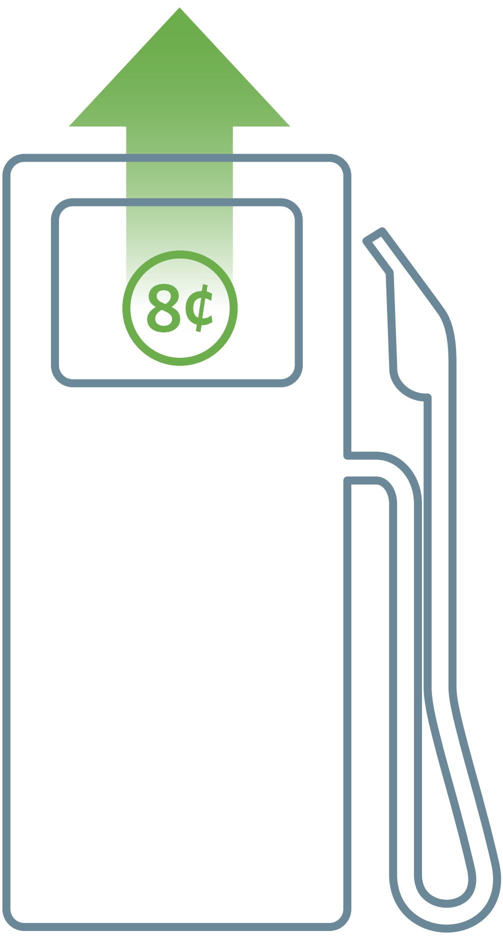
State motor fuel tax revenue compared to Consumer Price Index and national Construction Cost Index, 1991-2014



Source: Chicago Metropolitan Agency for Planning analysis of data from Illinois Department of Transportation, U.S. Bureau of Labor Statistics, and Engineering News Record.

As a per-gallon tax, MFT revenues have failed to keep pace with inflation in construction costs over time. For this analysis, the consumer price index for all urban consumers is used for inflation, while the Engineering News Records' national construction cost index is used to measure construction costs.

State MFT revenues have generally been declining since 2007, when revenues reached a high of $1.4 billion statewide. This can be partially explained by a decline and stabilization in statewide vehicle miles traveled. After growing steadily throughout the 1990s and early 2000s, miles traveled peaked in 2004 but have held fairly steady with periodic declines since then. Additionally, the consumption of motor fuel has declined more steadily and faster than vehicle miles traveled, primarily as a result of rising vehicle fuel economy. GO TO 2040 makes several policy recommendations to increase transportation funding, including increasing the state motor fuel tax by 8 cents and indexing the rate to an inflationary measure, followed by a replacement to the motor fuel tax in the long term.



What about the federal motor fuel tax?

The federal MFT was set at 18.4 cents per gallon in 1993. Like the state MFT, the revenues have been outstripped by growth in construction costs and improvements in vehicle fuel economy. CMAP recommends that the federal motor fuel tax rate be increased and indexed to an inflationary measure. In addition, a long-term replacement should be pursued at the federal level to ensure sustainable investment in the transportation system. Reforming the federal MFT would improve the solvency of the federal Highway Trust Fund, which has struggled in recent years to keep pace with federal transportation spending. This will allow for a long-term federal transportation authorization bill, ensuring the ability of states and regions to plan future transportation projects.

Developing a long-term solution

As motor fuel consumption continues to slow and vehicle fuel economy rises, a rate increase and inflationary index will be insufficient to keep revenues growing with the cost of construction. Annual revenue growth of 3.7 percent would allow the region to both maintain the system and make strategic improvements to it. Even with the 8-cent MFT increase and annual inflation adjustment, revenue growth is just 1.2 percent, again due to improvements in vehicle fuel economy.

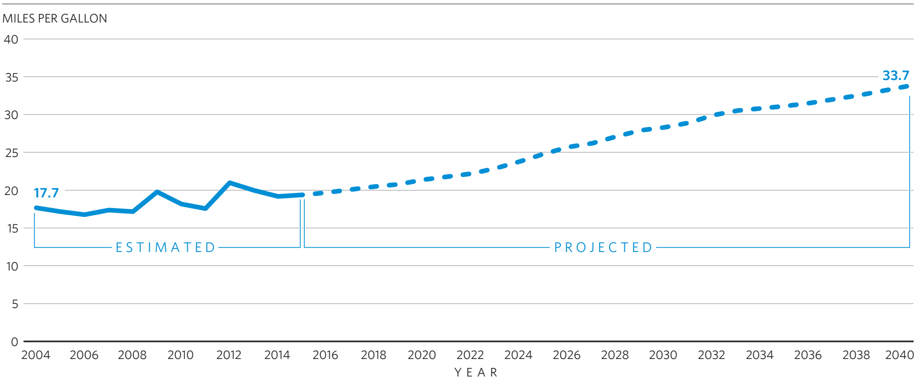
GO TO 2040 recommendations

Now: Increase the MFT rate by 8 cents and index the rate to an inflationary measure.

Long term: Replace the MFT with a more sustainable funding source.

To provide adequate revenue to maintain and operate the transportation system, the MFT ultimately needs to be replaced. Other state governments and metropolitan planning organizations across the country are considering replacements, such as a fee on vehicle miles traveled or a sales tax on wholesale motor fuel. CMAP plans to examine potential to support a similar policy change. If the state MFT rate increase and indexing were implemented in 2016, followed by the enactment of a replacement of the MFT in 2025, an additional $17.3 billion could be generated for transportation investments in the region between 2015-40.

Average miles per gallon for light duty vehicles in Illinois, 2004-40



Source: Chicago Metropolitan Agency for Planning analysis of data from National Highway Traffic Safety Administration (NHTSA) Corporate Average Fuel Economy (CAFE) Fuel Economy Fact Sheets, Illinois Department of Transportation, and 2009 National Household Travel Survey.

Spend money wisely

Regardless of the amount of revenue available, funds for transportation need to be allocated more wisely, using performance-driven criteria rather than arbitrary formulas. A longstanding informal practice directs only 45 percent of the state's road funding to northeastern Illinois and the remaining 55 percent downstate, regardless of need. In contrast, northeastern Illinois is home to two-thirds of the state's population and an even greater share of its economic activity. The principles of performance-based funding should also extend to the federal level, both to the major funding programs apportioned to the states and to the competitive programs run by the U.S. Department of Transportation.

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About CMAP

The Chicago Metropolitan Agency for Planning (CMAP) is the official metropolitan planning organization (MPO) for the northeastern Illinois counties of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. CMAP developed and now leads the implementation of GO TO 2040, metropolitan Chicago's first comprehensive regional plan in more than 100 years. To address anticipated population growth of more than 2 million new residents, GO TO 2040 establishes coordinated strategies that help the region's 284 communities address transportation, housing, economic development, open space, the environment, and other quality-of-life issues.

See www.cmap.illinois.gov for more information.

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