CMAP

Principles for a State Capital Program

Transportation and business leaders across Illinois are considering a potential new capital program. Given the lack of stable funding, the continuation of the arbitrary "55/45 split" that directs only 45 percent of State highway funds to the Chicago region, and the lack of transparent project selection, **CMAP believes that any new State capital program must be coupled with reform.**

Necessary Reforms

Specifically, any new program: 1) must be funded through new user-fee generated revenues, 2) must move away from the 55/45 split and toward a performance-based funding system, and 3) must provide additional capital funding for both highways and transit.

- *New user-fee generated revenues*. The State must find a source of revenue that can keep pace with construction costs and end the continuing "boom and bust" cycles of inconsistent funding and uncertainty for residents and businesses. In the near term, the State should raise transportation user fees and index them to inflation or construction cost escalation. While new and innovative sources of dedicated transportation funding should also be explored, Illinois needs a near-term source of adequate, predictable, and stable funding so that projects can be financed. Not all new revenues should be used for debt service — some of the new revenue should have a "pay-as-you-go" element to stabilize the State road fund to pay for ongoing needs.

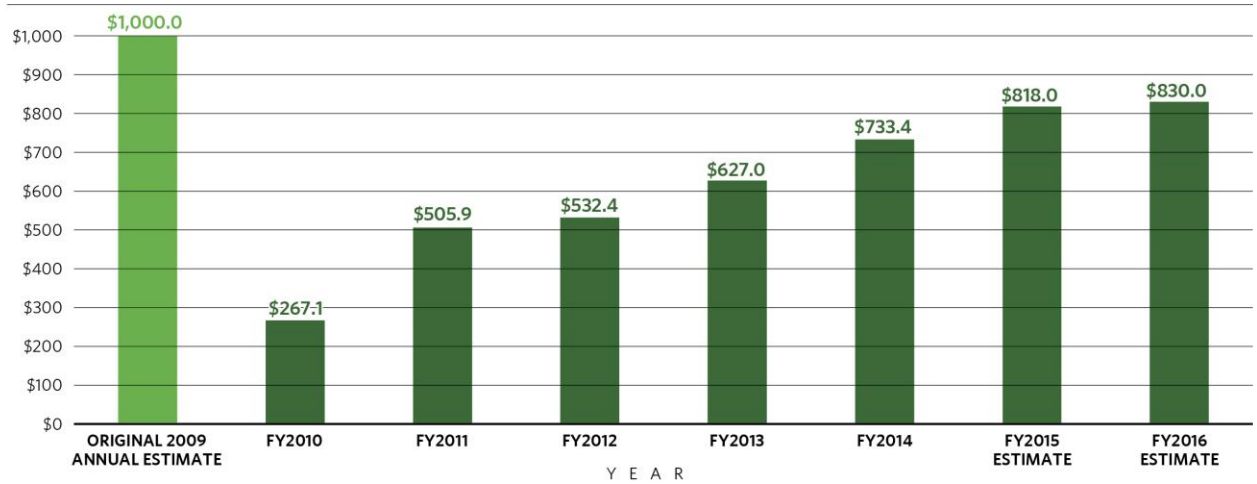
- *End 55/45 and move toward performance-based project selection*. Past State capital programs have lacked a transparent project selection process and dedicated far too little funding toward northeastern Illinois, relative to what the region provides in economic productivity and tax dollars. The State should move toward implementing a performance-driven process for selecting projects, rather than continuing arbitrary allocations. In northeastern Illinois, projects should align with the recommendations of the region's GO TO 2040 comprehensive plan, which prioritizes the maintenance and modernization of the existing system along with a short list of prioritized major capital projects. Because our region has worked collaboratively to plan for its future, the State should respect this vision through its project selection and also ensure that our residents and businesses understand how their tax dollars are being spent to implement it.

- P*rovide additional capital funding for transit.* CMAP supports the maintenance of our roads and bridges as well as strategic highway expansions in line with GO TO 2040's objectives. However, well-functioning public transit remains vital to our region's economic future. Finding a steady, reliable source of capital funding to support the region's transit system must be a top priority, and to date this has not materialized. The importance of achieving modern transit service will only grow as metropolitan Chicago competes with other places around the globe for talent and investment. Our region already taxes itself to fund transit operations, and the State must help deliver the capital resources that are so badly needed to modernize the system.

Prior Shortfalls

Enacted in 2009, the most recent capital packages plan for some $9.5 billion in bond-financed transportation improvements. Not only have these programs shortchanged northeastern Illinois taxpayers through the 55/45 split, the State has also struggled to finance them. The enabling legislation for the most recent bond program established a new Capital Projects Fund to cover debt service for the majority of the new bonds it appropriated, with the revenues for this fund to be provided by new taxes and fees. However, several of the new revenue sources, such as video gaming, yielded revenues substantially below projected levels. Those new revenue sources were expected to generate about $1 billion annually but have only raised roughly three-quarters that amount in recent years, as shown below.

Capital Projects Fund revenues compared to original estimates
scale in millions of dollars



Source: Chicago Metropolitan Agency for Planning staff analysis of Commission on Government Forecasting and Accountability data.
Note: Original revenue estimates for the video terminal tax ranged from $288-534 million; the chart uses $345 million as a middle value.

This shortfall in revenues has affected the State's ability to issue bonds in support of the capital program enacted in 2009. According to data from the Illinois Office of the Comptroller, as of June 2013 only about **46 percent** of the all Transportation Series B bonds — including those from the most recent as well as previous capital programs — authorized for transit, aviation, and rail had been issued. And about **54 percent** of the Transportation Series D bonds that had been authorized for highways, local governments, and other transportation improvements had been issued. While bond issuances have begun to catch up with statutory authorizations in FY2014, the State has not been able to fully pay for its current program over the past six years. We must ensure that this problem does not carry over to any future capital programs.