



MEMORANDUM

To: Transportation Committee
From: CMAP Staff
Date: May 13, 2016
Re: Alternative Long-Term Funding Options

This memo continues the discussion of alternative long-term funding options for the agency that began in late 2015 and has continued since then. The Transportation Committee has received regular updates over the past several months, and this memo builds upon these past reports.

Recent actions regarding CMAP's long-term funding include the following.

- On April 13, the CMAP Board voted to approve a restructuring of the agency's dues, meant to reduce reliance on the state to provide the full match for federal funds.
- On April 22, the Transportation Committee voted to approve the FY17 UWP program. This request included a larger federal share for CMAP, anticipating the possibility that state funding may not be available in FY17.
- On May 11, the CMAP Board reviewed a draft of the FY17 budget. This budget includes the restructured dues and the FY17 UWP program mentioned above.

Further action will be taken in June on several of these items.

- On June 8, the CMAP Board will be asked to approve the FY17 UWP program and FY17 budget.
- On June 9, the MPO Policy Committee will be also asked to approve the FY17 UWP program.

The remainder of this memo provides further detail about each of the recent actions.

Dues restructuring

In April, the CMAP Board approved a restructuring of the agency's dues to reduce financial reliance on the state. As approved, local dues will be split evenly between the three types of agencies that support and govern CMAP: Counties, municipalities, and transportation agencies. Proposed contributions by agency -- grouping suburban municipalities together -- are

shown on Table 1. Please note that CMAP is in discussion with other transportation stakeholders, such as railroads and private transportation providers, about providing contributions.

Table 1. Dues structure, FY17 and FY18

| | FY17 | FY18 |
|---------------------------------------|------------------|--------------------|
| Cook | \$134,823 | \$224,705 |
| DuPage | \$36,359 | \$60,598 |
| Kane | \$27,143 | \$45,238 |
| Kendall | \$17,822 | \$29,703 |
| Lake | \$31,102 | \$51,836 |
| McHenry | \$22,030 | \$36,717 |
| Will | \$30,721 | \$51,202 |
| County subtotal | \$300,000 | \$500,000 |
| | | |
| City of Chicago | \$101,928 | \$169,880 |
| Suburban municipalities | \$198,072 | \$330,120 |
| Municipal subtotal | \$300,000 | \$500,000 |
| | | |
| Transit agencies (through RTA) | \$240,000 | \$400,000 |
| Tollway | \$60,000 | \$100,000 |
| Transportation agency subtotal | \$300,000 | \$500,000 |
| | | |
| Total | \$900,000 | \$1,500,000 |

There are additional considerations in dues collection from suburban municipalities, because municipalities are numerous, some are very small, and others are extremely financially distressed. The proposal approved by the Board in April included the following:

Incentivize collection by Councils of Mayors. Councils of Mayors will be incentivized, but not required, to collect dues on behalf of CMAP. A 10% dues reduction in dues will be offered to any Council that wishes to pay on behalf of its members. (For example, instead of the municipal members of a Council being billed a total of \$30,000, the Council would be billed \$27,000.) While this leads to a small reduction in dues requests, it is far easier to administer and also reduces the possibility of nonpayment. This is proposed to be voluntary on the part of each Council.

Waive dues for very small municipalities. Communities with low populations tend to have very small dues requests. For example, the Village of Symerton in Will County would have a dues request of \$5. It is financially not worth it for CMAP to issue invoices and process checks for very small amounts, so CMAP will waive dues requests for the smallest communities. A population threshold of 800 residents -- resulting in a dues

request of \$50 in FY18 -- is the cutoff point. Due to the small size of these dues requests, this exemption would reduce expected dues collection by only about \$600 in FY18 (\$360 in FY17).

Waive or reduce dues for communities in serious financial distress. Some municipalities face extreme financial challenges and are unlikely to be able to contribute any amount of funding. A modified version of the "need score" currently used to calculate LTA match requirements, a measure that combines median income and tax base per capita, will be used to identify communities that would have greatest difficulty paying dues. These are grouped into two categories:

- A small number of communities (10) will have dues waived entirely because of severe economic distress. These communities have an average median income of \$39,000 and a per capita tax base of \$9,300. Waiving dues for these 10 municipalities would reduce CMAP's overall dues collection by \$7,500 in FY18 (\$4,500 in FY17).
- A larger group of municipalities (23) will have their dues request cut in half. These communities also face significant economic distress, but not as severely as the first group; they have an average median income of \$46,000 and per capita tax base of \$15,100. Adjusting dues for these municipalities would reduce CMAP's overall dues collection by \$10,700 in FY18 (\$6,400 in FY17).
- In comparison, the other 250 municipalities in the region have an average median income of \$74,000 and per capita tax base of \$42,300.

Two consequences have been identified for non-payment of dues. First, organizations (except those whose dues are waived) that do not pay invoiced dues will lose access to the Local Technical Assistance (LTA) program. Second, and more significantly from a dollar standpoint, they will also lose access to Unified Work Program (UWP) funding. Administered by CMAP, the UWP program is our agency's main funding source, but it also provided nearly \$4 million in federal funds in FY16 to external agencies that already receive amounts of UWP funding much higher than their anticipated dues.

Finally, it should be noted that increasing local dues has been considered as a backup plan, to be exercised if the legislative approach does not succeed. If, at some point, additional state funding is secured, dues collections can be reduced. Staff recommends handling this situation through annual credits or reductions based on the amount of funding received from the state, rather than another permanent change in dues levels.

FY17 UWP proposal

The FY17 UWP proposal was approved by the Transportation Committee on April 22, and will be brought to the Board and MPO Policy Committee in June. As noted in the memo to the Transportation Committee in April, the FY17 UWP is a one year program covering the State of Illinois fiscal year from July 1, 2016 through June 30, 2017. The UWP Committee developed the FY17 program based on the FY16 UWP funding mark for the metropolitan planning area.

As noted in April, due to the uncertainty of a FY17 State of Illinois budget and the need to reserve federal dollars for the purpose of keeping CMAP operational, competitive UWP proposals for FY17 were scored but no funding allocation provided. Once the funding sources for CMAP's local match requirement can be determined, awarding competitive dollars can be explored.

FY17 budget

A draft of the FY17 budget was discussed with the CMAP Board on May 11. The following language describing CMAP's fiscal situation and the assumptions behind the budget numbers was taken from the FY17 budget:

CMAP derives its primary funding from the Unified Work Program (UWP) that supports transportation planning in northeastern Illinois, with metropolitan planning funds from the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), and state and local sources. Federal dollars require a 20-percent local match, which has been provided since 2011 by the Illinois Department of Transportation (IDOT). Due to the lack of an approved State of Illinois budget for FY 2016, CMAP has struggled to secure its matching requirement and is taking steps to reduce dependence on these IDOT funds. Because the FY 2017 budget requires approval by the CMAP Board in June 2016, this document seeks to overcome uncertainty caused by the continuing state budget impasse in Springfield. Our agency is pursuing multiple paths to transition away from reliance on IDOT matching dollars since the 2011 dissolution of the statewide Comprehensive Regional Planning Fund (CRPF), which had provided CMAP the \$3.5 million required for its annual match.

While the agency and its partners are advocating that the Illinois General Assembly reinstate the CRPF -- a difficult proposition, particularly when the state has no budget in place -- such action cannot be relied upon in formulating the CMAP budget for FY 2017. Having narrowly averted a shutdown in November 2015 due to the state budget impasse, CMAP has been working simultaneously via two complementary avenues to secure the necessary local match.

The first avenue is to match the federal dollars using Illinois toll credits. As of May 2016, CMAP, IDOT, and FHWA have an understanding that the credits can be applied to free up unspent FY 2016 dollars, reimburse cash reserves, and potentially match FY 2017 federal dollars, dependent on the outcome of broader State of Illinois fiscal negotiations. All parties agree, however, that this should be viewed as a temporary stop-gap solution until adequate matching dollars can be secured.

In its quadrennial [certification review](#) of CMAP in 2014, the U.S. Department of Transportation (U.S. DOT) noted the agency's over-reliance on unstable sources for its matching funds. The review stated: "Emphasis should be placed on identifying sustainable revenue sources to match Federal planning funds that reflect the shared benefits of the planning process for local, regional and state partners." Therefore FHWA's support of applying the toll credits for FY 2016 and FY 2017 is predicated on CMAP's commitment to diversifying the sources of its matching funds in subsequent years.

The second avenue will help address that instability cited formally by U.S. DOT in its 2014 review. CMAP is creating a local dues structure similar to those used by many other regional planning organizations across the U.S. [as discussed earlier in this memo]. Through a combination of the anticipated toll credits and local dues, CMAP's budget for FY 2017 reflects full expenditure of the 2017 UWP operating funds and full appropriation of the 2017 UWP contract funds.

The full draft budget is available [here](#). Committee discussion and questions on the material in this memo is requested.

ACTION REQUESTED: Discussion.

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