THE POLITICS OF TRANSIT FINANCE
April 5, 2007

I. RTA’s legislative history: crisis management

1974 - RTA was created after a referendum
- 1973 - CTA instituting first major service cuts; suburban bus companies facing financial distress; commuter rail increasing fares

1983 reorganization – RTA Act amended
- Role of RTA established
- Role of 3 “Service Boards” established
- New sales taxes and funding formula set in place

1983-2004
- No funding issues brought to legislature
- Fear of “opening up” RTA Act

2004 – new funding crisis
- CTA projected $55 million funding shortfall in its 2005 budget
- General Assembly reorganized paratransit – fastest growing part of CTA budget
- Band-aid solution of $54 million state appropriations in 2006, 2007

2007 – “Year of the Decision” – funding crisis now permanent
- RTA’s 6-month budget expires on 7/1/07
- RTA strategic plan released: “Moving Beyond Congestion”
- RTA strategic plan 5-year funding need: $10 billion in capital funds, $400 million more in annual operating funds
- Riders experiencing CTA’s slow zones; construction phase
- Auditor General’s first-ever audit released

II. Structural problems with 1983 RTA Act

RTA sales taxes are collected at different rates – based on view of region in 1983
- 1% in Chicago
- 1% in Cook County suburbs
• ¼% in collar counties
• RTA’s primary role is fiscal agent for sales tax dollars

RTA revenues divided into two segments
• Statutory allocation - 85% of sales taxes to Service Boards - $700 million (2005)
• Discretionary allocation - 15% of RTA “discretionary” fund plus 25% state match from the Public Transportation Fund (PTF) - $280.7 million (2005)

Statutory distribution
• Of taxes collected in Chicago: 100% to CTA
• Of taxes collected in Cook County suburbs: 55% to Metra, 30% to CTA, 15% to Pace
• Of taxes collected in collar counties: 70% to Metra, 30% to Pace

Current issue as to whether formula should be reformed; CTA believes unfair
• Drafters of 1983 formula believed it would expire in few years
• Was known that CTA budget could not be supported by statutory allocation
• By 1985, CTA was receiving 64% of discretionary fund + PTF ($87.8m)
• In 2005, CTA was receiving 95% of discretionary fund + PTF ($165.3m)

Different arguments can be made to measure tax allocation equity
• Ridership: CTA receives 58% of revenues, 82% of regional boardings and 51.5% of passenger miles
• Population growth: stronger in collar counties but because of differential in sales tax rates, has not changed allocations to service boards within the subregions
• Statutory formula: CTA statutory allocation would be 47%, but receives 58% with discretionary allocations
• Operating subsidies returned to jurisdiction of origin (boardings or passenger-miles):
  o Cook County suburbs are largest net exporters of sales tax revenues
  o City of Chicago is largest net importer of transit tax revenues
  o Collar counties (except Kane) are net importers

Perception of tax allocation equity
• Collar counties believe they are subsidizing CTA: 15% discretionary sales tax + PTF prorated to collar counties ($26.7m) allocated to CTA
• Collar counties are 33% of region’s population, account for 35% of Metra and Pace’s morning ridership and 50% of Metra and Pace passenger-miles – generate 15% of sales taxes

Revenues are not keeping pace with needs
• Sales taxes have increased only 12.38% (inflation-adjusted) since 1985, or .59% per year ($342m = $623m inflation-adjusted in 1985; $700m in 2005)
• Operating costs have increased in past 5 years by 6.5% annually v. 2.2% annually in operating revenues

RTA has few powers as parent agency
• Serves as fiscal agent for sales tax revenues; certifies farebox recovery ratio
• No financial management
• No fare coordination
• No service coordination, dispute resolution
• No strong, centralized planning
• No performance measures

Auditor General audit findings
• Transit agencies facing serious financial shortfall
• Revenues not sufficient to pay for capital programs or to subsidize new services
• Change role and authority of RTA
• Change RTA governance

III. Challenges facing 2007 transit agenda

General Assembly responds to crisis – but not enough energy (yet) for a crisis

Difficult to put together capital bond deals
• Last one was Illinois FIRST in 1999: $4.1b for roads, $1.8b for transit, $2.2b for school construction
• RTA’s “Moving Beyond Construction” plan: $10b for transit alone – 2:1:1 ratio in 1999
• Governor’s plan in 2006 was for $3.2b total (only $475m for transit)
• Requires 3/5ths vote for bonding – bipartisanship
• Requires funding source for bonds – Governor’s 2006 plan had no new revenue sources

Difficult to fund transit operating needs
• RTA’s “Moving Beyond Construction” plan: $400m more per year
• Needs paradigm shift: not collar county v. Chicago – much better than previously
• CTA pension problem: only 34.4% funded
• Paratransit accounts for fast-growing component, and is statewide need

Difficult to change RTA’s role and powers
• Strong support for reform: bipartisan House Mass Transit Committee, collar county and business leaders, Auditor General, editorial boards
• Pushback from Service Boards

Many competing needs in 2007
• School funding inequity
• Universal health care
• Underfunded state public employee pensions

What it will take to succeed
• Strong, active coalition
• Consensus on revenue sources that are significant and do-able
• Bipartisanship; fair distribution of bond projects
• Leadership: Governor, legislative leaders, Mayor (Olympics)