Transportation Policy for a 21st Century Global Hub

Illinois State Senator Daniel Biss

Dear Friend,

Transportation policy doesn’t carry the same intense emotional valence with many people that other, “hot-button” issues do. But the truth is that its impact on our quality of life is consistent, broad, and profound.

Our transportation policies determine where we go, who we see and how we grow as a region. A strong transit network is necessary to connect residents of low-income communities with job opportunities, and is thus a prerequisite for achieving economic equality. A robust transportation system creates prosperity by connecting innovators and mobilizing human and natural resources. Effective planning strengthens communities and families by building cohesive neighborhoods. Finally, transit must play a major role in our society's efforts to reduce carbon emissions and mitigate global climate change.

In sum, our government's transportation decisions have a massive impact on our lives, on individual, social, and global levels. Unfortunately, because the issue can often seem dry, we tend to pay too little public attention to transit policy. At a minimum, this lack of focus leads to organizations that are not structured optimally and inevitably waste money and lack a coherent vision. Worse still, the absence of scrutiny has far too often enabled appalling corruption in our transit agencies.

By shining a clear light on the structure of our transit organizations and land use policies, we can align responsibilities and coordinate planning efforts to create an accountable, effective transit network built according to a clear strategic vision. This will save money and combat corruption, but if done properly, it will achieve far more: a sweeping enhancement of our shared economic opportunity, prosperity, and environment.

I hope this report will be a useful tool to spur thinking and begin discussions on this topic. I welcome your thoughts on this matter and I look forward to working together to strengthen our region's transportation system.

Sincerely,

Daniel

Daniel Biss
Illinois State Senator, 9th District

Remaking Regional Public Transit

The 6-county Chicago region is a sprawling area of over 5,000 square miles and is home to more than 8 million people. It contains hundreds of municipalities and borders two other states, from which tens of thousands of residents commute into the region on a daily basis. Consequently, regional mass transit decisions must reflect the needs of different geographic areas and political jurisdictions. The governance structure we have today reflects a decades-long attempt to strike a delicate balance between these many competing interests.

In 1945, the Illinois General Assembly created the Chicago Transit Authority (CTA) to take over a network of failing private transit services in Chicago. Less than thirty years later, the CTA and private suburban bus systems and commuter rail lines were on the brink of collapse. With the entire transit system in peril, the Regional Transit Authority (RTA) was created to provide oversight and financial assistance to the CTA, suburban bus, and commuter rail systems.

In 1983, the General Assembly once again passed transit reform legislation, creating two new public transit agencies: Pace suburban bus and Metra commuter rail. The legislation provided that each agency be governed by a board. The CTA board primarily represents the City of Chicago, the Metra and Pace boards primarily represent the suburbs, and the RTA is equally divided between Chicago, suburban Cook County, and the five collar counties. A new funding formula was also developed within that legislation to finance the four agencies via a regional sales tax and state matching funds.

By 2008, the CTA and Pace were in dire straits. Beset with rising costs and stagnant ridership, both agencies proposed budgets that would have eliminated and reduced services while drastically increasing fares. To rectify the issue, the General Assembly again amended the RTA Act. The agency was granted significant new powers, as well as an enhanced funding formula made possible by several new revenue streams. It was anticipated that this would lead to $500 million of new funding. Unfortunately, even with these reforms, fares have risen and services have been reduced.

One cause of these difficulties is that rather than crafting a single venue for the various political and geographic interests to hash out their disputes, we have created a number of independent fiefdoms. Overlapping functions in the multiple agencies increase costs without improving services. Transit service is duplicated in some areas and entirely absent in others.

To provide efficient, accountable public transit to the Chicagoland area, the CTA, Metra, and Pace should combine into a single new Regional Transit Authority. Such an RTA must give proper voice to each of the constituencies that currently control a single silo in our transit network – all of which have a legitimate stake in the process – but then must channel these competing priorities into a single coordinated planning effort and resource allocation plan. Rather than pursuing different strategies for finance, personnel, planning, and procurement, these administrative matters should be handled by one cohesive agency.

Moreover, by creating a single agency with clear lines of accountability, we will curtail the opportunities for malfeasance and corruption that have plagued our transit systems in the past. A consolidated RTA would reduce the number of actors involved and provide for better service coordination and more economical allocation of funding.

A Board of Directors for the Region

The four agencies that exist today have 47 transit board members, nominated by a host of different appointing authorities. This multitude of boards and board members impairs coordination between the four agencies.

We propose that the new RTA have a 19-member board, as delineated in **Figure 1**. Members should be appointed by the Governor, and their residences must be geographically distributed in order to give each regional perspective a voice at the table.

Figure 1. Current and Proposed Board Membership

Current RTA Structure

- 4 Boards
- 4 Chairs
- 47 Board Members
    - 16 RTA
    - 13 Pace
    - 11 Metra
    - 7 CTA

Proposed RTA Structure

- 1 Board
- 1 Chair
- 19 Members
    - 16 Voting
        - 5 City of Chicago
        - 5 Suburban Cook County
        - 5 Collar County
        - 1 Mayor's Office of Disabilities
    - 3 Non-Voting
        - Citizens' Advisory Board Member
        - Class 1 Railroad Representative
        - RTA Union Representative

These steps alone might not be adequate to guarantee each stakeholder the influence over the process that it will rightfully demand. Consequently, we propose that each member be approved by a supermajority of 10 members of a 13-member Regional Transit Council. The Transit Council's members, as indicated in **Figure 2**, should be appointed by the Mayor of Chicago and elected leaders of the six counties in the region. This institutional structure will effectively give the City of Chicago, suburban Cook County, and the collar counties (viewed as a voting bloc) significant control over the decision-making process, while still ensuring that planning and resource allocation decisions are made by a single regional entity.

Figure 2. Regional Transit Council Members: 13 Members

- Purpose is to approve gubernatorial appointments to RTA Board
- Four members appointed by the Mayor of Chicago
- Four members appointed by the suburban delegation of the Cook County board
- One member appointed by the leader of each of the five collar counties

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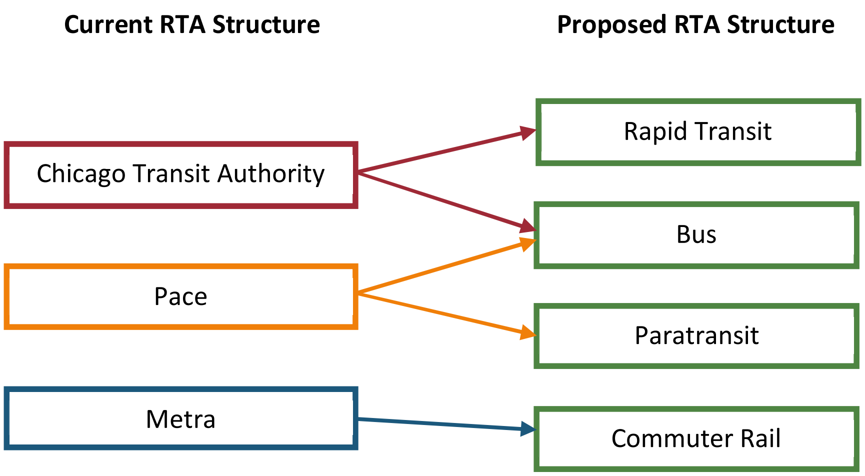
The new RTA Board will select its own chair by a simple majority vote. Each of the four agencies currently has its own director. In the new RTA, a single Executive Director should be hired by a supermajority of 13 members of the board to oversee the new RTA's day-to-day operations.

A New Structure for Transit Service

The three service boards that exist under the current RTA have evolved over time and currently fulfill roles that bear a clearer relationship to the political forces that influence the agencies rather than a logical division of responsibilities. For instance, the CTA runs both a rapid transit system (the "L") and a bus system, and Pace runs both a fixed route bus system and a paratransit system. As we reorganize the RTA and dissolve the other three agencies, we have a unique opportunity to rationalize the organizational structure that maintains our transit network.

We therefore propose incorporating the three agencies (CTA, Metra and Pace) into the RTA as four transit divisions, each focused on providing a single type of transportation, as shown in **Figure 3**: Rapid Transit; Bus (city as well as suburban); Paratransit; and Commuter Rail.

Figure 3. Current and Proposed Service Providers



Within this new structure, each transit division's operations will be overseen by a manager, nominated by the Executive Director and approved by the board. Managers will be eligible to serve a maximum of two six-year terms and could be relieved of their position by the Executive Director with the approval of the Board.

Each transit division will be overseen by a committee of Board members. The committee will vote to recommend approval of the division's annual operating budget to the full RTA Board. Committee members, including the committee chair, will be appointed by the chair of the RTA Board subject to the geographic constraints described in **Figures 4-7**. Additionally, the Mayor of Chicago will appoint members to the Bus and Rapid Transit committees because of the significant share of their area of service that is contained in the city.

Figure 4. Bus Committee: 8 Members

- One representative from the Mayor of Chicago’s Office
- Three Board members representing the City of Chicago
- Two Board members representing suburban Cook County
- Two Board members representing either DuPage, Kane, Lake, McHenry or Will Counties

Figure 5. Rapid Transit Committee: 9 Members

- Two representatives from the Mayor of Chicago’s Office
- Three Board members representing the City of Chicago
- Two Board members representing suburban Cook County
- Two Board members representing either DuPage, Kane, Lake, McHenry or Will Counties

Figure 6. Commuter Rail Committee: 9 Members

- Three Board members representing the City of Chicago
- Three Board members representing suburban Cook County
- Three Board members representing either DuPage, Kane, Lake, McHenry or Will Counties

Figure 7. Paratransit Committee: 9 Members

- One representative from the Mayor’s Office of People with Disabilities
- Two Board members representing the City of Chicago
- Three Board members representing suburban Cook County
- Three Board members representing either DuPage, Kane, Lake, McHenry or Will Counties

It makes sense to maintain a separation between the management of day-to-day operations of the different modes of transit, which is why each division should have its own committee. However, when it comes to long-term planning and prioritizing capital investments, it is absolutely crucial for the systems to be working strategically in concert. **Therefore, a single capital budget committee should be responsible for approving each division’s annual capital budget.**

To ensure compatibility with the regional strategic transportation and land use plan, the Capital Budget Committee should include two members from the Chicago Metropolitan Agency for Planning (CMAP). The other members, including the chair, should be appointed by the RTA Board chair, as listed in **Figure 8**.

Figure 8. Capital Budget Committee: 8 Members

- Two representatives from the Chicago Metropolitan Agency for Planning (CMAP)
- Two Board members representing the City of Chicago
- Two Board members representing suburban Cook County
- Two Board members representing either DuPage, Kane, Lake, McHenry or Will Counties

Oversight and Structure for a Strong Financial Future

Obviously, merging the region's transit agencies will necessitate a reconfiguring of their financial structure. This constitutes a major opportunity, since the three transit agencies are currently susceptible to fluctuations in the economy and face a variety of fiscal challenges. Indeed, the CTA, by far the largest borrower of the existing agencies, experienced a credit rating downgrade on October 25, 2013. Consolidating the funding into a single agency will allow for more affordable debt service while stabilizing the level of resources available each year.

Under the 1983 funding formula, the RTA receives 15% of a 1% sales tax in Chicago and Cook County, and 15% of a .25% sales tax in the five collar counties. The remaining sales tax revenue is then divided among the CTA, Pace, and Metra. In 2008 this formula was adjusted to incorporate an increased sales tax as well as a real estate transfer tax in Chicago.

The biggest change we propose is raising the RTA's share from 15% to 30% in order to account for the increased administrative costs of the new RTA. The remainder should be distributed directly to the service divisions, while preserving the dedicated funding stream for paratransit required for compliance with the Americans with Disabilities Act.

Under our proposal, the funding originally designated for Pace bus will be transferred to the Bus Division, while all of Metra’s funding will be dedicated to the Commuter Rail division. The CTA’s funding will be apportioned between two of the new divisions, prorated in keeping with current expenditures. The Bus Division will receive 72.8% of the CTA’s annual funding, while the Rapid Transit Division will receive the remaining 27.2%.

Bonding Authority

The CTA has $7.8 billion in outstanding bonds. Its debt load increases the cost of additional borrowing and places immense pressure on its annual budget. **In a merged system, all bonds must be issued by the new RTA.**

This leaves the administratively crucial question of how to allocate the CTA’s existing debt. **We propose transferring that debt to the RTA**, which would be the legal obligor. The payments should come from the budgets of the Bus and Rapid Transit divisions, as well as the RTA administrative budget. Specifically, the CTA’s pension bonds should be repaid out of the budget of the department in which the employee worked: Bus, Rapid Transit, or Administrative. Outstanding capital bonds should be divided between Bus and Rapid Transit, based on the capital spending for the year in which the bond was issued.

The Modern RTA

By reconfiguring the RTA in this way, we would retain an organizational structure that reflects the geographic priorities – and, yes, tensions – that currently dominate our transit discussions. However, we would internalize them into a single agency, ensuring that these debates coexist with a unified planning process and a streamlined administration. This will enable a high level of reliability, flexibility and accountability that will characterize a modern RTA.

Rethinking State Development Policies

Modernizing the RTA is a necessary step in crafting a better transportation network for the region, but it is only a first step. We must further ensure that while transit dollars are used in the most strategic and efficient manner possible, all other resources are simultaneously mobilized so as to leverage the transit system for maximum effect.

Specifically, a transit system must work hand in glove with public and private developers, land use policy, and economic activity. This creates a "virtuous cycle" where more development near transit nodes results in increased ridership, which both bolsters the system's fiscal position and supports businesses near transit nodes. This in turn increases property values in the transit shed, which provides for increased government revenues and thus enables reinvestment in our transit infrastructure. By adjusting already existing state programs to encourage strategic regional transit-oriented development, we can strengthen our municipalities and businesses and build a more connected region.

State Leadership for Regional Land Use Planning and Smart Economic Growth

Every year, the State of Illinois spends hundreds of millions of dollars on grants and tax credits aimed at helping businesses locate and expand here. These efforts play a significant role in shaping our economy and driving investment decisions. We must understand and respond to the connection between transportation and land use policies, economic growth, and economic development strategies.

The General Assembly recently passed legislation requiring the Department of Commerce and Economic Opportunity (DCEO) to produce a statewide strategic economic development plan. Coordination of efforts will help strengthen the entire region without pitting municipalities against one another or encouraging races to the bottom that drain public budgets instead of positive-sum growth strategies.

The creation of this plan should be viewed as a unique opportunity to adjust current economic development policies to make it easier for businesses to take advantage of existing transportation infrastructure. Indeed, so long as we are using public dollars to support economic activity directly, we must do so in concert with our infrastructure investments that constitute major indirect support of business development.

The Illinois Enterprise Zone program, administered by DCEO, is designed to stimulate growth in economically depressed areas. Businesses that locate within Enterprise Zones are eligible for incentives such as sales, utility, and income tax breaks. The designations are designed to be temporary, expiring after 30 years. In 2012, legislation was passed extending the program and setting up new regulations for the establishment of new zones.

Under that reform, new Enterprise Zones must meet at least three of a list of ten criteria, one of which is that there be substantial existing public infrastructure and a plan to reuse it. **This criterion should be weighted so that it is not merely one of ten undifferentiated options but instead garners additional credit in the application process.** This would ensure that Enterprise Zone resources were being used more efficiently.

Two similar programs can be combined to further streamline the use of resources. Both the Illinois Department of Transportation (IDOT) and DCEO administer programs targeted specifically towards improving public infrastructure. The two programs share the same basic goal: helping businesses modernize state infrastructure serving their location.

The IDOT program is limited to use on roadwork while the DCEO program allows for a wider range of uses such as utility extensions and public transit systems, but provides much smaller grants. **Combining the two programs and diversifying the uses of state funds to include elements of complete streets policies would help incentivize businesses to develop walkable sites that are located near transit.**

Complete streets policies call for the development of infrastructure that incorporates all modes of travel, placing special emphasis on adequate pedestrian facilities. Properly implemented, these policies can establish transit as a viable alternative to driving.

In 2007, the General Assembly passed legislation directing IDOT to incorporate complete streets policies for pedestrians and bicycles in the design of major roadways in urban areas, except under certain conditions of cost, design, and local support. Illinois has made a permanent commitment to an inclusive transportation policy. However, work remains to expand and enhance its impact.

In order to encourage the use of complete streets policies, IDOT could generate a report each year detailing progress made in implementing complete streets. This report should note whether or not complete streets principles were incorporated and in what way. If those principles are not included in major projects, the report should detail the rationale for their exclusion. It should also include a detailed work plan that contains updates on integrating these principles into the complex process of managing a transportation network. By tracking and reporting progress, the state will build expertise that can be shared with other agencies and municipalities so that the same principles can be incorporated into their projects.

The production of this report would increase transparency in the decision-making process within IDOT, clarify priorities, and provide guidelines for the infrastructure developments needed to achieve successful complete streets policies.

However, these infrastructure investments will matter little if we do not make necessary and informed decisions about where and how we develop our communities. One of the largest public drivers of economic development is the Illinois Finance Authority (IFA). Through backing of borrowing and direct grants, the IFA helps local governments, businesses and non-profits gain access to the capital necessary to grow. These projects can massively reshape the areas where they take place. From hospitals to schools to museums to offices, IFA projects are frequently anchors of their communities.

One of the stated goals of the IFA is to assist in the development of a reliable transportation network. Organizations seeking IFA support are required to file detailed plans for their developments. **We propose that potential projects in Chicagoland be required to consider transit access in their plans.** By encouraging developments to take full advantage of transit resources in their area, the IFA could play an even larger role in spurring growth around transit hubs.

Making all of these changes to existing infrastructure and transportation policy requires careful planning and data and trend analyses. In 2005, a new agency was created to oversee both transportation and land use planning in northeastern Illinois: the Chicago Metropolitan Agency for Planning (CMAP). The goal was to create a one-stop shop for issues relating to these two critical and deeply intertwined functions. CMAP released the region's long-range plan *GOTO 2040* in 2010. The plan contains a detailed analysis of the demographic and economic condition of Chicagoland, as well as a series of recommendations for addressing current and future problems.

Another major function of CMAP is to provide technical assistance to local units of government. By providing access to a broader pool of resources than would normally be available, CMAP works to help municipalities develop local plans that are consistent with larger regional needs.

To support this work, in 2007 the General Assembly created the Comprehensive Regional Planning Fund. Financed with an annual appropriation of $5 million, the fund directed $3.5 million to CMAP each year to support its mission. That fund was dissolved in 2010 and since then, IDOT has supported CMAP. This has been welcome as a stopgap, but it leaves CMAP too susceptible to IDOT's short-term pressures. **The time has come to restore a dedicated funding source to CMAP.**

With its own revenue stream, CMAP will be able to provide independent analyses of policies from different state, regional, and local agencies. This analysis will help to inform decisions about where transit and roadway developments are undertaken, where economic development assistance is directed, and the best way to address issues within those systems.

Development Policies for a New Way Forward

Illinois is lucky to boast many assets: our institutions of research and higher education, our natural resources, our diversity (of both land and culture), and our position as the geographic and economic nerve center of the Midwest are just a few of the elements that make Illinois a great state. As we think about potential transportation and land use policies, we must acknowledge that our decisions will directly affect the way we live, the way we interact with one another, and the way we grow as a region.

The recommendations described in this report are far from comprehensive. They are intended to give a flavor of the types of initiatives that the State of Illinois could undertake immediately, without incurring any significant new costs, to focus our transit and economic development policies around coherent strategic planning, administrative efficiency and utilization of existing resources -- all steps that will meaningfully enhance our quality of life.

Methodology

To develop this report, we relied upon a diverse range of sources. The statutory underpinnings are contained in the Regional Transportation Act (70 ILCS 3615) (RTA Act), which covers the RTA, Pace, and Metra, and the Metropolitan Transit Authority Act (70 ILCS 3605), which creates the CTA.

The financial data was drawn from the four transit agencies' 2013 budgets, as well as the CTA's budgets for the previous decade and CMAP's three most recent budgets.

The section on state economic development policies is a product of study of the Illinois Finance Authority Act (20 ILCS 3501) and the Illinois Enterprise Zone Act (20 ILCS 655) along with the statutory creation of a strategic economic development plan (20 ILCS 605/605-300) and Business Development Public Infrastructure program (30 ILCS 750/8), as well as input from the Urban and Regional Planning Department at the University of Illinois at Urbana-Champaign and Smart Growth America.

Information about complete streets policy and implementation was drawn from the National Complete Streets Coalition, the Active Transportation Alliance, the Congress for the New Urbanism, and the Center for Neighborhood Technology.

Finally, while this information is not reproduced in the paper per se, our thinking about optimal transit finance and governance was deeply informed by an analysis of the most recent budgets of transit agencies across the country, including the New York Metropolitan Transportation Authority; Massachusetts Bay Transportation Authority; Washington Metropolitan Area Transit Authority; Southeastern Pennsylvania Transportation Authority; Greater Cleveland Regional Transit Authority; San Francisco Municipal Transportation Agency; Los Angeles County Metropolitan Transportation Authority; King County Metro; and Central Puget Sound Regional Transit Authority.

Acknowledgements

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