Technical Memorandum

prepared for the

Northeastern Illinois PUBLIC TRANSIT Task Force

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INTRODUCTION

This technical memo provides background to help the members of the Northeastern Illinois (NEIL) Public Transit Task Force as they discuss options and content for their final report due to the Governor and General Assembly on March 31, 2014. This memo differs significantly from a traditional report in that there are no recommendations. The material in this memo comes from secondary sources, albeit with summary comments that identify themes and highlight possible implications.

AN INDEPENDENT PANEL OF TRANSIT, FINANCE AND GOOD GOVERNMENT LEADERS WHO WILL ISSUE RECOMMENDATIONS TO REFORM THE MASS TRANSIT SYSTEM IN NORTHEASTERN ILLINOIS.

GUIDE TO DOCUMENT

While ethical concerns helped to stimulate the debate over transit options in Northeastern Illinois, the NEIL Public Transit Task Force has taken a broader view, covering system performance, finance, and governance options. The technical memo is organized in four sections. There are important interactions among these topics. For example, an effective governance structure has direct implications for an ethical culture as well as for the ability to improve system performance. An effective and ethical governance system is an important step along the way to generating the public support needed to increase funds for transit investment and operations. Improved system performance depends on adequate resources which, in turn, rely on sound governance and the ability to make full use of existing monies.

Section 1 focuses on System Performance. This provides a summary of recent trends in transit usage among the three Service Boards in Northeastern Illinois and describes economic trends and transit's role in supporting regional mobility and accessibility. The NEIL region is also compared with trends and conditions in other major metropolitan regions. Next is a summary of the estimated costs to return the region's transit system to a state of good repair – a sum that many interpret to be equivalent to the region's minimum financial needs.

Section 2 focuses on Finance and Funding and provides a broad view of funding**,** one that begins with sound management of existing resources and the ability to take advantage of new technology and approaches to urban mobility. These are also important actions that could help the region move towards a "world class" system. This section also describes the current level of investment in the NEIL region and major sources of capital and operation funds. This includes a summary of the current allocation process. Finally, a section provides a menu of possible funding sources, including a summary of their advantages and disadvantages. None of these will be easy to implement.

Section 3 covers Governance and Organizational Structures. This begins with a summary of the current structure and its major players, followed by a comparison with governance practices in other regions and possible lessons learned for the NEIL Region.

Section 4 covers Ethics, and provides examples from other regions. This section also summarizes practices from other regions regarding appointing board members.

Not included here, but previously provided to members of the Task Force, are summaries of interviews conducted by Illinois DOT staff with transit agencies and local government bodies in the NEIL region and with transit agencies elsewhere in the country.

SUMMARY OF TECHNICAL MEMO

The recent review of funding allocation that was prepared for the Regional Transportation Authority[1] concluded:

> *The current institutional and financial structure used for transit in Northeastern Illinois is flawed. The funding formulas are complex, out of date (some rules have been unchanged for thirty years), and rigid. Further, RTA does not have the necessary authority to support the planning and decision-making process called for in current legislation, resulting in an effort that is involved, argumentative, and often unproductive. No other major metropolitan region in the US has selected a similar institutional arrangement to fund or manage its regional transit system.*

A focus on regional objectives has several practical implications:

- Rather than what is best for individual Service Boards or specific sub-regions, any new organizational structure could encourage actions that support a healthy regional economy anchored by a strong, safe, and customer-focused regional transit system that is accessible to all residents;
- Changes should not be viewed in isolation, but rather as part of efforts to improve regional governance, planning, and coordination of public transit service; and
- Any change in the organizational structure could involve a process that is transparent, targeted, objective, and that demonstrates results. This is an important part of ensuring accountability regarding how well public funds are spent.

Clear regional goals are a vital part of developing an integrated regional plan. This then leads to actions to implement that plan and feedback regarding the effectiveness of these actions. The focus on providing Northeastern Illinois with a "world class" transit system is one way to help define regional objectives. Developing a world-class transit system will not be easy and represents an ongoing effort. Quality transit enhances economic growth, livability, sustainable communities, and the regions' competitive edge.

The NEIL region's three Service Boards (CTA, Metra and Pace) operate one of the nation's largest transit systems. While more than 80 percent of the region's jobs are in neighborhoods with transit service, overall access is poor, with the region's population being able to reach only 24 percent of the jobs within 90 minutes by transit (Figure 23 and Figure 24). This lack of frequent service is particularly poor in the suburbs. Interviews with corporate recruiters found that while poor regional transit service and poor off-peak service frequency have not been the primary reason given not to locate a business in the NEIL region, transit service was often listed among the top three reasons firms decided to locate elsewhere.

[1] Regional Transportation Authority, "Determining the Equitable Allocation of Public Funding for a Regional Transit System", (October 2013). Prepared by Delcan, Eno Center for Transportation, and TranSmart.

While transit usage has improved in recent years, growth in the NEIL region lags that of other large metro areas in North America and the region ranks ninth in North America in terms of transit trips per capita (Figure 18). Both CTA and Metra are among the lowest cost systems in North America. In part, this reflects limited off-peak service on Metra and efforts by CTA to control costs by dropping low density bus routes. Indeed, total route miles have dropped since before 2000. ADA/Paratransit service (operated by Pace) has been the fastest growing operating cost in the region. This trend is likely to continue given the general growth in the number of senior citizens.

A focus on the goal of a world-class system calls for comparisons with systems outside the US. A linkage between land use planning and transportation investments as happens in most European cities can provide tangible benefits.

Building on lessons learned from private transit operators calls for a focus on premier customer service, standardized fleet equipment; improved employee availability, asset management, and investment in technology to enhance productivity, customer service, safety, communications, and connectivity.

The key to a world class system is a focus on customers. This calls for a transit system that is a safe, reliable, accessible, connected, frequent, user-friendly, and affordably priced for most members of the community. In order to become the customer's first choice for local and regional mobility, transit needs to provide meaningful connections to where people want to go, when they want to travel. This calls for expanded and integrated service and perhaps new ways to provide such service. A world-class system would provide:

- Good value to the customers and communities in which it serves,
- A primary choice for connecting housing and employment,
- Transit service that amazes the community and becomes an integral part of the region,
- A green and energy efficient environment,
- Best in class asset management,
- Flexibility in making service decisions to serve new markets or market shifts, and
- The ability to take advantage of changes in technology to enhance customer satisfaction.

The general market for urban transportation mobility has been changing rapidly in recent years. These changes include a move away from vehicle ownership towards a variety of formal and informal systems such as shared vehicles and bicycles, telecommuting, private operations of jitneys and specialized bus services and different forms of autonomous vehicles. These changes can provide opportunities for transit operators – or they can represent a significant competitor.

A review of governance and management practices in other metro regions of the US finds:

- There is a clear benefit to consolidation – in terms of administrative functions, planning, communication, and coordination;
- State involvement can be advantageous – by helping to limit parochial disagreements and by providing financial support; and
- Agencies must have a clearly defined purpose and power – true regardless of whether there is a consolidated or disaggregated management structure.

SYSTEM PERFORMANCE

SUMMARY OF TRENDS IN REGION

This section assesses demographic trends in NEIL, as well as the NEIL system performance over the past thirty years. It also compares the NEIL transit system with peer agencies both in the US and internationally. A review of the current accessibility provide by the NEIL transit system is also discussed, since access and mobility are critical measures of the economic and social value of transportation.

The population in the NEIL region has expanded, with most growth occurring in the suburban counties. Similarly, the major employment centers have been growing most rapidly in the suburban counties. This has resulted in rapid growth in travel by all modes to and from suburban locations. ADA and paratransit are the fastest growing single transit market and also the fastest growing demand on financial resources. In recent years, there is evidence of a shift in the long-term trend of suburban growth nationally; most major urban centers are witnessing a revitalization of individuals in their 50s and older and young adults under 35 who desire to reside in central cities.

THE POPULATION IN THE NEIL REGION HAS EXPANDED, WITH MOST OF THE GROWTH OCCURRING IN THE SUBURBAN COUNTIES... THIS HAS RESULTED IN RAPID GROWTH IN TRAVEL BY ALL MODES TO AND FROM SUBURBAN LOCATIONS.

While there has been recent growth in transit usage, the NEIL region still lags behind its peer metro areas. In particular, commuter rail services in other regions (Boston, Philadelphia, and New Jersey, for example) have expanded rapidly, while Metra has shown relatively low growth over the past 20 years.

In terms of overall coverage, the NEIL region ranks quite well with its counterparts, but other US cities tend to offer a higher frequency of transit service than the NEIL region, and have invested more capital funds towards expansion of their systems. The Metropolitan Planning Council notes that "Chicago still has one of the United States' most lengthy frequent rail networks, but that status will change significantly by 2020. Since 1975, Chicago has added about 20 miles to its L system, and no additional miles are currently funded—unless an unforeseen source of dollars becomes available for the proposed 5.3-mile Red Line South extension. Between 1975 and 2020, however, many other American cities will expand their rail transit networks dramatically. Thanks to considerable investment, the Dallas, Denver, Los Angeles, San Francisco and Washington regions each will have invested in more than 90 miles of new rail transit lines by 2020."[2]

Access and mobility are important measures of the ability of a transit system to support economic and social goals. Access to labor and jobs is particularly important, both for individuals and for business. When looking at overall transit accessibility of the population of a region to its employment centers, NEIL ranks moderately well compared with the top one hundred metropolitan areas in the country.

[2] Metropolitan Planning Council, "Databook: The Public Transportation Network in Northeastern Illinois", page 23.

However, when measuring the access to labor within a 90 minute commute[3], NEIL ranks poorly, especially given its size and density. Figures 20, 23, and 24 in the Access and Mobility section below provide details.

POPULATION

In the 1980 to 2012 period, Cook County's population fell by 0.4 percent while the other five counties in the NEIL region grew. Chicago's population fell by 9.7 percent while the balance of Cook County grew by 11.9 percent. As a share of the regional population, Chicago shrank from 42.3 percent to 32.4 percent of the NEIL region from 1980 to 2012. Since 2010, Cook, DuPage, Kane, and Will Counties have grown slightly, while Lake and McHenry Counties have lost population. See Figure 1.

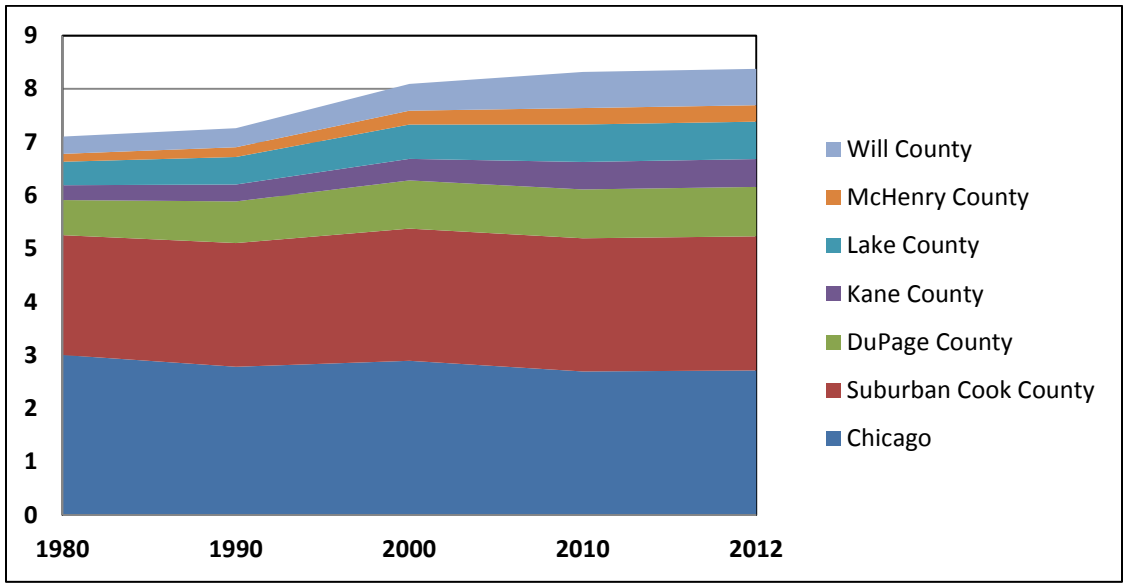


Figure 1: Shares of Regional Population, 1980-2012 (Millions).

EMPLOYMENT

The changing location of jobs in the NEIL region over the 1981 – 2012 period indicates three trends (Figure 2):

- Long-term suburbanization of jobs throughout the collar counties;
- Decline of employment in the inner ring suburbs (suburban Cook County and DuPage County) and Chicago's outer neighborhoods; and
- Recent growth in the City of Chicago, mostly within two miles of the Loop, may indicate the start of a new trend.

Suburban Cook County and DuPage County are mature and largely built out; meanwhile, firms might be moving to more cost-effective or productive locations within the region. Will and McHenry counties were

[3] Corporate locators surveyed said a commute more than 60 minutes was a serious negative that would need to be offset by other factors in choosing the location.

the only NEIL counties to experience employment gains between 2001 and 2012. Since 2010, all NEIL geographic divisions have experienced employment growth, with suburban Cook County and McHenry County lagging the rest of the region. Conversely, employment in the Loop peaked in 2007 just prior to the recession. These data do not include non-incorporated self-employed persons—which include many professional job categories such as attorneys, accountants, and physicians—and thus likely under-counts the number of employed persons working in central Chicago.

Some of the loss of jobs in the counties can be attributed to the recession of 2008–09; slight job declines were already evident in Cook, DuPage, Kane and McHenry counties from 2007 to 2008. Suburban Cook County saw a much steeper job decline from 2001 to 2012 than did the City of Chicago. Between 2001 and 2012, the City of Chicago lost 5.5 percent of its jobs while suburban Cook County lost 14.8 percent and DuPage lost 4.2 percent. Since 2010, the City of Chicago has accounted for about half of the region's growth in jobs.

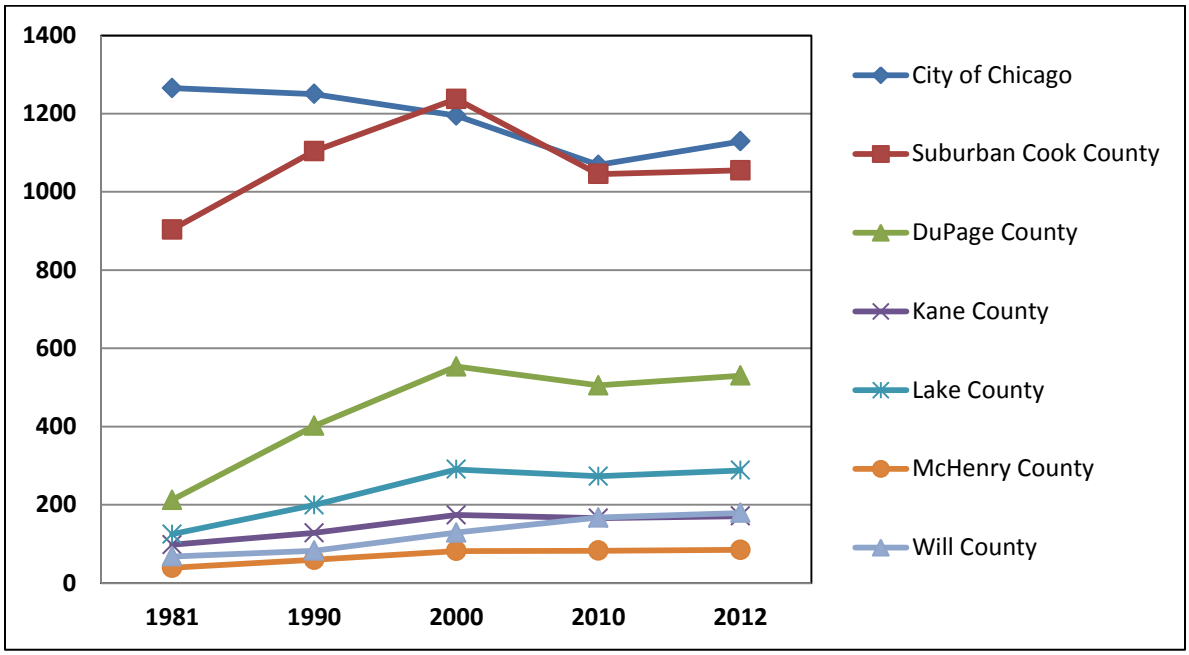


Figure 2: Jobs in NEIL Geographic Divisions, 1981-2012 (Thousands).

SERVICE BOARD CHARACTERISTICS

RIDERSHIP[4]

Between 1991 and 2012, total annual NEIL ridership experienced growth of only 1.6 percent (Table 1)[5]. However changes in CTA's method for counting rail ridership changed in 1997, meaning that trends for the period from 1998 onwards are more consistent. During the period from 1998 to 2012, total annual

[4] The ridership numbers are "unlinked trips." FTA requires collection of data on unlinked trips and these data are supported by the current fare collection system. Linked trips provide management, planners, and policy folks a richer data base to understand their customers. The Ventra system will provide data on linked trips.
[5] 1991-2012 Ridership data come from the National Transit Database.

NEIL ridership grew by 19 percent. During this period, Metra, CTA rail, and CTA bus saw gains of 17 percent, 50 percent, and 8 percent respectively, while Pace bus experienced a ridership loss of 15 percent.

ADA-paratransit, dial-a-ride, vanpool, and other demand response services (operated by Pace) are excluded from counts of unlinked passenger trips, although they show rapid growth in recent years. The Service Boards' shares of NEIL ridership have roughly held steady over the 1991 – 2012 period. As a percentage of overall NEIL ridership, Metra's share has grown slightly while CTA and Pace's shares have declined slightly. Despite this, CTA has consistently provided the vast majority of unlinked passenger trips, making up at least 80 percent of NEIL's unlinked trips each year. RTA estimates that between 6 and 10 percent of total boardings transfer between Service Boards. This number is small in part because most trips remain on the CTA system.

Between 1991and 2012 CTA bus ridership has dropped by nearly 20 percent and Pace ridership by almost 17 percent (Table 1). Since 2005, all Service Board modes have experienced annual ridership growth except Pace. Demographic and employment geography changes are likely the most important factors behind the gradual decline of bus ridership for both CTA and Pace. A recent fare increase by Pace (2007-2008) and Metra (ten percent increase in 2008 and 25 percent or more in 2012) have depressed traffic. CTA bus service has been reduced as well, primarily on less productive routes.

Agency	1991	1995	2000	2005	2010	2012	Change (%) 1991 – 2012	Change (%) 2005 – 2012
CTA Rail	148	135	176	187	211	231	56.6	23.8
CTA Bus	392	306	302	303	306	314	-19.8	3.7
CTA Total	540	442	478	490	517	546	1.1	11.3
Pace Bus	39	34	36	34	29	32	-16.7	-4.7
Metra Rail	64	65	72	69	71	74	16.5	8.2
NEIL Total	**642**	**540**	**587**	**592**	**617**	**652**	**1.6**	**10.1**

Note: Includes trips resulting from direct operations by all service boards and purchased services for Metra and Pace bus. Metra data for 1991 and 1995 include commuter rail service provided by railroads. Vanpool, dial-a-ride, ADA/paratransit, and other direct response services are excluded. Starting in 1997, estimated rail-to-rail transfers have been included in CTA rail unlinked passenger trips.
Sources: National Transit Database and RTA.

Table 1: Ridership (unlinked passenger trips) by Service Board and mode (millions), 1991 – 2012.

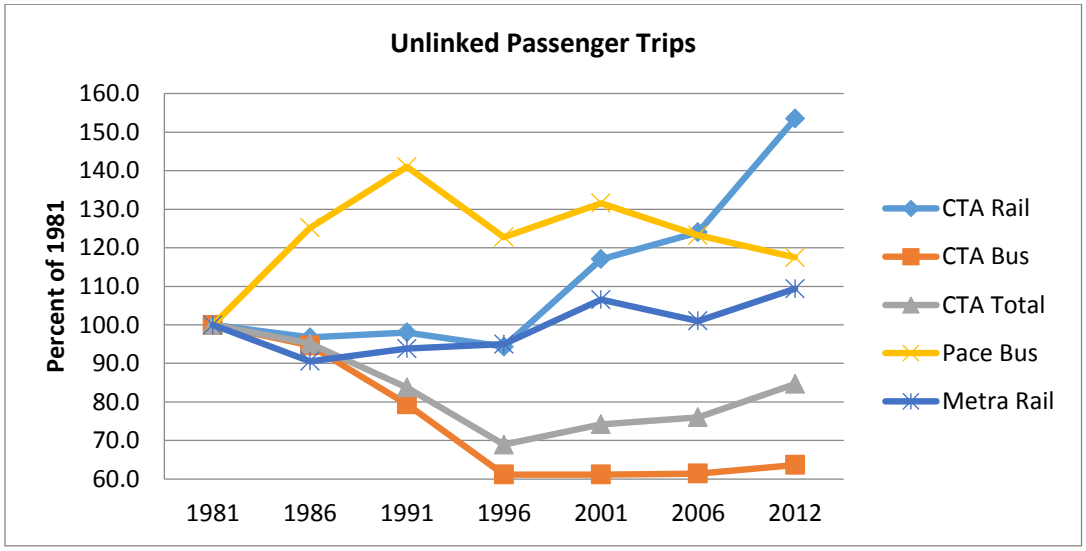


Figure 3: Service Board Ridership, 1981 – 2012 (percent of 1981 trips).

Legacy commuter rail systems in New Jersey and the Boston and Philadelphia metropolitan regions have achieved ridership growth that has outpaced population growth in their respective regions. Metra, however, has shown little growth in comparison, despite its route expansions into the Chicago region's outermost communities. All other major U.S. commuter rail systems have grown their ridership faster than Metra; much faster in the cases of MBTA, SEPTA and NJ Transit[6] (Figure 4).

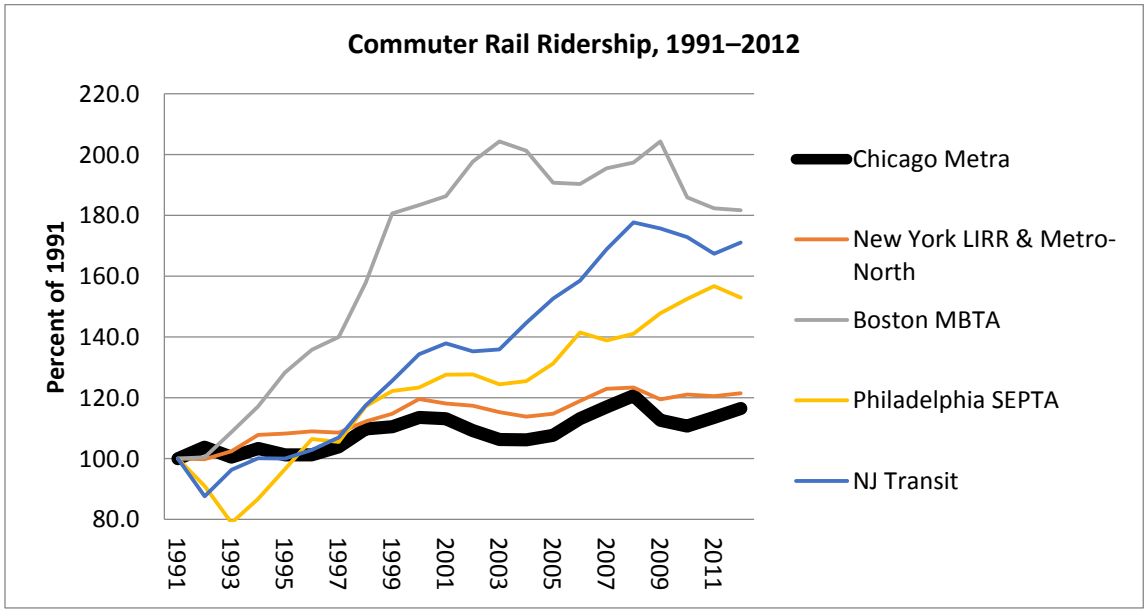


Figure 4: Comparison of change in commuter rail ridership, 1991-2012.

[6] The NJ Transit commuter rail system serves the whole state of New Jersey, including the New York and Philadelphia metros.

SHARES OF REGIONAL PUBLIC TRANSIT USE

Since 1980, the share of commuters using transit has declined in most cities across the US; this decline is largely due to the rapid expansion of suburban living and increase in car usage. The NEIL region's ridership has had one of the steepest of such declines, losing about 6 percent of riders between 1980 and 2012. Of the 16 metro areas shown in Figure 5, only Atlanta and Minneapolis fared worse. Since 1995, the region has recovered more than forty percent of the ridership lost since 1980 (see Figure 6).

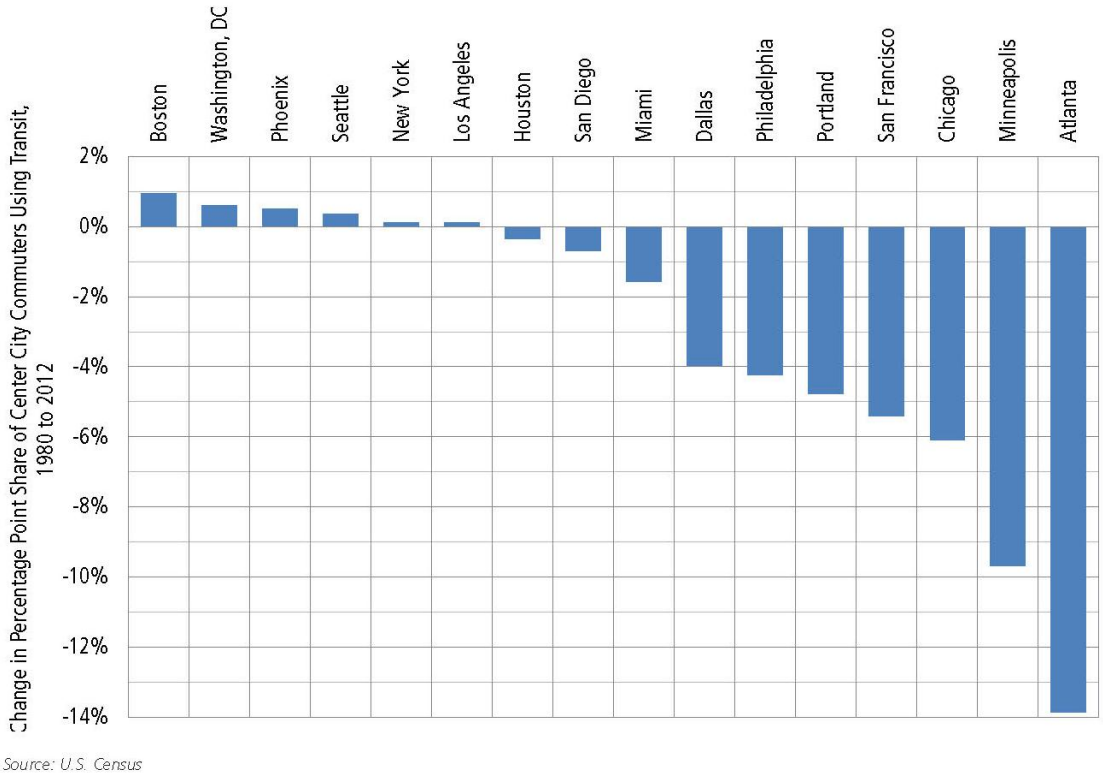


Figure 5: Change in share of central city residents using transit for commuting, 1980-2012 (Source: Metropolitan Planning Council, 2013).

Cities such as New York and Los Angeles managed to retain about an equal amount of ridership between 1980 and 2012, whereas Boston and Washington, D.C. were able to gain a small percentage of ridership. Many of those cities which have gained ridership, however, have also expanded their transit systems.

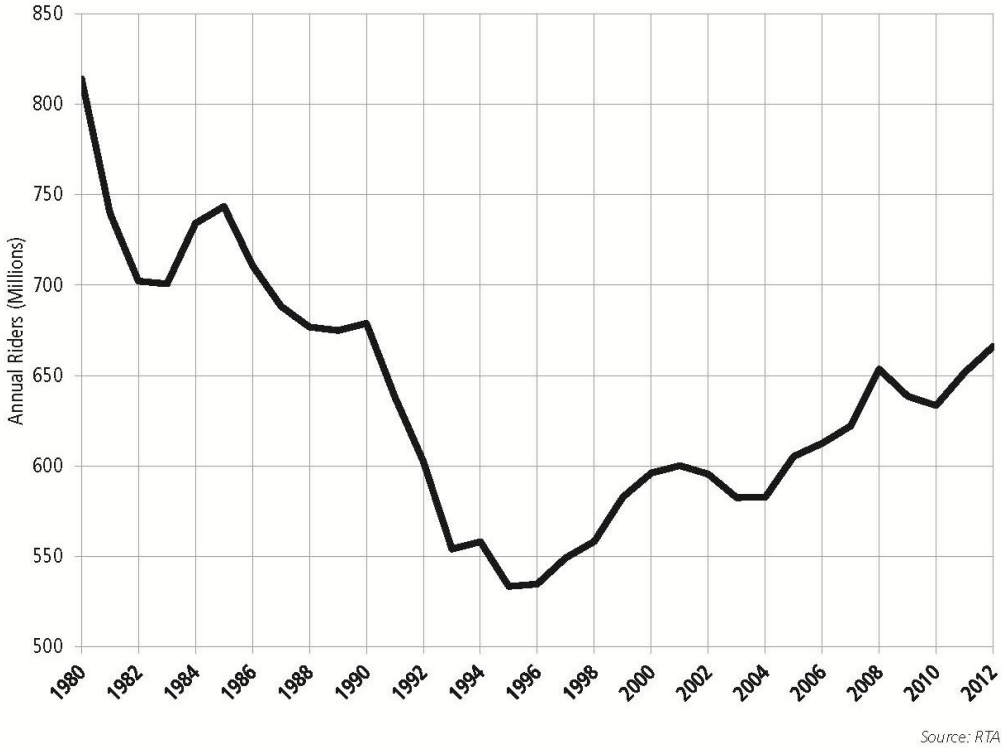
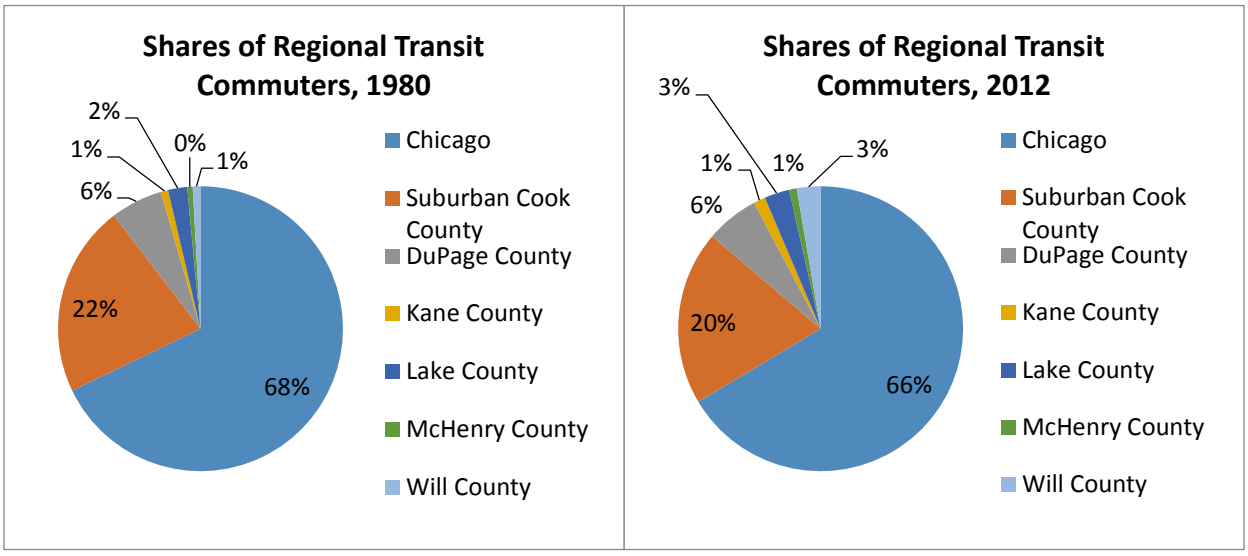


Figure 6: Change in annual ridership on Chicago-region transit services (Source: Metropolitan Planning Council, 2013).

The overall drop in ridership between 1980 and 2012 mimics the national trend, and amounts to a loss of approximately 1.5 million annual passengers. Despite this, the Chicago system ridership has in fact grown by 25 percent since its lowest point in 1995.

Figures 7a and 7b show the share of commuters using transit by county for 1980 and 2012.



Figures 7a and 7b: Shares of Regional Transit Commuters in NEIL, 1980-2012.

Since 1980, the number of transit users in the six-county Chicago RTA region has shrunk by more than 80,000 while the region's population has grown by more than 1.2 million. The overall geographic distribution of regional transit commuters has not changed dramatically between 1980 and 2012, with the vast majority of commuters residing in the City of Chicago and suburban Cook County. There has been limited growth in transit users in the region since 2000, but the growth has been almost entirely within the City of Chicago and Will County offsetting declines everywhere else in the region. From 1980 to 2012, DuPage County's labor force grew, yet transit usage fell 12.2%. It is possible that the decline of transit users in suburban Cook and DuPage counties is due to aging of the population, job dispersion, and land use changes. These results also suggest that transit service has not grown sufficiently in line with the populations in these counties.

PASSENGER MILES TRAVELED

Passenger miles have not been measured directly, but rather are derived from surveys that determine average trip lengths. The implementation of modern fare collection systems, such as Ventra, can generate performance measures such as passenger miles traveled as well as data about customer origins and destinations and transfers within the network. Pace data do not include vanpools, dial-a-ride, or paratransit services. Reliable data on passenger miles travelled is critical for a customer-focused world-class transit system

Passenger miles traveled trends for the NEIL Service Boards have been mixed since 1991. CTA rail has seen tremendous growth in ridership and passenger miles, more than offsetting the steady CTA bus ridership decreases. Meanwhile, Metra has experienced slow but steady ridership growth as a result of outward route expansions and a significant rise in reverse commuting from Chicago-based stations. Pace experienced periods of both growth and decline since 1991, with modest growth in recent years.

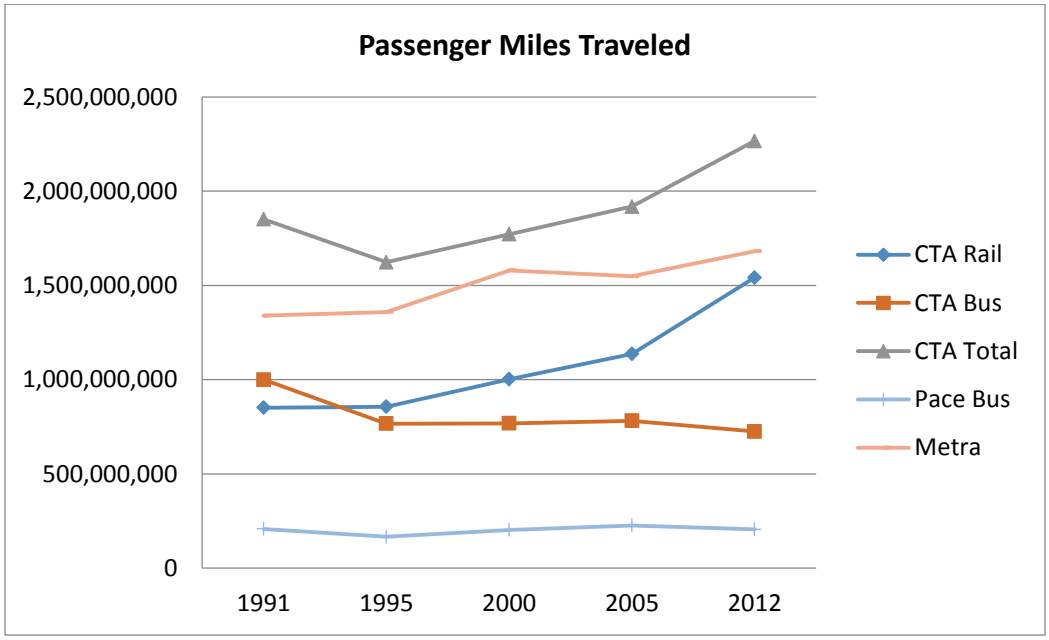


Figure 8: Passenger Miles Traveled, 1991-2012.

Service Board shares of NEIL passenger miles have remained fairly steady since 2005, with CTA's share increasing slightly and shares for Metra and Pace bus decreasing slightly (Table 2). CTA rail now comprises about two-thirds of all CTA passenger miles and 37 percent of all NEIL miles (compared to 25 percent in 1991) while CTA bus now comprises about one-third of CTA passenger miles and only 17 percent of NEIL miles (compared to 29 percent in 1991). It would help to be able to view these data on an integrated basis. This would make it easier to identify the gaps in service or the demand for interconnected service.

Agency	1991	1995	2000	2005	2012
CTA Rail	25.1	27.2	28.2	30.8	37.1
CTA Bus	29.4	24.3	21.6	21.2	17.5
CTA Total	54.5	51.5	49.8	51.9	54.6
Pace Bus	6.1	5.3	5.7	6.2	4.9
Metra Rail	39.4	43.2	44.4	41.9	40.5

Table 2: Percent of NEIL passenger miles.

VEHICLE REVENUE HOURS

Vehicle revenue hours (VRH) are an important metric of service provided and also correlate strongly with operating costs. For bus operations, operator/driver labor is the single largest cost component and thus VRH is strongly correlated with transit agency expenses. Vehicle revenue travel excludes travel to and from storage facilities, training operations, road tests and deadhead travel, as well as school bus and charter service.[7]

Except for CTA bus, all modes have experienced robust service growth since 1991. Both CTA modes have experienced reductions in service since 2005, while Pace bus service has declined slightly. Metra is the only service board or mode that has experienced service capacity growth since 2005.

Agency	1991	1995	2000	2005	2012	1991-2012 change (%)	2005-2012 change (%)
CTA Rail	2.6	1.9	2.7	3.7	3.6	40.2	-3.3
CTA Bus	7.1	6.8	6.2	6.7	5.7	-20.8	-16.1
Pace Bus	1.1	1.1	1.4	1.4	1.4	30.5	-1.0
Metra Rail	0.9	1.0	1.2	1.2	1.4	51.9	13.3
NEIL Total	**11.7**	**10.8**	**11.5**	**13.1**	**12.1**	**3.0**	**-8.1**

Table 3: Vehicle revenue hours (millions).

VEHICLE REVENUE MILES

Total NEIL service board vehicle revenue miles (VRM) have grown only slightly since 1991 and have fallen by nearly seven percent since 2005. Metra rail has experienced the most VRM growth of all service board modes, largely due to the growth of Metra's route network and reverse commuting originating in Chicago. VRM growth for Metra and CTA rail has offset profound CTA bus VRM declines due to service cuts since 1991.

[7] Private operators include dead head travel from storage to location as part of their fully allocated costs. This provides a better understanding of the costs relative to the service provided and can help to identify options to manage costs.

Agency	1991	1995	2000	2005	2012	1991-2012 change (%)	2005-2012 change (%)
CTA Rail	57.6	45.3	55.6	68.9	65.2	13.2	-5.4
CTA Bus	71.7	70.7	61.9	66.8	52.4	-26.9	-21.5
Pace Bus	18.4	18.9	19.6	20.4	20.2	9.5	-1.0
Metra Rail	29.8	32.3	35.9	38.3	43.2	44.6	12.8
NEIL Total	**177.6**	**167.1**	**173.1**	**194.4**	**181.0**	**1.9**	**-6.9**

Table 4: Vehicle revenue miles (millions).

PACE ADA/PARATRANSIT SERVICE

Pace ADA and paratransit services have experienced exponential growth since their official inception in 2007. This rate of growth mirrors the national trend of an aging population, requiring more accessible public transit for transit dependent populations and when individuals are no longer able to drive themselves. ADA and paratransit offers a more direct service than the standard fixed-route transit services offered in the region, and the ADA and paratransit vehicles carry a lower occupancy; therefore, these services cost much more for transit operators to provide. ADA and paratransit services also have a lower cost recovery target than do the other services (10 percent versus 50 percent[8]). Pace ADA and paratransit trips have grown by 41 percent since 2007, and 33.7 percent since 2010, and this trend of growth is only expected to continue. This growth has put a strain on an already tight budget for the overall NEIL transit system

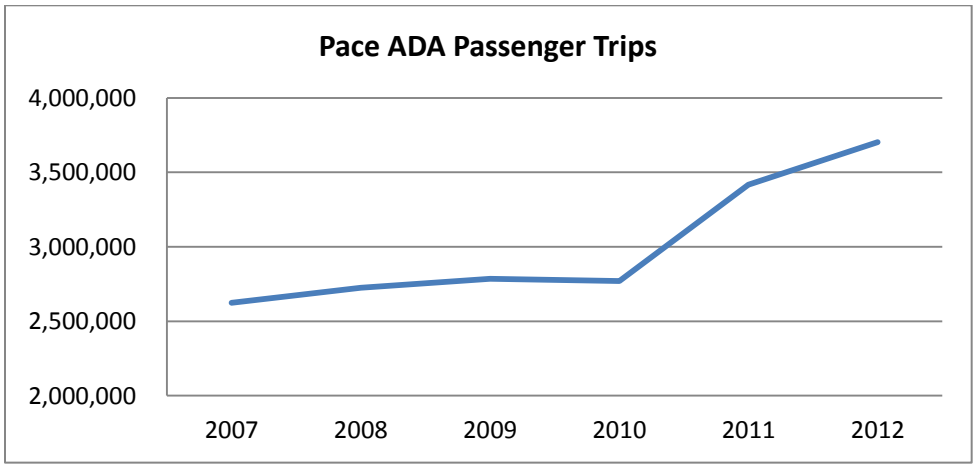


Figure 9: Pace ADA passenger trips.

[8] Adjustments in calculating the farebox recovery ratio result in an actual overall recovery of about 40 percent for non ADA/Paratransit services in the region.

OPERATING COST PER TRIP

Relative to other US heavy rail systems, CTA is among the most efficient on a cost per revenue hour basis. CTA and Metra are both relatively inexpensive to operate per trip when compared with the rest of the heavy rail and commuter rail systems in the nation; Metra is the third cheapest commuter rail system in the nation based on cost per trip.

CTA's cost per trip has varied greatly for the bus and rail modes; operating cost growth has been very modest for CTA rail, while the operating cost for CTA bus has risen rapidly in the 1991 to 2012 period. At the same time, ridership for CTA rail has grown, but fallen for CTA bus. These conditions have resulted in a reversal for the two CTA modes: CTA rail cost per trip was 62 cents higher than CTA bus in 1991, but CTA rail now costs 19 cents less per trip than CTA bus. Operating cost per trip has fallen slightly for both CTA modes since 2005. Cost reduction has resulted largely due to substantial reductions in service for both modes in 2010 (bus in particular).

Low costs per trip, however, can sometimes be a sign of poor service. CTA was able to improve its costs per passenger, vehicle hour, and vehicle mile after 2009 mostly because it cut service. The rise in CTA rail ridership is due to several reasons including demographics (e.g., gentrification), improved reliability and speed (after several years of track improvements) and job growth in and near the Loop. At the same time, job numbers have been shrinking in the outer neighborhoods, a phenomenon which affects bus ridership more than rail.

CTA bus mid-day, late night and off-major arterial services have weakened in recent years throughout the city. In general, these bus service reductions could be characterized as financially prudent but socially and economically harmful to Chicago's poorest households and neighborhoods. According to the Census Bureau's 2012 American Community Survey, 26.8% of households in Chicago do not have access to a vehicle and 26.6% of the labor force uses transit to get to work. Service cuts have probably harmed a large number of Chicago's transit-dependent residents and the businesses which employ them.

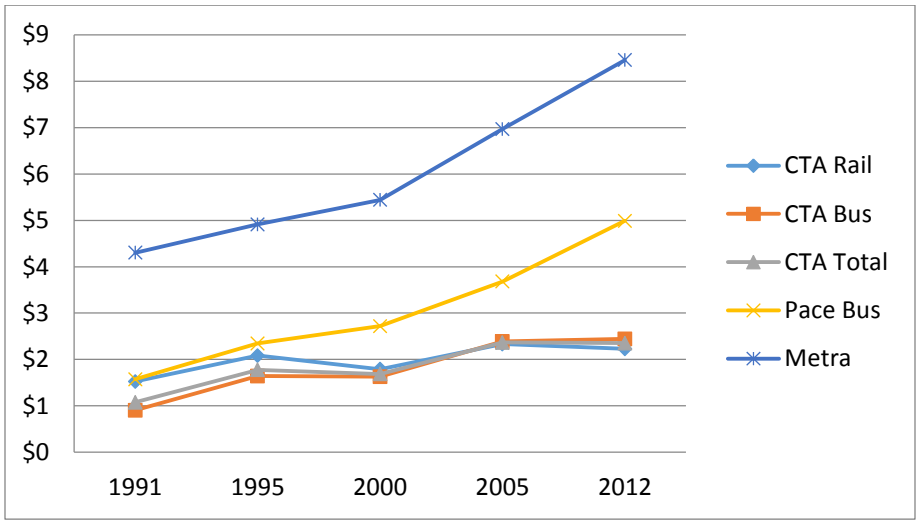


Figure 10: Operating Cost per Trip, 1991-2012.

Operating expenses for both Pace and Metra grew considerably over the 2005 – 2012 period. For Pace, suburban bus ridership has fallen steadily since 1991 while costs have risen, resulting in the largest increases in cost per trip between 1991 and 2012 amongst all Service Boards and modes. Figure 10 does not include dial-a-ride, ADA-paratransit, or other demand response services; these direct response services are by far the most expensive types of transit service to operate.

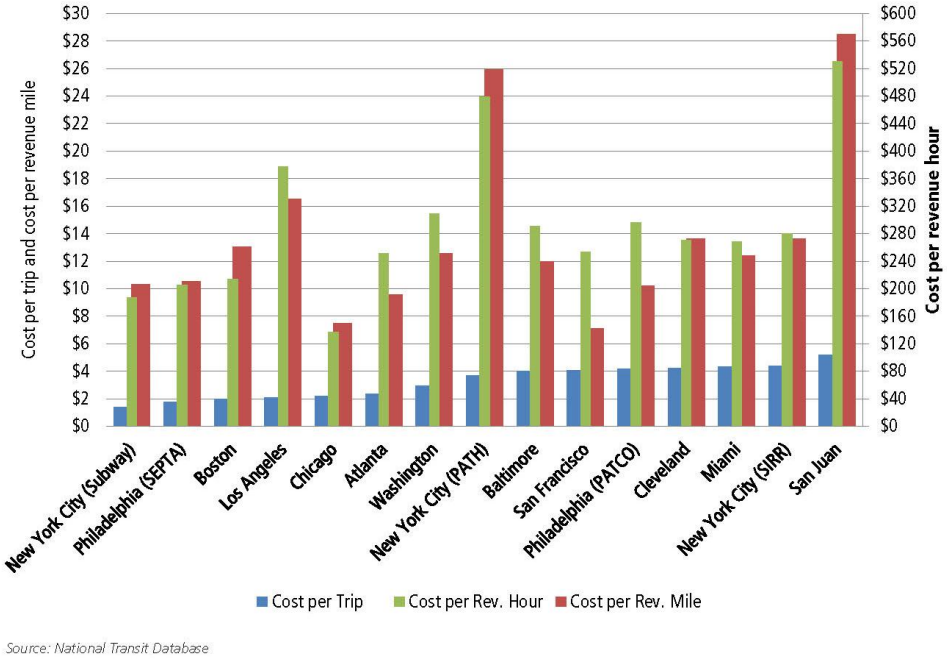


Figure 11: Operating efficiency, U.S. heavy rail systems (Source: Metropolitan Planning Council, 2013).

Chicago does relatively well with respect to their fare recovery ratio, or the percent of its operating costs obtained through fare collection, when compared with other US transit networks. The Chicago region's three transit agencies recover about 40 percent of their operating costs through fares, whereas New York recovers about 45 percent and Washington, D.C. recovers about 43 percent[9].

OPERATING EXPENSE PER PASSENGER MILE

Rail operations costs tend to be influenced by route distance served much more so than bus operations (which are more heavily influenced by vehicle operating time). On a per passenger mile basis, both CTA Rail and Metra have the lowest costs in the NEIL region. CTA and Metra operate very different types of rail systems. CTA operates electric multiple-unit trains on a CTA-owned exclusive track system with stations in close-proximity to one another, while Metra operates a push-pull commuter system with both diesel-electric and electric locomotives on a mixed-use and mixed ownership network of rail lines with stations that can be several miles distant from one another. Since 2006:

- Overall CTA costs per passenger mile have fallen by 18.5 percent due to slow total cost growth (largely because of service cuts to both modes since 2010) and rising rail ridership; CTA bus

[9] Source: Metropolitan Planning Council, 2013.

costs per passenger mile have increased by 4.6 percent while CTA rail costs have decreased by 21 percent.

- Pace suburban bus service costs per passenger mile have risen by 35 percent because of a 23 percent rise in operating expenses in combination with a 9 percent drop in passenger miles and a 5 percent drop in passenger trips, which are likely due to partly due to the 2009 fare increase. Unlike CTA bus, Pace has not cut back as many of its low-volume routes, making it more difficult to control per unit costs. Also, the Pace bus fleet tends to be a bit older than CTA's and its buses are smaller, resulting in somewhat higher maintenance costs.
- Metra costs per passenger mile have increased by 29 percent, largely due to a 33 percent rise in total operating costs coupled with slow post-recession ridership growth following two rounds of fare increases.

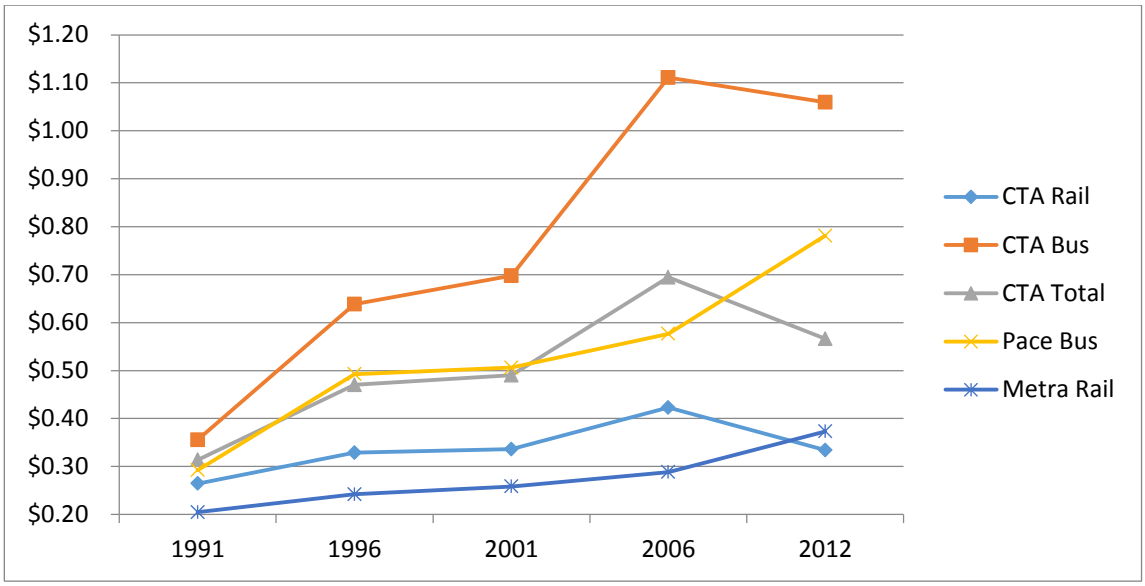


Figure 12: Operating Expense per Passenger Mile, 1991 – 2012.

PEER METRO AREAS

Transit ridership in the Chicago region has lagged other major regions and the country at large since 1991. However, Chicago's transit ridership growth since 2006 has exceeded growth in most major regions and the country; of the major regions, only New York and Philadelphia have seen greater percentage growth since 2006.

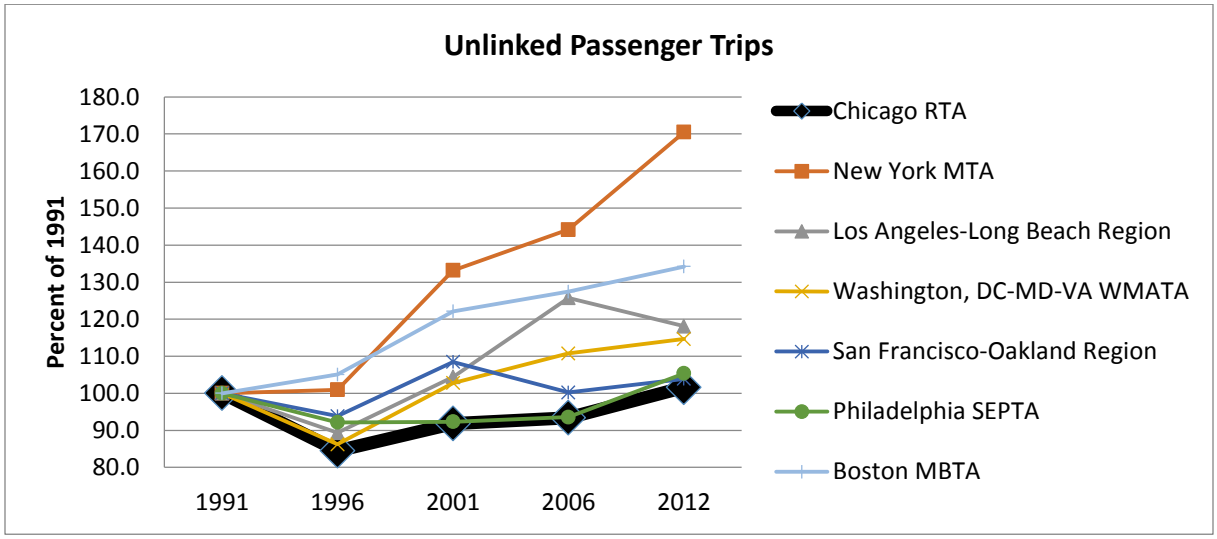


Figure 13: Ridership.

Transit service provision in the Chicago region, as measured by vehicle revenue miles, has significantly lagged most other major regions of the United States. Chicago and Los Angeles-Long Beach are the only major regions in the country to have experienced a large decline in revenue miles since 2006. The Washington region has experienced the most aggressive growth in vehicle revenue miles at 44 percent since 1991 and 9 percent since 2006 due to rapid population growth fueling multi-county transit growth via Washington Metro and several smaller local systems.

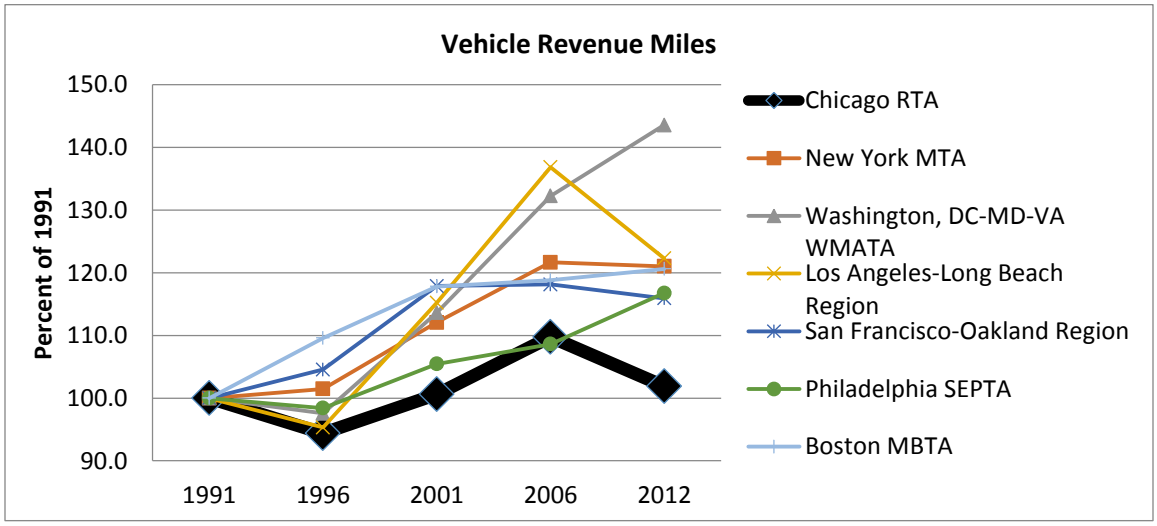


Figure 14: Transit Vehicle Revenue Miles.

The Chicago region's transit directional route mileage trend has paralleled several other regions over the 1991–2012 period, particularly Philadelphia and Boston, and severely lagged Los Angeles and Washington. The Los Angeles-Long Beach region has by far the most transit route mileage with over 11,000 miles; transit route mileage in the L.A. region grew by 19 percent between 2001 and 2012.

The Washington region has experienced the most aggressive growth in vehicle revenue miles at 44 percent since 1991 and 9 percent since 2011 due to rapid population growth fueling multi-county transit growth via Washington Metro and several smaller local systems.

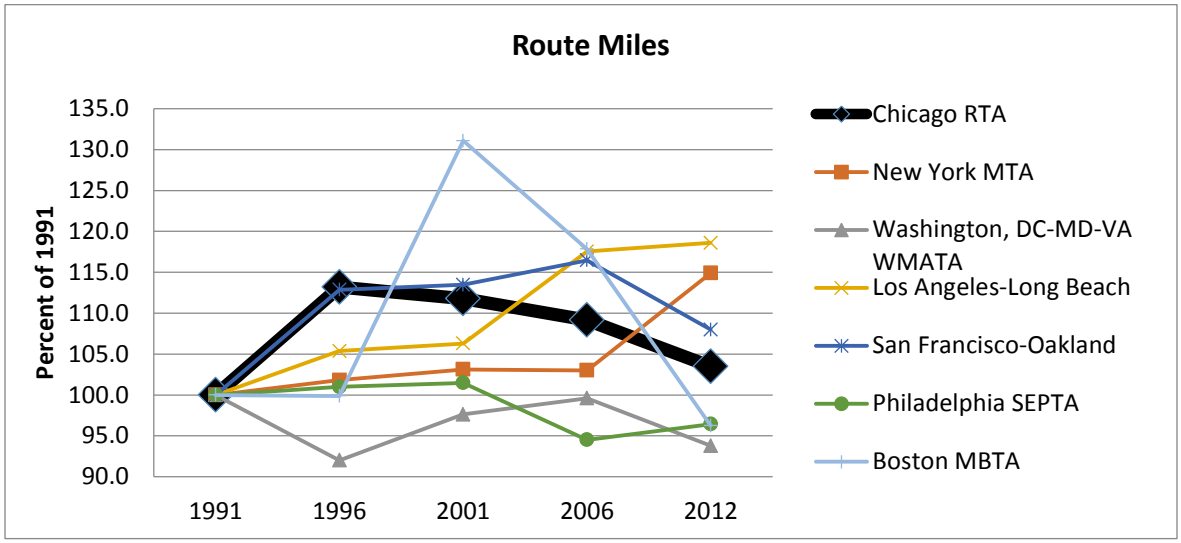


Figure 15: Routes Miles.

Although the growth of passenger miles in the Chicago region has lagged all other major regions in the United States since 1991, its growth since 2006 is consistent with other regions. New York's passenger miles dwarf that of all other regions.

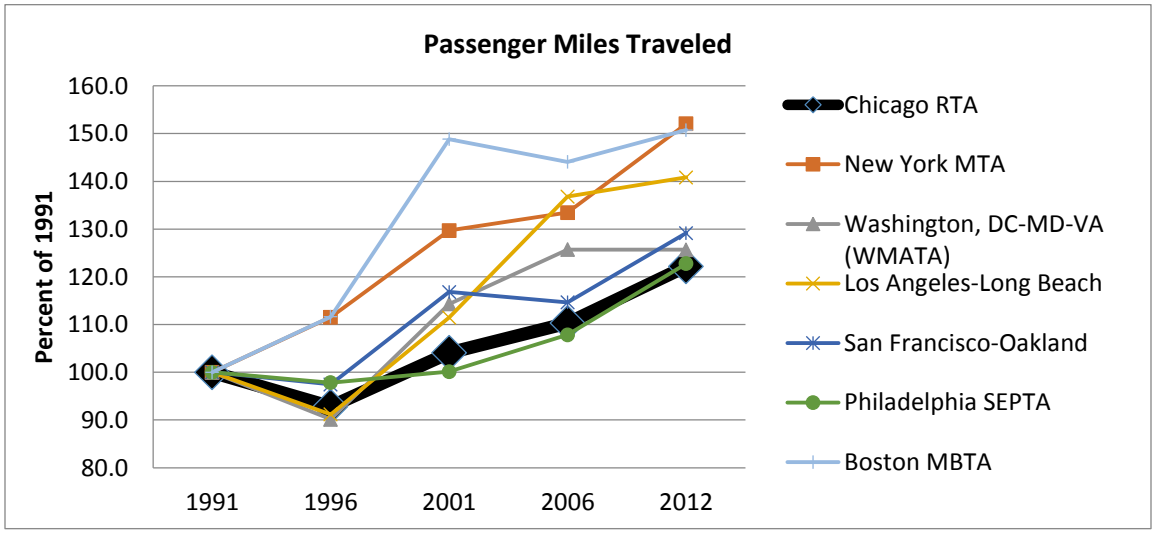
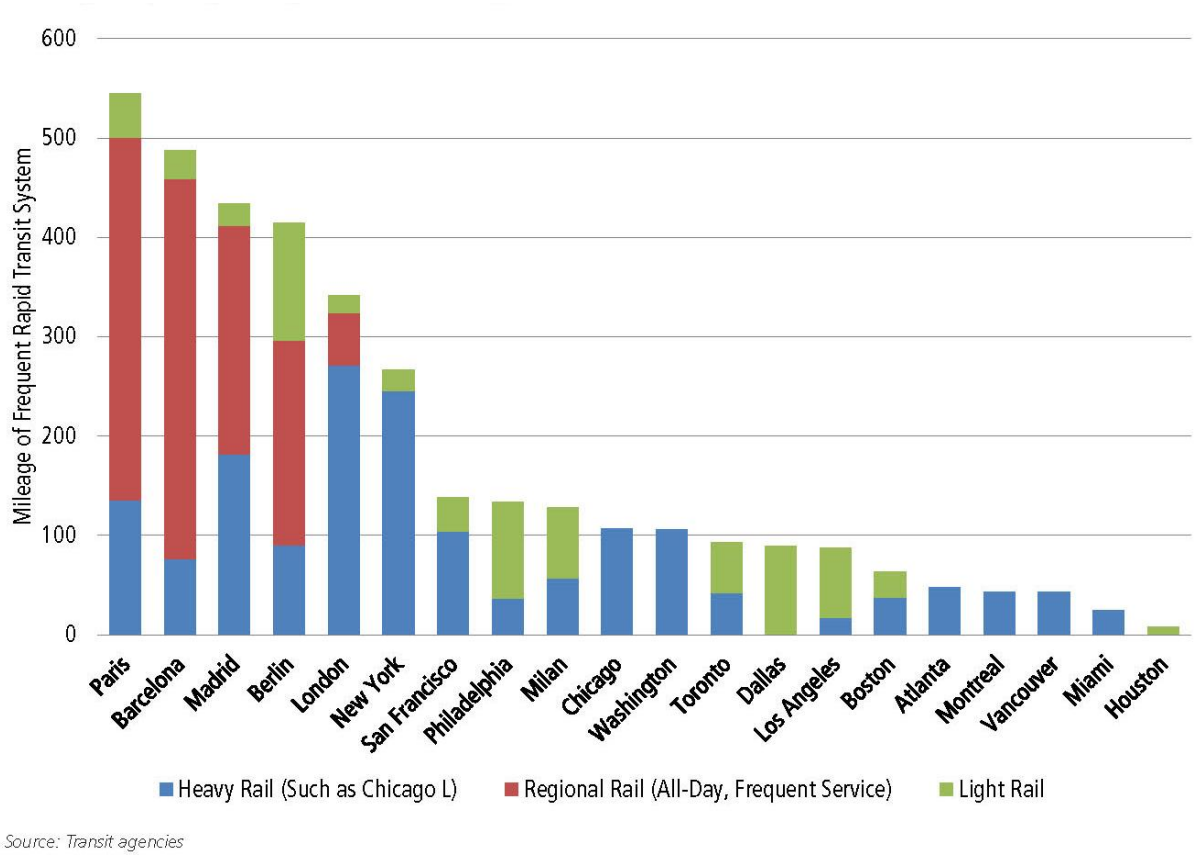


Figure 16: Passenger Miles Traveled.

Figure 17 ranks a selection of international cities with respect to existing service which operates frequently and throughout the day. The European cities that rank higher than Chicago have substantially larger systems and they also offer light rail and regional rail service that frequently runs all day. In addition, many other cities, both national and international, are investing in capital expansion of the existing system. Chicago ranks fourth among US cities in this group, but it would take a significant amount of capital investment for the city's transit system to come close to comparing to those of more mature international cities.



Source: Transit agencies

Figure 17: Existing frequent, all-day rail route mileage (Source: Metropolitan Planning Council, 2013).

Figure 18 shows that with respect to daily transit rides per capita in a selection of regions, Chicago ranks ninth internationally and sixth within the U.S. In terms of daily transit rides per capita, the Chicago transit network's ridership equates to only 25% of the population. In other words, for every 100 people living in the NEIL region, 25 transit rides per day are provided. In international cities such as London, Paris, and Berlin, there are more than 100 transit rides provided per day for every 100 people. Not only do these cities have larger and more mature transit systems, but transit is also more engrained in the culture than it is in most US cities.

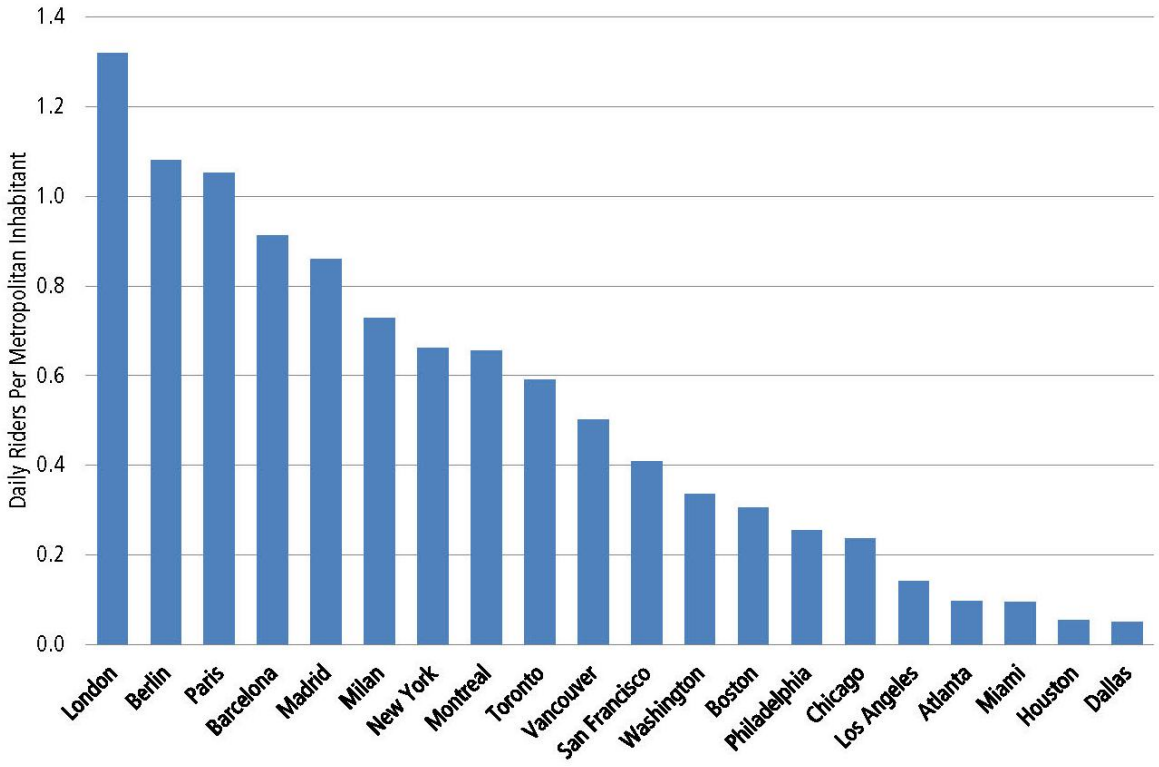


Figure 18: Daily transit rides per capita by region in 2012 (Source: Metropolitan Planning Council, 2013).

Load factor is the average number of passengers per vehicle and is a common measure of service utilization and efficiency. It is measured in passengers and is calculated by dividing passenger miles traveled (PMT) by vehicle revenue miles (VRM). All major agencies/regions except WMATA (Washington DC region) have seen their load factors increase since both 1991 and 2006. Since 2006, MTA, the NEIL region, San Francisco, and Los Angeles have all achieved increased load factor by reducing service, while MTA, NEIL, San Francisco (mostly BART and Caltrain), and SEPTA have experienced strong passenger miles growth (>10%). All agencies/regions have seen ridership and passenger miles grow except Los Angeles and WMATA. WMATA has increased service while passenger miles have remained flat. The NEIL Region's average load factor has grown sharply since 2009 due to a combination of ridership growth and service cuts.

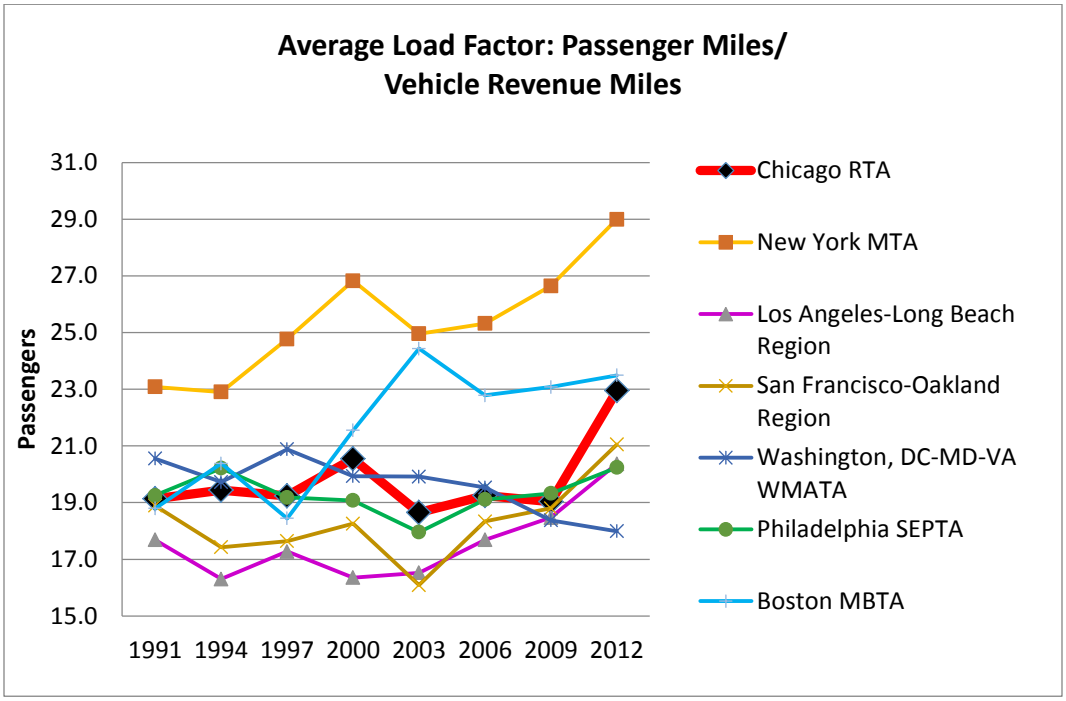


Figure 19: Average Load Factor[10].

ACCESS AND MOBILITY

Access to labor/jobs is perhaps the most important measure of the economic value of transportation. While not always easy to calculate, it can provide a good summary of the overall economic value of transit. The following figure shows in blue the top 15 job concentrations in the NEIL region, as well as differing shades of green based on the transit connectivity index. The darker green shading shows the highest number of trips being taken per week. The two red circles highlight two major clusters of job concentrations which are not considered accessible by transit. This disconnect represents a lack of accessibility being provided by the Chicago transit system since these job concentrations are centered around Interstates and highways rather than transit routes.

[10] Agency/region totals include bus, commuter, heavy, light and street rail services only. ADA, direct response, vanpool and shared-taxi are excluded. Data for the Los Angeles and San Francisco-Oakland regions is sourced from multiple agencies.

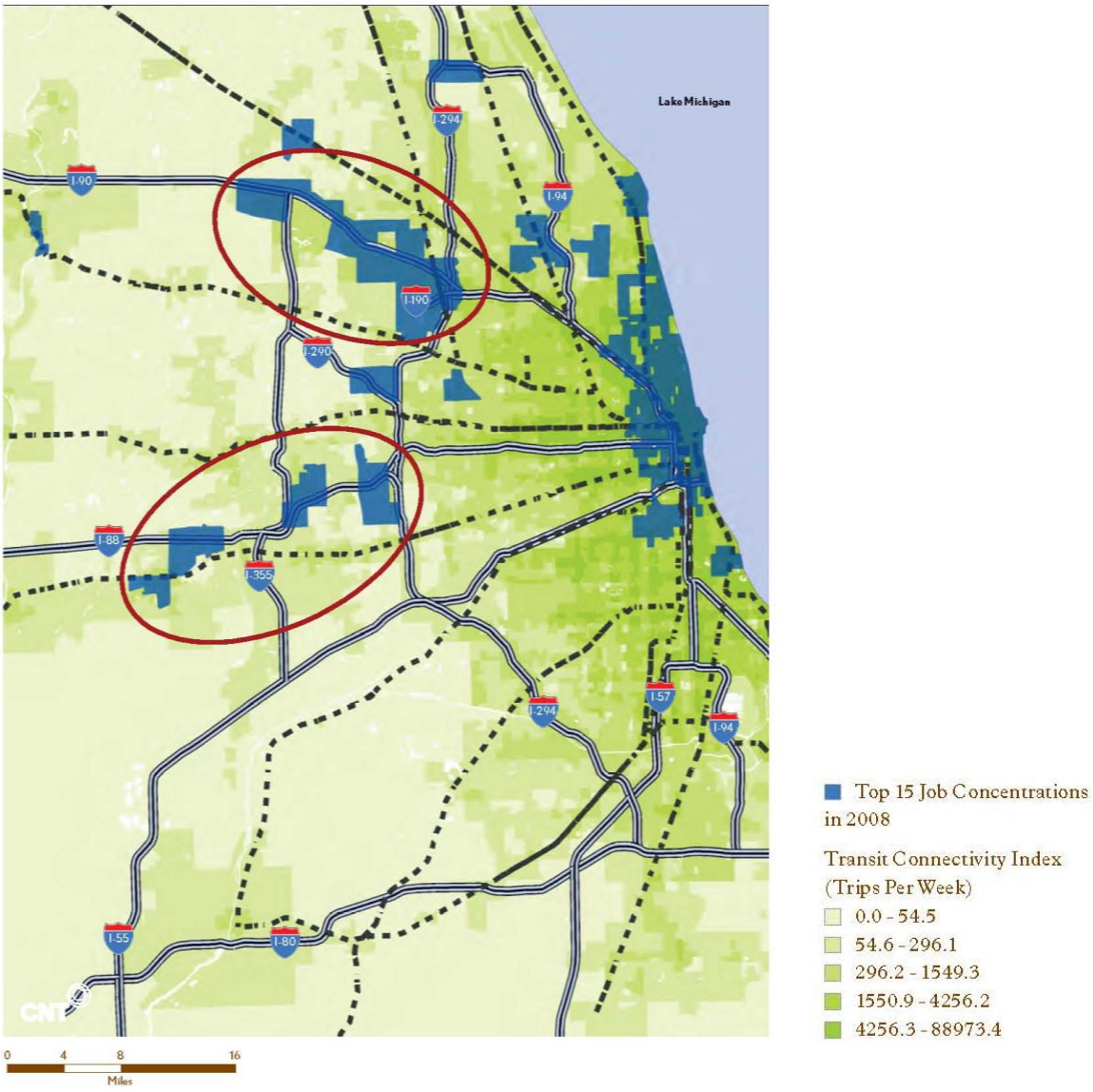


Figure 20: Transit connectivity and 15 largest job centers[11].

Figure 21 illustrates that the majority of those using transit in Chicago live close to the center of the city. Only about 11 percent of suburban residents use transit to commute to work, and the farther out into the suburbs one goes, the lower the percentage. This is mostly because suburban service has not expanded to accommodate the growth in both residents and job centers located in the suburban counties. Therefore, jobs in the city center for suburban residents as well as suburban jobs are not accessible by way of the existing transit system. This encourages greater use of automobiles.

[11] Figure from CNT report entitled "Transit-Oriented Development in the Chicago Region"; Sources: Center for Neighborhood Technology, Local Employment Dynamics.

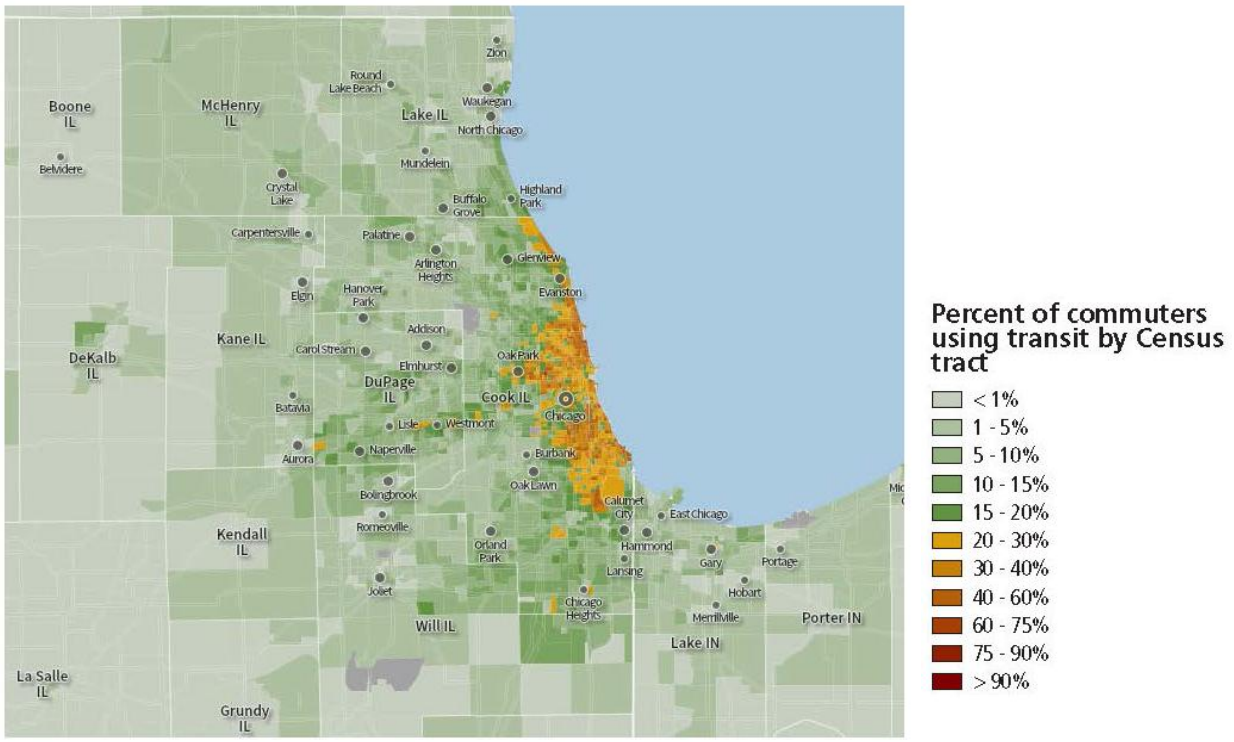


Figure 21: Transit share of commute trips in 2010 (Source: Metropolitan Planning Council, 2013).

Figure 22 illustrates the lack of connectivity between CTA and Pace. These operators do not function as a unified system and county lines typically serve as breaking points for CTA bus lines. This leaves Pace to pick up the pieces to continue service into the suburbs. Transfers among service operators are generally not facilitated, although thousands of riders do so each day.

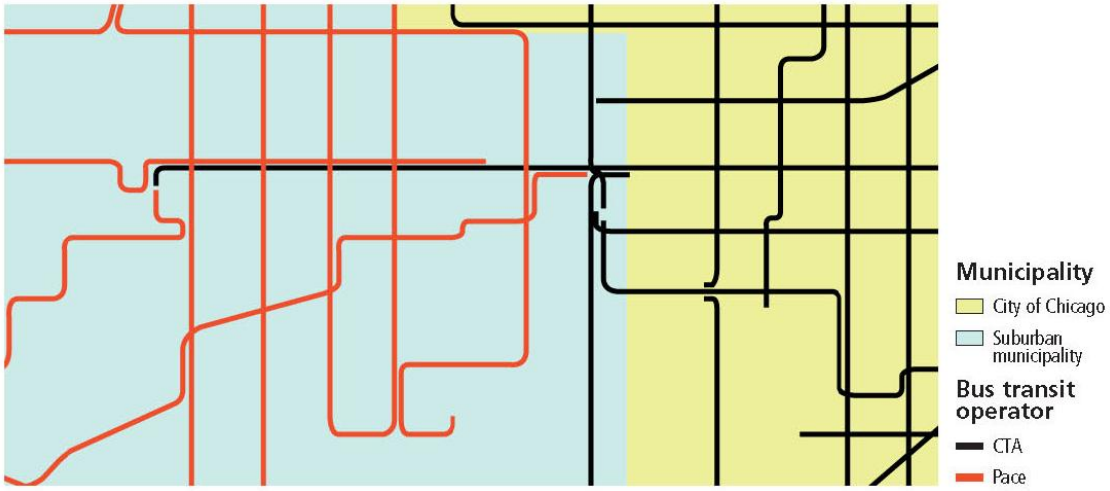


Figure 22: Bus Services on the West Side of Chicago and Nearby Suburbs (Source: Metropolitan Planning Council, 2013).

The economic vitality of any metropolitan region is heavily dependent on its level of accessibility. An individual's ability to access employment by way of public transit is particularly important. Figure 23 is

taken from the Brookings Institution's summary of employer access to labor by transit, focusing on the Chicago-Naperville-Joliet metro area. While a large share of the jobs in the NEIL region are in neighborhoods with public transit service (82.2%), only 22.8% of jobs can reach the metropolitan population in under 90 minutes. These figures show that NEIL has fairly good accessibility with respect to overall transit coverage, but that the coverage is not frequent enough to support the majority of workday commute trips.

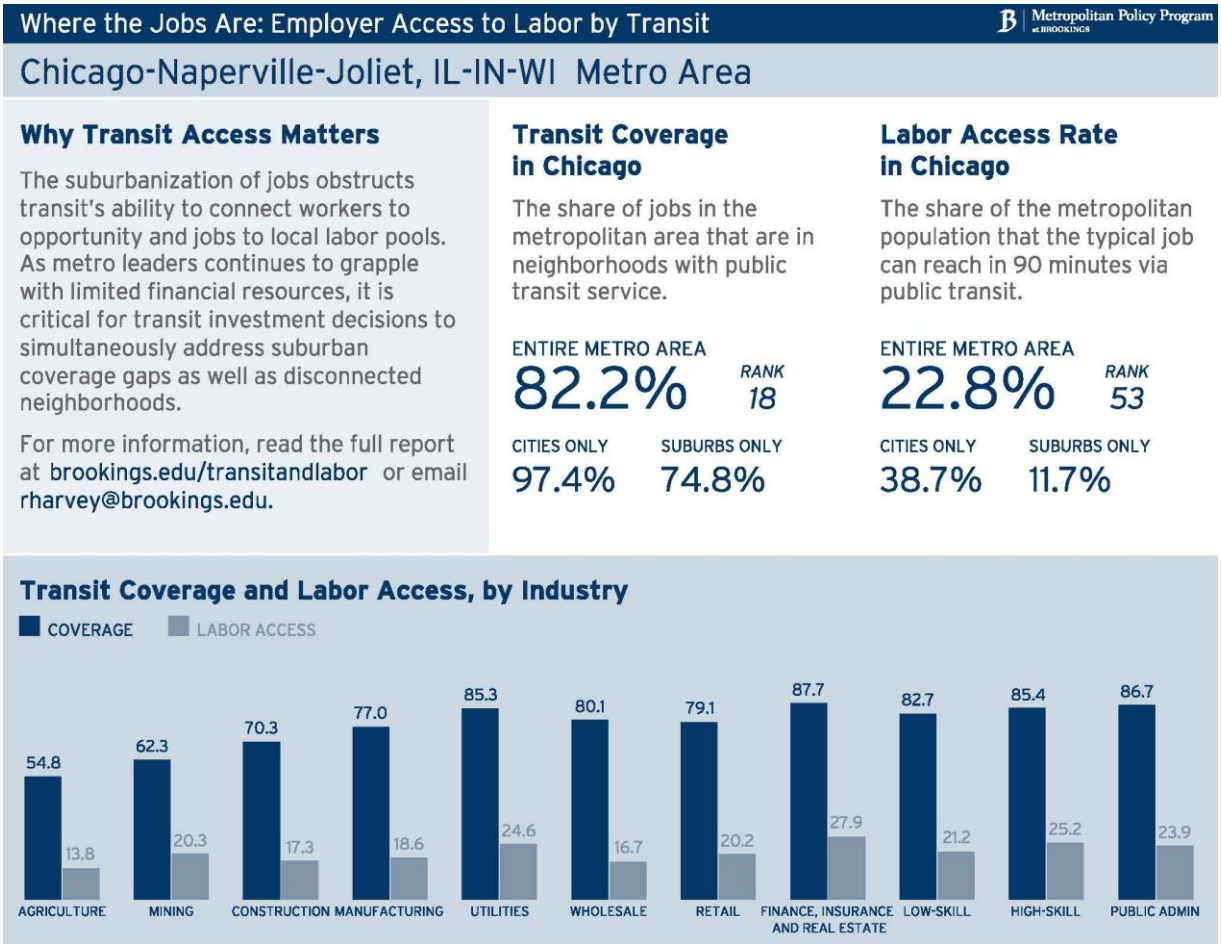


Figure 23: Employer Access to Labor by Transit (Brookings Institution, brookings.edu/transit and labor).

Figure 24 shows that the NEIL region's transit coverage, or percentage of working-age residents near a transit stop, is ten percentage points higher than the national average of 69 percent. The region's service frequency shows an average wait time of 7.2 minutes versus a national average for the hundred largest metro areas of 10.1 minutes and average for the top ten metro areas of 8.1 minutes.[12] The combined access rank of NEIL should be viewed with care due to the large variability of the metropolitan areas being examined.

[12] Of the three metro areas with better reported wait times than Chicago, New York is at 4.5 minutes; Los Angeles at 6.2 minutes and Washington DC at 6.6 minutes. Within the top ten, Atlanta and Miami have average wait times of greater than 10 minutes.

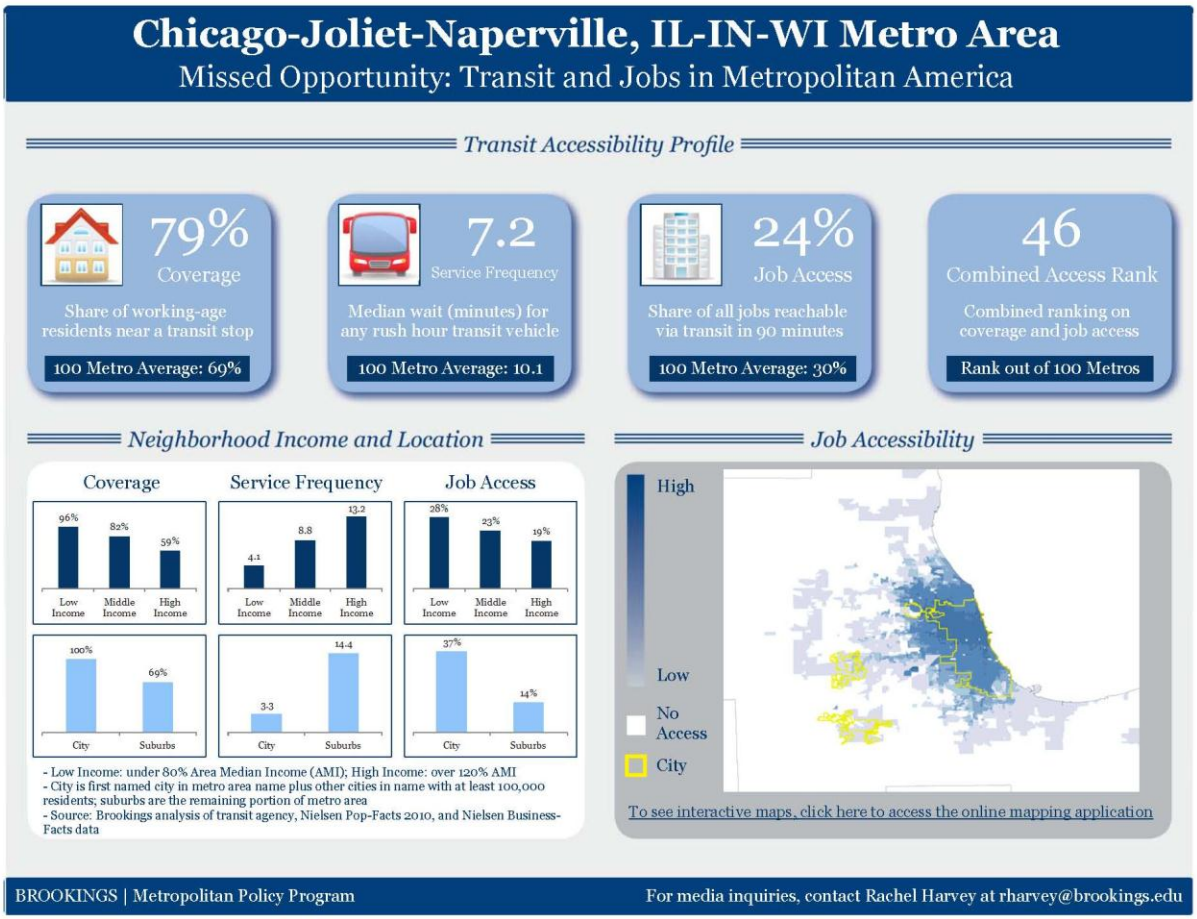


Figure 24: Transit and Jobs in Metropolitan America (Brookings Institution, brookings.edu/transit and labor).

PERCEPTIONS OF SYSTEM PERFORMANCE

PERCEPTION OF TRANSIT

User and community perception of the value of the transportation services provided by a transit agency is crucial to the development of support and funding for transit. Reliable transit that meets a community's needs encourages investment in transit that will enhance new regional economic and employment opportunities. RTA and the Service Boards conduct customer satisfaction surveys, but the surveys are usually limited to the individuals who use the service, meaning that they do not capture the perspectives of the community at large. In addition to actual transit users, this community includes non-users and the corporations and businesses that are considering Chicago for location or relocation.

Corporate Business Locators/Re-Locators

To that end, a limited and non-scientific survey was conducted with six corporate business locators/re-locators to obtain their perspective on how Chicago area transit and transportation ranks in corporate location/relocation decision-making. The survey revealed that transportation issues do not come into the initial selection process unless logistics are critical or the region is known for traffic congestion. Market and employee talent availability are the key drivers – and transit and transportation are seen as important indirect factors in providing this access.

Once a final set of locations is determined, transportation enters as a critical issue. The locators/re-locators often use a grid comparing the transport available, travel time to work, markets and airports for employees and customers among the potential locations. Most recruiters say their clients prefer a commuting time of no more than 30 minutes; but recognize that major cities should not take more than an hour. Two individuals pointed out that it can take up to an hour to go from Queens to Manhattan. Important transit considerations include:

- Reliability;
- Frequency, particularly in off-peak;
- Seamlessness, no more than one transfer, and if there are transfers there is a ranking "penalty" for passengers having to wait more than a minute to complete the transfer;
- Convenience to regional housing and employment sites;
- Cleanliness, user-friendliness and customer focus; and
- Safety.

According to the business locators queried, Chicago generally does not fare well in the transportation category against similar urban areas. Specifically mentioned were:

- Lack of timely transit service within the suburbs or between the City and suburbs.
- Off-peak frequency is very limited, other than the Red Line.
- Services are unreliable.
- Transfers are difficult.
- Need to purchase different tickets to transfer to or from regional service.
- Wait times to transfer are inconsistent, particularly so in off-peak.
- Access is difficult in the center city without escalators/elevators, particularly for business travelers with suitcases.
- Trains were dirty.
- Lack of a regional service.
- Personnel were less than helpful.
- There is a significant professional workforce present at the great universities in the region, but transit access to those institutions is not easy, except at peak period.

All survey respondents commented on the constant negative publicity highlighting corruption and infighting, and persistent inability to run transit as a business that is focused on the best service to their customers.

It is important to note that in no case did a corporation/business fail to select the NEIL region primarily due to poor regional transit or poor off peak service frequency, but in many cases, transit was one of the two or three reasons to choose a different location.

STATE OF GOOD REPAIR

INTRODUCTION

THE DEMAND FOR TRANSIT CAPITAL SPENDING INCLUDES SEVERAL COMPONENTS… EACH COMPONENT HAS ITS OWN SET OF ESTIMATES.

The demand for transit capital spending includes several components. The first is the cost to improve the condition of the current system – what FTA terms the State of Good Repair.[13] Second is the cost to build additional capacity, whether this involves more equipment to allow more frequent service along existing routes or the cost to add new routes. Finally, there is the cost of additional safety equipment, with the response to the recent fatal accident in New York's commuter rail system as a good example.

Each element has its own set of estimates. The State of Good Repair is a good example. This involves assumptions about the expected life of rolling stock and about how to maintain existing track and right of way. Both sets typically use conservative assumptions. As discussed below, FTA's rule of thumb for the effective life of rolling stock uses estimated lives that are less than what most agencies actually used. Indeed, roughly half of Metra's rolling stock already exceeds these numbers. Many of these estimates do not reflect the latest in construction techniques. In sum, there is an upward bias in the State of Good Repair estimates. Despite this, of course, the level of needed funds exceeds currently available monies.

In its December 2011 Report to Congress on the State of Good Repair of the nation's transit systems, FTA stated that:

> *"RTA's existing asset management capability consists of data collection and analysis processes that provide key inputs to regional decision making but which have yet to be fully integrated. A more complete integration will be achieved through the following tasks, to be accomplished in this pilot project [for which an $800,000 grant was negotiated]:*
>
> *Enhance and document RTA's ongoing regional asset inventory maintenance and condition assessment process. The enhanced process will ensure alignment with TERM [FTA's Transit Economic Requirements Model], applicability to other transit systems, and improved asset sampling methods. Process documentation will consist of "how-to" instructions regarding database structure, data collection methods, asset tracking methods, inspection, and physical condition assessments.*
>
> *Enhance RTA's capital planning process through implementation of an objective, multi-criteria investment prioritization process to rank SGR investments based on cost-effectiveness, mission criticality and impact on performance, reliability and safety. Documentation will include process mapping and implementation instructions.*

[13] See Federal Transit Administration website: http://www.fta.dot.gov/13248.html

Develop a process to group related asset replacement needs into logical capital projects using an asset type and location numbering convention to connect asset based long-term needs analysis with shorter-term capital improvement planning and capital project budgeting.

Build a data-driven technology-based tool to facilitate the integration and practical application of the first three tasks. The outcome will be a tool that supports multiple inputs for use in optimizing the allocation of resources."[14]

FTA has established a "Minimum Useful Life" that a vehicle must exceed before federal financial assistance can be used to replace the vehicle.[15] Table 5 summarizes FTA's minimum life guidelines for buses and vans. Minimum life associated with rail cars and locomotives is 25 years. This includes heavy rail, light rail, and commuter rail.

Category	Minimum Life (whichever comes first)	
	Years	Miles
Heavy-Duty Large Bus	12	500,000
Heavy-Duty Small Bus	10	350,000
Medium-Duty and Purpose-Built Bus	7	200,000
Light-Duty Mid-Sized Bus	5	150,000
Light-Duty Small Bus, Cutaways, and Modified Van	4	100,000

Table 5: FTA Minimum Life Guidelines for Buses and Vans.

Many agencies have interpreted minimum useful life to mean maximum life and seek to replace vehicles at that point in time. This is reinforced by the statement "whichever comes first" in the context of years or miles. This is terminology typically associated with expiration or maximum life, e.g. vehicle warranty. In practice, vehicles may continue in reliable revenue service for many years after their respective minimum life, provided they are regularly maintained throughout their entire life. With that said, newer vehicles may offer improved fuel efficiency and enhanced functionality, which will also factor into decisions regarding vehicle rehabilitation versus replacement.

[14] *State of Good Repair Initiative: Report to Congress* http://www.fta.dot.gov/documents/SGR_Report_to_Congress_12-12-11_Final.pdf

[15] *FTA C 9300.1B Capital Investment Program Guidance and Application Instructions,* November 2008*:* http://www.fta.dot.gov/documents/Final_C_9300_1_Bpub.pdf

NATIONAL TRENDS

A recent publication by the American Public Transportation Association (APTA) provides a national perspective on recent trends in vehicle age: "The transit bus fleet is getting newer. The financial situation at transit agencies has improved, funds from the American Recovery and Reinvestment Act helped transit agencies update their bus fleets. The bus fleet improved from an average age of 8 years in 2011 to 7.8 years in 2013. Commuter rail cars improved from an average age of 18.2 to 17 years. Heavy Rail aged from 20.2 to 20.5 years."[16] The NEIL region's bus fleet is newer than the national average, while its rail cars (for both CTA and Metra) are older.

SERVICE BOARD FLEET DATA

Table 6 provides a summary of RTA fleet ages for 2012.[17] Vehicles are determined to be "Beyond Useful Life" by RTA if they are older than the FTA minimum life. This terminology is a bit misleading, since proper maintenance can extend the practical life of buses and rail cars. An effective life of 15-18 years or a million miles for a bus is not unheard of.

Agency	Average Age (years)	Beyond Useful Life (%)	FTA Minimum Life
CTA Bus	6.3	0.0	12 years/500k miles (see note)
CTA Rail	24.3	54.1	25 years
All CTA	13.8	22.6	-
Pace Bus	7.7	5.5	12 years/500k miles (see note)
Metra	29.7	59.8	25 years
RTA Average	14.4	30.3	Not applicable

Note: Minimum life is determined by whichever comes first. This is for heavy duty large buses only (40-60 ft.); smaller buses have shorter life requirements.

Table 6: 2012 Vehicle Age Data by Service Board.

Based on 2012 data, the average age of CTA buses is 6.3 years and 24.3 years for CTA railcars. These are both below FTA's minimum life (well below in the case of buses). CTA's bus fleet is, on average, younger than the national fleet as reported by APTA, while CTA's rail cars are older than the national average. The oldest buses in the CTA fleet were acquired in 2000 and the oldest rail cars date back to

[16] *Trends in Public Transportation Vehicle Fleets*, November 2013, APTA: http://www.apta.com/resources/reportsandpublications/Documents/Trends-in-Public-Transportation-Vehicle-Fleets.pdf

[17] Average age of CTA railcars has since reduced following replacement of the oldest (1970s) railcars in 2013

1970. The 1970 rail cars are the 2200-series and are the last of the non-ADA compliant folding-door Budd cars that were to be retired from the fleet in 2013. CTA did not acquire any new rail cars during the period 1994-2010 and they are now playing catch-up to replace the cars that are more than 30 years old.

At an average age of nearly 30 years, Metra's rail cars are older than FTA's 25-year minimum life and almost double the national average of 17 years for commuter rail.

Pace's bus fleet is slightly older than CTA's but younger than FTA's minimum life. The Pace fleet is much more diverse than the CTA bus fleet, reflecting the fact that Pace serves routes with a wide range of passenger demand characteristics.

NEW STARTS FUNDS FOR REHABILITATION

In recognition of both the need to bring CTA's rail system closer to a state of good repair, and the contribution that rehabilitation can bring to service reliability and capacity, FTA recently cleared CTA to apply for federal funding to upgrade the Red and Purple Lines under the New Starts program. While this waiver does not guarantee funding will be approved, it is the first time such a waiver has been granted under a provision in MAP-21 (federal surface transportation legislation). While this ruling still requires the ability to add capacity, it provides a significant change in the availability of federal funds for older transit systems. The total cost of the project is up to $4 billion.

FINANCIAL OVERVIEW

PUBLIC TRANSIT FUNDING

There are no easy funding solutions for public transit. Indeed, many traditional sources of funds face difficult times. A significant portion of federal funds come from the federal excise taxes on motor fuel (currently 18.4 cents per gallon of gasoline and 24.4 cents per gallon for diesel fuel) to the federal Highway Trust Fund of which roughly 20 percent is dedicated to transit. Improving fuel economy, lack of growth in vehicle miles traveled, and reluctance by politicians to increase the tax rate has had a significant negative impact on the purchasing power of these funds.[18] There is also increased competition for transit capital expenditures from around the country.

Public transportation provides reasonably affordable and equitable mobility as an alternative to automobile travel and promotes other social and economic benefits such as cleaner air, reduced traffic congestion, enhanced freight movement and workforce access. There are alternatives to increases at the fare box to increases revenue and this section explores the possible local funding options suitable for financing transportation, specifically public transit capital improvements and operations.

In addition to finding new sources of funding, there are cost savings that may be achieved through improved operational efficiency of public transit. How can you raise money in an environment where raising taxes in general is often strongly opposed or where a higher tax burden could discourage businesses and people from locating and staying in the region? One possible solution is to privatize or contract out the operation of the system with the goal of improving overall cost effectiveness of the system. Other opportunities involve taking advantage of newer technologies and new approaches to urban mobility. All of these can help reduce the gap between current funding and desired capital and operating expenditures, but a significant gap will remain.

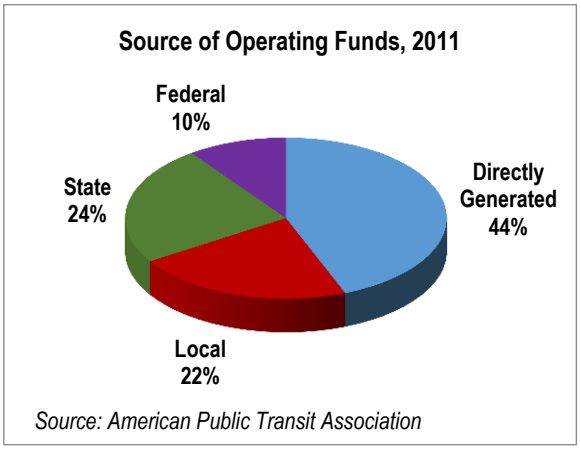


Figure 25: Source of Operating Funds 2011.

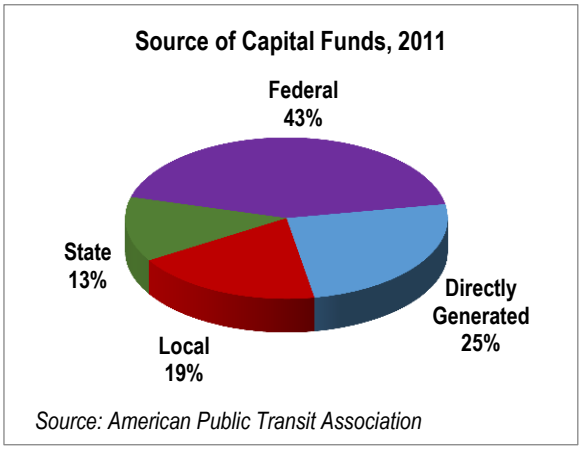


Figure 26: Source of Capital Funds, 2011.

[18] The Highway Trust Fund is inadequate to fund its current level of funding. MAP-21 funds are now dependent on federal General Funds to meet the level of transport authorizations. This situation is unsustainable beyond 2014.

Figures 25 and 26 illustrate national transit spending for both operating and capital funds. In total, for both operations and capital, transit properties nationwide received 42 percent of their funding from state and local taxes and fees. Over 70 percent of those funds were from revenue dedicated for transit. State revenues represent any fee or tax imposed by the state government on the entire state. In 2011, state funds accounted for 24.3 percent of operating revenue and 13.0 percent of capital revenue. Local revenues are fees or taxes assessed in a local or regional area by a local or regional government. These taxes can be collected separately, but are often collected as a local add-on to an existing state's sales or income tax. Revenue from local fees and taxes accounted for 22.0 percent of operating revenues and 18.5 percent of capital revenues. Figure 27 shows the revenue sources for 14 major metropolitan areas. By comparison, Chicago relies mostly on dedicated tax revenues.

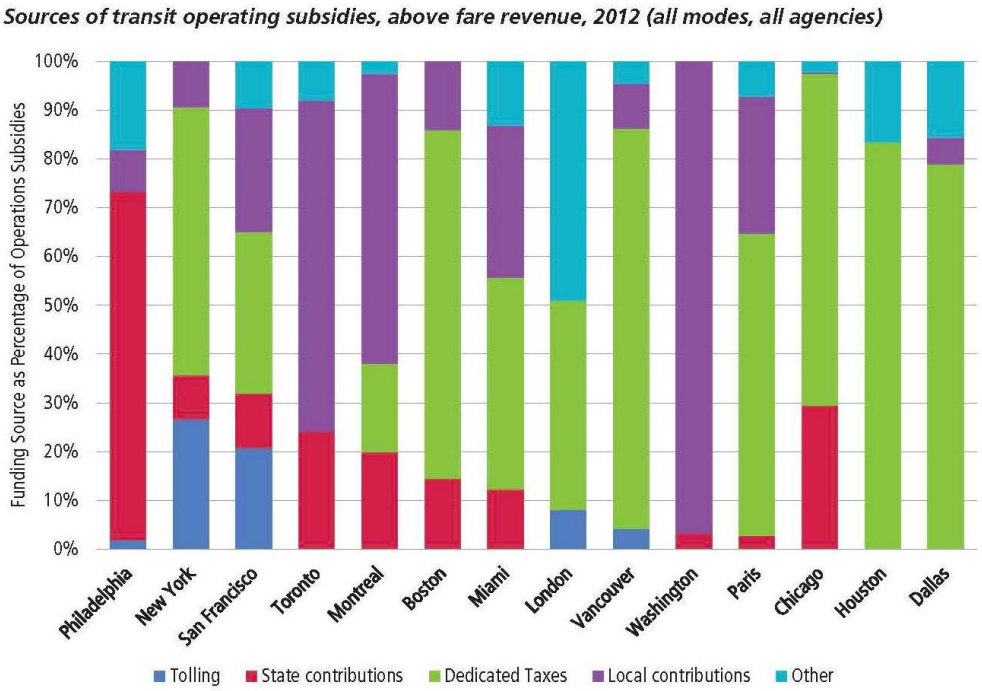


Figure 27: Funding Source as Percentage of Operations Subsidies (Source Transit Agencies).

Background on NEIL Region Transit Funding

The region's operating subsidies are provided by two sales taxes[19] plus the state's 30 percent match of the sales tax receipts. In addition, the City of Chicago receives funds from a real estate transfer tax[20]. The allocation of these funds among the Service Boards and the RTA is a bit complex, as shown in Figure 28. In addition to money to fund RTA, there are a few smaller funds, with special purposes, and a balance called the discretionary fund that has been the source of some controversy.

[19] Sales Tax I was enacted in 1983 and is one percent in Cook County and one quarter of a percent in the "collar" counties. Sales Tax II was enacted in 2006 and is one quarter of a percent region wide.
[20] RETT was intended to address CTA's pension shortfall.

The RTA has three primary sources of operating/capital discretionary funding: 15 percent-of the RTA share of the regional sales tax; plus 25 percent of the State Public Transportation Fund (PTF1)- state share of the sales tax; and, since 2008, the Innovation, Coordination, and Enhancement Fund (ICE)., plus 25 percent matching revenues. The PTF1 funds cover debt service, matching, etc. with the balance left to be allocated at RTA's discretion.

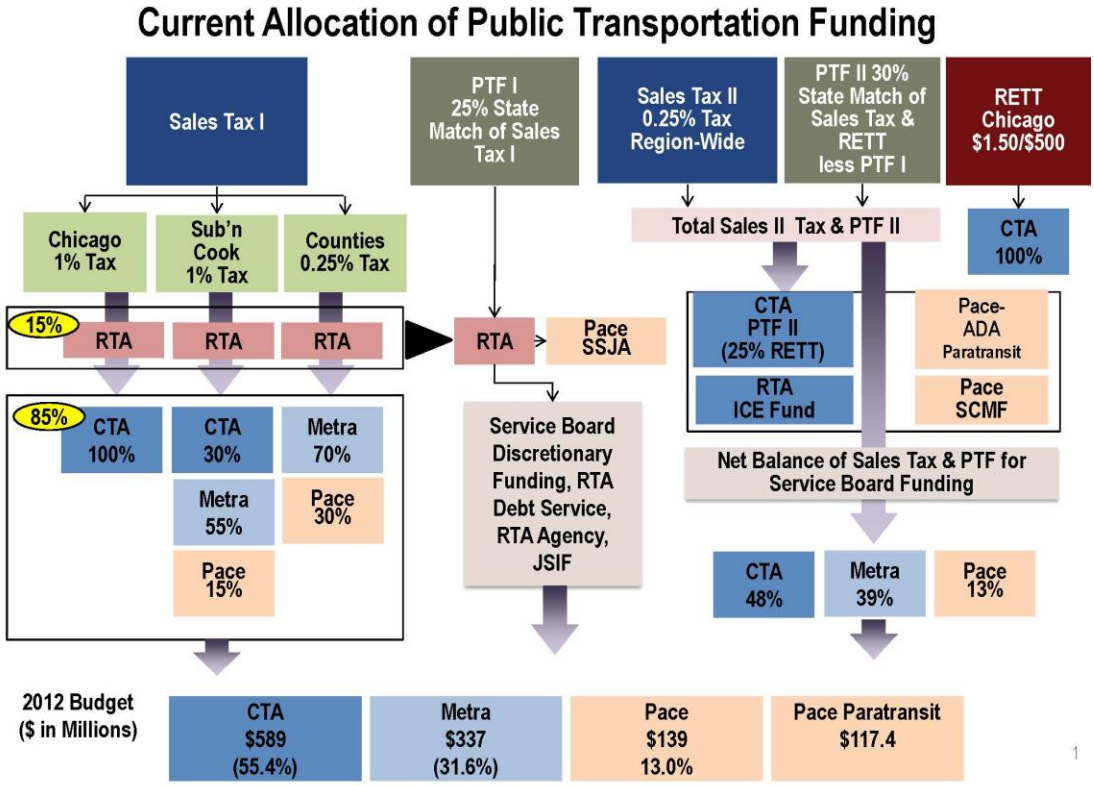


Figure 28: Current Allocation of Public Transportation Funding at RTA.

The 1983 Act shifted RTA's role from an operator to the manager of three newly created independent Service Boards. The 1983 Act also introduced the 15 percent set aside to cover certain RTA expenses including the discretionary program. The legislation does not define discretionary nor provide instructions on how to allocate funds. Even so, the RTA was given the authority to allocate the funds amongst the service boards. The 2008 RTA reform legislation continued the discretionary fund, but again without definition or instructions.

The discretionary fund has been a major source of recent RTA Board disagreement. The largest portion of the RTA discretionary program is the 15 percent of the Public Transportation Fund (PTF) that was established in 1983[21]. Between 2001 and 2012, CTA received $1.88 billion (96.4 percent) in funding from the discretionary program Pace received $55 million (2.8 percent) during the same period; and Metra received $15.4 million in 2003 to assist with extraordinary costs due to a fire.

[21] In addition the ICE Fund was established in 2008. Pace also receives the Suburban Community Mobility Fund and the South Suburban Job Access Fund from RTA's portion of Sales Tax I and Public Transportation Fund I.

There is no written legislative history for this provision nor is there legislative history on allocation suggestions for the discretionary fund. In 2005, the Illinois House Committee on Mass Transit conducted an analysis of RTA funding. What emerged was a sense that the CTA operating budget could not be sustained with only the 85 percent sales tax allocation to the CTA. In contrast, some people involved in the 1983 Act believe that while the original intent was to support CTA and Pace that over time the funds could be provided to any of the service boards based on their financial needs. There is no documentation for or against this perception.

The RTA has historically provided almost all of the discretionary funding to the CTA, based on the assumption that CTA funding needs are not covered by statutory formulas and that operating shortfall requires discretionary funds to make up that difference. CTA received 97 percent of these funds in 2012. Pace is also a recipient of discretionary funding for operating purposes receiving 3 percent in 2012. Metra has not received any of these funds since 2003

The RTA recently completed a study to evaluate alternatives for allocating capital and discretionary funding. No action has been taken regarding these alternatives. In addition to variations on the current system, these include:

1. ***New Fixed Formulas:*** Capital funds would be allocated in proportion to the costs to reach a "state of good repair" – although resources fall well short of meeting that goal. Operating funds would be allocated based on three performance measures: vehicle revenue miles, passenger revenue miles, and route miles.
2. ***Competitive Program*****:** While the bulk of funds would be allocated according to the formulas used in scenario 1, a portion of funds would be part of a competitive program designed to encourage creative solutions. This program would be open to groups beyond the Service Boards.
3. ***Performance-Based Allocation:*** Again, the bulk of funds would be allocated according to formulas used in scenario 1, but some funds would be awarded based on achieving key performance goals (customer satisfaction, efficiency, and safety). Another bonus pool would support new efforts, such as expanded service or technology improvements.
4. ***Flexible Sub-Area Equity*****:** Funds (other than certain federal and state capital monies) would be allocated in two steps: first among the counties (including suburban Cook) in proportion to where taxes were paid and second RTA would allocate funds among the Service Boards that serve these counties in ways that support the region's strategic long-range transit plan.
5. ***Asset Management Focus:*** Asset management describes a group of analytic techniques that can help improve the rate of return on investment, control costs, manage safety, improve customer satisfaction and assist organizational readiness. This approach has been advocated by the Federal Transit Administration and incorporates good business practices.

PERFORMANCE OPTIONS

Finance is often thought of as simply raising taxes. In fact it should be viewed as beginning with efforts to obtain the greatest value from existing resources. Indeed, without the ability to show taxpayers that the agency already obtains full value from current funds, it will likely be difficult to obtain more. Thus, this section on financial options begins by reviewing lessons learned from other private and public transit operators and by examining possible benefits from new technology and new institutions.

There are a number of opportunities to improve transit performance. Examples include:

- Examine actions by private firms that provide transit services;
- Review performance management techniques used by public agencies that manage transit;
- Take advantage of the trend in new ways to provide urban mobility, including new institutions and technologies; and
- Leverage technology change in general.

This section provides a brief summary of each of these areas.

KEYS TO SUCCESS ACCORDING TO PRIVATE SECTOR TRANSIT PROVIDERS

In analyzing critical elements for transit success, the industry most often looks to public transit peers because of their similarities. Similar lessons can be found by reviewing successful private-sector operations. This section is based on research and interviews with six private providers of transit service in Asia, North America and Europe on what is critical for them to provide customers with great and/or world class service. This is not presented as an argument for privatization of transit, but as good business practices that could enhance transit service in the NEIL community. Public transit systems still have important social service obligations that may not be required of private operators.

Private transit service providers were unanimous that the key to their success is a premium transit service that gets their customers where they want to go with a service that is reliable, frequent, affordable, seamless, clean, accessible and friendly -- in that order. Successful providers know their market and its transit needs, adjust service to meet market changes, and maintain systems that are safe for employees and customers. Because they require a profit these providers know their capital and operating costs and how to control them. Examples of good practices include:

PRIVATE TRANSIT SERVICE PROVIDERS UNANIMOUSLY STATED THAT THE KEYS TO THEIR SUCCESS ARE TO PROVIDE PREMIUM TRANSIT SERVICE TO THEIR CUSTOMERS

- The predominant capital equipment model emulates Southwest Airlines' model by reducing the number of different pieces of equipment of the same size to a single bus design for each size. In other words, buses can vary in purpose and size, but each one has only a single configuration. The savings in parts, maintenance, scheduling service, and training for maintenance and vehicle operators are significant.
- Control employee availability and keep it in the high 80 to low 90 percent level to be efficient and maximize productivity. This compares to a rate of high 60 to low 70 percent level for most US transit providers. MTA is an exception with 85 percent. In Singapore and Hong Kong availability is around 95 percent. A high ratio has significant budget savings and a more predictable staffing level can help improve the quality of service.
- Use the best available technology to provide services to customers, safer operations, more efficient maintenance and increased productivity at a lower cost.
- Apply corporate-driven asset management approach, rather than a state of good repair approach, across the organization to controlling future costs. Corporate driven means that the whole organization participates and is evaluated in terms of asset management performance. The drive is

to fully depreciate the asset. Two basic asset management principles seem to govern their approach to asset management of public resources:

- Replace or modernize equipment/facilities if the cost to maintain equipment is greater than the cost to replace; or
- Replace or modernize equipment/facilities if the new equipment has new technology that will lower the cost of operations, reduce maintenance costs below current costs, and/or enhance customer service.

Preferable model for partnering with the public sector are terms that allows the private transportation provider sufficient time to recoup their investments, rather than to outright ownership. This model allows the public sector to provide services in a more cost effective and predictable way and/or to provide new transit services. The public sector purchases the equipment and determines fares, performance, etc., and the private sector provides everything else, including employees and maintenance. In New Jersey, private transportation providers use travel coaches to provide specific nonstop commuter bus service to Manhattan. This allows for excellent service to NJ customers in areas that NJ Transit cannot reasonably serve.

PERFORMANCE- BASED MANAGEMENT

Demonstrating that the new or existing governance entity can manage the existing funding and service effectively is a critical element for public trust in investing in the services. There are a number of internal ways for management to demonstrate the organization's stewardship of the public resources that require a change in thinking about managing a transportation system. It will require leadership and thinking a bit differently. Most of the suggestion can be done within the structure of the existing laws/regulations. Four examples include:

Pooled purchases: to the extent that CTA, Pace, Metra, IDOT and CDOT have to purchase diesel fuel or CNG, a pooled purchasing effort should reduce costs. Such a partnership could extend to other transit properties around the country (and perhaps include freight railroads) and could include other items, perhaps including new buses. Other industries (hospitals, for example) report significant savings from pooling purchases.[22]

Maximize use of existing staff: As noted earlier, private transit providers pride themselves on achieving a high level of employee availability to perform their duties. In contrast, many public transit systems have employees available less than 75 percent of the time to perform the functions for which they were hired. This requires additional staff in order to maintain the promised services. The other 25 percent or more of employee time is taken up by training, court appearances, vacations, overtime, sick days, other assigned duties. Training is a major reason for employee non availability. The private sector has addressed this in part by using the Southwest model to equipment purchases. By using one vehicle spec per size, they do not have to train maintenance or operating staff on different vehicles, or restrict the maintenance or operating staff to specific types of buses. Employees are interchangeable with the existing equipment and training allows all maintenance personnel to work on the equipment.

[22] Implementation of pooled purchasing is not straightforward and calls for an analysis of current practices and possible legal restrictions.

Organizationally Driven Asset Management: This requires a top-down approach that has specific responsibilities and performance measures for all of the organization to extend the assets until the cost of replacement is lower than maintaining the equipment and/or technology improvements are such that they improve customer and operating performance greater than the cost of keeping the existing equipment. The executive director, personnel, procurement, finance, capital planning, operations, maintenance and planning strive for the same goal and performance. Aggressive capital asset management should minimize the need for major equipment purchase and allow management to even out the equipment purchases to eliminate the boom or bust cycles that often happens with capital bonds. Capital replacement can occur at a more planned and less frantic pace. Safety of customers and employees are enhanced. These benefits are unlikely to be achieved by relegating asset management to operations and maintenance alone.

Consolidate administrative functions: At present the NEIL region has four procurement entities and processes for transit; and four financial, public affairs, legislative affairs, legal offices, and central human resources departments. Consolidation could result in budget savings and improved coordination. Any transition would incur costs and some activities make sense at each operating entity (human resources, for example).

Example of Performance Measures

One example of the use of performance measures in system management is the Metropolitan Transportation Commission's (MTC). Since 2001, the MTC in the Bay Area has employed systematic and analytical performance measures to inform their transportation investment decisions. To accomplish this, MTC defines hoped-for outcomes before developing land use approaches or transportation investment programs.[23] In their 2008 'Transportation 2035 Plan' they sought to define performance targets that would ensure that conditions would improve in terms of delays, greenhouse gas emissions, and VMT. In order to determine if they could achieve these objectives they conducted an analysis with three phases. The first phase was visioning, the second phase reviewed how cost effective potential projects would be in terms of the defined performance measures, and the third phase was a performance assessment that measured the overall expected performance based on selected investments.[24]

MTC's most recent performance measures are included in the Bay Area Plan: Strategy for Sustainable Region, published July 2013. The Bay Area has a greenhouse gas emissions target and a housing target that is mandated by state law, and MTC additionally has outlined voluntary targets, that were developed with input from the community, including:

- Reducing particulate matter,
- Reducing injuries and fatalities from collisions,
- Increasing active transportation,
- Maintaining the current urban footprint,
- Decreasing share of income spent on transportation and housing
- Increasing the gross regional product (GRP),

[23] http://files.mtc.ca.gov/pdf/Plan_Bay_Area_FINAL/Plan_Bay_Area.pdf
[24] http://www.mtc.ca.gov/planning/2035_plan/Supplementary/T2035Plan-Perf_AssessmentReport.pdf

- Improve transportation system effectiveness, and
- Improving pavement condition.[25]

According to their analysis their plan meets or exceeds 5 of their targets, makes progress towards 3, and moves away from their target on the remaining three. MTC also employs this vision at the project level by performing project performance assessments to identify the projects with the highest performance potential.[26] Each project is evaluated based on a benefit-cost ratio and the measured contribution to achieving the performance targets. High performing projects are then given priority for funding opportunities.[27]

Regional targets that specifically relate to transit include:[28]

- Climate Protection: To meet California's mandated greenhouse gas emissions target, MTC aims to "reduce per capita carbon dioxide emissions from cars and light-duty trucks by 15 percent". Included in the strategy to meet this goal is increased investment in the region's public transit.
- Reduce Particulate Matter: While a large part of the strategy to meet this target is strengthening controls on tailpipe emissions and fuels, due to long-term mobility needs the strategy also includes the promotion of transit and other alternative modes of transportation.
- Economic Vitality: All transportation investments, including transit, were quantitatively estimated during plan development to ensure that the plan enhances the economic competitiveness of the region.
- Improve Transportation System Effectiveness: Within the target to increase transportation system effectiveness, MTC has sub-targets including increasing non-auto mode share, reducing VMT per capita, and reducing the share of transit assets past their useful life to zero. Each of these targets requires increased investment in transit.

While these performance measures are regional, and transportation-system wide, at a transit level, through the Transit Sustainability Project, MTC aims to:[29]

- Improve their financial position,
- Improve service for the customer, and
- Attract new riders to the system.

They plan to accomplish these aims through controlling costs, reinvesting savings in services, building public confidence, attracting additional revenue, investing strategically to improve customer experience and to attract additional passengers, and developing interagency initiatives focused on the customer and cost reductions. MTC has also developed an investment and incentives approach designed to improve

[25] http://files.mtc.ca.gov/pdf/Plan_Bay_Area_FINAL/5-Performance.pdf
[26] http://files.mtc.ca.gov/pdf/Plan_Bay_Area_FINAL/5-Performance.pdf
[27] http://files.mtc.ca.gov/pdf/Plan_Bay_Area_FINAL/5-Performance.pdf
[28] http://files.mtc.ca.gov/pdf/Plan_Bay_Area_FINAL/5-Performance.pdf
[29] http://apps.mtc.ca.gov/meeting_packet_documents/agenda_1880/TSP-May23-Commission.pdf

service performance through investing in supportive infrastructure to achieve goals and rewarding agencies for their achievements.

THE CHANGING WORLD OF URBAN MOBILITY

Urban transportation is in the midst of a quiet revolution. Just as increasing numbers of young people are less dependent on automobiles (28 percent less likely to have a driver's license)[30] and many seem to have adopted an "anywhere-everywhere work style." This means that both people and work environments are more mobile. Connectivity now combines traditional physical networks with virtual or electronic networks. These changes differ significantly from the classic single occupant automobile – but they also differ from the traditional capital intensive, fixed route oriented public transit systems of today. As a result, there are more choices for travel than the traditional drive or take transit. Examples include:

- Car sharing,
- Bike sharing,
- Ride sharing,
- Private shuttle buses,
- Transportation network companies,
- Jitneys,[31]
- Telecommuting/telework,
- And soon – autonomous vehicles both for transit and for the average commuter.

These systems rely on near universal network of smart phones and involve new institutions, both public and private. How should a tradition-oriented transportation industry (both transit and highways) react to this new world? Options include:

- Fight the change as anti-transit. This has been the traditional approach to jitneys and other private forms of transit and is similar to the reaction of many taxi firms to Uber[32] and related entities.
- Ignore – current policy. Focus on traditional markets and assume most customers will not shift
- React and adjust to new market realities
- Joint investments – as with competitive proposal from RTA report. This might even involve direct investments.
- Cooperation. These new techniques could help solve problems that do not fare well using the traditional capital-intensive approach to transit:
    - ADA/Paratransit.
    - Suburban access to rail lines.
    - Light density bus lines.
    - Off-peak service.

[30] Presentation by Sharon Feigon at Shared Use Mobility Summit: "Setting the Stage: Big Trends, Definitions, and Future
[31] Jitneys are small buses often used to provide shuttle service along regular routes, such as between office parks and rail stations. They are often operated by private firms.
[32] Uber is a private firm that provides individuals with transportation when and where they need it. The service uses a fleet of on-call limos and private cars and is flexible and personalized but more expensive than traditional taxi service.

TECHNOLOGY WITH RELEVANCE TO TRANSIT MANAGEMENT AND OPERATIONS

This refers to emerging and existing technologies that can assist public sector executives to better manage their organizations, save money, achieve better performance, and improve communications both with customers and within an organization.

3D Printing

This is a "game changing" technology that will allow maintenance facilities to manufacture many of their own parts. This will reduce inventories; allow parts to be manufactured when they are needed; and help return equipment to service quicker. This technology will allow for better implementation of asset management.

Information Systems

- ***Integration of information systems into asset management.*** GPS or bar code information systems are being deployed for inventory control of parts, equipment location, etc. Other information systems are used for maintenance scheduling, equipment warranties/guarantees; equipment replacement, equipment performance, equipment assignment. What does not appear to be happening is the integration of the information systems into one management tool, so that management gets the best performance of its equipment. The integration will also be able to calculate the specific reductions in projected long-term costs; and, more precise, timelier and more cost-efficient capital investments.

- ***Social Networks*** provide real time communications with customers on regular and emergency bases. They also provide opportunities to develop marketing efforts targeted at specific transit audiences. If management adopts a bus feeder service approach to fixed rail, then coordination of schedules and accurate information to customers will be invaluable.

Mobile Devices

The world has gone mobile and will continue to grow irrespective of income. Smart Phones/tablets/pads provide numerous management opportunities from direct communications, to paying for transportation. Fare/toll collections can and will be done by mobile devices. Internet clouds and e-wallets allow for wireless accounts that allow business and customers to create accounts and pay for services with mobile devices when they previously used transponders, fare cards, or credit cards. After the initial equipment costs, the maintenance, security and operating costs will be lower than fixed farebox or toll equipment. Customers will be able to pay for the use of a toll facility, commuter rail, bus or subway from a single account. Out of town users can easily pay for their services as well. Managers will have real time linked and unlinked data on trip travel, O&D, travel times, transfers, etc. This information will allow transportation planners to better plan and understand their customers and service.

Telecommuting/Telework

Probably the most significant technology trends are the growing numbers in telecommuting and telework – perhaps the fastest growing "mode" of work trip. Based on data from 2005, the Bureau of Labor Statistics says 24 percent[33] of the workforce is now involved in some level of telecommuting weekly.

[33] See *American Time Use Survey—2010 Results*, USDL-11-0919 (U.S. Bureau of Labor Statistics, June 22, 2011).

This means reduced congestion during the peak, greater use of transportation in off peak hours[34] with greater requests for more service, and more local travel. There should be more shared offices/satellite offices and/or no assigned offices, meaning more flexibility for office location.[35]

Key Innovations Related to the Transit Industry

Driverless Rapid Transit – Since the first systems were introduced in the 1960s, advances in sensors and communications systems have greatly expanded the performance, safety, and reliability of automated rail transit systems. Driverless trains have been in limited use in North America for many years, primarily in the form of airport circulation and a number of short downtown "people mover" loops. However, such systems are attracting more widespread implementation in traditional transit operations. Many of the new rapid transit lines that have been constructed in the last decade, including lines in Paris, London, Dubai, and Sao Paulo, have adopted this technology due to its lower life cycle costs (one operator can manage multiple vehicles from a control center). Newly built automated rapid transit systems typically also feature platform screen doors to prevent passengers from entering the tracks. This creates an opportunity for climate controlled stations.

KEY INNOVATIONS RELATED TO THE TRANSIT INDUSTRY

- 3D PRINTING
- MOBILE DEVICES
- DRIVERLESS RAPID TRANSIT
- SELF-DRIVING BUSSES
- SUBURBAN RETROFITS/PLACEMAKING
- RAPID TRANSIT – COMMUTER RAIL INTEGRATION
- INTERCITY PASSENGER RAIL INTEGRATION
- PUBLIC-PRIVATE PARTNERSHIP (P3)
- DEVELOPMENT RIGHTS

Self-Driving Buses – Recent advances in driverless cars, including experiments by Google and others, have at times been characterized as a threat to the future of transit service. However, the technological advances and safety technology that might someday make driverless cars a viable mass market product will likely result in this technology being available to the transit industry as well. Initial applications may include driverless circulators to connect transit stations with activity centers that are located beyond a comfortable walking distance or in areas where pedestrian facilities are lacking. Such vehicles could revolutionize reverse commute strategies and local transit services in suburban areas.

Test systems have been deployed in several European cities and are now available commercially. These are low speed – 12 miles per hour for now – vehicles designed for high density urban areas. The commercial vehicle can operate on a fixed route or respond to individual requests. As the photo shows, they are not yet designed for the NEIL region.

[34] NYC and WMATA have travel demands at noon equaling or surpassing peak periods.
[35] For a description of Booz Allen Hamilton's approach, see: http://www.washingtonpost.com/wp-dyn/content/article/2011/02/11/AR2011021105939.html

Suburban Retrofits / Placemaking – The Dulles Corridor in northern Virginia provides one of the best examples in the United States of a promising trend toward the remaking of automobile-oriented suburban activity centers into more walkable transit villages. The introduction of the Silver Line Metro service through Tyson's Corner coincides with the implementation of a comprehensive redevelopment plan for an area previously characterized by superblocks, inward-focused development surrounded with parking, and chronic traffic congestion. The plan includes the creation of a fine-grained street network, higher density residential and commercial land uses, and streetscape improvements around four rail stations.

Rapid Transit – Commuter Rail Integration – Crossrail is a railway construction program that is connecting suburban and intercity rail lines that terminate on the edges of central London to provide high frequency commuter/suburban passenger service through the city center. Due to be completed in 2019, Crossrail will make connections with several London Underground subway lines and increase the capacity of the regional rail network. Sharing parts of existing lines with other commuter and regional rail services, Crossrail trains will run on a 73-mile line connecting suburbs to the west, northeast, and southeast of London. Trains will run every 2 ½ minutes through a tunnel under the city center.

Crossrail will bring an extra 1.5 million people to within 45 minutes of central London. The project will link London's key employment, leisure and business districts – Heathrow, West End, the City, and Docklands – enabling further economic development. Crossrail will support the delivery of over 57,000 new homes and 30 million square feet of commercial space. The project is expected to raise commercial property values in the city center by 10 percent above an already rising baseline projection. Residential property values near Crossrail stations are expected to increase by 25 percent in central London and 20 percent in the suburbs.

Crossrail is a public-private partnership between Transport for London and Crossrail Ltd, a concessionaire organized to design, build, finance, operate, and maintain the project.

Intercity Passenger Rail Integration – As global cities develop improved intercity passenger rail networks and high speed rail, they are seizing opportunities to improve existing commuter lines that form the approach to city centers. Advances include reconstructed tracks that achieve state of good repair goals, elimination or separation of at grade road-rail crossings that improve safety, electrification that allows for the use of higher performance commuter trains in corridors shared with high speed trains, and direct links between international airports and downtowns with enhanced intercity and local rail services.

Public-Private Partnerships *(P3)* – The Denver Eagle P3 project is the first application in North America of a design-build-finance-operate-maintain (DBFOM) concession for implementation of a transit system. While the project is supported by construction payments and availability payments funded largely by a regional sales tax, the arrangement introduced efficiencies in design decisions based on life cycle cost considerations, low-cost federal financing, and construction schedule acceleration. Less comprehensive techniques for involving the private sector in transit construction and operation, including design-build and contracted operations, are becoming widespread in the industry.

Development Rights – The link between transportation and land use is well established. Techniques such as air rights development around rail stations, tax increment financing or special assessment districts to

fund local streetscape improvements and transit-supportive developments, and zoning incentives have been widely used to encourage higher intensity, more walkable development around transit stations.

Some communities are applying new tools to further encourage transit-supportive development and sometimes pay for elements of transit projects. For example, the City of New York recently proposed the use of Transfer of Development Rights (TDR) credits to permit higher density developments in the vicinity of Grand Central Terminal in the Midtown East neighborhood. Under this TDR program, the city could sell the rights to develop at higher densities and could use the revenues to fund the necessary infrastructure improvements to accommodate such development. New York has long used TDR as a mechanism for the owners of lower-intensity historic buildings to sell their remaining development potential to neighboring landowners who can then build at higher densities than otherwise permitted under the zoning code. This new proposal would extend the use of TDR to directly offset the social costs of higher density development by investing in infrastructure.[36]

REVENUE SCAN

Thirteen alternative options, ranging from increasing existing fees and taxes to the introduction of new fees and taxes to capturing a part of increased land values resulting from good public transportation options are presented below. None of these are easy to implement, although many have been adopted elsewhere. These are presented in part to show the difficulty in generating additional funds. They are not meant as even the beginning of a proposal or recommendation and merely represent a scan of alternatives that have been discussed in the literature.

Not included in this list are increases in existing dedicated taxes, particularly the sales tax, although options to expand the sales tax are mentioned, including taxes on internet sales (this requires a change in federal law) and including either the motor fuel tax or services within the tax base for sales taxes.

The options are summarized in the first table below. Each subsequent table presents an option in more detail. The tables include the following entries:

- Concept – explanation of the option.
- Players – who will implement on the public side (state or local governments, regions, cities, etc.) .
- Simplicity – how understandable the concept is to the general public and the ease with which it can be implemented.
- Equity – rating of how equally all parties are affected by the funding solution and if the costs and benefits distributed fairly and appropriately.
- Efficiency – a measure of effectiveness of the option in raising revenue and the stability of the revenue stream.
- Yield – a measure of the relative amount of money that an option can be expected to generate.
- Pros – strong points in favor of the option.
- Cons – drawbacks and negative points for the option.

36 Rodman, Micah. “Rezoning Midtown East.” Urbanophile, August 25, 2013. Accessed on November 20, 2013. http://www.urbanophile.com/2013/08/25/rezoning-midtown-east-by-micah-rodman/

FUNDING OPTION	PLAYERS	SIMPLICITY	EQUITY	EFFICIENCY	YIELD
Sales Tax on Motor Fuels	State and local governments	High	Moderate	High	Moderate/High
General Sales Tax on Goods	State and local governments	High	Low	Moderate	Moderate/High
Sales Tax on Services	State and local governments	Low	Low/ Moderate	High	Moderate/High
Internet Sales Tax	Federal	High	Low/ Moderate	Moderate	Moderate/High
Corporate Franchise Tax	State governments	Moderate	Moderate	High	Moderate/Low
Land Development Charges	State and local governments, regions	Moderate	High	Moderate	Moderate/High
State Payroll Tax	State governments	High	Moderate	Moderate	Moderate
Dedicated Income Tax	State governments	Moderate/ High	Moderate	High	Moderate/High
Commercial Parking Tax	States and local governments	Moderate	Moderate/ High	Moderate	Low/Moderate
Parking Levy	Local governments	Low	Moderate/ High	Low/ Moderate	High/Moderate
Vehicle Levy	States and local governments	Moderate/ Low	Moderate	High	Moderate/Low
Congestion Pricing	Local government	Low	Moderate	Moderate	Moderate

Table 7: Funding Options.

SALES ON MOTOR FUEL TAXES

Motor fuel sales taxes are not a new concept and are already used in a number of states and local jurisdictions. They are relatively easy and inexpensive to implement and administer, and can generate significant revenues. There is some danger of sales diverting to other states/regions with lower taxes.

CONCEPT		**Percentage tax on full price of motor fuel consumption at the pump or supplier minus government taxes or fees.**
PLAYERS		State and local governments
State/Local	*Six States*	*Every state has a cent per gallon tax on motor fuel but only six states assess state sales tax on motor fuels [Ga-4%; HI-4%; IL-6.25%; IN-7%; NY-4% (capped at 8¢); and MI-6%]. Other states allow local governments to assess sales taxes on motor fuels up to 5%. Ohio allows transit authorities or mass transit districts to assess from a 0.25% to 2.5% sales tax.*
Federal	No Current Role	*No current role - The U.S. Federal Commission on Finance and Revenue "Paying Our Way" Report reviewed the concept a federal sale tax and estimated that a sales tax rate of 1% could yield between $3.6 and $7.2 billion.*
SIMPLICITY	High	Easy to understand, but generally fuel taxes are not popular. Implementation is easiest in states or localities that already have mechanisms to collect sales taxes.
EQUITY	Moderate	If applied across a state it creates a level playing field within the state. If applied nationally, it is completely neutral. If applied locally, it creates possible distortions in areas bordering non-sales tax areas. Fuel taxes are regressive, but if they are used to for public transit to provide improved affordable transportation options they are less so.
EFFICIENCY	High	Good yield with some fluctuations due to less controllable factors, such as the price of fuel and number of gallons consumed. Revenues can be used across transportation projects, but mostly for transit, and can provide debt security.
YIELD	Moderate/High	A licensed driver in the U.S. consumes an average of 585 gallons of fuel per year. Applying a tax of one cent per gallon would yield $5.85. Increased fuel prices will reduce demand (2 to 4% for a 10% percent rise), but at a few cents per gallon this should have minimal impact.

PROS	A motor fuel sales tax can be targeted for public transportation Distributes burden widely Simple and understandable Promotes more efficient land development Fuel tax increases tend to encourage a small shift from automobile use to alternative modes
CONS	Open to double taxation debate Changes in consumption and price makes forecasting more difficult Could cause travel deviations that create new congestion problems, if one locality applies the tax and other surrounding communities do not Could discourage businesses from locating in a state or locality "Cheating" is very prevalent to avoid paying the higher taxes in one locality versus another. A 2009 study put losses from avoiding truck diesel fees at $1 to $3 billion annually.[37]

Table 8: Sales on Motor Tax Fuels.

GENERAL SALES TAX ON GOODS

Most states and many local jurisdictions have some form of sales tax on goods. For the most part these revenues have gone into the jurisdiction's general revenue pool and are not dedicated to transportation. When they are used for transportation it is more often highway improvements or construction, rather than public transit. Large metropolitan areas, such as Chicago, do use a portion of the sales tax as dedicated revenue for public transit. It can be a stable source of significant revenue.

CONCEPT	**Broad based tax that is a percentage of the net purchase price of goods at the retail level. There is also significant interest in taxing internet sales; however, current federal rules limit the ability of many states to collect sales taxes on internet sales. There is growing interest in changing these rules – and states such as Maryland and Virginia have already passed transportation funding legislation built in part around an eventual change in these laws. The timing and magnitude for any change is difficult to forecast.**
PLAYERS	State and local governments

37 NCHRP Report 623: "Identifying and Quantifying Rates of State Motor Fuel Tax Evasion," October 2009. http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_rpt_623.pdf

State/Local		*States: Illinois has a general sales tax dedicated for transit. Forty-five states use general sales taxes as a revenue source, but only six also have the sales tax apply to motor fuel purchases. There are five states without any general sales tax: Alaska, Delaware, Montana, New Hampshire and Oregon.* *Local: Around 40% of the states allow for a local general sales tax option. This is the primary way communities fund transit in large metro areas such as Chicago, Atlanta and Miami and most of the California metro areas.*
Federal		*No current role- The federal government, which does not currently impose a sales tax, could institute one with a single rate for all states on a specific list of goods, not limited to transportation goods.*
SIMPLICITY	High	The tax is understood and accepted by the public as a general revenue source. Sales taxes for transportation programs, especially public transit, are common throughout the U.S. Transit funding through a general sales tax increase could piggyback on existing state/local tax structures for ease of implementation.
EQUITY	Low	Sales taxes are regressive
EFFICIENCY	Moderate	General sales taxes are generally moderately stable, but unpredictable. The recent recession demonstrates the volatility of the tax as cities like Atlanta saw massive revenue shortfalls as sales tax revenues plummeted.
YIELD	Moderate/High	General sales tax increase specifically for transit could yield a significant revenue stream.
Pros		Good returns for a small percent increase in a tax Distributes burden widely

Cons	Usually requires legislation or voter approval Hard to forecast and can result in a revenue shortfall during economic downturns Equity issues regarding revenue sharing and donor/done Generally not a business friendly tax, so it could discourage business from locating in the state or locality "Cheating" to avoid paying the sales tax is prevalent by appearing to purchase goods in other parts of the state. In November 2013 the Illinois Supreme Court rules that "State law does not allow businesses to escape paying local sales taxes by setting up token "sales offices" in lower-tax jurisdictions. But the regulations the Department of Revenue drafted to enforce the law in fact permitted such arrangements."[38] The Court agreed that such tax avoidance arrangements did not meet the intent of the law and the rule will be tightened. The RTA says that "sales tax havens" costs the transit system not only its share of the sales tax, but a 30 percent state match. It also costs Chicago and Cook County untold millions.

Table 9: General Sales Tax on Goods.

SALES TAX ON SERVICES

Sales taxes on services are not very widespread, and even less so as a dedicated tax for transit. New York City is the exception with a services tax that is intended as a new revenue stream for public transit. Services taxes are an untapped source that has the potential to bring in high revenues. High tax rates may discourage business and people from locating in the jurisdiction.

CONCEPT	**Broad based tax that is applied to services, rather than goods. The share of consumer spending on services is rising so this tax would provide a good revenue source. Services are dependent upon transportation, especially in urban areas.**
PLAYERS	State and local governments
State/Local	*States: New Jersey, in 2006, and Maine, in 2009, expanded their state sales taxes to include some services. New Jersey estimates that it receives about $400 million annually from their modest expansion into sales taxes a limited number of services and Maine's estimated $41 million in new revenues.* *Local: Few cities impose a sales tax on services. New York City is an exception, their sales tax includes personal services including beauty, barbering, manicure, pedicure, massage, and gymnasium services, as well as entertainment admissions including movie theaters, sporting events, and cable and satellite entertainment services. Revenues from the New York City sales tax on services are intended as a new revenue stream for transit.*

[38] Chicago Tribune, "Court shuts down sales tax havens," November 28, 2013, accessed December 16, 2013, http://www.chicagotribune.com/news/opinion/editorials/ct-sales-tax-haven-edit-1128-20131128,0,5666916.story

SIMPLICITY	Low	Considerable consternation for citizens and businesses as to what services are to be taxed and which services will not be taxed and why. Will require new tax legislation and create new tax collectors who don't have the education, technology or experience to properly collect the tax. High initial user costs to comply and new enforcement issues.
EQUITY	Low/Moderate	Sales taxes are regressive, but they are less so if reasonable services are included. Less volatile during economic downturns, but still difficult to forecast. Tax base improves to cover more users, income groups and locations.
EFFICIENCY	High	Could provide significant new revenue yields. Can piggy back on the existing sales taxes for ease of implementation.
YIELD	Moderate/High	General sales tax on services specifically for transit could yield a strong revenue stream
Pros		Raises considerable new revenues for states or localities Distributes burden widely Recognizes the significant changes in household income spending Is less sensitive to economic downturns as the sales taxes on large ticket goods are Can be earmarked to support transportation Recognizes that services are as, possibly more, dependent on transportation for their business
Cons		New idea and will require more outreach to overcome opposition Generally not a business friendly tax, so it could discourage business from locating in the state or locality Usually requires legislation or voter approval Strong anti-business statements if tax is applied to the business to business trade Double or triple taxation claims could be raised

Table 10: Sales Tax on Services.

CORPORATE FRANCHISE TAX

Corporate franchise taxes are levied on the taxable assets and profits of businesses in a State. State franchise taxes are not uncommon, but only two states have used them to support transit. Both states have per gallon oil tax. This tax would work best in large urban areas where a small percentage tax could yield moderate revenue without pressuring businesses to locate elsewhere.

CONCEPT		**A franchise tax is a tax levied on the profit and taxable assets of a business or firm doing business in a state.**
PLAYERS		State governments
State		*Many states have a franchise tax, but only NY and Pa, use a type of franchise tax to support transit. New York imposes a petroleum business tax of 15.9 cents per gallon. It also imposes a corporate franchise tax on transportation and transmissions companies, or a "long lines tax." Transit designated portion is around a billion dollars in 2009 in NY. All corporations registered in NY have some form of franchise tax. The tax has been challenged in the NY state courts. Pennsylvania imposes 19.2 cents per gallon oil company franchise tax, levied on volume, not price.*
SIMPLICITY	Moderate	Tax is collected from businesses as part of other tax collection mechanisms so there are little new government costs to collect. Not understandable to the public; and, difficult for those taxed to accept.
EQUITY	Moderate	Depends upon who is taxed. In New York and Pennsylvania it is on oil companies and transport. In other states it is viewed as a cost of doing business in the state and is regressive to small and medium companies.
EFFICIENCY	High	Part of the tax collection process once franchiser is identified.
YIELD	Moderate/Low	Corporate franchise taxes could produce reasonable yields depending which corporations are taxes and how much is earmarked for transit, a small percentage can produce good yields. Transit designated portion is around a billion in 2009 in New York. In Texas for 2009 the tax raised $4.2 billion a 4.5% decrease from 2008.

Pros	Easier to collect and in larger states/cities and a small percentage increase can bring large yields. Easier to understand for transit or transportation dedication if tied to transportation or oil related industries. Relies on the concept that for a business to have access to our significant captive market requires a business fee. Our market has value and we are extracting a fee to access it. Hidden tax that the public is less likely to oppose
Cons	New idea and will require more outreach to overcome opposition Usually requires legislation or voter approval Will reduce the ability to attract businesses to the location

Table 11: Corporate Franchise Tax.

LAND DEVELOPMENT CHARGES

Land development charges include impact fees, tax incremental financing and value capture programs. They are also call smart growth taxes and are intended to capture some of the increased property values resulting from availability of good public transit and to recover some of traffic impact costs of new developments. Impact fees are widely used at state and local levels to mitigate the transportation related impacts of new developments on a specific area or a corridor. Tax incremental financing (TIFs) districts are a long-standing method of raising funds for specific projects that are intended to improve the value of the area, so essentially it is a financing method that gets its revenue stream from rising property taxes as the area becomes more productive. The plummeting property values during the last recession reduced the value of TIFs. The final category, value capture, is another form of sharing the increased value of land and businesses located near transit. Value capture has been used very successfully abroad in Japan and Hong Kong.

CONCEPT	**Land development charges are paid in the form of impact fees, tax increment financing and value capture programs. They are intended to capture some of the increased land values resulting from the availability of high quality public transit.**
Impact Fees	*Impact fees are fees paid to offset the transportation, traffic and safety impacts created by new development. Many states/localities charge a fee, and some states require the developer to undertake specific capital improvements to mitigate the impacts. Impact fees are geographically specific to an area or a corridor. Environmental impact fees were the model for the transportation impact fees.*

Tax Incremental Financing Districts (TIF)	*Tax Incremental Financing Districts (TIF) is a long-standing local tool used for specific projects to transform blighted areas into more productive areas. TIFs are a debt tool using future increases in property values resulting from the investments in a particular area or project(s). Often TIFs are used to finance specific transportation projects and create funding for transportation projects that were considered unaffordable without the new revenues generated.* *It is important to note that TIFs fluctuate because they rely on property taxes increasing as property values rise which is not guaranteed. In the recent recession property values plummeted, reducing the value of TIFs as a revenue stream.*
Value Capture	*Value capture is an historical method first institutionalized with the development of the railroads in the U.S. The concept is straightforward – transportation investments produce real estate value in excess of their former values, and without the transportation investment. The supply of land is fixed in an area or corridor and in a zoned area the supply of real estate is even more fixed. The public sector either assesses the future value related to the improvements and shares in the increased value with the developer or partners with the developer to finance the transportation investment. Transportation investments create access to real estate and, depending on the location, that access can have significant value. This value concept is the basic underpinning of transit-oriented development (TOD). The public sector can either tax the increased property value resulting from the transportation improvement or share in the improvements with the development either on the public's own property or as a percentage of the private sector's profits from their development. The key drawback is the time required to recoup the investment costs can be decades. U.S. railroads profited greatly from their real estate holdings, but it took decades to begin receiving profits. Railroads were the prime real estate developers of the 19th and early 20th century. Ironically, it was the real estate holdings of the Penn Central Railroad that kept it running after it declared bankruptcy for its rail operations, freight and passenger, in 1979. Its vast real estate holdings in New York City, Boston, D.C., Philadelphia, etc. returned it immediately to the Fortune 500 once it shed their rail activities. Transit properties can emulate the old railroad models or Japan's high successful value capture program around train stations in their TOD efforts. The urban transit extension in Hong Kong is being partially financed from fees to cover only their marginal direct costs and the capital outlays for construction from taxing land in and along the corridor. The San Francisco Transbay Terminal is a recent US example where air rights helped to fund a new transit terminal.*
PLAYERS	Local governments and states; most states and cities. Land value capture in the form of transit benefit districts is used in some U.S. cities including Miami, Florida; Los Angeles, California; and Denver, Colorado

State/Local	*Local: In most states local governments are able to charge such fees/taxes to finance local projects, through sales tax increases; tax bonds for specific transportation projects supported by a specific portion of property taxes or expected growth in property taxes from specific transportation investments. The states of Oregon, Washington, Colorado and California have pioneered the concept of Transit Oriented Development (TOD) as taxing mechanisms to advance transit investments in their communities, given the lack of or limited availability of investments from state transportation funds and the need for 50/50 local matching for Federal Transit Authority (FTA) "New Start" funds. Denver's T-REX and FasTracks projects are currently demonstrating the pros and cons creative financing for large multi modal and transportation projects. T-REX was one of the early examples of FTA Grant Anticipation Notes (GANs), called Transportation Revenue Anticipation Notes (TRANs) at the time. It brought together federal, state, local and anticipated project revenues to finance a multi modal design-build project. FasTracks builds upon the success of T-REX, but as a rail project. It is having serious budget issues in that the cost estimates continue to increase while the revenue stream, particularly the TOD expectations are failing because of the collapse of Denver real estate market.* ***State:** States are primarily using "impact fees" and, in rudimentary ways, "value capture" with respect to their highway projects. Impact fees allow states to attempt to maintain current traffic conditions when new development would diminish traffic conditions around the development. Until recently traffic impact results were restricted to "around the development." States are getting more aggressive and requiring corridor analyses and mitigation in order to receive permits. There is considerable push back from developers for this type of expansion. States are often part of multi modal investments to provide the credit support for large local transportation projects. Texas has introduced a new financing package called TELA, which is being used to support the Dallas-Fort Worth SH-161 toll project. In order to achieve credit rating levels for startup toll projects, more secure revenue sources are required today. TELA is not a pledge of either TxDOT or the state to guarantee the loan; it is, however, an appropriated fund that can be tapped if there are revenue needs. TxDOT becomes the banker; but the requirements to the borrower from TxDOT are extensive, as is the due diligence process. California is in the process of negotiating value capture agreements along their proposed high-speed-rail corridor to help finance that multi-billion dollar investment.*
Federal/International	*No federal role* *Acceptance of TOD or "Value Capture" or "Transportation Benefit Districts" is becoming more common in USDOT financing and grant programs. The successes of Japan and Hong Kong in capturing significant current and future revenues from developments created by their major rail investment is an excellent model to follow.*

SIMPLICITY	*Moderate*	Administration of these deals is difficult. It is relatively new to have the public sector share in the benefits from their transportation investments. Property owners are reluctant to share the private sector upside from public investments that improve their property. Laws and regulations need to be changed in many states/localities. DOT real estate offices that have focused for decades in acquiring the property needed a project. Better estimating tools for determining value need to be developed. Public sector has to go from a cost neutral to a revenue positive approach to these types of investment. Risks for failure are higher and state DOTs are traditionally a risk adverse culture.
EQUITY	*High*	There is greater risk-reward sharing in these types of projects. Projects are publicly debated and many large projects are supported by voter referendums.
EFFICIENCY	*Moderate*	New way of doing business with the fiscal capacity a judgment call; could be used to support debt; and viable as a public option.
YIELD	*Moderate/High*	Value is project specific, but revenues could be moderate to large over the long run
Pros		Allows public transportation investments to capture the developmental value and use that value to invest in the project or invest in its life cycle costs. Recognizes that development can have adverse impacts on the existing transportation network that should be held harmless from the development Promotes greater strategic investment decisions by local government and states Provides new potential revenue sources to finance transportation investments Begins to promote the concept that transportation is not an end in itself, but it is part of a community
Cons		Could discourage development Relatively new idea that goes against how private sector development has developed in this country Creates public sector risks in risk adverse cultures Organizational culture and support doesn't exist to successfully undertake this DOTs are primarily land lords not managers of transportation systems and economic development opportunities Usually requires legislation or voter approval

Table 12: Land Development Charges.

STATE PAYROLL TAX

A state payroll tax for transit purposes would piggyback on existing payroll taxes which are imposed on all employers in a state or region. New York imposed a so-called Mobility Tax on all employers and self-employed individuals in the region. Existing taxing mechanisms make it easy to implement and collect. Local payroll taxes dedicated to transit in the region would generate a good revenue stream.

CONCEPT		**Broad based tax that is a percentage of payroll tax imposed on all employers in the state or region.**
PLAYERS		State and local governments
State/Local		*In 2009, New York State passed a payroll tax of 0.34 percent (as measured by the current FICA tax base) imposed on all employers within the region and would represent a deductible expense for federal tax purposes. The tax is called the Mobility Tax and applies to the12-county M.T.A. district. .The Mobility Tax would also be imposed on self-employed individuals. The tax is expected to raise $1.5 billion annually*
Federal		*No current role*
SIMPLICITY	High	The tax is understood and accepted by the public as a general revenue source. Using this for transportation would be a new application. Transit funding through a payroll tax increase could piggyback on existing state/local tax structures for ease of implementation.
EQUITY	Moderate	The tax is being imposed on likely users of the transportation system
EFFICIENCY	Moderate	Payroll taxes are generally moderately stable, except in times of high unemployment
YIELD	Moderate	Localized payroll tax increases could provide a substantial revenue source for a region; statewide payroll tax increases may not have has big an impact on a single region
Pros		Good returns for a small percent increase in a tax
Cons		Usually requires legislation or voter approval Can result in a revenue shortfall during economic downturns

Table 13: State Payroll Tax.

DEDICATED INCOME TAXES

Revenues from dedicated income tax for public transit, or transportation in general, would be a much-needed addition to the dedicated and dwindling modal trust fund accounts. A transportation dedicated income tax would have the benefit of being mode indifferent and used where needed. Since public transit would be competing for the limited funds generated by the tax, high performance measures will ensure that a property receives a greater share. This idea will require a new way of thinking about how funding is raised for transportation.

CONCEPT		**Transportation provides a broad array of economic benefits for corporations and individuals. This broad array could be used to justify funding from a similar broad tax. Actual application of dedicated income taxes for transportation is rare, however. The state of Oklahoma dedicates a portion of the personal income tax for highway investment. A recent transit finance commission in Toronto called for a one half percentage point increase in the corporate income tax (termed a "modest" increase) as part of a package of dedicated taxes to expand the regional transit system.**
PLAYERS		State governments
SIMPLICITY	Moderate/ High	It will require a significant change in thinking to do something different from what we have been doing for over 100 years. Builds upon existing state and federal tax laws; minimal additional costs to administer oversee and enforce.
EQUITY	Moderate	More progressive then any of the user fee proposals Probably will create modal competition for funding, as opposed to competition for the best transportation solutions to communities, region, and state, national and international issues. Reduces significantly the "donor-donee" issue Allows corporate income and personal income taxes to be used to fund the transportation, since business and people benefit from our transportation system (Note: the existing funding sources don't consider the corporate income taxes as revenues; despite the benefits to the corporations.)
EFFICIENCY	High	Very efficient using existing tax laws High yields that are stable, allow for growth if performance levels are met Promotes competition for the best transportation, not modal solution
YIELD	Moderate/High	Potentially very high yield depending on system performance

Pros	Small percentage tax raises significant revenue Strong sustainability: fairly inflation-neutral and flexible Easy/inexpensive to administer/enforce (piggybacks on existing tax) Income taxes considered to be relatively progressive Value is being demonstrated today in federal TIGER and stimulus funds from the federal General Fund Changes how we think about transportation funding- user fees or benefits Provides understandable performance measures for future funding
Cons	General nature of tax makes it more difficult to justify dedicating revenues to transportation Strong public and political opposition Very weak with respect to economic efficiency and equity criteria; bears no relationship to system use, geographic considerations, etc. Potential for dedication to have negative impacts on the state budget if taken from existing revenues or if it limits increases in general taxes that could address other needs

Table 14: Dedicated Income Tax.

COMMERCIAL PARKING TAX

Commercial parking taxes are paid by patrons when they pay directly for parking. Adding an additional surcharge to specifically fund transit is relatively easy to implement. The surcharge could be a flat fee, as it is in Chicago, or a percentage. This type of tax works best in highly urbanized settings where free parking is not abundant.

CONCEPT		**A special tax on parking transactions (when motorists pay directly for parking)**
PLAYERS		Local governments Parking surcharges for various purposes are common. Chicago, Illinois assesses a flat parking surcharge, rather than a percentage charge, on daily, weekly and monthly parking. TransLink (Vancouver British Columbia) has permission to collect a 7% parking surcharge to off-street parking transactions, but found it too administratively burdensome to collect.
SIMPLICITY	Moderate	Easy to collect, but there would be many work-arounds, such as businesses offering free or subsidized parking to customers and employees
EQUITY	Moderate/high	This fee would apply only to priced parking, so it is the least regressive

EFFICIENCY	Moderate	Easy to implement, but would require new accounting and reporting requirements for commercial parking operators Yields would be stable
YIELD	Low/Moderate	Yields would be highest in downtown areas, but may result in less parking that is priced
Pros		May slightly reduce vehicle trips
Cons		Could discourage development because of the higher cost of parking May require new legislation

Table 16: Commercial Parking Tax.

PARKING LEVY

A parking levy is a special property tax imposed on non-residential parking spaces in a region. Initial set-up for the tax will be difficult because it will require an additional field on property tax records and changes to business processes. Once implemented, the tax will be easy to maintain. Given the high number of non-residential parking spaces in urban areas, the tax has the potential to raise large revenues.

CONCEPT		**A special property tax on non-residential parking spaces throughout the region**
PLAYERS		Local governments. TransLink implemented a parking levy in 2006, but this was subsequently rejected by the provincial government.
SIMPLICITY	Low	Requires an additional field be added records of property holders
EQUITY	Moderate/High	This levy would be borne by property owners so it could result in marginally higher retail prices or lower wages; may encourage owners to charge for parking
EFFICIENCY	Low/Moderate	Difficult to implement, but ongoing costs would be minimal Yields would be stable
YIELD	High/Moderate	Revenue potential is high. There are about 8 non-residential parking spaces per car in the U.S., less in an urbanized area. Chicago central business district is estimated to have about 47,000 non-residential spaces, so a levy of just $50 to $100 per space would result in $2.4 to $4.8 million annually. Given the annual cost of a reserved parking space in Chicago is nearly $5,000 and the hourly rates can net up to $10,000 per space, a $50 to $100 annual levy

CONCEPT		A special property tax on non-residential parking spaces throughout the region
		would be reasonable.
Pros		Strong stable revenue stream
Cons		Could encourage owners to cut back on parking spaces May require new legislation

Table 17: Parking Levy.

VEHICLE LEVY

A vehicle levy is an additional fee on top of existing vehicle registration fees, which could be implemented on a statewide basis or on a regional level. More than half the state and close to 30 local jurisdictions already use some portion of vehicle registration fees for transportation use. The fees are easy to administer since they can piggyback on existing fee structures. Registration fees are typically not large so the incremental increase tacked on for public transit is not likely to be large. Vehicle levies represent a stable source of income, but it is likely not to be a primary source of revenue.

CONCEPT		An additional fee for registering a vehicle in a state or region
PLAYERS		State and local governments 33 states and 27 local jurisdictions have vehicle registration fees which help finance transportation improvements, which often include public transport.
SIMPLICITY	Moderate/ Low	Surveys have shown that vehicle fees dedicated to transit are less acceptable Easy to administer since the collection process would piggyback on general registration fee collection
EQUITY	Moderate	Tends to be regressive because lower income motorists tend to drive fewer miles making the per mile cost much higher for them Not taxing the users of the system
EFFICIENCY	High	Very efficient Yields that are stable

CONCEPT		An additional fee for registering a vehicle in a state or region
YIELD	Moderate/Low	The portion dedicated to transit is likely to be small
Pros		Strong sustainability: fairly inflation-neutral Easy/inexpensive to administer/enforce (piggybacks on existing fees)
Cons		High fees could encourage registration in neighboring jurisdictions Less tied to transit In most jurisdictions would require new legislation

Table 18: Vehicle Levy.

GOVERNANCE AND ORGANIZATIONAL STRUCTURES

INTRODUCTION

The Regional Transportation Authority (RTA) is the agency responsible for fiscal oversight, as well as financial and regional planning for the Chicago area's three Service Boards — the Chicago Transit Authority (CTA), Metra Commuter Rail (Metra) and Pace Suburban Bus (Pace) and Americans with Disabilities Act (ADA) Paratransit Service (Pace ADA Paratransit). The RTA also provides the following services directly to the public: online regional interagency travel planning information, free and reduced fare transit cards, and ADA paratransit certification.[39]

In 1983, the RTA Act was amended with substantial changes made to the RTA's organization, funding and operations. The amended Act created three "service boards" known as the Chicago Transit Authority (CTA), Metra commuter rail and Pace suburban bus. The RTA's primary responsibilities expanded to ensure proper tax collection and dispersal to appropriate agencies and to oversee capital planning, development and acquisitions.[40]

THE RTA IS THE AGENCY RESPONSIBLE FOR FISCAL OVERSIGHT, AS WELL AS FINANCIAL AND REGIONAL PLANNING FOR THE CHICAGO AREA'S THREE SERVICE BOARDS

The RTA Act was amended in 2008 to increase the RTA sales tax in Cook County and the collar counties and to establish three new funds for specific services — an Innovation, Coordination, and Enhancement Fund, an ADA Paratransit Fund, and a Suburban Community Mobility Fund.

OVERVIEW OF EACH AGENCY

Federal Transit Administration (FTA)[41]

The Federal Transit Administration (FTA) provides financial and technical assistance to public transit systems; it is one of the ten modal administrations within the US Department of Transportation (DOT). The agency is led by an Administrator, appointed by the President of the US. Through the FTA, public transit agencies receive financial assistance to provide services including but not limited to buses, subways, light rail, and commuter rail. The FTA oversees the distribution of grants, and those receiving grants must manage their own programs to abide by federal requirements. In addition, FTA is also responsible for ensuring that such grantees follow federal mandates.

Illinois Department of Transportation (IDOT)[42]

IDOT is looking to expand its roles in transit planning across the state and most recently the department submitted an entry for an IDOT Professional Transportation Bulletin in order to develop a statewide comprehensive transit plan in 2014. IDOT provides funding for 65 public transit systems throughout the

[39] http://www.rtachicago.com/images/stories/Initiatives/Documents/2012_RTA_Fact_Book.pdf
[40] http://www.rtachicago.com/about-the-rta/overview-history-of-the-rta.html
[41] http://www.fta.dot.gov/about/14103.html
[42] http://www.dot.state.il.us/org.html

state. Capital grants and programs such as Illinois Jobs Now! are administered by the agency to support the construction and rehabilitation of transit facilities and equipment, and new rolling stock across the state, as well as the renovation of the Metro East portion of the Bi-State light rail system serving the St. Louis area. Most of the department's technical support is focused on the administration and compliance of operating and capital grants.

Regional Transportation Authority (RTA)

The responsibilities of RTA are mandated by provisions specified in the 2008 RTA Act. These responsibilities have changed over the past 40 years from providing and procuring transit services (1973) to reviewing and approving annual financial plans from the three Service Boards for operating and capital investments (2008). The approval of a budget requires a super majority vote of the RTA Board, allowing groups to block plans that they do not support. The Board consists of 16 representatives, including a Chairman and 15 members appointed from within the six-county region.

RTA also continually monitors the budgetary and operational performance of the Service Boards. RTA prepares and adopts a five-year capital program each year and can issue bonds for Service Board capital programs. In addition, RTA conducts regional planning, feasibility analyses for regional capital projects, and provides program management oversight for those projects that are approved. RTA is also responsible for audits and regional coordination of government affairs. RTA administers the Reduced Fare Program for seniors, students, and persons with disabilities, as well as the ADA-paratransit Eligibility Certification Program.

RTA has a responsibility for strategic transit planning within its six county region. In August 2013, the RTA Board approved the *Regional Transit Strategic Plan*; this is a five year plan created by the RTA in collaboration with the Service Boards and with input from the public, stakeholders and elected officials. It is intended to be used as a road map to shape the future of the region's transit system. The plan identifies the vision of the regional transit system as "A world-class regional public transportation system providing a foundation to the region's prosperity, livability, and vitality." The vision is supported by four goals: provide valuable, reliable, accessible and attractive transportation options; ensure financial viability; promote a green, livable and prosperous region; and continue to advocate for and be a trusted steward of public transportation.

The ***Regional Transit Strategic Plan*** identifies five key continuing and emerging issues, along with strategies to address them:

- Transit's significant capital backlog and insufficient capital funding.
- Proactively seek stable, long-term funding solutions to support state of good repair.
- Strategically invest limited capital funding.
- Increase awareness of transit's capital needs and its impact on the region.
- Improve the customer experience through a modernized and integrated system.
- Modernize the customer experience.
- Pursue behind-the-scenes initiatives.
- Develop marketing that better resonates with customers.
- Strike a balance between meeting current demand and developing new markets.

- Manage and accommodate currently growing demand.
- Thoughtfully increase ridership to better leverage existing capacity.
- Balancing tight operating budgets.
- Continue to manage costs and increase efficiencies.
- Grow revenues.
- Reauthorization of the federal transportation bill and the need to educate.
- Proactively seek funding solutions for existing needs.
- Reduce unfunded mandates and encourage initiatives that are transit supportive.

Chicago Metropolitan Agency for Planning (CMAP)

The Chicago Metropolitan Agency for Planning (CMAP) is the official regional planning organization in the northeastern Illinois counties of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. This seven county region includes one county (Kendall) that is not included in the RTA's region. The federally designated Metropolitan Planning Organization (MPO) for regional planning in this seven county region is CMAP's MPO Policy Committee. The MPO Policy Committee plans, develops and maintains an affordable, safe and efficient transportation system for the region, providing the forum through which local decision makers develop regional plans and programs. CMAP's Board is comprised of a six member Executive Committee, five City of Chicago appointees, four Cook County appointees, five appointees representing the six collar counties and three non-voting members including one from RTA.

CMAP developed and now guides the implementation of *GO TO 2040*, the NEIL region's comprehensive regional plan. To address anticipated population growth of more than 2 million new residents, *GO TO 2040* establishes coordinated strategies that help the NEIL region's 284 communities address transportation, housing, economic development, open space, land use, the environment, and other quality-of-life issues.

Service Boards

The CTA, Metra and Pace are each led by a Board of Directors which determines levels of service, fares and operational policies. The CTA is governed by the Chicago Transit Board whose seven members are appointed by the Mayor of Chicago and the Governor of Illinois. Metra's Board consists of 11 members appointed by the region's county boards and the Mayor of Chicago. Pace is governed by a 12-member Board made up of current and former suburban village presidents and mayors.

STRATEGIC PLANNING BY THE SERVICE BOARDS FOCUSES ON CAPITAL INITIATIVES, SUCH AS ACHIEVING A STATE OF GOOD REPAIR, NEW/UPGRADED INFRASTRUCTURE, ROLLING STOCK, AND THE NEW VENTRA FARE PAYMENT SYSTEM.

Strategic planning by the Service Boards focuses on capital initiatives, such as achieving a state of good repair, new/upgraded infrastructure, rolling stock, and the new Ventra fare payment system. In the past, Pace has developed a strategic plan (*Vision 2020*). Metra is currently developing a strategic plan. CTA has a Strategic Planning and Service Delivery Committee that is responsible for the planning function. The Service Boards generally plan for their respective systems, rather than for the regional transit system as a whole. One notable exception has been the coordination involved to implement the new fare payment system, which both CTA and Pace have begun to use. Metra is required (by statute) to participate in the integrated fare payment system but has not yet selected a technology platform.

Chicago Department of Transportation

The Chicago DOT sits on the MPO Policy Committee, but has a limited role in statewide or regional transportation planning. In May 2012, CDOT published its two year transportation plan *Chicago Forward*. Fuel our Economy. This plan includes actions to address rail and transit from the perspective of integration with other transportation modes:

- Safety First;
- Rebuild and Renew;
- Choices for Chicago;
- Serving Chicagoans;
- More Sustainable City; and
- Fuel our Economy.

WHILE THERE ARE VARYING DEGREES OF COORDINATION AMONG THE AGENCIES, THERE IS NO UNIFIED STRATEGIC PLAN FOR TRANSIT THAT BOTH CAPTURES ALL THESE JURISDICTIONAL PRIORITIES AND IS IMPLEMENTABLE ACROSS THE ENTIRE NEIL REGION.

APPOINTMENT PROCESS

Including a Chairman, the Boards of Directors for the Regional Transit Boards (RTB) have the following Directors: RTA (16), Metra (11), Pace (13), and CTA (7). Figure 29 summarizes this process.

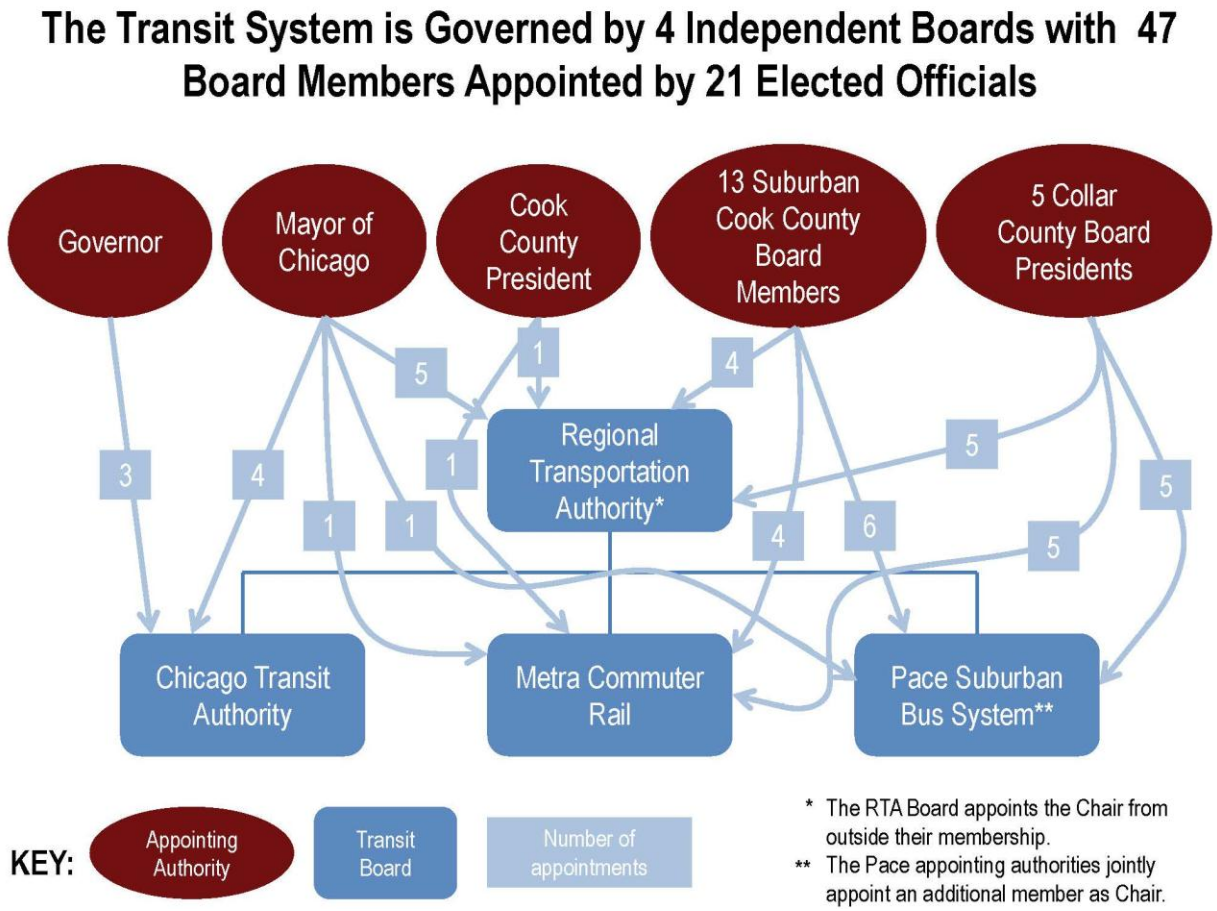


Figure 29: Chart of Appointments.

Members of the respective Boards of Directors for RTA, Metra, and Pace are appointed in accordance with the RTA Act.[43] Appointing authorities include the counties within the RTA region and the City of Chicago. The primary requirements for RTA appointees relate to residency and other roles, be they employment or membership of other boards. For example, no Director shall, while serving as such, be an officer, a member of the Board of Directors or Trustees or an employee of any Service Board or transportation agency, or be an employee of the State of Illinois or any department or agency thereof, or of any unit of local government or receive any compensation from any elected or appointed office under the Constitution and laws of Illinois; except that a Director may be a member of a school board. Appointees must reside within the jurisdiction of their appointing authority. Pace Directors must be chief executive officers of a municipality within the county that appoints them.

Members of the CTA Board of Directors (CTA Board) are appointed in accordance with the Metropolitan Transit Authority (MTA) Act. Members of the CTA Board shall be residents of the metropolitan area and persons of recognized business ability. Members shall not hold any other office or employment under the federal, State or any county or any municipal government except an honorary office without compensation or an office in the National Guard. No member of the CTA Board or employee of the CTA shall have any private financial interest, profit or benefit in any contract, work or business of the CTA, nor in the sale or lease of any property to or from the CTA. Unlike the other RTBs, the Illinois Governor is responsible for appointing some members of the CTA Board.

Appointments are made in accordance with the law. Other than the residency and functional requirements/restrictions, or the "persons of recognized business ability" requirement for the CTA Board, there are no defined educational requirements, substantive skills, specialized knowledge, or any other requirements to qualify as a Board Member of any RTB.

Responsibility for identifying the best candidates for Board positions is therefore at the discretion of the appointing authorities. The Office of the Governor provides an online public application process for interested applicants.[44] Information requested includes education, employment, and professional qualifications. The website also allows candidates to be recommended. The Governor makes his or her appointments by submitting candidates' names to the Office of Executive Appointments. The review process for potential candidates is not specified in statute. However, potential appointees are sent vetting paperwork to complete, which includes questions regarding background and request for the disclosure of any criminal convictions or investigations. Vetting for CTA Board appointees includes a background check by the Illinois State Police. Additionally, the potential appointees must perform a background interview with the Governor's Office of General Counsel. Once the Governor appoints an individual to the CTA, the Governor's Office makes a request for concurrence to the Mayor of Chicago, who then has 15 days to either concur or not. This process only applies for appointments made by the Governor and was instated when Governor Quinn came into office.

The Mayor of Chicago, who is responsible for appointments to the Boards of Directors for CTA (4), RTA (5), and Metra (1), casts a wide net in considering potential appointments to the RTBs and has appointed

[43] Regional Transportation Authority Act 2008 (RTA Act): http://www.rtachicago.com/about-the-rta/rta-act.html
[44] http://www.appointments.illinois.gov/

directors with a diverse array of backgrounds in government, business, finance, transit policy, and labor. These appointments are subject to the approval of the Chicago City Council and, in the case of CTA, the Governor of Illinois. Cook County is responsible for appointments to the Boards of Directors for RTA (5), Metra (5), and Pace (6). The Cook County Board President has established a website to facilitate board appointments that gathers similar information to that described above for the Office of the Governor.[45] Candidates are interviewed and references may be contacted before selection.

Will County also has a website that is similar to the Governor's for interested applicants.[46] McHenry County has an open application process, and it has established a small committee that interviews applicants then presents its recommendation to the full Board.

While the size and appointment process of each Board is different, they are all consistent in that relevant expertise is not a legal requirement. However, appointing authorities have taken steps to make the nomination process more widely available and subject to varying levels of review to identify candidates with appropriate backgrounds. The Massachusetts Bay Transportation Authority (MBTA) in Boston requires that three (out of seven) Board Members have public or private finance backgrounds, one has a transportation or planning background, and one is a civil engineer with at least ten years' experience. The Secretary of the Massachusetts Department of Transportation is a Board Member. All Board Members are appointed by the Governor. San Francisco's Metropolitan Transportation Commission (MTC) requires directors to have transportation knowledge, and all Directors are elected by a vote of the county board or city council every four years. The Southeastern Pennsylvania Transportation Authority (SEPTA) requires board members to be residents of the metropolitan area[47] (although most SEPTA Directors are attorneys or business people), and the New York Metropolitan Transportation Authority (MTA) requires board members to have experience in one or more of the following areas: transportation, public administration, business management, finance, accounting, law, engineering, land use, urban and regional planning, management of large capital projects, labor relations, or have experience in some other area of activity central to the mission of the authority. For MTA, although the Governor makes all of the appointments, 11 of the 17 Directors are recommended to the Governor: four by the Mayor of New York City, one each by the counties of Nassau, Suffolk, and Westchester (each member has 1 vote), and one each by the counties of Dutchess, Orange, Putnam, Rockland (each has essentially ¼ vote). Each county recommends two people, and the Governor appoints one. However, the Governor can reject all of the candidates and ask for new recommendations.

CURRENT PRACTICE

Each agency develops strategies and priorities for actions with respect to its own jurisdiction or system. While there are varying degrees of coordination among the agencies, there is no unified strategic plan for transit that both captures all these jurisdictional priorities and is implementable across the entire NEIL region. RTA has a statutory responsibility to develop a strategic plan. However, funding allocations are

[45] http://blog.cookcountygov.com/appointments/application/

[46] http://www.willcountyillinois.com/ElectedOfficials/CountyExecutive/BoardsCommissions/NominateYourselfforBoardsCommissions/tabid/523/Default.aspx

47 http://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=74&div=0&chpt=17&sctn=12&subsctn=0

not currently based on this strategic plan. While this situation could change in future years, this would require RTA and the Service Boards to agree on a single set of regional priorities and then base funding allocation decisions on them. Under current legislation, this would only be possible for allocations that are not already set by statute, e.g., federal funds. Given the recent history of budget gridlock, and the current lack of RTA enforcement powers, this situation is unlikely to change in the near-term.

REGIONAL TRANSIT BEST PRACTICES[48]

SUMMARY

This memo outlines four case study regions that are relevant to the work of the Illinois Task Force. Per the request of the Task Force the regions evaluated are Boston, New York City, Los Angeles, and the San Francisco Bay Area. The case studies provide general information regarding funding distribution and governance, and identify specific lessons that are relevant to the pending governance and funding changes in the Chicago region. Lessons learned in terms of governance structures and funding are discussed.

Governance

From the four case studies, it is apparent that governance models vary greatly across the nation. However, it is also clear governance structures are directly related to effective funding and coordination between agencies.

In the cases of Los Angeles and Boston, governance reforms happened (in 1993 and 2009 respectively) when interagency fighting became severe enough to require reform. Most conflict stemmed from a regional governance structure of multiple boards with similar authority and poorly defined oversight roles in the region. The resulting structure in both cases was consolidation into a "super" agency that is in charge of regional planning as well as service provision. This approach seems to have worked effectively in Los Angeles County; the Boston consolidation appears, though quite recent, to have resolved much of the inter-agency fighting.

New York's governance structure is also consolidated and gives regional planning and oversight powers to the MTA with operations carried out by its subsidiary agencies, and seems to work effectively. The MTA board uses committees, instead of separate boards, to manage operations of the subsidiaries. San Francisco is more disaggregated, with 26 independent transit operators in the region. MTC has the role of distributing funding and approving capital plans for each of the regional operators. While these cases have some similarities to the current governance in Chicago, each demonstrates more effective regional coordination and funding distribution because of clearly legislated roles for operators and umbrella organizations.

In the San Francisco Bay Area, MTC illustrates an MPO-focused governance structure. A number of other regions not included in our study, such as San Diego and Portland also have strong MPOs. In the Bay Area, the region has granted financial power to the MPO, increasing its ability to develop comprehensive plans. This has expanded MTC's role beyond a traditional MPO, and in MTC's case this approach to governance appears to be an effective way to ensure adequate funding distribution and reduce

48 The section was prepared by the Eno Center for Transportation under a grant from the Transit Center, http://transitcenter.org/.

conflict. MTC's ability to play a financial role in transit may also contribute to the elimination of redundant tasks by other regional transportation organizations, in part because MPOs are by nature multimodal organizations that have the potential to develop comprehensive plans. MTC provides an illustration of what a governance structure could look like if the MPO is given a stronger role in transit, but this is only one approach on the menu of options for consolidation. A strong MPO model is not the traditional approach, and even in the Bay Area success depends on the ability of senior management at the MPO and transit agencies to work together.

Some of the most relevant governance lessons can be summarized as follows:

There is a clear benefit to consolidation. Not only does this help resolve fighting between operators, but it can often bring in other modes. With more of the transportation network under one roof there is better communication and coordination of planning.

State involvement can be advantageous. The New York MTA and the MBTA in Boston operate under state supervision and require state approved board members, although MTA acts as an independent entity in its day-to-day operations. This helps limit parochial fighting between jurisdictions or agencies and has allowed for the state to contribute more to the funding of the systems.

Agencies must have a clearly defined purpose and power. A governing entity must have a clear definition of their purpose in order to effectively coordinate transit within a region and distribute funds accordingly. Consolidation can create this purpose but disaggregated structures can also be set up to govern effectively.

Funding

...THE SOURCE OF REVENUES AND FUNDING STREAMS PLAY A PIVOTAL ROLE IN THE SUCCESS OF REGION'S TRANSIT.

It is also clear that the source of revenues and funding streams play a pivotal role in the success of region's transit. In each of the case study regions new revenues have recently been acquired or new plans have been developed to use existing revenues more effectively. In the case of MBTA in Boston, the state legislature added an additional source of revenue by providing an annual contribution of $160 million from the state sales tax fund. This occurred in 2009, at about the same time of their governance reorganization, and was used to help close a budget gap that would have otherwise resulted in substantial service reductions. MTA in New York also used impending service cuts to persuade the state legislature to pass a "mobility payroll tax" that required companies operating in the MTA service area to contribute a monthly portion of their payroll expenses to fund MTA operations. In both the MBTA and MTA cases, dire situations provided the political will to find additional sources of revenue, and both were the result of state, not local, initiatives.

Measure R in Los Angeles was passed in 2008 as a funding package for new rail transit projects as well as other transportation projects in Los Angeles County. LACMTA was able to get the 2/3-vote threshold needed to pass a tax measure in California by effectively demonstrating the value of the new projects as well as distributing a portion of the funding back to localities within the county. LACMTA has bonded against the future sales tax revenues from Measure R to build a substantial amount of the infrastructure

over the past few years, creating immediate benefits. LACMTA has been keen to publicize the results of their investments to maintain their support. And while MTC in the Bay Area has not raised region-wide tax revenues recently, they have used surplus toll revenues to improve the transit network and have created special programs to target limited funding to projects that achieve their regional goals.

Some of the most relevant funding lessons can be summarized as follows:

- ***Consolidation can stabilize funding.*** Consolidation helps with funding as well as with governance. With a larger agency, shifting funds to where there is the most pressing need is much easier, and such agencies are more effective at organizing an effort to raise state or local taxes. There are also cost saving opportunities by reducing duplicative tasks. The consolidation efforts have not eliminated financial troubles in the case studies, but they are much better at creating a stable environment.
- ***Many agencies are using tolling to the region's advantage.*** A closer administrative association between toll roads and transit may help accomplish many goals. First, there is better collaboration between road and transit infrastructure. Second, tolling can provide a vital source of revenues, especially for transit lines that operate in the same corridor. Additionally, an agency that exerts some control over the highway network can be more effective at creating partnerships that benefit both roadway users and transit users with facilities such as HOT lanes.
- ***Creative funding distribution can help promote regional goals and accountability.*** Existing funding streams can be used more effectively by tying grants to regional goals. MTC in the Bay Area has created a program that distributes federal funds to agencies based on how they best achieve MTC's defined goals for transportation and land use.

The above lessons were drawn from the four case studies presented below. Preliminary looks at other cases not examined in this memo, such as Philadelphia, offer similar lessons.

CASE STUDIES

Boston

In 2009, the Massachusetts Department of Transportation (MassDOT) was created, by merging the Executive Office of Transportation, the Massachusetts Turnpike Authority, the Massachusetts Highway Department, and the Registry of Motor Vehicles. Per the legislation, the primary transit provider, the Massachusetts Bay Transportation Authority (MBTA), and other smaller regional transit authorities, were placed under direct MassDOT oversight and funding. The consolidation occurred as a response to interagency feuding and the perpetual funding crisis that MBTA and the Turnpike Authority faced. The reorganization was also intended to bring better coordination between the transportation entities and financial stability to debt-heavy organizations such as the MBTA.

Per the 2009 legislation, the seven-member MassDOT Board of Directors, with expertise in transportation, finance, and engineering, must be appointed by the Governor to oversee the new MassDOT. MassDOT's board oversees four divisions: Highway, Mass Transit (MBTA and other transit agencies in the state), Aeronautics and the Registry of Motor Vehicles (RMV), in addition to an Office of

Planning and Programming.[49] MBTA is part of MassDOT but retains a separate legal existence. The merger also resulted in a restructuring of the leadership boards so that the MassDOT Secretary also serves as the CEO of the MBTA and the Board Chair of MassPort.

The new governance also restructured how MBTA is funded. Funding for the MBTA comes from multiple sources, and an ongoing concern is the annual operating deficit and capital needs of the aging system. Funding for operations is primarily from four sources including a dedicated regional sales tax, contributions from local governments, farebox revenue, and a state grant. The biggest change in funding was the addition of a $160 million annual grant from the state's transportation trust fund in an effort to help close the budget gap. While this funding represents an improvement, a large gap still exists and the MBTA annually struggles to balance their budget. The following chart shows the major revenue sources from MBTA's 2013 audit (FY ending June 30, 2013).[50]

Revenues ($, millions)	$	%
Farebox Revenue	630	36%
Dedicated Sales Tax	787	46%
State Grant	160	9%
Local Contributions	156	9%
Total	**$1,733**	

Table 19: Major revenue sources MBTA 2013 audit.

The MBTA is responsible for nearly all public transit in the Boston region, including the commuter rail system and demand responsive transit. Since 2003, the MBTA has operated the commuter rail part of the network through a contract with a private entity, paying the Massachusetts Bay Commuter Railroad Company $453 million for operations in 2013.

Boston Summary

The political process that resulted in the consolidation of the transportation agencies within the state was catalyzed by perpetual deficits in MBTA's budget due to shortfalls in the projected sales tax revenue, budgetary challenges at the other agencies, and public interagency animosity. The creation of the new MassDOT was then enabled out of necessity, both in terms of finances and the inability of the former agencies to properly function individually. The consolidation has led to a decrease in interagency turmoil and the ability for MassDOT to create a more regional transportation vision. From a financial perspective, the agencies are still struggling with a large deficit. However, MassDOT's consolidation only occurred four years ago and their financial challenges may be resolved as the agency matures.

[49] http://www.mbta.com/about_the_mbta/leadership/
[50] http://www.mbta.com/uploadedfiles/F_194655_13_MBTA_FS.pdf

New York City

Transit service in the New York City region has many players, but the largest and most comprehensive provider is the New York Metropolitan Transportation Authority (MTA). The MTA is a public benefit corporation within New York State and is responsible for developing and implementing a unified transit policy for New York City and the seven surrounding counties within the state.[51] The agency was created in 1968 and has existed without much structural change since then.[52] MTA has seven subsidiary and affiliate agencies that are responsible for providing transit services:[53]

- NYC Transit Authority;
- Long Island Railroad Company;
- Metro-North Railroad Company;
- Staten Island Rapid Transit Operating Authority;
- MTA Bus Company;
- Triborough Bridge and Tunnel Authority; and
- MTA Capital Construction.

Combined, the MTA agencies represent the largest transit organization in the country. Other prominent transit providers in the region that are independent of the MTA include New Jersey Transit and the Port Authority of New York and New Jersey (PANYNJ), which operates the PATH transit system, but the majority of local and regional transit services are within MTA's jurisdiction.

The subsidiaries operate the New York City subway network, most of the local and regional bus network, and the two largest commuter rail networks in the country. While MTA is responsible for distributing funding and coordinating services within is sub-agencies, coordination with other regional transit providers is somewhat limited. The surrounding counties are responsible for independent suburban bus networks apart from the MTA services, but in many cases their fare system is connected with MTA's. MTA has not completely unified their regional fare system, with a different fare medium accepted on the commuter systems than on the rest of the network.[54]

MTA Governance

The MTA Board consists of 17 voting members, including the Chairman.[55] Five members are nominated by the New York State Governor, four members are nominated by the Mayor of New York City, and one member is nominated by each of the county executives of the surrounding counties (representatives from Dutchess, Orange, Putnam, and Rockland share a single vote). After nomination, the State Senate must confirm all board members. The Chairman serves as the Chief Operating Officer of the MTA. The MTA Board uses a committee structure that helps the Chairman in discharging responsibilities of each operating agency, but these committees are subservient to the larger MTA Board. The seven subsidiary agencies do not have their own, separate boards and have committees on the MTA board instead. The Chairman

[51] http://mta.info/mta/compliance/pdf/Description%20and%20Board%20Structure.pdf
[52] http://www.mta.info/nyct/facts/ffhist.htm
[53] http://mta.info/mta/compliance/pdf/Description%20and%20Board%20Structure.pdf
[54] Phone correspondence with Stephanie DeLisle, Director of Capital Funding, NYMTA. June 17, 2013
[55] http://mta.info/mta/compliance/pdf/Description%20and%20Board%20Structure.pdf

assigns each board member to multiple committees and each committee has a mix of representatives from New York City and the surrounding counties.[56]

MTA Finances

MTA retains direct control over capital and operations at each of the subsidiary agencies, and has direct control over setting fares and tolls for each agency. Annual operating budgets are created by each agency within MTA's constraints and must be approved by the MTA board. The five-year capital budgets follow a structure that has mostly been unchanged since 1982, allocating approximately 75 percent of capital funding to the urban transit network and 25 percent of funding to the commuter rail network. The agencies choose projects within MTA's long-range plan and performance goals and then MTA reviews the selection for final approval.

The 2013 MTA budget accounts for over $13 billion in revenues and expenses. Each operating agency keeps its own farebox revenue, and then receives remaining tax revenues from MTA through the budgeting process. The chart below outlines the funding sources and the allocations to the operating agencies:[57]

Revenues ($, millions)	$	%
Farebox Revenue	5,491	41%
Toll Revenue	1,585	12%
Other Revenue	561	4%
Dedicated Taxes	2,616	20%
Payroll Mobility Tax	1,823	15%
State and Local Subsidies	1,031	8%
Total	**$13,411**	

Table 20: MTA Revenue.

[56] http://mta.info/mta/compliance/pdf/Description%20and%20Board%20Structure.pdf Phone correspondence with Stephanie DeLisle, Director of Capital Funding, NYMTA. June 17, 2013

[57] Source: MTA 2013 Final Proposed Budget, November Financial Plan 2013-2016, excludes capital construction expenses.

Expenses ($, millions)	$	%
NYCT/SIR	7,036	53%
LIRR	1,319	10%
MNR	1,065	8%
MTABC	563	4%
B&T	414	3%
Debt Service	2,246	17%
Other	530	4%
Total	**$13,173**	

Table 21: MTA Expenses.

Since 2005, the distribution of funding between the subsidiaries has been proportionally consistent, with slightly more resources going to debt service than in 2005. MTA has the discretion to allocate funding to any subsidiary agency in any given year, but tries to keep the percentages relatively even. No defined funding formula was identified, but historical percentages have prevailed as the baseline for the budgeting process.

The budgeting process for MTA begins in early spring and the final budget is approved by the full board by the end of the calendar year. MTA – not its operating agencies – sets the budget and funding distributions. MTA funds come from a complicated set of dedicated taxes, including a tax on petroleum businesses, the Metropolitan Mass Transportation Operating Assist fund, the Mortgage Recording Tax, Urban Tax, and the Metropolitan Commuter Transportation Mobility Tax (MCTMT, or Mobility Tax).[58] Local option sales taxes, which are common in many other metro areas, are not a large portion of the budget.

Payroll Mobility Tax

The Mobility Tax, passed in 2009, is a relatively new source of funding for the MTA. The tax was passed to help close a significant MTA budget gap, and employers within the MTA jurisdiction (all five boroughs of New York City, as well as Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester counties) are required to remit their share of the tax quarterly based on a tax rate ranging from 0.11 to 0.34 percent of payroll expenses. The New York State Legislature passed this tax when MTA was threatened with a $2 billion deficit. “First and foremost, our goal was to close a more than $2 billion budget gap, keep fare increases to a minimum, services intact and prevent layoffs,” said Senator

[58] MTA 2013 Final Proposed Budget, November Financial Plan 2013-2016

Dilan, Chair of the Senate Transportation Committee. "Secondly, we saw this as an opportunity to restructure an organization wrought with poor-practices, worse management and little accountability."[59] The measure did include several transparency and accountability provisions that helped enable its passage.

The new tax is not without its critics, with many that work in the region citing an excess of taxes. While a higher court ultimately upheld the tax in 2013, a New York court ruled in 2012 that the tax was unconstitutional, ruling that the State could not enact a tax on a certain jurisdiction.[60] In general the tax was reluctantly accepted as a necessary means to continue the operation of the MTA.

MTA Summary

MTA's consolidated board structure, with committees for each operating agency, allows the board to have broader authority for funding decisions. MTA also has the advantage of having a further reach due to the state's involvement. However, MTA is not without its flaws and struggles with aging infrastructure, funding, and some animosity between subsidiary agencies.

The new payroll mobility tax has been able to contribute nearly $2 billion to the annual MTA budget. This was put into place in somewhat of an emergency situation where the MTA was faced with substantial service reductions without new revenues. MTA uses this to ensure greater funding for transit and better coordination between the transit and highway modes. This reduces some of the issues arising from county to county equity although other equity problems exist with modal disputes between highway and transit users and MTA has also faced substantial financial shortfalls in part due to overwhelming investment needs. Overall, however, MTA appears to avoid the funding formula battles perhaps in part because annual changes in allocations are modest.

Los Angeles

Transit in Los Angeles includes multiple jurisdictions and agencies, with the largest and most influential being LACMTA, or Metro. Metro receives funding primarily through a regional dedicated sales tax and is governed by a 13-member board of directors that are either current elected officials or appointed by the Los Angeles Mayor. Metrolink (commuter rail) and other bus and rail systems independent of LACMTA operate in the region, but the coordination outside of LACMTA's network is not very strong. While Los Angeles has the largest MPO in the U.S., the Southern California Association of Governments (SCAG) spends relatively little on transit in comparison with San Francisco's MTC, and, as such, does not play a substantial role in transit planning.

[59] http://www.nysenate.gov/press-release/senate-passes-metropolitan-transportation-authority-finance-and-accountability-package
[60] http://www.hodgsonruss.com/Home/Practice_Areas/Alphabetical_Listing/State_Local_Tax/Articles/Administrative/NewYork-Upholds-Metropolitan-Commuter-Transportation-Mobility-Tax-MCTMT

The Creation of LACMTA

During the 1970s and 1980s, transit in Los Angeles County was dominated by two agencies. The Southern California Rapid Transit District (SCRTD) was the primary operator of the bus network and the Los Angeles County Transportation Commission (LACTC) was the oversight agency responsible for capital expansion of the new rail network.[61] LACTC also held the power of funding distribution and regional planning, and its efforts to expand the rail network created substantial tension between the two agencies. These agencies have been compared to Chicago's CTA and RTA respectively.

LOS ANGELES HAS BEEN SUCCESSFUL IN GAINING SUPPORT FOR NEW TAX REVENUE FOR TRANSIT… IF PASSED, MEASURE R WAS PROJECTED TO GENERATE $40 BILLION IN NEW REVENUES OVER A 30-YEAR TIME SPAN.

The governance structure in place with LACTC and SCRTD was antagonistic from the start. Problems became more acute in the 1980s when LACTC began constructing new rail lines in the region, in part due to fears over LACTC's new rail lines diverting passengers from SCRTD's bus network. The "infighting [had] preoccupied the county's major mass transit agencies almost from the day the Legislature created the LACTC 15 years ago," stated an LA Times article from 1991, "even though the two 11-member boards have six members in common."[62] The conflict continued despite both agencies acknowledging "their rivalry [had] wasted money, duplicated work, and delayed service improvements." Other aspects of LACTC made it a difficult agency for the region, including a board structure that some felt "favored suburban communities instead of central city interests."[63]

As the conflict escalated in the early 1990s the State Legislature combined the agencies into a single agency to serve the entire county.[64] The agencies officially merged on April 1, 1993 to form LACMTA, also known as Metro. The deep-rooted differences between the two merged agencies took many years to dissipate, but the existing governance structure has enabled rail lines and other transit projects to be completed and other service improvements implemented more effectively.

Measure R

Los Angeles has been successful in gaining support for new tax revenue for transit. For tax increases to pass via referendum in California, a measure must receive at least two thirds of the vote. In 2008, Metro proposed Measure R, a ½ percent county sales tax to provide funding for transportation projects and programs.[65] If passed, Measure R was projected to generate $40 billion in new revenues over a 30-year time span.[66] Measure R also identified additional funding partners and programs, including the federal government, who would facilitate the completion of selected transportation projects. The federal

[61] http://media.metro.net/images/service_changes_la_history.pdf
[62] http://articles.latimes.com/1991-12-01/local/me-823_1_transit-agencies
[63] http://metroprimaryresources.info/encyclopedia/southern-california-rapid-transit-district-1964-1993/
[64] http://articles.latimes.com/1991-12-01/local/me-823_1_transit-agencies
[65] Los Angeles Metro. (2011b, Aug 2). *Measure R.* Retrieved on June 13, 2013 from http://www.metro.net/projects/measurer/
[66] Los Angeles Metro. (2011b, Aug 2). *Measure R.* Retrieved on June 13, 2013 from http://www.metro.net/projects/measurer/

Transportation Infrastructure Finance and Innovation Act (TIFIA) program was identified as a key partner for projects in Measure R, giving Metro the ability to finance surface transportation projects.[67]

In November 2008, Measure R passed the minimum two-thirds requirement with 67.22 percent of the voters approving.[68] After passage, Metro developed the "30/10 Initiative," a plan to create bonds for future Measure R revenues, strategically leveraging finances to accelerate and provide funding for twelve key transportation projects.[69] According to Metro, the implementation of the 30/10 Initiative allowed the region to receive immediate economic and environmental benefits, while also contributing to reduced traffic congestion.[70]

Following the passage of Measure R, Metro worked to maintain support by educating the public of successfully completed projects that were constructed using Measure R funds. Metro continued to have a strong public presence that served to illustrate the progress of Measure R projects across Los Angeles County, and to demonstrate that the projects were spread throughout the region and that each of the cities and unincorporated areas received a share of the revenue to use at their discretion for transportation.[71] The following chart shows the planned allocation of Measure R funds totaled over the 30 year period:[72]

Measure R Expenditure Categories	%
LACMTA New Transit Capital	35%
Metro Link Capital	3%
LACMTA Rail System Improvements	2%
Highway Capital	20%
LACMTA Rail Operations	5%
LACMTA Bus Operations	20%
Local Return (per capita basis) to incorporated cities within county for city-designated transportation projects	**15%**

Table 22: Measure R Expenditure Categories.

67 FHWA (2013). TIFIA. Retrieved on July 21, 2013 from http://www.fhwa.dot.gov/ipd/tifia/
68 Gold, L. (2012, Dec 3). Measure J Fails by 14,000 Votes. Retrieved from http://www.dailybreeze.com/news/ci_22118765/measure-j-fails-by-14-000-votes-metro
69 Los Angeles Metro. (2011a, May 2). 30/10 Initiative. Retrieved on June 13, 2013 from http://www.metro.net/projects/30-10/
70 Los Angeles Metro. (2011a, May 2). 30/10 Initiative. Retrieved on June 13, 2013 from http://www.metro.net/projects/30-10/
71 Los Angeles Metro. (2011b, Aug 2). Measure R. Retrieved on June 13, 2013 from http://www.metro.net/projects/measurer/
72 http://media.metro.net/measure_R/documents/expenditure_plan.pdf

An important aspect of Measure R is the addition of significant funding for highway capital improvement. This broadened the appeal to voters and also allowed planners to be more multimodal in their approach.

In 2012, Metro attempted to extend the tax beyond Measure R's 2028 expiration date in order to use the expected proceeds of extended tax revenues to accelerate construction of seven rail and rapid transit projects and up to eight highway projects.[73] Measure J, as the proposal was known, ultimately failed, receiving a 66.11 percent in favor, less than the 67 percent needed to pass and just shy of the 67.22 percent majority Measure R received.[74] Regardless, over 66 percent of county residents supported the measure and demonstrated the effectiveness of the region's campaign.

LACMTA Summary

In the early 1990s, power struggles and disputes between boards left the citizens frustrated and initiated the merger between the two agencies. L.A. took the approach of creating a single, consolidated agency for operation and oversight for the entire Los Angeles County. This is a different model than the MTA in New York, a state agency. The model seems to be working for the region and has enough confidence that voters have overwhelmingly supported increased sales taxes to expansion and improvement of the transit network. However, LACMTA is limited to coordinating service within LA County, which is only a portion of the region. Also, even within the county there are numerous services that LACMTA has no authority over.

Bay Area

The San Francisco Bay region spans the nine counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. The area's fixed rail infrastructure dates back to the Civil War, with continued development well into the 20th century including the construction of the BART heavy rail network beginning in the 1960s and 1970s.[75]

26 independent transit operators provide service in the San Francisco Bay Area. Large agencies such as BART (rapid transit rail), Muni/SFMTA (light rail, cable cars, and bus), Caltrain (commuter rail), AC Transit (bus), and Santa Clara Valley Transportation Authority (bus and light rail), work alongside other bus, ferry, and rail operators in the region. While transit providers play a role in long term planning within their jurisdiction, significant control over the transportation network lies with the Bay Area Metropolitan Transportation Commission (MTC), acts as the state designated regional transportation planning agency, the federally mandated MPO, and serves as a main appropriator of revenue for regional transit authorities.

The scope of the MTC has grown since its inception as an MPO, and it now operates the Bay Area Toll Authority (BATA) and the Service Authority for Freeways and Expressways (SAFE).[76] As a regional coordination commission, MTC takes on the responsibility of coordinating the Clipper Card as is needed in a region with complex geography and many large transit operators. Local transit agencies have made calls to consolidate the various transit agencies as well as remove the Clipper Card system from MTC's

73 Los Angeles Metro. (2012, Dec 3). Measure J. Retrieved on June 13, 2013 from http://www.metro.net/projects/measurej/
74 Gold, L. (2012, Dec 3).
75 http://www.sfmta.com/about-sfmta/our-history-and-fleet/muni-history
76 http://www.mtc.ca.gov/about_mtc/about.htm

jurisdiction and place it into a joint powers agency, but to date MTC serves as the primary convener and coordinator of the region.

From a funding perspective, MTC is responsible for distributing nearly $1 billion in federal, state, and local funding to transit agencies within the San Francisco region.[77] MTC has the authority to screen requests from local agencies for state and federal grants to determine their compatibility with their regional plan. In the late 1980s, for example, MTC played a key role in a $4.1 billion expansion of the BART network.[78] Aside from transit development and coordination, MTC partners with regional and state transportation agencies for improved management of the road and future high-speed rail network. The MTC has a staff of 185 persons.

MTC History and Governance

The California State Legislature created the MTC in 1970 to be the transportation planning, coordinating, and financing agency for the nine-county San Francisco Bay Area.[79] MTC predated both BART and MUNI Metro.[80] The scope of responsibility has grown with increased funding allocation power and other provisions that hand the responsibility of regional coordination to MTC. The operating agencies in the region have a varied history, with the legacy Muni trolley system in San Francisco and the BART system that began operating in the 1970s. Legislation in 2012 increased the board size from 19 to 21 members. MTC took the role of developing and implementing the regional fare card system, the Clipper Card, in 2002. Instead of one of the regional transit agencies leading the process, MTC was used as the neutral party due to mistrust between operating agencies.[81]

MTC is governed by a 21-member board; 18 have voting power. Local elected officials in each of the nine counties appoint 16 of the commissioners. The larger counties by population have more than one representative on the board. Some board members also serve on the boards of regional transit agencies, though not all transit agencies are represented on the MTC board. Two voting members come from other regional agencies: the Association of Bay Area Governments and the Bay Conservation and Development Commission.[82]

MTC Finances

Funding for the 26 public transit agencies in the Bay Area comes from multiple sources. Each agency has its own dedicated tax or subsidy revenue that it collects and uses for its operational and capital uses as it sees fit. The MTC is responsible for distributing most of the federal, state, and regional tax subsidies to the regional transit authorities. The largest of such grants are the California Transportation Development Act (TDA) and the State Transit Assistance (STA). For the fiscal year 2011-12, approximately $534 million of state and local transit capital and operating funding was distributed through the MTC. Including federal grants, the total funding allocation is nearly $1 billion on an annual basis.[83] 19 transit

[77] Phone correspondence with Steve Heminger, MTC Executive Director. June 11, 2013
[78] http://www.mtc.ca.gov/about_mtc/about.htm
[79] http://www.mtc.ca.gov/about_mtc/about.htm
[80] http://sftransithistory.com/
[81] Heminger, 2013
[82] http://www.mtc.ca.gov/about_mtc/about.htm
[83] Phone correspondence with Steve Heminger, MTC Executive Director. June 11, 2013

agencies received funding through the TDA, STA and transfers from additional toll bridge revenues in 2012.

The TDA is a state ¼ cent sales tax that is distributed back to the source county for transit operations. MTC retains approximately 3.5 percent of the tax revenues for administration costs. STA funds come from the state diesel fuel tax and are allocated to transit agencies based on a formula that gives 50 percent of the funds according to service area population and 50 percent according to "qualified revenues in the region from the prior fiscal year."[84] MTC must distribute these funds via formula to each tax district, but has discretion as to which agencies within the district get funding. Each transit agency has its own dedicated local funding source, which they often use for bonding, and MTC often distributes funding to agencies that have the most need. For example, BART is well funded through its dedicated local tax and thus receives a smaller amount of funding than other agencies such as AC Transit and Muni.[85] This funding distribution creates tensions between agencies but MTC has become the neutral forum for such fighting. MTC has control over the final funding allocation and is able to keep conflicts over funding to a minimum. The large amount of operators in the Bay Area also helps to diffuse the funding fight.[86]

According to MTC Executive Director Steve Heminger, transit funding through the MTC is focused on operations and maintenance. In general the region does not have a large capital investment need in transit, with 90 percent of state and local funding going toward O&M, and nearly all federal funding going toward rehabilitation of track and vehicles.[87]

For some of the federal funding MTC distributes, it has created innovative programs to allocate the monies in a way that advances their plans. For example, MTC created the One Bay Area Grant program (OBAG), which over a four-year period pools $320 million from the Surface Transportation Program (STP), Congestion Mitigation and Air Quality Improvement (CMAQ), and Transportation Alternatives (TA) Program funds.[88] While the funding is distributed to the counties by a population and housing production formula, the MTC mandates that 70 percent of the funds be spent within the MTC-designated 'Priority Development Areas' that promote dense, transit-oriented development.[89] This program is small compared with the total funding distributed through MTC but its creative distribution has allowed localities to find their own solutions to MTC's specific initiatives.

According to Steve Heminger, the financial system is not working well and many of the regional transit agencies are becoming increasingly dependent on MTC funding.[90] The innovation in local funding sources has helped, but fare revenues and sales-tax revenues are challenged by a down economy. MTC has continued to find new revenue sources for transit, with increasing allocations from the toll roads. Like the MTA in New York, MTC uses surplus toll revenues to fund transit. While toll revenues need to be used for transit improvements and service within the toll road corridor, the corridor boundaries can be

[84] Santa Clara Valley Transportation Authority. Comprehensive Annual Financial Report, FY 2012
[85] Phone correspondence with Steve Heminger, MTC Executive Director. June 11, 2013
[86] Phone correspondence with Steve Heminger, MTC Executive Director. June 11, 2013
[87] Phone correspondence with Steve Heminger, MTC Executive Director. June 11, 2013
[88] http://www.mtc.ca.gov/funding/onebayarea/OBAG_flyer.pdf
[89] http://www.mtc.ca.gov/funding/onebayarea/OBAG_flyer.pdf
[90] National Transit Interview, Conducted by the Northeastern Illinois Public Transit Task Force

large and there is no direct formula tied to these funds. It is expected that the MTC will experience a $17 billion shortfall in funds in the next three years.[91]

MTC Summary

MTC has gained primary control of regional coordination through state and local initiatives that give them the authority to handle the disbursement of transit funding. While MTC does not have power over regional transit authority budgets or direct institutional oversight, it has been formed in a way that gives it substantial power over regional coordination and cooperation. For a region with 26 operators and varying needs, MTC appears to be effective at coordination and distributing funding without significant debate. And though MTC is often bound to distribute funding based on pre-determined formulas, it can allocate funds based on need and in some cases based on performance goals that it has designed, as in the OBAG grant program.

[91] National Transit Interview, Conducted by the Northeastern Illinois Public Transit Task Force

ETHICS

OVERVIEW

There are many definitions of *ethics*. In the context of this effort, ethics refers to adherence to a code of conduct that reflects accepted behavior, e.g. fairness, honesty, and integrity. Put simply, this could be stated as 'doing the right thing' or 'meeting a high moral standard.' Among other things, positive ethical behavior should be used by organizations and individuals in a position of power, influence, or privileged information so as to prevent abuses of power. Such abuses may adversely affect the interest of less privileged individuals, e.g. customers, citizens, taxpayers, shareholders, the disadvantaged, and entities such as client organizations.

Government agencies and private companies in the transportation community have a long history of developing policies and procedures that identify the ethical standards that are expected of their respective leaders and employees. In addition, professional associations set their own standards of ethical behavior for their respective members.

Many of these policies become enacted as federal, state or local regulations. In addition to laws and regulations, however, a culture that emphasizes ethical behavior is important – this calls for an active position by leadership. Implementation calls for an open appointment process. This section summarizes regulations in place at federal, state, and local transit agencies; describes appointment procedures in Northeastern Illinois and other large metropolitan regions, and provides one example of leadership. Details are provided in Appendices A, B, and C.

RELEVANT LEGISLATION

Ethics is not synonymous with following the law, although legislation may be used to encourage ethical behavior (and punish transgressors.) Federal, state, and local laws are frequently the starting point for ethics policies and procedures – transit agencies in the Chicago region are no different in this regard.

In the transit community, the Federal Transit Agency (FTA) imposes certain ethics obligations on its own employees and contractors, and the recipients of FTA financial assistance, the recipients' contractors and subrecipients.[92] These obligations include restrictions on political and lobbying activities. FTA's parent organization, the U.S. Department of Transportation (USDOT) provides a hotline to facilitate the reporting of allegations of fraud, waste, abuse, or mismanagement in its programs and operations.

GOVERNMENT AGENCIES AND PRIVATE COMPANIES IN THE TRANSPORTATION COMMUNITY HAVE A LONG HISTORY OF DEVELOPING POLICIES AND PROCEDURES TO IDENTIFY ETHICAL STANDARDS THAT ARE EXPECTED OF THEIR RESPECTIVE LEADERS AND EMPLOYEES ... WHILE ETHICAL PRACTICES CAN BE FULLY DEFINED IN LEGISLATION, IN PRACTICE THEY ARE ENSHRINED IN A CODE OF CONDUCT THAT REFLECTS THE CULTURE OF AN ORGANIZATION.

92 *See* FTA website: http://www.fta.dot.gov/about/13886_9546.html (includes links to other Federal ethics sites, including for whistleblower disclosures).

Employees of the State of Illinois are subject to various laws, rules, and policies, some of which apply only to individuals who work for the state. Some of these, including the State Officials and Employees Ethics Act (Ethics Act),[93] which also applies to the Regional Transit Boards (RTB), are intended to ensure that the functions of state government are conducted with fairness, honesty, and integrity.

In conjunction with the Executive Ethics Commission and in consultation with the Office of the Attorney General, the Illinois Office of Executive Inspector General (OEIG) oversees an ethics training program for approximately 175,000 employees, appointees, and officials of public entities under the OEIG's jurisdiction. The various courses offered under this program are intended to educate public employees and appointees regarding issues of ethics and integrity and specifically about laws and policies that govern their conduct. Under the Ethics Act, these public employees and appointees are required to complete ethics training at least annually. Furthermore, new employees, appointees, and officials are required to complete ethics training within 30 days of the commencement of their employment or office.[94]

The Regional Transit Authority (RTA) Act[95] contains ethics-related language relevant to RTA and the Service Boards. The Metropolitan Transit Authority (MTA) Act[96], which created the Chicago Transit Authority (CTA), contains ethics-related language specific to that agency.

APPROACH

On behalf of the NEIL Public Transit Task Force, ethics-related information was collected from the Regional Transit Boards (RTB), appointing authorities, and selected peer transit/planning agencies. Responses to 25 ethics-related questions as they relate to RTA, Metra, CTA, and Pace have been provided to the Task Force previously. Topics include:

- Qualifications for Board Members;
- Review process for Board Members, officers and employees;
- Conflicts of Interest;
- Removal process for Board Members;
- Term length for Board Members;
- Compensation and benefits for Board Members;
- Hiring process, including *Rutan* principles, discrimination, and outside influence;
- Gifts;
- Oversight and whistleblower processes;
- Audit history and related outcomes;
- Ethics training; and
- Documentation of related rules, regulations, orders, and requirements.

93 5 ILCS 430/1-1 *et seq*.
94 *See* OEIG website: http://www2.illinois.gov/oeig/Pages/EthicsTraining.aspx.
95 Regional Transportation Authority Act (RTA Act): 70 ILCS 3615/1.01 *et seq*.
96 Metropolitan Transit Authority Act (MTA Act): 70 ILCS 3605/1 *et seq*.

Responses to ethics-related questions provided by Appointing Authorities (Governor of Illinois, Mayor of Chicago, Cook County Board President, Will County Executive, and McHenry County Board Chairperson) were also provided to the Task Force. Questions 1 thru 7 cover similar topics to those asked of the peer agencies as they relate to processes affecting Board Members. Questions 8 thru 11 provide an opportunity for Appointing Authorities to express their opinions on current processes and suggestions for alternative approaches.

Responses to 15 ethics-related questions provided by Executives of selected transit or planning agencies in peer regions (Boston, Philadelphia, New York City, and San Francisco) were also provided to the Task Force. Topics include:

- Ethics training;
- Gifts;
- Oversight and whistleblower processes;
- Qualifications for Board Members;
- Selections and review process for Board Members;
- Hiring process, including discrimination and outside influence;
- Conflicts of Interest;
- Lobbying;
- Removal process for Board Members; and
- Term length for Board Members.

The Task Force also learned about compensation and benefits for the peer transit agencies.

The rest of this section summarizes the information collected by IDOT, and compares the approaches to each ethics-related topic.

PRE-APPOINTMENT

Investigation/Background Checks and Financial Disclosure

The Massachusetts Bay Transportation Authority (MBTA) in Boston requires that three (out of seven) Board Members have public or private finance backgrounds, one has a transportation or planning background, and one is a civil engineer with at least ten years' experience. The Secretary of the Massachusetts Department of Transportation is a Board Member. All Board Members are appointed by the Governor. San Francisco's Metropolitan Transportation Commission (MTC) requires directors to have transportation knowledge, and all Directors are appointed by a vote of the county board or city council every four years. Neither the Southeastern Pennsylvania Transportation Authority (SEPTA) nor the New York Metropolitan Transportation Authority (MTA) has qualification requirements (although most SEPTA Directors are attorneys or business people.) For MTA, although the Governor makes all of the appointments, 7 of the 14 Directors are recommended to the Governor: four by the Mayor of New York City, and one each by the counties of Nassau, Suffolk, and Westchester. Each county recommends two people, and the Governor appoints one. However, the Governor can reject all of the candidates and ask for new recommendations.

The RTA Act and the MTA Act do not provide authority to investigate candidates or appointees to the Boards of Directors of the respective RTBs. Appointing Authorities take varying steps to verify background information about candidates, including declarations and disclosures by the candidates, candidate interviews, credit checks, pledges to adhere to ethics and codes of conduct, and calls to references.

Similarly, SEPTA and San Francisco's MTC do not have a requirement to conduct pre-appointment background checks. MBTA and MTA do conduct background checks, however. MBTA conducts a criminal background check via the State Police, as well as requiring appointees to disclose (a requirement that is ongoing throughout the Director's tenure) all tax returns, business interests, and any lawsuits. The MTA requires candidates to undergo a rigorous and thorough background check, which includes: a criminal background check, a financial check covering the past 10 years, as well as an interview process of candidates' current and past neighbors.

Disclosure of Conflicts Of Interest

After appointment, RTA's Ethics Policy requires Directors to submit financial disclosures within 30 days and annually thereafter. Metra, CTA, and Pace also require an annual statement of economic interest to be filed. The RTA's Bylaws prevent voting on issues with conflicts. Metra has controls related to internal bidding rules. The MTA Act has similar restrictions for CTA Board Members.

COMPENSATION FOR SERVICE

State of Pay within the State of Illinois

According to State law and the information provided by the RTBs, the Board Members of each of the RTBs are offered compensation for their service. As of 2013, all RTA Board Members, including the Chairman, receive $25,000 per year. Metra Board Members receive $15,000 per year, while the Chairman receives $25,000. All Metra Board Members are reimbursed for the expenses they incur in the performance of their duties. The Chairman of Pace receives $15,000 per year, and Board Members receive $10,000. Pace Board Members also are reimbursed for their expenses, but it is capped at $5,000 per year. According to the materials provided by the CTA, CTA Board Members are offered a $25,000 stipend annually, and the Chairman is offered $50,000. However, the Mayor of Chicago has established a no-compensation policy for new appointees to the CTA Board.

Based upon this information, while all RTB Board Members are offered compensation, the amounts vary across the RTBs. Furthermore, reimbursement of expenses does not appear to be consistent either.

State of Pay at Other Transit Agencies across Nation

In contrast, the MBTA does not compensate its Board Members, but it reimburses travel expenses with a maximum cap on the reimbursement. SEPTA and the MTA do not financially compensate their Board Members either; however, they do give the Board Members free transit passes.

The Task Force should consider whether it wishes to make a recommendation to standardize compensation across the RTBs or remove it entirely. Removing financial compensation should be weighed against appointing qualified Board Members, specifically whether well-qualified individuals will be deterred from serving on a board if compensation is not provided. If compensation is removed, the

Task Force could weigh the value of compensating Board Members for their travel expenses and/or providing them with free transit passes.

TERM LIMITS

For RTA, Metra, and Pace, each Director is appointed for a term of four years and serves until his or her successor has been appointed and qualified. For the CTA Board, each Director holds office for the term of seven years from the first day of September of the year in which they are appointed, except in the case of vacancy. There are currently no term limits in place.

SEPTA and the MTA do not have term limits for Directors, but for MTA, the Director position has a six-year term that runs with the position, not the individual. Noted transportation expert, Professor Robert Paaswell, recommends a term limit of two terms for a maximum of five to seven years in office for a Director. The Task Force should consider whether to recommend implementation of a term limit for all of the RTBs. While term limits would ensure an influx of new Directors, who could provide new ideas, term limits would also lead to a lack of long-term institutional knowledge amongst the RTB Boards.

REMOVAL

Conditions for Removal beyond Current Statutory Structure

Any director of RTA, Metra, or Pace may be removed from office (i) upon the concurrence of other directors (number varies by RTB), on a formal finding of incompetence, neglect of duty, or malfeasance in office or (ii) by the Governor in response to a summary report received from the Executive Inspector General in accordance with the State Officials and Employees Ethics Act, provided he or she has an opportunity to be publicly heard in person or by counsel prior to removal. The situation is similar for the Chicago Transit Board, except that the removal decision rests with either the Mayor or Governor, depending on which of the two made the appointment. In addition, the Governor can remove any Director under the Ethics Act, as outlined above for RTA, Metra, and Pace.

In practice, only Pace has removed a Director in the past 15 years, subsequent to a conviction on federal charges unrelated to that director's duties as a Pace Board Member.

While MBTA Directors can be removed by the Governor for cause (causes are statutorily set forth and apply to all gubernatorial appointments), Directors for SEPTA and MTA cannot be removed unless appointing authorities change.

HIRING POLICIES AND PRACTICES FOR EXECUTIVES/EMPLOYEES[97]

The RTA follows a more stringent set of standards for hiring than those set forth by the ruling resulting from the United States Supreme Court in *Rutan v. Republican Party of Illinois*, 497 U.S. 62 (1990) ("*Rutan*"). The RTA Act states that "no unlawful discrimination, as defined and prohibited in the Illinois Human Rights Act, shall be made in any term or aspect of employment nor shall there be discrimination based upon political reasons or factors."

97 APTA Guidelines: http://www.apta.com/resources/reportsandpublications/Documents/employment_agreement_guidelines.pdf.

Current State of Illinois Law

The RTA Act states that "no unlawful discrimination, as defined and prohibited in the Illinois Human Rights Act, shall be made in any term or aspect of employment nor shall there be discrimination based upon political reasons or factors." In compliance with this provision and with the general principles set forth in *Rutan*, the RTA follows the RTA HR Recruitment and Selection Procedures (Document 8) when hiring all employees other than the Executive Director.

For the RTA's Executive Director position, the RTA Act sets forth the requirements and Board process that must be adhered to during the appointment of an Executive Director. This appointment is done by the Chairman with the concurrence of 11 of the other Directors.

The CTA, however, applies the *Rutan* principles by virtue of Section 28 of the MTA Act, which states that "no discrimination shall be made in any appointment or promotions to any office, position, or grade of regular employment because of race, creed, color, sex, national origin, physical or mental handicap unrelated to ability, or political or religious affiliations." Section 28 also allows the CTA Board to exempt positions as deemed necessary for the efficient operation of the CTA's business in accordance with the non-decimation provisions contained in that Section. The total number of employees occupying exempt positions, however, may not exceed 3% of the total employment at CTA. Board Ordinance 007-102 states the protocol for establishing exempt positions.

Metra and Pace follow the standards set forth in the RTA Act when hiring employees. The provision that mirrors the hiring standards in the RTA Act which are specific to Pace can be found at 70 ILCS 3615/3A.05.

At MBTA, managers have a duty to provide a diverse workforce as part of their annual evaluation, and each year they are asked what they have done to prevent discrimination. SEPTA employees are non-political and the agency has a policy to this effect. MTA's agencies are mostly civil service, except the railroads; MTA has a policy on nepotism that prohibits anyone from being involved in the hiring process if they are related to a candidate. The San Francisco MPO, MTC, also has standard non-discrimination and conflict of interest language.

Responsibility of the Office of the Executive Inspector General

Within the RTA, all supervisory personnel and ultimately the Executive Director share responsibility for oversight of ethics and hiring issues. Externally, the Office of the Executive Inspector General (OEIG) has jurisdiction over the RTA as well as its Service Boards on ethics issues and hiring. SEPTA also has a similar Inspector General figure who is responsible for the oversight and investigation of issues of ethics and hiring.

Hiring Process

RTA follows their own written procedures and policies when hiring all employees other than the Executive Director. Metra and Pace follow the standards put forth in the RTA Act when hiring employees. CTA, however, applies the Rutan principles by virtue of Section 28 of the Act, which allows the Board to exempt positions (up to 3% of the total CTA employment) as deemed necessary for the

efficient operation of the CTA's business in accordance with the non-decimation provisions contained in that section.

At MBTA, there are no defined policies or procedures to address political hiring pressure; however, everyone undergoes standard hiring processes with the exception of the highest level positions, which are appointed. At SEPTA, all employees, except the General Manager, are interviewed by panels; the Board does not have influence over such interview panels. At New York's MTA, the agency's nepotism policy includes specifics which address what to do if employees receive outside influence during the hiring (or promotion/termination) process.

RTA, Metra, and Pace provide ethics training for Directors and employees covering, among other things, revolving door policies. CTA similarly provides ethics training but does not explicitly state this includes revolving door policies.

ETHICS GENERALLY[98]

Ethics Training

All RTBs provide ethics training for Directors. For RTA, Metra, and Pace this is repeated annually. At CTA this training is repeated every four years, and for CTA Board members the OEIG prepares ethics training as well. However, the Illinois State Ethics Act[99] requires all State employees to complete an ethics training program every year. Such ethics training provides information on issues such as gifts, prohibited political activities, and revolving door prohibitions. The RTA has its own set of employee ethics training, as well as ethics training for Directors which is provided by the OEIG.

Gift Bans

The State Ethics Act restricts RTB employees and Directors from receiving gifts from prohibited sources, such as a vendor or a lobbyist. The RTA also has a Gift Ban Policy within its Ethics Policy, which requires many RTA employees and all Board Members to complete Statements of Economic Interests, which requests information regarding the gifts received over a given time period. Metra employees and Board Directors must follow the gift ban provisions in Metra Ordinance MET 04-05, which is even stricter than the gift ban in the State Ethics Act. The CTA has a Code of Ethics that restricts all employees and CTA officers from accepting gifts from prohibited sources.

Whistleblower Protection

The RTA Whistleblower Policy is designed to protect individuals who report unethical activities or behavior. Pursuant to this policy, an individual may report an issue or concern regarding the agency (i) to a direct supervisor, (ii) through the RTA's Whistleblower Hotline, (iii) by filing a complaint online or via the RTA's intranet. Individuals may also report to the OEIG or the RTA Ethics Officer.

Within Metra, an individual may report an issue by contacting Metra's Compliance Hot Line, the Ethics Officer, Board of Directors, CEO, direct supervisor, or Metra's Equal Employment Opportunity office. Outside of the agency, a whistleblower may contact the RTA, the OEIG, State's Attorney's Office, FBI,

98 FTA Requirements: http://www.fta.dot.gov/about/13886_9546.html.
99 5 ILCS 430/1-1 *et seq*.

FTA, or the FRA. At CTA, an individual may contact the RTA or the OEIG to report an issue of concern regarding the issue of ethics and hiring. At Pace, an individual may report to a direct supervisor, through the RTA's whistleblower hotline, or by filing a complaint online via the RTA. Individuals may also report directly to the Pace Ethics Officer or to the OEIG.

Sanctions for Ethics Violations

Authority of the Office of the Executive Inspector General

The OEIG[100] is an independent executive branch State agency, and its purpose is to ensure accountability in State government by receiving and investigating allegations of misconduct and violations of the Ethics Act. Because it is independent, the OEIG is objective and impartial in conducting its investigations. The OEIG issues an annual report which, to the extent allowed by law, discloses the results of investigations conducted as well as the actions taken as a result of the OEIG's findings. A small portion of investigative reports are publically disclosed.

CONCLUSION

Ethical practices are typically embodied in a code of conduct that sets forth how individuals are expected to behave. For academic institutions, this is often referred to as an "honor code" that holds students accountable to a standard that they will not lie, cheat, or steal. For transit agencies, similar standards can apply to ensure employees conduct their duties with fairness, honesty, and integrity. While ethical practices can be fully defined in legislation, in practice they are enshrined in a code of conduct that reflects the culture of an organization. By instilling a sense of what is right or wrong, employees who adhere to sound ethical practices can be reasonably expected to make good choices, in normal and unusual instances, as they discharge their responsibilities on behalf of their organization. For government agencies, leadership from the top political office is critical to preserve high ethical standards.

100 http://www2.illinois.gov/oeig/Pages/default.aspx.