MASS TRANSIT FUNDING AND REFORM
P.A. 95-708 (HB656)

RTA Operating Revenues and Expenditures – A Regional Solution to a Regional Problem

To address the operating funding shortfall at Metra, CTA and Pace, the RTA Act is amended to authorize additional funds to be raised, primarily from the RTA region.

Operating Revenue Sources

- $280 million from 0.25% regional sales tax increase (imposed by RTA)
- $70 million* from traditional state-funded match of 25%
  **Phased in, starting Jan. 1, 2009. GRF impact $0 in SFY'08, approx. $35m SFY'09*
- $55 million continuation of State paratransit funding
  Additional 5% match on all sales tax and on RETT; effective immediately
  Revenue neutral for State: replaces GRF appropriation of $54.3 million for ADA paratransit

Operating Revenue Allocation

- $100 million to Pace for ADA paratransit service for seniors and disabled in the region
  Held in RTA trust fund; allocated to Pace only as needed for annual ADA paratransit costs. RTA annually assesses costs of providing services required by the ADA, and conducts triennial audits of paratransit costs.
- $20 million to Pace for a Suburban Community Mobility Fund (SCMF)
- $10 million for an RTA transit innovation, coordination and enhancement fund (ICE Fund)
  Competitive selection process for projects in the region
- $275 million distributed among Metra, Pace and CTA for mainline operations:
  - $144 million to Metra and Pace (52%): $107.3 million to Metra (39%); $35.7 million to Pace (13%)
  - $132 million to CTA (48%)
- Metra is authorized to issue up to $1 billion in bonds for capital projects; level principal payments are required.
- SCMF and ICE increase or decrease consistent with tax collections.
- Allocation of existing RTA sales taxes is not changed; all new revenues are allocated, there is no 15% RTA discretionary portion.
- $200 million of new expenses are exempted from the farebox recovery ratio to avoid the need to match each new dollar with a 50 cent fare increase. This exemption is phased out over 5 years, thereby requiring gradual fare increases.
- Funding from state to RTA is made a continuing appropriation.
- Funding to Pace from RTA for south suburban job access programs, $3.75 million in 2008, $7.5 million thereafter.

Additional Chicago Contribution to Pay for CTA Costs

- $100 million Real Estate Transfer Tax imposed in Chicago by Chicago City Council
  Tax imposed at rate up to .3% ($1.50 per $500 valuation).
- $25 million* traditional State-funded match of 25% allocated to CTA
  **Phased in, starting Jan. 1, 2009. GRF impact $0 in SFY'08, approx. $12.5m SFY'09.*

See Additional Key Provisions on page 4.

RTA Reforms for Coordination, Efficiency and Transparency

To achieve a better coordinated and more efficient regional transit system, and to implement the recommendations of the Illinois Auditor General, the RTA Act is amended to enhance the RTA's responsibilities and accountability with respect to regional planning, fiscal oversight, and fare and service coordination.

Adoption of Strategic Plan

- Requires RTA Board to adopt a comprehensive, long-term Strategic Plan for regional transit, to be reviewed and updated periodically (§2.01a(a)).
- The Plan will establish (i) goals and objectives, e.g., ridership increases, service and fare coordination, job access for low-income communities, (ii) standards, measurements and reporting requirements related to achieving the goals, and (iii) criteria for evaluating which capital projects are included in the Five-Year Capital Program (§2.01a(b, c, d)).
- The Plan also will include a 10-year assessment of the transit system's financial condition (§2.01a(f)).
- RTA is authorized to adopt sub-regional or corridor plans (§2.01a(h)).
- RTA must coordinate with the Chicago Metropolitan Agency for Planning in developing the Strategic Plan and capital program (§2.01a(g)).

Capital Program

- Capital projects can only be in the Five-Year Capital Program if they meet the criteria in the Strategic Plan and can be funded within amounts determined by the RTA to be available during that period (§2.01b, §2.01a(c)).
- RTA is required to do "alternatives analysis" for any newly-proposed transit expansion projects with construction costs of over $25 million where potentially more than one Service Board could be the provider of the proposed service (§2.01a(i)).

Annual Budgets

- Annual Service Board budgets and two-year financial plans must be consistent with Strategic Plan as a condition for approval by RTA (§4.11(b)(2)(vii)).
- Service Board budgets must include additional details, including long-term obligations such as pension and employee benefit expenses (§4.01(a), §4.11(d).
- Allows RTA to adopt required formats, financial practices and assumptions that Service Boards must use in preparing annual budgets and capital programs. If the Executive Director certifies that a Service Board has not submitted its budget in the required form, etc., and such certification is accepted by the Board the Service Board is limited to the previous year's operating funding levels (§4.01(f), §4.11(b)(1), §4.11(d)).
- RTA is required to withhold 25% of sales tax and discretionary funding until a Service Board budget is approved by the RTA (§4.11(b)(4)).

Auditing and Access To Information

- Service Boards are required to comply in a timely manner with information requests from the RTA (§4.01(g)).
- RTA is required to audit the Service Boards no less than every five years; such audits may include management, performance, financial and infrastructure condition audits (§2.01(b))
- RTA is required to audit ADA paratransit costs every three years (§2.01d)).

Coordinated Sales and Marketing: The RTA is required to develop and adopt a coordinated sales, marketing, advertising and public information program for all transit in the region. Service Boards' programs must be consistent with the regional program (§2.05(c).

Coordination Of Fares and Service: At the request of a Service Board, and with the authorization by the RTA Board, the RTA Executive Director is given power to mediate and, if mediation is unsuccessful, recommend to the RTA Board decisions in disputes between Service Boards regarding fare coordination, transfers, service coordination, and duplication of service; such decision is binding if approved by the RTA Board (§2.12b).

Innovation, Coordination and Enhancement (ICE) Fund: A new fund is created to award grants to Service Boards, transportation agencies, and local governments, for short-term, lower-cost projects and service enhancements (§2.01c, §4.11(a)).

Diversity and Citizen Participation Programs: RTA and Service Boards must adopt programs to promote diversity in employment and contracting. Additional public hearings are required before adopting Strategic Plan, budgets and capital programs.

CTA Pension and Retiree Health Care Reform

To stabilize the long-term financial health of the CTA pension and retiree health care system, the funding for pensions and retiree health care are separated, employee and employer contributions are increased, benefits are adjusted, governance is strengthened, bonds are issued, and ongoing financial oversight by the Auditor General is established.

Pension Reform

- CTA contribution increases from 6% of payroll to 12%; employee contribution increases from 3% to 6%. CTA gets "credit" for debt service up to 6% of their contribution.
- $1.110 billion in pension obligation bond proceeds deposited into pension fund to bring it to approximately [72%] funded. The bonds cannot be issued unless the Auditor General certifies the financial data and the reasonableness of the transaction.
- Debt service on pension and health care bonds is paid from CTA's new operating funds. Cap on total bonding is set at $1.99 billion. Debt service in 2009 is at least 70% of 2012 debt service; 80% in 2010; 90% in 2011; level debt service required in 2012 and thereafter. The CTA can take "credit" for capitalized interest payments against their required pension contributions only for 2008.
- The RTA must approve any pledge of RTA revenues. An intercept is established so that new funding is provided directly to the trustee for the bondholders.
- Pension fund must stay above 60% funded through 2039, and reach 90% funded by 2060. The Auditor General will annually determine if the contributions are sufficient, and additional contributions must be made if he determines it is necessary. If additional contributions are needed to comply with this requirement, they are made 2/3 by CTA, 1/3 by employees.
- Governance reforms by elimination of "bloc" voting (each member would vote independently); 11 member Board of Trustees established: five union, five CTA, and expert member selected by RTA Board.
- Benefits changes for employees hired on or after effective date of bill:
    - Reduced pensions available at 55 years of age and 10 years of service (currently 3 years).
    - Full pension available at 64 years of age (currently 55) and 25 years of service.
    - CTA executive pension eliminated.
- Auditor General annually submits financial report to General Assembly.

Retiree Healthcare Reform

- An independent healthcare trust is established to manage and provide retiree benefits and is seeded with $528.8 million in bond proceeds. No later than January 1, 2009, the Trust is solely responsible for providing retiree health care benefits.
- Contributions by active employees would be at least 3% of compensation on a pre-tax basis (currently they contribute nothing) bringing total pension and health care contribution to at least 9%.
- Retirees and their dependents would contribute up to 45% of the cost of coverage (currently retirees contribute nothing and dependents pay approximately 20% of the costs of coverage).
- If there is a projected funding shortfall, then contribution increases or benefit decreases must be implemented to cure the shortfall within 10 years. The Auditor General will review and must approve any plan to correct a shortfall.
- Health care is available to retirees at 55 years of age and after 10 years of service (currently 3 years).
- Governance reforms by elimination of "bloc" voting (each member would vote independently); 7 member Board of Trustees: three union, three CTA, and expert member selected by RTA Board.
- Retiree benefits would be no greater than 90% in network, 70% out of network (currently benefits include 100% indemnity coverage option).
- Auditor General annually submits financial report to General Assembly.

Wages

- Five-year contract with wage increases between 3 and 3.5 percent.

Governance Reforms

The following are changes in RTA and Metra Boards, effective April 1, 2008. No changes are made to the CTA or Pace Boards.

CURRENT	HB 656
RTA Board: 13 members (5 Chicago – 4 Cook – 3 collar counties); supermajority vote requirement 9 5 by Mayor (1 is Chairman of CTA) 4 by suburban members of Cook County Board 1 by Chairman of DuPage County Board. 2 jointly by Chairman of Boards of Lake, McHenry, Kane and Will Board Chair appointed by 9 members of Board	**RTA Board:** 16 members (5 Chicago - 5 Suburban Cook - 5 Collar Counties); supermajority vote requirement changed from 9 to 12 5 by Mayor (cannot be Chairman of CTA) 4 by suburban members of Cook County Board 1 by President of Cook County Board (from Suburban Cook County) 5 from Collar Counties: 1 each by Chairman or Chief Executive of Boards of DuPage, Lake, Will; McHenry; Kane Counties Board Chair appointed by 11 members of Board with at least 2 votes from each subregion: Chicago, Suburban Cook and Collar Counties
Metra Board: 7 members 1 by Mayor 3 by suburban members of Cook County Board 1 by Chairman of DuPage County Board 2 jointly by Chairmen of Boards of Lake, McHenry, Kane and Will Chairman appointed from among the members, with 5 votes	**Metra Board:** 11 members 1 by Mayor 4 by suburban members of Cook County Board from 4 subregions by weighted vote (roughly equal population based on township boundaries) 1 by President of Cook County Board (from Suburban Cook County) 5 from Collar Counties: 1 each by Chairman or Chief Executive of Boards of DuPage, Lake, Will; McHenry; Kane Counties Chairman appointed from among the members, with 8 votes

Additional Key Provisions

Collar County Empowerment

- $121.3 million from additional 0.25% sales tax increase in the Collar Counties (DuPage, Kane, Lake, McHenry, Will) for the Collar Counties to use at their discretion for local road, transit and public safety projects.
- Tax imposed by RTA ordinance, collected by Department of Revenue, and allocated directly to the counties based on point of sale.

Downstate Operating Funding

- Increases operating assistance for all downstate transit agencies and new rural program, at about $27 million in GRF in FY '09 (additional $10 million immediately). New $11 million fund for capital grants in FY '09.

Free Rides for Seniors

- Transit agencies statewide are required to provide their fixed-route (not paratransit) services at no charge to individuals aged 65 and older who live the region served by that transit agency.