2023 Regional Transit Strategic Plan

Memo Summarizing Work of the Ten-Year Financial Plan Technical Working Group

September 2022

Regional Transportation Authority

Contents

Introduction

The Chicago region's transit system is at a pivotal moment. The system has faced some disruption in the recent past – driven by changes in how people get around, changes in where people work, and shifts in demographics. Since the beginning of the COVID-19 pandemic many of these trends have accelerated. This is a challenge because transit in the Chicago region is funded in part by rider fares, which have not fully recovered. Transit spurs economic growth, mitigates climate change, and enables opportunity in ways and at a scale that no other transportation mode can. The next Regional Transit Strategic Plan will guide how Chicago's regional transit system will adapt to the impacts of the pandemic to provide safe, reliable, accessible public transportation that connects people to opportunity, advances equity, and combats climate change.

Beginning in the summer of 2021, RTA launched a six-month period of listening, titled *Making a Plan,* to hear and learn from transit riders, community members, and stakeholders about our regional transit system's future, including opportunities for impact, transit system adaptation, funding, equity, and engagement. Based on the input received, RTA staff developed a vision and three guiding principles that will be used to guide and test all activities of the plan. Additionally, staff used the input to identify six outcomes that describe what the region aims to achieve over the five years of the plan period.

Vision

Safe, reliable, accessible public transportation that connects people to opportunity, advances equity, and combats climate change.

Principles

- **Commitment to change.** Public transit is the core of the region's mobility network. Being committed to change means that the Strategic Plan will acknowledge that the mobility needs of the region are changing rapidly while many long-standing community mobility needs and expectations for transit are still unmet. In committing to change, the Strategic Plan process will empower the transit agencies and systems to adapt, innovate, and re-think regional transit options to better meet the needs of people and communities we serve across the region today and into the future.

- **Equity**. Advancing equity through the Strategic Plan means that the planning process will acknowledge, identify, and seek to change policymaking, planning, and distribution of resources to better meet the transit needs of historically under invested and overburdened people and communities in our region across agencies, community types, and political boundaries. Our working definition of equity begins

with racial equity by improving transit options and outcomes for people and communities of color as well as people who are from low-income households, possess limited English proficiency, have a disability, and/or are Seniors.

- **Stewardship**. Being good stewards of the Chicago region's transit system means that we are committed to using public funding wisely and maximizing our shared resources. In seeking to be stewards, we will continually consider how the Strategic Plan process will ensure the financial health of the transit agencies while also advancing the purpose of transit as a public good, regional economic development catalyst, and tool for climate action.

Outcomes

In the future our region's transit system will be:

- Safe, accessible, reliable, and useful for riders
- In a state of good repair
- Financially stable

In the future our region will be:

- Connected
- Winning the fight against climate change
- Thriving

Technical Working Group

Collaborative development of a new strategic direction for the region's transit system will occur over three phases and include a Strategic Planning track, a Financial Planning track, and a Communications and Engagement track.

The Financial Planning process includes 2022 and 2023 budget development and conducting longer-term financial planning culminating with a 10-Year Financial Plan to accompany the Strategic Plan. To engage in this work, the RTA convened a technical working group, led by RTA and with representatives from RTA, the Service Board Planning and Finance teams, and CMAP. The technical working group was tasked with developing a 10-year financial model and analysis of different potential scenarios and solutions, under advisement of goals developed by stakeholder working groups, input from a larger stakeholder group via the Movers workshop, and input from the RTA Board.

The financial projections summmarized in this memo assume essentially status quo service levels to project the future expense levels of the transit system we have today. The work in this memo does not account for or contemplate any changes to the nature of regional transit that may be required by evolving work and transportation patterns. The Strategic Plan track of the overall project and input provided by stakeholders considers potential changes to the transit system, but the details of such activities are still being outlined such that related

financial implications cannot yet be determined and will need to be considered as part of future work. For now, the RTA wanted to work with the Service Boards and CMAP to establish a common and shared understanding of the 10-year financial position of the agencies without any major changes to the systems.

A scenario-based approach was used to model and evaluate different economic conditions and their impacts on transit. RTA's Strategic Plan consultant assisted with the modification and development of the 10-year financial model, and model development was conducted in close coordination with the Service Board Finance teams via participation in the technical working group.

This technical memo describes RTA's approach to the project and technical group process including development and modeling of potential financial scenarios and identification of potential policy solutions. The work detailed in this technical memo will comprise the primary input for the 10-Year Financial Plan document, a key element of the Strategic Plan.

Focus

The primary objectives of the working group were to establish:

- The expected longevity of existing federal relief funding
- The magnitude of annual operating shortfalls following the exhaustion of relief funding
- A menu of options for re-achieving balance between projected revenues and expenses
- Recommendations for recovery ratio reform

Members

Participant list

- RTA: Doug Anderson, Sarah Rubino, Peter Kersten
- CTA: Michael Connelly, Jeremy Fine, Michele Curran, Lisa Smith
- Metra: Lynnette Ciavarella, Brian Stepp, Alan Ochab, Jeff Morris
- Pace: Erik Llewellyn, David Tomzik, Lorri Newson, Melanie Castle
- CMAP: Elizabeth Scott, Daniel Comeaux

Process & Reports Produced

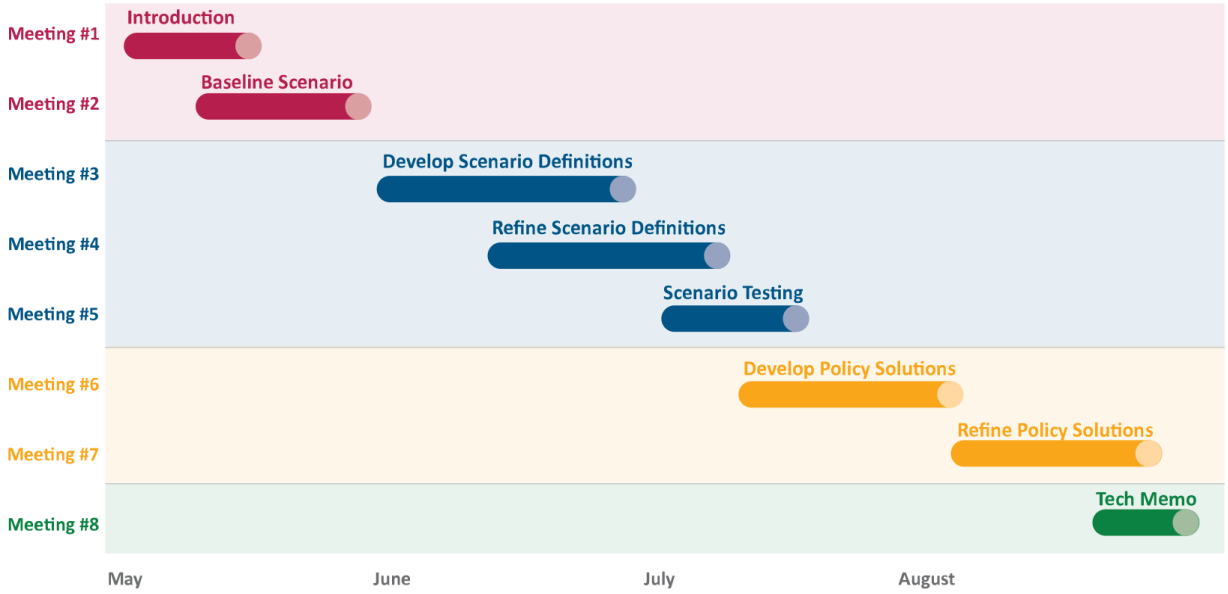
The technical working group met eight (8) times over a period of five (5) months, beginning in May of 2022. The meetings were led by RTA staff with analytical presentation(s) which

prompted discussion for input provided by Service Board and CMAP staff. With support from consulting staff, the technical working group produced several interim products including:

- Updated and enhanced financial model
- Baseline and additional scenario definitions
- Framework for analyzing potential policy solutions

Initial findings and periodic updates were shared with the stakeholder working groups and the RTA Board to seek ongoing feedback. Interim products and meeting materials were made available on the working group hub website but are consolidated in one place for the first time within this memo. Figure 1 shows the technical group process by task and interim product.

Figure 1: 10yr Financial Plan Working Group Process



Analysis and Findings

In close coordination with the Strategic Plan consultants, the working group updated and reinitiated the RTA's existing 10-Year financial model, populating it with the adopted 2022-2024 operating budget and projecting an additional seven years of financial results through 2031. Scenarios were modeled by changing the assumptions for the following variables, to reflect a range of potential economic environments:

1. Ridership recovery
2. Growth of sales tax and other public funding
3. Operating expense growth

Under all five scenarios tested with the 10-Year financial model, the RTA and the Service Boards face operating shortfalls of several hundred million dollars as early as 2025 that increases through 2031, yielding a negative cumulative net result of $4.3 billion to $6.8 billion by 2031. This operating shortfall represents a gap that is too large to be filled by service cuts or fare increases. The RTA will have to identify additional operating revenues in order to avoid substantial reductions in service that would have a significant impact on the regional economy.

Modeling Transit Funding

The RTA first produced a baseline scenario of operating financial conditions for the RTA and the Service Board agencies through 2031. This baseline model reflects the current "status quo" and draws on inputs provided by the Service Boards' internal short-term models for ridership, internal operating revenues, public funding, and operating expenses. Internal operating revenues include passenger revenues collected from current fare levels, state reduced fare reimbursement, other revenue (such as advertising and concessions), and Federal operating relief from the funding passed to support the public transit sector during the COVID-19 pandemic. Public funding includes RTA sales tax, Real Estate Transfer Tax, and Public Transportation Fund revenues.

Operating expense costs include labor, fuel, parts, and supplies, purchased transportation services, and other expenses for day-to-day provision of public transit service. Each of the Service Boards provided a best estimate of future operating expense growth required to support essentially status quo service levels, considering near-term price inflation of materials and fuel and expectations for labor costs, which represent about 70% of total operating expenses. The individual CTA, Metra, Pace Suburban Service, ADA Paratransit, and RTA expense projections rolled up into an overall operating expense growth rate of 3.9% per year for the baseline model, resulting in a projected system operating expense of $3.9 billion by 2026, growing to $4.8 billion by the end of the ten-year planning period.

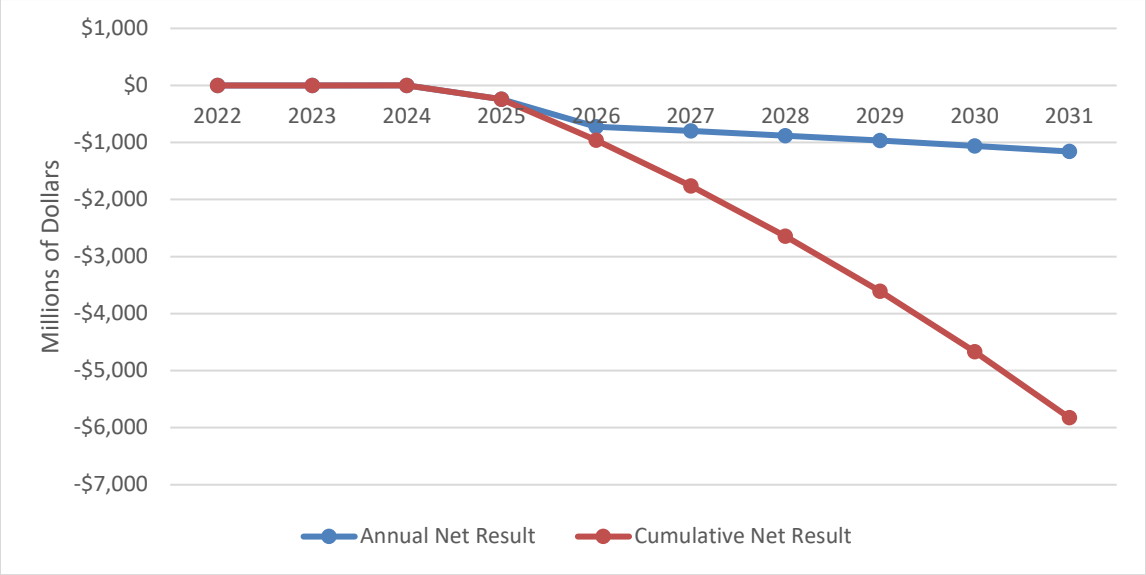
The baseline model, in keeping with a "status quo" paradigm, assumes annual sales tax growth of 3.0% per year and that funding distribution to the Service Boards continues under current law or agreement. ADA Paratransit is fully funded each year through 2031. Ridership is assumed to recover slowly, growing approximately 2% per year and reaching 422 million, or 74% of pre-COVID ridership, by the end of 2031. Modeling assumed that fares were unchanged from current levels from 2024 to 2031.

Under these assumptions, the Federal relief funding would be exhausted in 2025 for all Service Boards, resulting in **a significant projected operating shortfall of $723 million in 2026, with**

increasing annual operating shortfalls in subsequent years. In the absence of mitigating actions such as expense reductions or fare increases, the annual budget gap is projected to grow to $1.2 billion in 2031, yielding a cumulative shortfall of $5.8 billion. As part of the Strategic Planning process, RTA issued a public survey asking whether the transit system should pursue additional funding or scale back service when COVID relief dollars run out and the majority of respondents indicated that they prefer that the agencies pursue more funding than make cuts. RTA also engaged with stakeholders as a part of stakeholder working groups and many of these working group members also reinforced that they do not want service cuts because of the negative impact that transit cuts would have on their ability to get to work and other essential services, such as healthcare and education. Addressing the operating shortfall while meeting customer needs and expectations for service quality will therefore be a significant challenge for the RTA and its Service Boards.

Over this time period, the regional system-generated revenue recovery ratio (the share of operating expenses covered by farebox and ancillary revenue, with adjustments) increases from 46.2% in 2023 to 50.0% in 2024 due to the inclusion of federal relief funding, before declining year-over-year and reaching a value of 23.3% in 2031. Figure 2 presents an overview of operating financial outcomes for the RTA system through 2031 under the baseline scenario.

Figure 2: Projected RTA System Operating Financial Conditions, Baseline Scenario



Scenario Analysis

Using the baseline scenario as a median assumption, RTA Finance staff and the consultants developed four (4) additional scenarios to produce a range of financial outcomes that will inform the identification and analysis of alternative funding options.

The four (4) additional scenarios were defined based on the same variables as the baseline scenario: ridership recovery, sales tax growth, and operating expense growth for the RTA and

Service Boards. Fares were assumed to remain constant between 2024 and 2031. Keeping fares constant allowed the scenario planning exercise to simplify the modeling and introduce fare increases as an external factor to the model, i.e. interpreting fare increases as an option to partially address funding shortfalls. The scenarios are not visionary in nature. Moreover, they do not consider any changes to existing transit services or network, either as may be necessitated in reality by budget shortfalls or as may be considered desirable to adapt to current rider needs. They are intended to reflect variations on the financial condition of the current transit system based on a range of realistic potential economic conditions.

The four (4) scenarios make adjustments to growth rates that represent broader macroeconomic trends. The four (4) scenarios and the baseline are presented in Table 1 below and then explained in further detail:

Table 1: Overview of 10-Year Financial Scenarios

Scenario	Ridership (2026) % of pre-COVID	Ridership (2031) % of pre-COVID	Sales Tax Growth	Service Board Expense Growth
1. Upside Economy	80%	100%	4.5% (+1.5% from baseline)	4.4% (+0.5% from baseline)
2. Stronger Economy	75%	80%	3.75% (+0.75% from baseline)	4.15% (+0.25% from baseline)
3. Baseline	68%	74%	3.0%	3.9%
4. Uneven Recovery	62%	70%	2.25% (-0.75% from baseline)	3.65% (-0.25% from baseline)
5. Economic Slowdown	58%	70%	1.5% (-1.5% from baseline)	3.4% (-0.5% from baseline)

1. Upside Economy: In this scenario, robust economic growth is accompanied by a resurgence in activity within Chicago's urban core as more office workers return and the Chicago region adds population, causing a 50% growth in annual sales tax growth rates. The increase in downtown economic activity motivates more people to use transit as the highways exceed pre-pandemic congestion levels. As a result, ridership recovers more quickly and reaches its pre-pandemic level by the end of the 10-Year forecast period. The increase in economic activity increases the competition for labor and raises prices for fuel and other materials, leading to higher Service Board operating costs, as well as higher sales tax growth.

In the Upside Economy scenario, RTA and the service boards first experience an annual shortfall of $173 million in 2025. This shortfall increases to $581 million in 2026 as the remaining Federal funding is depleted. Annual shortfalls increase year over year, reaching $799 million in 2031,

while the cumulative net result grows to $4.3 billion. Over this time period, the regional recovery ratio declines from a high of 50.0% in 2024 to 28.2% in 2031.

Note that even in this most optimistic scenario, even though ridership and operating revenue has recovered to pre-pandemic levels by the end of the planning period, ten years of operating expense growth still results in large structural operating deficits.

2. Stronger Economy: In this scenario, economic activity increases throughout the Chicago metropolitan region relative to today and the baseline scenario, increasing traffic levels and incentivizing more people to use transit. While the downtown office environment does not recover as fully as under the Upside Economy scenario, the increase in economic activity and traffic leads to a more rapid recovery in transit demand, with ridership reaching 75% of pre-pandemic levels by 2026 and 80% by the end of the 10-Year forecast period. The increase in economic activity causes annual sales tax growth rates to increase by 25% over the baseline growth rate. Stronger economic conditions increase prices for labor, fuel, and materials, leading to higher Service Board operating expense growth rates, somewhat offset by stronger sales tax growth.

In the Stronger Economy scenario, RTA and the service boards first experience an annual shortfall of $202 million in 2025. This shortfall increases to $643 million in 2026 as the remaining Federal funding is depleted. Annual shortfalls increase year over year, reaching $1.0 billion in 2031, while the cumulative net result grows to $5.2 billion. Over this time period, the regional recovery ratio declines from a high of 50.0% in 2024 to 24.1% in 2031.

4. Uneven Recovery: In this scenario, the Chicago metropolitan region is affected by a brief national recession at some point in the 10-Year forecasting period but recovers to the baseline level quickly. Economic activity slows down during the recession, reducing the average annual sales tax growth rate by 25%.[1] Due to longer-term disruptions on travel demand and commute patterns caused by the recession, transit ridership remains below baseline projections through 2031. The impacts of the recession also slow the rate of growth in Service Board operating expenses, as the reduced economic activity temporarily depresses prices and the increase in unemployment reduces wage pressures. Therefore, annual Service Board expense growth rates decline, but the lower rate of growth in sales tax revenues has a more significant impact on overall financial conditions.

In the Uneven Recovery scenario, RTA and the service boards first experience an annual shortfall of $33 million in 2023. This shortfall increases to $815 million in 2026 as the remaining Federal funding is depleted. Annual shortfalls increase year over year, reaching $1.3 billion in 2031, while the net result grows to $6.7 billion. Over this time period, the regional recovery ratio declines from a high of 47.5% in 2024 to 21.9% in 2031.

5. Economic Slowdown: In this scenario, the national recession lasts longer and has a more significant impact. Economic activity experiences a greater slowdown, reducing the average

[1] The timing of the recession is outside the scope of the scenario planning exercise, but it is an important factor for projecting impacts. An earlier recession would likely be more damaging than one occurring later in the 10-Year timeframe, as it would slow recovery efforts and could further depress ridership.

annual sales tax growth rate by 50% over the 10-Year forecast period. The longer recession has a greater impact on unemployment levels, leading to lower ridership recovery rates by the middle of the forecast period. However, as economic recovery begins in the second half of the forecast period, ridership recovers more rapidly, albeit staying below the total recovery level of the baseline scenario. The longer recession has a more significant impact on Service Board operating expenses due to higher unemployment levels. However, the decrease in operating costs does not compensate for the lower rate of growth in sales tax revenues.

In the Economic Slowdown scenario, RTA and the service boards first experience an annual shortfall of $1 million in 2023. This shortfall increases to $930 million in 2026 as the remaining Federal funding is depleted. Annual shortfalls increase year over year, reaching $1.3 billion in 2031, while the net result grows to $6.8 billion. Over this time period, the regional recovery ratio declines from a high of 47.6% in 2024 to 22.7% in 2031.

Figure 2 shows the annual shortfalls across the five scenarios through 2031, while Figure 3 shows the cumulative net results (shortfalls) across the five scenarios during this forecast period.

Figure 3: Projected RTA System Annual Net Result for Five Scenarios (Dollars in Millions)

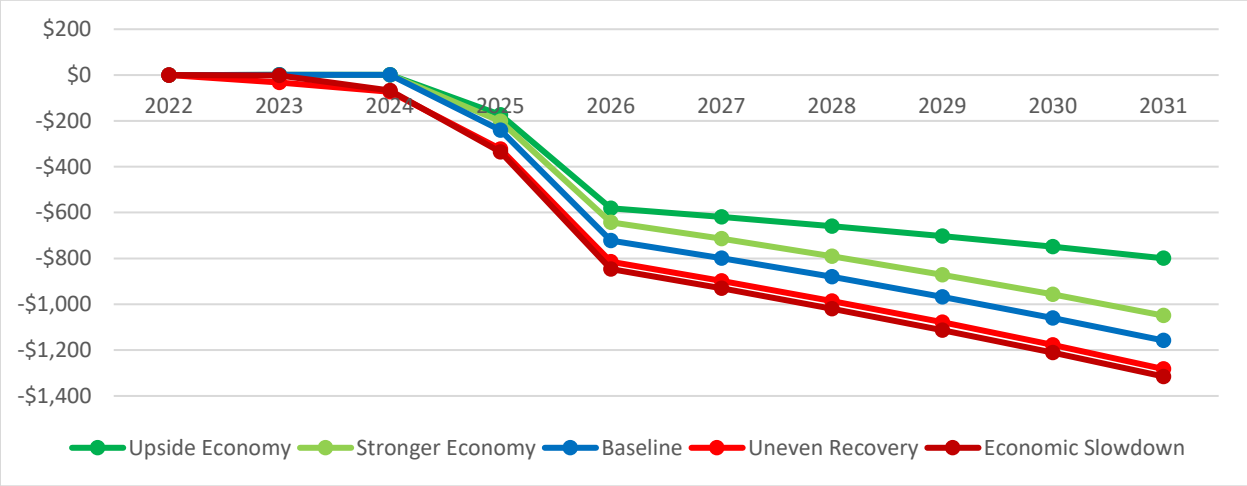
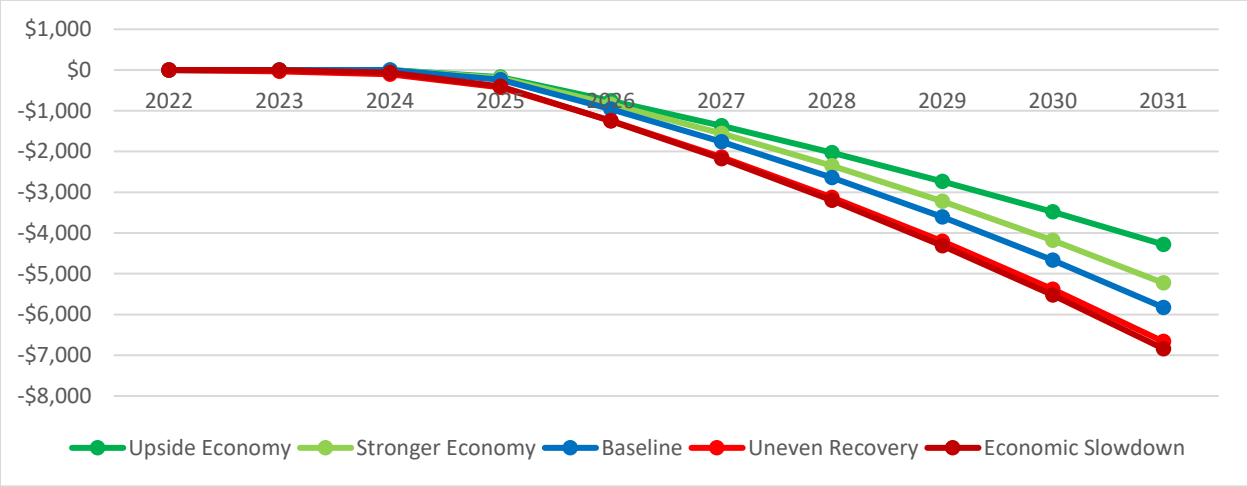


Figure 4: Projected RTA System Cumulative Net Results for Five Scenarios (Dollars in Millions)



The results of the scenario planning clearly demonstrate the need for additional funding to support the RTA system, regional policy changes to support transit in the future, and changes to the transit system to reflect rider needs. Under a range of conditions for ridership growth, sales tax revenue growth, and operating expense growth, the RTA system faces a series of increasing annual shortfalls and a cumulative shortfall in the billions of dollars by the end of 2031. These findings suggest that the financial losses experienced during the COVID-19 pandemic and the depressed ridership levels in the post-COVID recovery period have chronically impacted the financial conditions of the RTA and the transit service providers in the Chicago metropolitan region.

If additional public subsidy is not developed in the next two years, the transit system will face dramatic and catastrophic cuts to service that will threaten the mobility of millions of residents and harm the appeal and economic position of the region. Feedback from customers and other stakeholders throughout the Chicago region has clearly signaled that this would be highly disruptive and painful for the public at large. Efforts to reduce operating costs may similarly harm overall system performance. A 2019 RTA Regional Peer Review compared the Chicago region's transit agencies to national peers and found that Chicago agencies ranked favorably for 14 of 16 performance measures, including operating costs per vehicle revenue hour.[2] This suggests that there are limited efficiency gains for the Chicago region transit system to achieve relative to the transit industry as a whole.

[2] RTA. 2019 Regional Report Card. <https://rtams.org/sites/default/files/digital_documents/2019_Regional_Report_Card.pdf>

Revenue Options

RTA Finance staff worked with Service Board and CMAP representatives and the consultant team to identify and evaluate policy solutions to address funding shortfalls for the RTA and the Service Boards. The RTA Finance staff facilitated discussions on alternative revenue sources with the 10-Year Financial Planning Working Group and accepted a list of funding suggestions from the Strategic Plan Financial Responsibility Stakeholder Working Group. This led to a set of possible revenue enhancements for federal, state, and local funding, as well as policy changes that could enhance farebox revenue by increasing ridership. The consultant team reviewed the findings with the RTA Finance staff and prepared a set of 26 funding options organized into six categories, as shown in Table 2 below:

Table 2: Revenue Options to Enhance Transit Operations Funding

Category	Solutions
Local Revenue – Taxes	Increase RTA sales tax by 0.25% Expand RTA sales tax to business-to-business transactions Expand RTA sales tax to services Expand Real Estate Transfer Tax (RETT) to suburban Cook and Collar Counties Increase existing on and off-street parking tax and dedicate revenues from increase to RTA
Local Revenue – Fees	Establish congestion pricing Increase tollway tolls with increment for transit Implement value capture on developments near transit Implement automobile rental tax Increase State vehicle registration fee with increment for transit Establish electric vehicle registration fee with increment for transit
State Revenue – Taxes	Increase State Motor Fuel Tax by $0.05 per gallon Establish progressive State income tax Implement Vehicle Miles Traveled (VMT) tax
State Revenue – General Funding	Eliminate 1.5% State surcharge on RTA sales tax receipts Increase State Public Transportation Fund (PTF) match on sales tax and RETT Increase State funding for reduced fare and free rides Index State ADA Paratransit funding to inflation
Federal Revenue	Dedicate federal funding for ADA Paratransit operations Allow flexibility to use federal formula funds for operating expenses Reestablish a Federal dedicated funding program to provide operating subsidies as a match for state and local funding
Fare Revenue Enhancement	Establish Travel Demand Management plans near transit Establish requirements for developers in Transit-Oriented Developments to subsidize transit and enforce parking maximums

Category	Solutions
	Establish equitable property tax assessments Establish ride fare donation pool Require affordable housing developers to subsidize transit

The consultant team established a framework to evaluate each funding suggestion based on six criteria. Each criterion has a Low/Medium/High Rating Scale to assess the revenue source. The Rating Scale frames "Low" ratings as lower-performing and "High" ratings as higher-performing for all criteria to streamline the evaluation and ranking process. There is also a non-evaluative criterion, Authorizing Entity, that highlights which agency is responsible for establishing and/or collecting the revenue source.

The criteria are presented in Table 3 below, along with the definition and rating scale established for each criterion. Definitions are structured to align with other regional transportation strategic planning efforts, including the RTA's Strategic Plan and CMAP's *A Transportation System that Works for Everyone: Improving Equity in Fees, Fines, and Fares*.

Table 3: Revenue Option Evaluation Framework Criteria

Criterion	Definition	Rating Scale
Revenue Yield	The amount of annual revenue generated by the funding source *(Presented as a range and assigned to a rating scale)*	• **Low:** Less than $10m per year • **Medium:** Between $10m and $100m per year • **High:** More than $100m per year
Stability	The extent to which the funding source may be expected to change in volume (excepting inflation) from year to year	• **Low:** Fluctuation is significant and unpredictable, and factors affecting stability are not identified • **Medium:** Fluctuation is moderate and relatively predictable, and factors affecting stability are understood • **High:** Fluctuation is low or nonexistent and volumes are highly predictable
Equitable Outcomes	The degree to which costs associated with the funding source reduce the share of impacts on historically disadvantaged groups, particularly low-income households and including communities of color, people who possess limited English proficiency, have a disability, and/or are senior citizens	• **Low:** The source is regressive, reinforcing the status quo which predominantly affects historically disadvantaged groups • **Medium:** The source falls on all income levels and socioeconomic groups, irrespective of the consequences • **High:** The source is progressive, with a lower share of revenue collection from historically disadvantaged groups

Criterion	Definition	Rating Scale
Nexus with Transit	The extent to which the revenue source has been utilized to support regional public transit previously aligns with or supports the purpose of regional public transit as a public good	• **Low:** The source has little alignment with public transit • **Medium:** The source has historically supported public transit • **High:** The source creates and/or strengthens incentives to use public transit
Ease of Administrative Implementation	The amount of resources needed to establish and maintain the revenue source and collect revenue	• **Low:** The revenue source represents a new mechanism for revenue collection and new procedures must be established • **Medium:** The revenue source is not yet in place but is structurally similar to existing revenue sources and can be collected using existing procedures • **High:** The revenue source is already in place and requires no additional resources for administration
Projected Range of Implementation	The range of years in which the enhanced revenues would begin to be collected by state or local agencies *(Presented as a range and assigned to a rating scale)*	• **Low:** The revenue source will take more than five (5) years to be in effect • **Medium:** The revenue source can be in effect in two (2) to five (5) years • **High:** The revenue source can be in effect in two (2) years or less
Authorizing Entity	The agency or agencies responsible for establishing and/or collecting the revenue source	• **N/A:** Rating values are not assigned to this criterion. The criterion is informative, not evaluative.

The consultant team conducted a high-level, preliminary estimate of revenue yields and assigned ratings to each criterion for each funding option. A detailed discussion of the analysis and evaluation of revenue options is presented in the Appendix to this memo. Revenue yields and ratings were reviewed with the 10-Year Financial Plan Working Group, and feedback from Working Group members was incorporated into a final set of ratings for each revenue suggestion.

Following the assignment of ratings, the RTA Finance Staff and the consultant team assigned weights to each of the six criterion and quantitative values of 1, 2, or 3 to each rating, which produced an aggregate score for each revenue option. The options that received the 10 highest scores are presented in this section. They are organized based on revenue type: State taxes, State General Fund, Local taxes, and Local fees. The options are not ranked by prioritization order, but are assigned a letter to organize information as follows:

A. Increase RTA sales tax by 0.25%

B. Expand RTA sales tax to services

C. Establish congestion pricing

D. Increase tollway tolls with increment for transit

E. Increase State vehicle registration fee with increment for transit

F. Increase State Motor Fuel Tax by $0.05 per gallon

G. Implement Vehicle Miles Traveled (VMT) tax

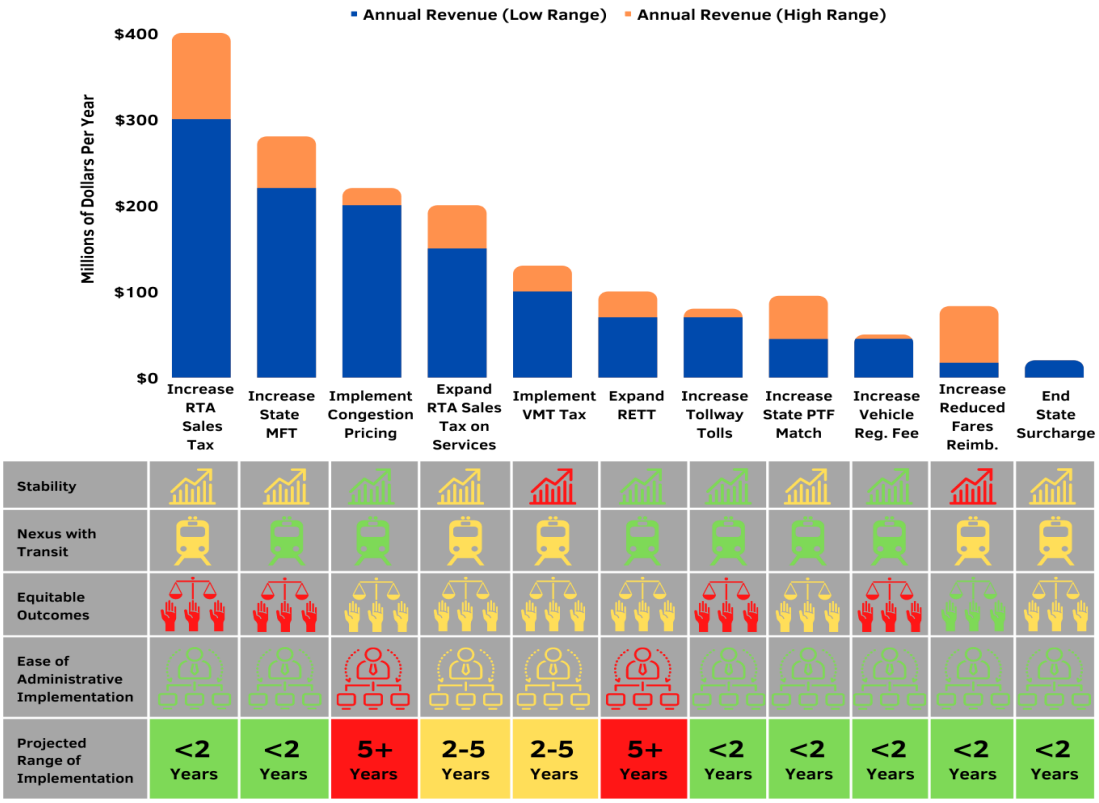
H. Eliminate 1.5% State surcharge on RTA sales tax receipts

I. Increase State Public Transportation Fund match on sales tax and RETT

J. Increase State funding for reduced fare and free rides

Figure 5 presents the revenue yield estimated and the criteria scores assigned to the top-10 revenue sources. Sources are sorted by revenue yield, but this is not an indication of their overall advantage as a funding source or assumed priority for RTA.

Figure 5: Annual Revenue Yield Ranges and Criteria Scores for Top 10 Revenue Options by Aggregate Score



The section that follows provides a summary description of each option and the qualitative evaluation associated with it. This information is exploratory in nature. Additional work would need to be done in the future if the region were to advance any of these options, including

refining growth rates for revenue projections, meeting with partners, conducting feasibility studies, undertaking equity analysis and more. All estimates for the projected range of implementation measure from the point at which RTA is ready to move forward with advocating for the selected revenue source.

Revenue Options: Local Revenue – Taxes

A. Increase RTA Sales Tax

This option involves an increase of 0.25 percentage points in the existing RTA sales tax levied on Cook County and Collar Counties in the RTA service area.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$300m - $400m High	Medium	Medium	Low	High	Two (2) years or less High

Revenue Yield – **$300 million to $400 million (High)**: Current revenues are roughly $1.3 billion from this source; this is a 20% increase for Cook County and a 50% increase for Collar Counties. This would yield an increase of $300 million to $400 million over current revenues.

Projected Range of Implementation – **Two (2) years or less (High):** The Illinois State Legislature would need to approve the sales tax adjustment. Due to the low administrative requirements for expanding an existing tax, collection could begin in the following Fiscal Year after approval.

Equitable Outcomes – **Low**: Sales taxes are regressive since consumer goods represent a higher share of income for lower-income households than for higher-income households

B. Expand RTA sales tax base by levying taxes on services

This option involves an expansion in the existing RTA sales tax to cover services, most of which are currently exempt from taxation. ON TO 2050, the region's comprehensive long-range plan, recommends the expansion of the state sales tax base to additional services. The plan includes the revenues that this would generate through the RTA portion of the sales tax as a "reasonably expected revenue" to meet the transportation needs of the region.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$150m - $200m High	Medium	Medium	Medium	Medium	Two (2) to five (5) years Medium

Revenue Yield – **$150 million to $200 million (High):** A 2019 whitepaper from CMAP analyzed the impacts of expanding the RTA Sales Tax base by 15% to cover additional services and estimated that it would generate $11 billion in revenue between 2019 and 2050.[3] Based on 2020 estimates, this would yield $150 million to $200 million in annual revenue.

Projected Range of Implementation – **Two (2) to five (5) years (Medium):** The Illinois State Legislature would need to approve the sales tax adjustment. Due to the moderate administrative requirements for revising the tax base and implementing the adjustments, two (2) to three (3) years will be needed for implementation, roll-out, and training and technical assistance, meaning revenue would start flowing to the RTA within three to four years, placing this revenue source within the Medium range.

Equitable Outcomes – **Medium:** Sales taxes (like other consumption taxes) are typically regressive because they are imposed at a flat rate, and lower- income taxpayers spend a greater portion of their income on goods and services. However, a sales tax on services is more progressive than a sales tax on goods because wealthier households tend to spend more money on services than lower-income households.

[3] Chicago Metropolitan Agency for Planning. "The Benefits of Adding More Services to Illinois' Sales Tax Base." 5 March 2019. https://www.cmap.illinois.gov/documents/10180/986064/Benefits+of+adding+more+services+to+IL+sales+tax+base.pdf/98029a31-c167-689f-2b6c-2367c8239a6e

C. Establish Congestion Pricing within the Chicago Metropolitan Area, with Revenues Dedicated to Transit Operations

This option involves a congestion pricing mechanism to levy a geographic- and/or temporal toll or fee on travel on Chicago-area highways into the city. Revenues from the program for the purposes of this exercise are assumed to be dedicated to funding transit operations.

The ONTO 2050 Update does not include congestion pricing in the way it is envisioned in this revenue option but does includes tolling of major highway construction and new highway capacity as reasonably expected revenue sources to meet regional transportation needs.[4]

IRevenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$200m - $220m High	High	High	Medium	Low	More than five (5) years Low

Revenue Yield – **$200 million to $220 million (High):** A 2012 City of Chicago Inspector General report estimated net revenue from congestion pricing, based on a charge of $5 per day, would potentially be $210 million after accounting for annual costs and a 20% reduction in vehicle trips to the central area.[5]

Projected Range of Implementation – **More than five (5) years (Low)**: Implementation of this source would require a new pricing program design and approval from the State Legislature and the Federal Highway Administration. These approval processes would likely take three to four years in total, while the initial design process would take at least one year. Following design and approval, it is likely another two (2) or three years before the program is implemented and generating revenue, creating a timeframe of more than five years.

Equitable Outcomes – **Medium:** Vehicle drivers into the urban core tend to be higher-income travelers. A 2008 report on income-based equity impacts of congestion pricing prepared by the U.S. Federal Highway Administration (FHWA) found that congestion-based fees or time-based tolling programs affect high-income quintiles to a greater degree than low-income quintiles.

[4] ONTO 2050 includes congestion pricing in the context of discussing the transition to a Road User Charge and includes explicit recommendations for the adoption of managed lanes as a congestion management tool. The Plan also references the important role that congestion pricing could play as a funding source for other transportation modes, but it does not contain a recommendation for a downtown cordon congestion scheme.

[5] City of Chicago Office of the Inspector General, Savings and Revenue Options 2012, September 2012, p. 76.

D. Increase Tollway Tolls with Increment Dedicated to Transit Operations

This option involves a 5% increase in tolls on the Illinois State Toll Highway Authority (Illinois Tollway), with revenues dedicated to transit operations.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$70m - $80m Medium	High	High	Low	High	Two (2) years or less High

Revenue Yield – **$70 million to $80 million (Medium)**: The Illinois Tollway generated $1.5 billion in revenues in 2019. Assuming that 2019 is representative of post-COVID traffic volumes, a 5% increase with revenues dedicated to transit would yield $70 to $80 million in annual revenue.

Projected Range of Implementation – **Two (2) years or less (High):** Implementation of this source would require the Illinois State Legislature to reform the Illinois Toll Highway Act. Following the revision to its authorization, the Illinois Tollway could increase its tolls and create a public information campaign for the toll increases and their new purpose. This implementation and education process would take at least one year, suggesting that it will take less than two (2) years for collection to begin.

Equitable Outcomes – **Low:** Tolls are regressive since transportation costs represent a higher share of income for lower-income households than for higher-income households

E. Increase Vehicle Registration Fee

This option involves an increase to the vehicle registration fee for vehicles registered in the RTA service area by 10% and dedicating the revenues to the RTA for transit operations.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$45m - $50m Medium	High	High	Low	High	Two (2) years or less High

Revenue Yield – **$45 million - $50 million (Medium)**: Assuming a 10% dedicated RTA fee is levied on the existing State of Illinois registration fee for passenger vehicles, this revenue source yields $15.10 per vehicle in the six-county RTA service area. As of 2022 there are a total of 3.2 million passenger vehicles registered in the six-county RTA service area, yielding $45 million to $50 million in revenue. [6]

Projected Range of Implementation – **Two (2) years or less (High):** If the Illinois State Legislature approved the increased rates in a given legislative session, they could be put into effect for the following year.

Equitable Outcomes – **Low:** Currently, Illinois' registration fee is substantially higher than other states' fees. Among neighboring states, Illinois is the only one to charge a flat rate over $100 for registration.[14] While low-income households have lower rates of vehicle ownership, those households with cars would experience a higher percentage of their income going to the increased fees.

[6] https://www.ilsos.gov/departments/vehicles/statistics/lpcountycounts/home.html

Revenue Options: State Revenue – Taxes

F. Increase State Motor Fuel Use Tax

This option involves an increase of $0.05 per gallon in the Illinois Motor Fuel Tax (MFT) levied on the sale of gasoline or diesel, with revenues dedicated to transit operations. This increase in MFT would to add to the total amount of revenue available for transit operations rather than replace or divert MFT revenues currently used to fund transit capital projects.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$220m - $280m High	Medium	High	Low	High	Two (2) years or less High

Revenue Yield – **$220 million to $280 million (High):** Approximately 5.8 billion gallons of fuel are sold per year in the state[7]; a $0.05 tax would yield approximately $220 million to $280 million per year.

Projected Range of Implementation – **Two (2) years or less (High):** The Illinois State Legislature would need to approve the MFT adjustment. Due to the low administrative requirements for expanding an existing tax, collection could begin in the following Fiscal Year following approval.

Equitable Outcomes – **Low:** Motor fuel taxes are regressive since transportation costs represent a higher share of income for lower-income households than for higher-income households

[7]https://www2.illinois.gov/rev/research/taxinformation/motorfuel/mft/Documents/ActualFiledMotorFuelGallons.pdf

G. Implement VMT Tax with Revenues Dedicated to the RTA

This option involves a VMT tax, a tax on the number of miles driven in a vehicle. VMT taxes are being studied and introduced in pilot programs as an alternative to or replacement for state gas taxes, which are decreasing in revenue generation potential due to increases in fuel efficiency and the growing adoption of electric vehicles and other alternative fuel vehicles that do not consume gasoline. This proposal assumes that the proceeds of this VMT tax would be equivalent to 5 percent of the state MFT, and these VMT revenues are dedicated to the RTA. The VMT revenue would add to the total amount of revenue available for transit operations rather than replace existing sources. The ONTO 2050 Update includes replacing the state MFT with road usage charge as a reasonably expected revenue source to meet the transportation needs of the region.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$110m - $130m High	High	High	Medium	Low	More than five (5) years Low

Revenue Yield – **$110 million to $130 million (High)**: The VMT tax is designed to replace 5% of state MFT revenues, which totaled $2.3 billion in FY2021. As a result, this VMT tax would generate $100 million to $130 million per year.

Projected Range of Implementation – **More than five (5) years (Low):** It is likely that the legislative and executive branches would need several years to establish the program design, pass the enabling legislation, and then build the administrative procedures for enforcement and collection of the new revenue source. The VMT tax would also likely be phased in via a piloting phase to ensure administrative procedures function correctly and that the public understands the new tax and how it will be collected. The new tax would not likely produce revenues for at least five years.

Equitable Outcomes – **Medium:** This tax would be regressive since transportation costs represent a higher share of income for lower-income households than for higher-income households. CMAP's 2021 analysis on equity in transportation fees, fines, and fares found that "households with low income have fewer vehicles and drive fewer miles than other households." Other research has found that lower-income residents are likelier to own vehicles with lower fuel economies, creating the potential for a progressive outcome in which lower-income residents pay less in VMT taxes than they would in MFT taxes. Therefore, low-income households are unlikely to bear an outsized share of this tax. However, since the VMT tax does not scale with income or target higher-income households, it does not have a progressive structure.

H. Eliminate State surcharge on RTA sales tax

This option involves the elimination of the 1.5% surcharge on RTA sales tax receipts retained by the Illinois Department of Revenue.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$20m Medium	Medium	Medium	Medium	High	Two (2) years or less High

Revenue Yield – **$20 million (Medium):** The RTA estimates the value of this surcharge at approximately $20 million per year.

Projected Range of Implementation – **Two (2) years or less** (**High):** The Illinois General Assembly could remove the surcharge and apply the change to the current fiscal year.

Equitable Outcomes – **Medium:** The removal would provide approximately $20 million to the RTA which could be invested in projects that provide for historically underserved areas or sustain operating costs. The removal of the surcharge would not change the underlying distribution of the incidence of sales tax, which is regressive due to the fact that goods represent a larger share of household income for low-income households.

I. Increase State PTF match on sales tax and RETT

A 5% increase in the amount transferred from the Illinois General Revenue Fund to the Illinois Public Transportation Fund (PTF) as part of a State match for revenues generated regionally. This increase in State match would increase total state spending on transit.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$65m - $95m Medium	Medium	Medium	Medium	High	Less than two years High

***Revenue Yield* – $65 million to $95 million (Medium)**: The RTA estimates that a 5% increase in this transfer would generate $65 million to $95 million per year.

***Projected Range of Implementation* – Two years or less (High):** The Illinois State Legislature would need to approve the transfer percentage increase during a legislative session, and the transfer increase would go into effect during the following Fiscal Year.

Equitable Outcomes – Medium: Since this transfer is funded by General Fund revenues, the increase in the transfer does not change the overall structure of the current framework of taxes and fees.

J. Enhance State Reduced Fare Reimbursement

This option calls for an increase in State reimbursement to RTA and Service Boards to offset revenue losses from free and reduced fares provided to the elderly, people with disabilities, and students. Historically, this fare reimbursement was equal to $34 million, but the State reduced it to $17.6 million in 2014, causing the RTA and the Service Boards to absorb the costs. This expansion of the reduced fare reimbursement program would increase total state spending on transit operations.

Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
$17.5m - $83m Medium	Low	High	High	High	Two (2) years or less High

Revenue Yield – **$17.5 million to $83 million (Medium):** The estimated revenue yield ranges from restoring the fare reimbursement funding to its historic levels to providing a level of funding that accounts for the full costs of the reduced fare program to RTA and the Service Boards. This estimate produces a range of $17.5 million to $83 million.

Projected Range of Implementation – **Two (2) years or less (High):** The Illinois General Assembly could revise the line item for program reimbursement during the budget-setting process and put the policy change into effect in the following Fiscal Year.

Equitable Outcomes – **High:** This policy change would impact the State's General Revenue Fund but would not necessarily change the overall structure of the current framework of taxes and fees.

Building a Multi-Pronged Approach to the Budget Gap

The findings of the analysis demonstrate that no single funding option evaluated through this exercise is estimated to generate sufficient revenue to close the projected fiscal cliff of $723 million in 2026 for the existing transit system, let alone account for future growth in the funding gap through 2031 or fund major improvements or expansions to the system. Consequently, the RTA will likely need to explore a multi-pronged approach in addressing system's projected fiscal cliff.

Securing Federal Support

To fully close the financial gap and position the system for future improvements, the RTA and its Service Boards may also need to pursue dedicated federal assistance for transit operations.

While federal formula funding for transit capital projects is currently available for urbanized areas with populations greater than 200,000, except for COVID-19 relief funding, federal operating assistance for urban areas has been greatly limited. However, there is precedent for direct federal operating assistance; up through the early 1980s, federal operating subsidies were provided to transit agencies as a match for state and local funding up to a ratio of $1.00 of federal spending for every $2.25 of state and local spending.[8]

To address this need for federal operating support, the 10-Year Financial Planning Working Group discussed opportunities for increased federal operating funding such as direct operating assistance via state and local operating funding match or financial assistance for federally mandated ADA Paratransit operations. Since new federal programs are complex from a policymaking perspective, the RTA and Service Boards would likely need to participate in a national, multi-agency advocacy campaign to secure such funding.[9]

[8] Higashide, Steven et al. "A Green New Deal for City and Suburban Transportation." *Transit Center*. March 2020. <https://t4america.org/wp-content/uploads/2020/03/20.03_GND-Transit_use_v4.pdf>

[9] Representative Jesús "Chuy" García (IL-04) has previously introduced a bill to establish operating funding for transit, signaling there is some support within the Illinois Congressional delegation for this concept.

Recovery Ratio Reform

The 10-Year Financial Plan working group recommends that the region pursue the elimination of the current System-Generated Revenue Recovery Ratio requirement andsubstitute the Fare Revenue Recovery Ratio as a performance measure within the RTA and Service Board Performance Measurement initiatives. Under this scenario, the existing balanced budget requirement of the RTA Act would remain as the primary constraint on Service Board operating expense growth.

It is important to note that the elimination of the recovery ratio requirement would do nothing to solve the impending budget gap quantified earlier in this document. It also would not allow for system improvements nor automatically make the system more affordable to riders. Rather, it is an important step to recognize the need for the transit system to provide affordable, publicly subsidized mobility options to the region without being limited by the lower ridership and fare revenue environment which COVID-19 has brought on.

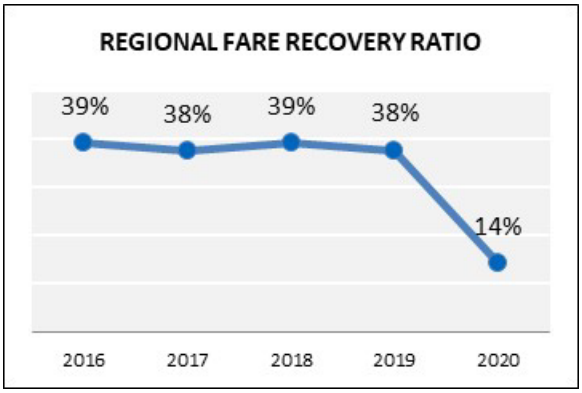
History and Purpose

A revenue recovery ratio measures the percentage of operating expense which is recovered by operating revenue. The RTA Act requires a System-generated Revenue Recovery Ratio of 50% for mainline transit (CTA, Metra, and Pace Suburban Service) meaning that system-generated revenues, which include fare revenue and ancillary revenue such as advertising income and lease of space, must equal or exceed half of operating expenses each budget year. There is a separate 10% recovery ratio requirement for ADA Paratransit operations. The Act allows significant adjustments to both revenue and expenses for purposes of calculating and meeting these statutory requirements. The purpose of the recovery ratio is twofold: to ensure that transit users pay a certain portion of the operating expense of their trip, and to require that the Service Boards not increase overall operating expenses without a proportionate increase in system-generated revenue, necessitating periodic fare increases.

P.A. 102-0678, signed into law in December 2021, provided recovery ratio relief through RTA fiscal year 2023 by waiving the RTA Act financial penalty for actual results falling short of the 50% statutory requirement, and by allowing the RTA region to temporarily budget with a recovery ratio below 50% and an ADA Paratransit recovery ratio below 10%. An extension of this temporary relief beyond 2023 will be necessary unless there is a permanent change to, or elimination of, the current statutory recovery ratio requirements.

An alternative and simpler measure is the Fare Revenue Recovery Ratio, which indicates the percentage of total operating cost which is recovered solely by fare revenue. Because it does not include ancillary revenue nor any statutory adjustments, the Fare Revenue Recovery Ratio is lower and more transparent than the System-generated Revenue Recovery Ratio. The Fare

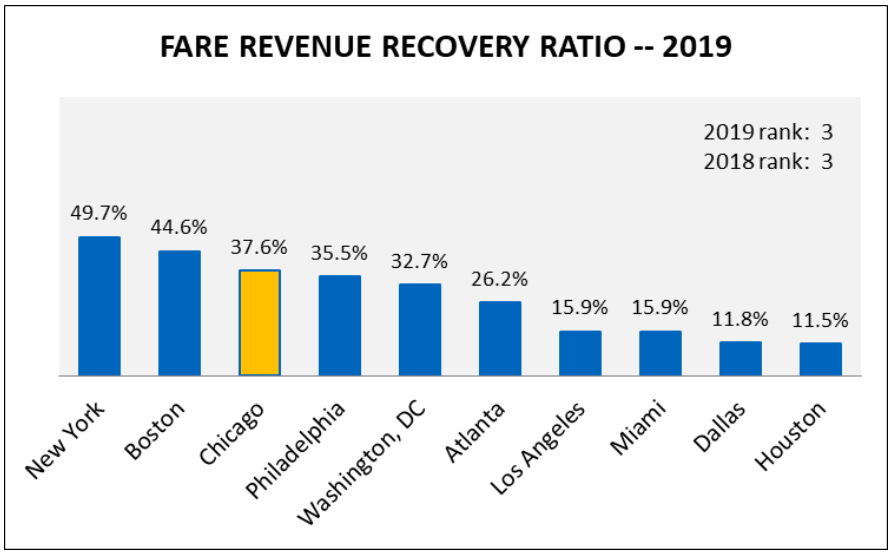
Revenue Recovery Ratio is utilized in the National Transit Database (NTD) based reports produced by the RTA's Performance Measurement group. With the onset of COVID-19 mitigation efforts, the RTA Region's Fare Revenue Recovery Ratio plummeted to 14%, as shown by this chart from the 2020 Regional Report Card:



Even with modest ridership recovery in 2021 and 2022, the Fare Revenue Recovery Ratio has remained near 14% as service was restored and operating expenses increased.

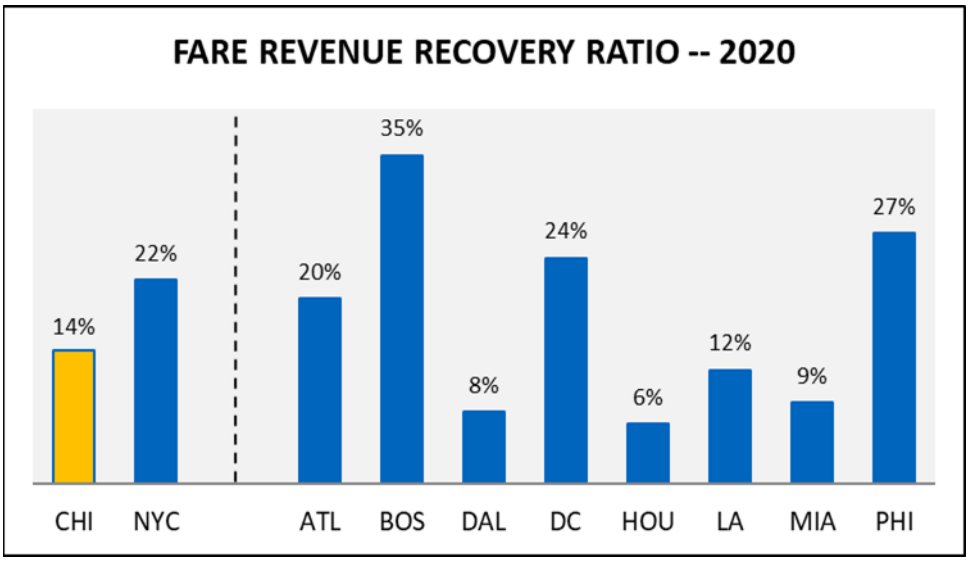
Peer Review

A peer comparison from the 2019 Regional Peer Report indicates the relative reliance of the nation's largest transit systems on fares as a revenue source in the pre-COVID environment:



The RTA region had the third-highest Fare Revenue Recovery Ratio at 37.6%. In general, the legacy transit systems of the Northeast had the highest reliance on fare revenue, while most of the newer systems had Fare Revenue Recovery Ratios of less than 20%. Not coincidentally, the potential post-COVID budget shortfalls of the legacy systems are greater due to a more acute budget imbalance caused by lower ridership levels and fare revenue.

The peer comparison using 2020 data shows that Fare Revenue Recovery Ratios dropped sharply across the country as ridership plummeted, but critical service was maintained. Note that the 2020 data was affected by the differing fiscal year definitions of peer systems i.e. a fiscal year ending in June captured only three months of COVID impact, rather than the nine months of impact reflected in the Chicago region's result.



An informal review of transit systems nationwide revealed few recovery ratio policies similar to the RTA's 50% and 10% requirements, although New York and California require specific revenue targets to apply for State transit funding.[10] The two systems with formal State requirements, Maryland and Denver, had their 35% recovery ratio requirements repealed in 2017 and 2021, respectively.

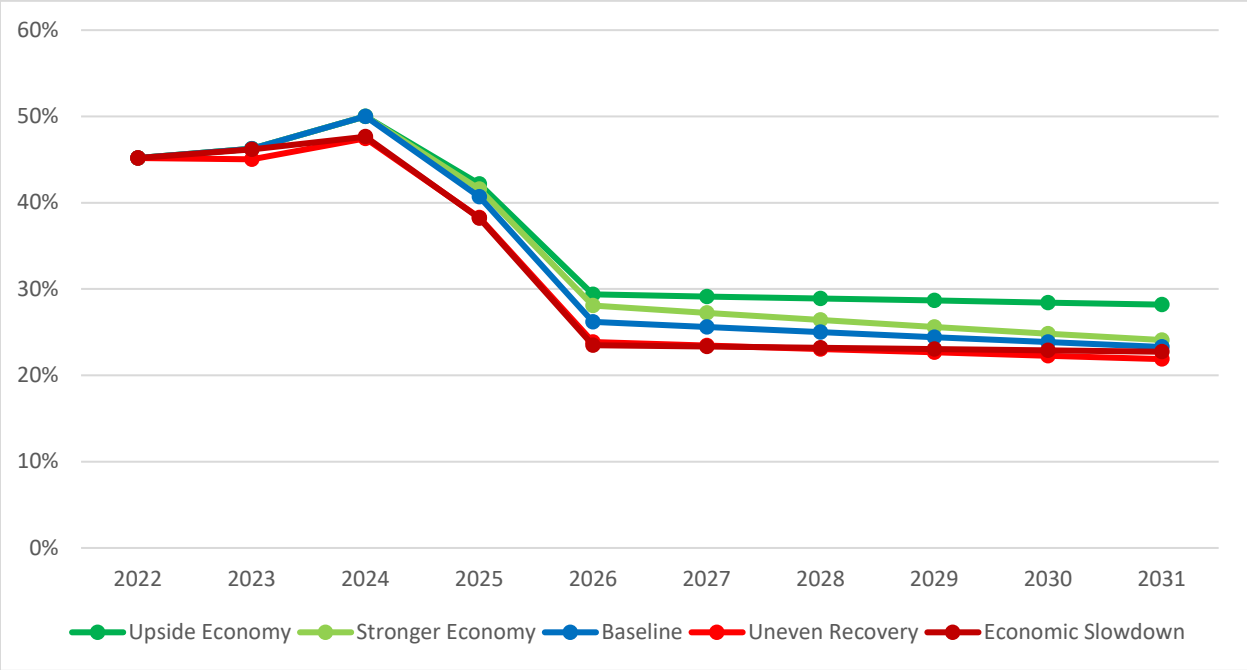
[10] The NY MTA must generate $0.40 per passenger or $0.69 per passenger mile to apply for state operating funds, while LA Metro must demonstrate a 20% farebox recovery ratio to apply for state transit funds.

Model Results

In each of the five scenarios discussed earlier in the document, modeling indicates that the System-generated Revenue Recovery Ratio, if fares are held constant over the planning horizon, will fall well below the current 50% statutory requirement after the federal relief funding exhausts, persisting through the end of the 10-year period. The Baseline scenario, shown in blue, projects a regional recovery ratio in the 20% - 25% range. In fact, even the most optimistic scenario, Upside Economy, projects a regional recovery ratio of around 30%, and that with ridership levels which are not likely to be realized.

With the modeled recovery ratio steady at around 25% in these scenarios, fare revenue would have to literally double to re-achieve the current 50% requirement. This would for example require back-to-back years of 40% fare increases, doubling the average fares at each Service Board and reversing the region's ridership recovery efforts.

Figure 6: Projected RTA System Recovery Ratios for Five Scenarios



In conclusion, Covid-19 caused a profound change in the transit revenue structure. Relatively lower fare revenue and relatively higher funding levels have introduced a revenue asymmetry to the Service Boards' operating budgets which makes the existing recovery ratio requirement impracticable. Lowering the regional operating expenses as a response to meet the existing requirement would require severe service cuts, leading to even lower ridership and fare revenue, exacerbating the situation.

In other words, the RTA and Service Boards cannot cut their way out of this structural problem. Similarly, attempting to increase system-generated revenue by raising fares would decrease ridership; at a certain price point, transit becomes too expensive for people to ride frequently, even to commute to workt. These high fares would disproportionately impact our lower income, most transit-dependent residents. Elimination of the statutory recovery ratio requirements is an important step but will do nothing to solve the projected future budget gaps.

Conclusions and Recommendations

The Ten-Year Financial Plan technical working group, in collaboration with our consultant partners, has determined that a large shortfall will materialize in the regional status quo operating budget as federal COVID relief funding exhausts. System ridership levels are not expected to regain pre-COVID levels during the ten-year planning horizon through 2031, and current funding mechanisms will simply be inadequate to support the regional operating budget if service levels are to be maintained. In 2026, expected to be the first full budget year after the exhaustion of federal relief funding, the regional operating budget gap is currently projected to range from $640 million to $850 million.

New operating funding should be the primary solution to closing this future budget gap and will be necessary to continue current levels of operation even without significant improvements or expansion of the system. In coordination with the Financial Responsibility working group, potential new funding sources have been identified and evaluated.

While the size of the future budget gap will evolve as the recovery continues, the order of magnitude is not expected to change, and no single new funding source is estimated to be sufficient to re-achieve balance. Therefore, a multi-pronged approach, or bundle of new funding mechanisms should be pursued. Future service improvements or expansions would require even more trade-offs or funding solutions.

The RTA region is not alone with this challenge. The Boston, Philadelphia, Washington, and Los Angeles systems have also projected future budget gaps in the hundreds of millions of dollars, equating to approximately 20% of their operating expenses, while New York's MTA projects a gap of more than $2 billion by 2024.

The RTA has heard from the public and from stakeholders during the strategic plan process that scaling back and cutting transit service is not acceptable, and that pursuing additional funds to continue and enhance transit should be a focus. The strategic plan and implementation steps taken in 2023 will take steps forward toward new funding from Federal, State, and Local sources.

Appendix

Financial Model and Scenario Planning

As part of a 10-Year Financial Plan, the Regional Transportation Authority (RTA) is evaluating operating financial conditions for the RTA and the service board agencies (Metra, Pace Bus, and the Chicago Transit Authority [CTA]) through 2031. This evaluation establishes a baseline scenario using inputs provided by the service boards' internal models for ridership, internal operating revenues, public funding, and operating expenses. Internal operating revenues include passenger revenue, state reduced fare reimbursement, other revenue (such as advertising and concessions), and Federal operating relief from the funding passed to support the public transit sector during the COVID-19 pandemic. Public funding includes RTA sales tax and Real Estate Transfer Tax revenues. Operating expense costs include labor, fuel, parts and supplies, purchased transportation services, and other expenses for day-to-day provision of public transit service.

The baseline scenario assumes that funding distribution to the service boards continues under current statute or agreement and that ADA paratransit is fully funded each year through 2031. Ridership is assumed to recovery slowly, growing approximately 2.0% per year and reaching 422 million, or 74% of pre-COVID ridership, by the end of 2031. Expense growth rates, which were provided by each service board, average out to approximately 3.9% per year, while sales taxes are projected to grow by 3.0% per year.

RTA and the Service Boards worked with Cambridge Systematics to create four (4) scenarios, in addition to the baseline scenario, to evaluate operating financial conditions and assess the impact of the post-COVID travel demand environment on the service boards' financial health. Each scenario adjusts the rates of ridership recovery (compared to pre-COVID ridership), sales tax growth, and operating cost growth for the RTA and the service boards. Fares were assumed to be constant between 2024 and 2031 in order to simplify the modeling and introduce fare increase as an external factor to the model. This work is intended to help assess the need for additional revenues through 2031. The four (4) scenarios make adjustments to growth rates that represent broader macroeconomic trends. The four (4) scenarios and the baseline are presented in Table 5 below:

Table 4: Overview of 10-Year Financial Scenarios

Scenario	% of Pre-COVID Ridership (2026)	% of Pre-COVID Ridership (2031)	Fare Increase	Sales Tax Growth	Service Board Expense Growth
1. Upside Economy	80%	100%	No adjustment after 2024	4.5% (+1.5% from baseline)	4.4% (+0.5% from baseline)
2. Stronger Economy	75%	80%	No adjustment after 2024	3.75% (-0.75% from baseline)	4.15% (+0.25% from baseline)
3. Baseline	68%	74%	No adjustment after 2024	3.0%	3.9%
4. Uneven Recovery	62%	70%	No adjustment after 2024	2.25% (-0.75% from baseline)	3.65% (-0.25% from baseline)
5. Economic Slowdown	58%	70%	No adjustment after 2024	1.5% (-1.5% from baseline)	3.4% (-0.5% from baseline)

Scenario 1. Upside Economy

In this scenario, robust economic growth is accompanied by a resurgence in activity within Chicago's urban core as white-collar workers return to the office and the Chicago region adds population, causing a 50% growth in annual sales tax growth rates. The increase in downtown economic activity motivates more people to use transit as the highways return to pre-pandemic congestion levels. As a result, ridership recovers more quickly and reaches its pre-pandemic level by the end of the 10-Year forecast period. The increase in economic activity increases the competition for labor and raises prices for fuel and other materials, leading to higher service board operating costs, but these are offset by higher sales tax growth.

Figure 7 provides an overview of the model results for each year between 2022 and 2031 under the Upside Economy scenario.

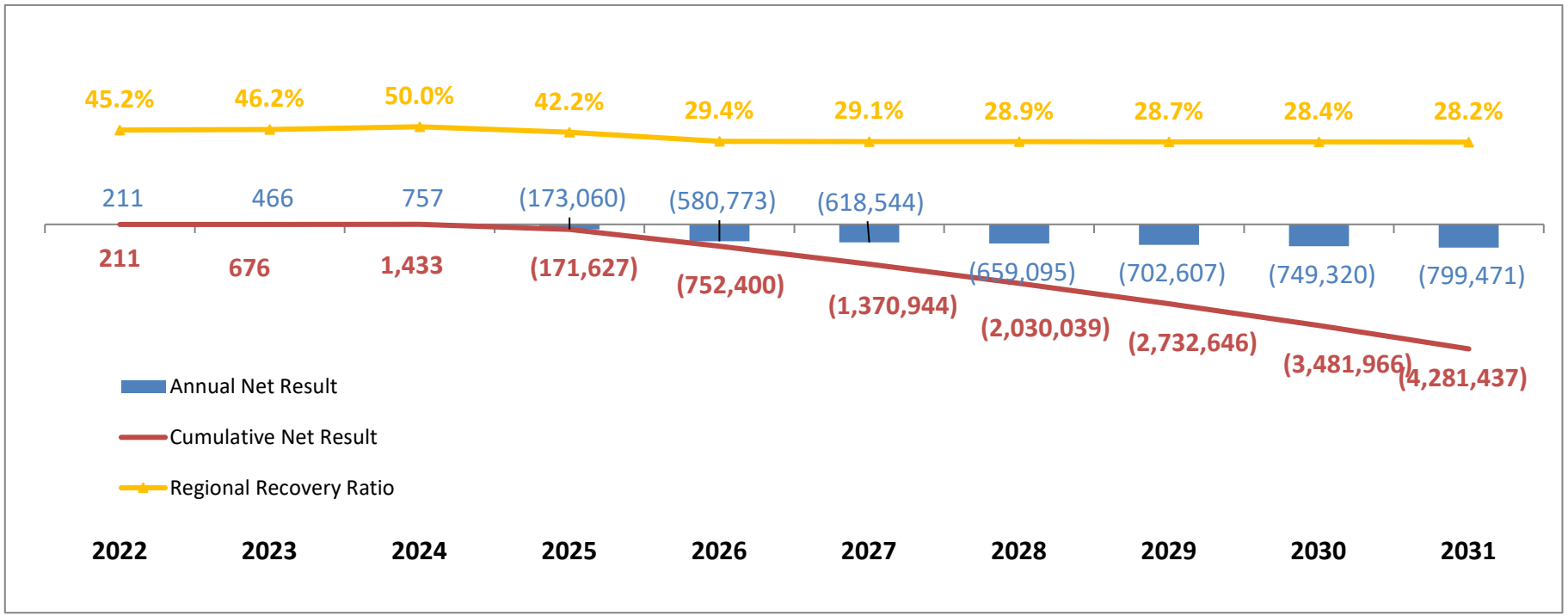
Figure 7: Upside Economy Scenario Model Results (Dollars in Thousands)

	CAGR			2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Regional Totals	**'22-'24**	**'25-'31**	**'22-'31**	**Budget**	**Plan**	**Plan**	**View**	**View**	**View**	**View**	**View**	**View**	**View**
Total Operating Revenues	**6.7%**	**-1.8%**	**-0.4%**	**1,155,536**	**1,242,823**	**1,315,596**	**1,240,337**	**899,044**	**937,556**	**977,797**	**1,019,847**	**1,063,789**	**1,109,710**
Total Public Funding	**2.3%**	**4.0%**	**3.4%**	**2,230,995**	**2,264,055**	**2,332,676**	**2,374,773**	**2,467,090**	**2,572,916**	**2,683,514**	**2,786,231**	**2,895,722**	**3,007,654**
Total Revenues	**3.8%**	**2.2%**	**2.2%**	**3,386,531**	**3,506,878**	**3,648,272**	**3,615,110**	**3,366,135**	**3,510,473**	**3,661,312**	**3,806,078**	**3,959,511**	**4,117,363**
Total Expenses	**3.8%**	**4.4%**	**4.3%**	**3,378,469**	**3,498,370**	**3,639,240**	**3,788,170**	**3,946,907**	**4,129,017**	**4,320,406**	**4,508,685**	**4,708,831**	**4,916,835**
Service Board Net Results													
CTA Net Result				7	(0)	(0)	(138,817)	(412,547)	(448,050)	(486,270)	(527,390)	(571,627)	(619,202)
Metra Net Result				1	(0)	0	4,848	(124,784)	(124,576)	(124,174)	(123,555)	(122,711)	(121,629)
Pace Net Result				(2)	0	0	(39,091)	(43,442)	(45,918)	(48,651)	(51,662)	(54,981)	(58,641)
ADA Net Result				205	466	756	0	0	0	0	0	0	0
Service Board Combined Net Result				**211**	**466**	**757**	**(173,060)**	**(580,773)**	**(618,544)**	**(659,095)**	**(702,607)**	**(749,320)**	**(799,471)**
RTA Net Result				0	0	0	0	0	0	0	0	0	0
RTA System Net Result				**211**	**466**	**757**	**(173,060)**	**(580,773)**	**(618,544)**	**(659,095)**	**(702,607)**	**(749,320)**	**(799,471)**
Cumulative RTA System Net Result				**211**	**676**	**1,433**	**(171,627)**	**(752,400)**	**(1,370,944)**	**(2,030,039)**	**(2,732,646)**	**(3,481,966)**	**(4,281,437)**
Regional Recovery Ratio				**45.2%**	**46.2%**	**50.0%**	**42.2%**	**29.4%**	**29.1%**	**28.9%**	**28.7%**	**28.4%**	**28.2%**

In the Upside Economy scenario, RTA and the service boards first experience an annual shortfall of $173 million in 2025. This shortfall increases to $581 million in 2026 as the remaining Federal funding is depleted. Annual shortfalls increase year over year, reaching $799 million in 2031, while the cumulative net result grows to $4.3 billion. Over this time period, the regional recovery ratio declines from a high of 50.0% in 2024 to 28.2% in 2031.

Figure 8 shows the trendlines over time for the annual net result, cumulative net result, and regional recovery ratio under the Upside Economy scenario.

Figure 8: Upside Economy Scenario Summary Graph (Dollars in Thousands)



Scenario 2. Stronger Economy

In this scenario, economic activity increases throughout the Chicago metropolitan region, increasing traffic levels and incentivizing more people to use transit. While the downtown office environment does not recover as fully as under the Upside Economy scenario, the increase in economic activity and traffic leads to a more rapid recovery in transit demand, with ridership reaching 75% of pre-pandemic levels by 2026 and 80% by the end of the 10-Year forecast period. The increase in economic activity increases annual sales tax growth rates by 25% over the baseline growth rate. Stronger economic conditions increase prices for labor, fuel, and materials, leading to higher service board operating cost growth rates, but these are offset by higher sales tax growth.

Figure 9 provides an overview of the model results for each year between 2022 and 2031 under the Stronger Economy scenario.

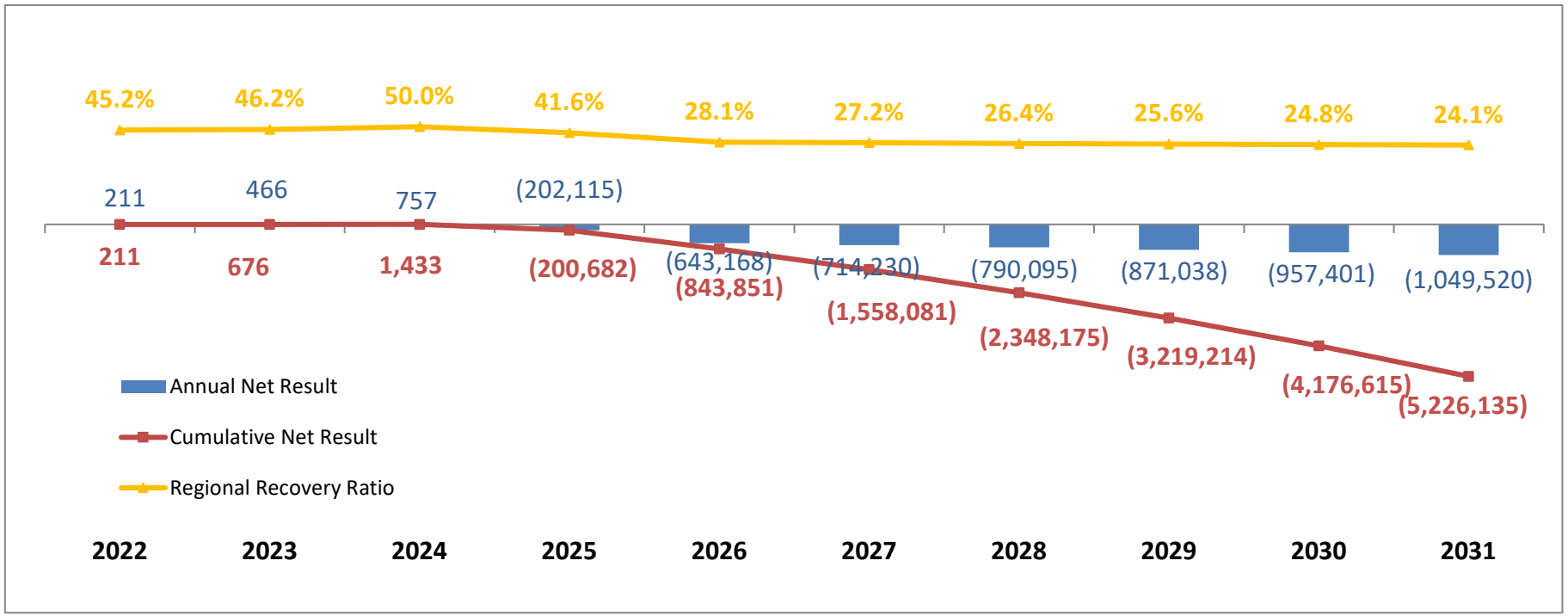
Figure 9: Stronger Economy Model Results (Dollars in Thousands)

	CAGR			2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Regional Totals	**'22-'24**	**'25-'31**	**'22-'31**	**Budget**	**Plan**	**Plan**	**View**	**View**	**View**	**View**	**View**	**View**	**View**
Total Operating Revenues	**6.7%**	**-2.8%**	**-1.2%**	**1,155,536**	**1,242,823**	**1,315,596**	**1,234,591**	**886,401**	**915,316**	**945,216**	**976,137**	**1,008,114**	**1,041,186**
Total Public Funding	**2.3%**	**3.3%**	**2.8%**	**2,230,995**	**2,264,055**	**2,332,676**	**2,358,701**	**2,433,620**	**2,520,639**	**2,610,935**	**2,691,764**	**2,777,683**	**2,864,257**
Total Revenues	**3.8%**	**1.4%**	**1.6%**	**3,386,531**	**3,506,878**	**3,648,272**	**3,593,291**	**3,320,021**	**3,435,955**	**3,556,151**	**3,667,900**	**3,785,797**	**3,905,443**
Total Expenses	**3.8%**	**4.4%**	**4.3%**	**3,378,469**	**3,498,370**	**3,639,240**	**3,788,170**	**3,946,907**	**4,129,017**	**4,320,406**	**4,508,685**	**4,708,831**	**4,916,835**
Service Board Net Results													
CTA Net Result				7	(0)	(0)	(151,783)	(439,994)	(492,361)	(548,768)	(609,477)	(674,789)	(745,013)
Metra Net Result				1	(0)	0	(1,897)	(139,039)	(147,815)	(157,110)	(166,946)	(177,363)	(188,394)
Pace Net Result				(2)	0	0	(41,198)	(47,853)	(52,886)	(58,377)	(64,361)	(70,883)	(77,984)
ADA Net Result				205	466	756	0	0	0	0	0	0	0
Service Board Combined Net Result				**211**	**466**	**757**	**(194,879)**	**(626,887)**	**(693,062)**	**(764,255)**	**(840,784)**	**(923,034)**	**(1,011,391)**
RTA Net Result				0	0	0	0	0	0	0	0	0	0
RTA System Net Result				**211**	**466**	**757**	**(194,879)**	**(626,887)**	**(693,062)**	**(764,255)**	**(840,784)**	**(923,034)**	**(1,011,391)**
Cumulative RTA System Net Result				**211**	**676**	**1,433**	**(193,446)**	**(820,332)**	**(1,513,394)**	**(2,277,649)**	**(3,118,433)**	**(4,041,468)**	**(5,052,859)**
Regional Recovery Ratio				**45.2%**	**46.2%**	**50.0%**	**42.0%**	**29.0%**	**28.5%**	**28.0%**	**27.5%**	**27.0%**	**26.5%**

In the Stronger Economy scenario, RTA and the service boards first experience an annual shortfall of $202 million in 2025. This shortfall increases to $643 million in 2026 as the remaining Federal funding is depleted. Annual shortfalls increase year over year, reaching $1.0 billion in 2031, while the cumulative net result grows to $5.2 billion. Over this time period, the regional recovery ratio declines from a high of 50.0% in 2024 to 24.1% in 2031.

Figure 10 shows the trendlines over time for the annual net result, cumulative net result, and regional recovery ratio under the Stronger Economy scenario.

Figure 10: Stronger Economy Scenario Summary Graph (Dollars in Thousands)



Scenario 3. Baseline Scenario

As previously stated, ridership is assumed to recovery slowly, growing approximately 2.0% per year and reaching 422 million, or 74% of pre-COVID ridership, by the end of 2031. Expense growth rates, which were provided by each service board, average out to approximately 3.9% per year, while sales taxes are projected to grow by 3.0% per year. The baseline scenario is based on an extension of 2021-2022 macroeconomic forces, in which the regional economy continues to grow at a modest rate. Worker attendance at downtown offices continues to remain below pre-COVID levels for much of the time period as the higher levels of telework remain in place, but overall growth in the regional economy allows ridership to recover to pre-COVID levels by 2031.

Figure 11 provides an overview of the model results for each year between 2022 and 2031 under the Baseline Scenario.

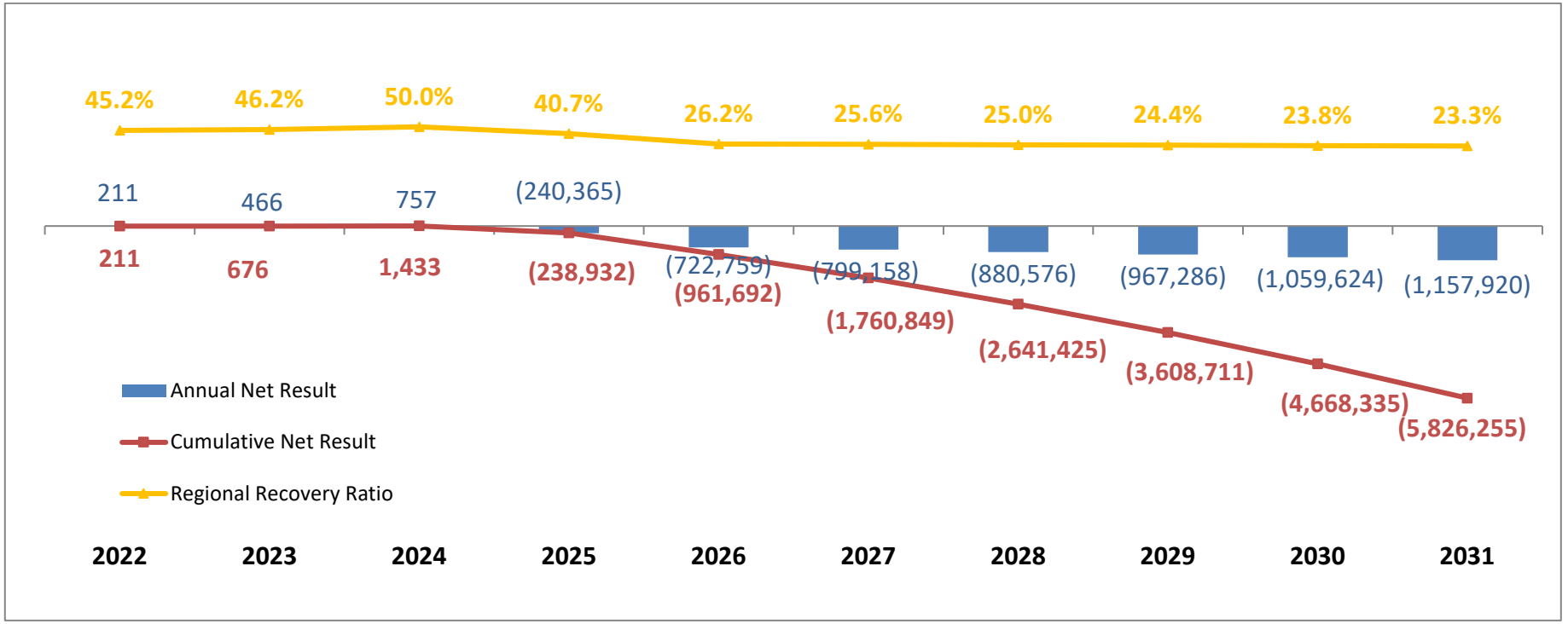
Figure 11: Baseline Scenario Model Results (Dollars in Thousands)

		CAGR		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Regional Totals	**'22-'24**	**'25-'31**	**'22-'31**	**Budget**	**Plan**	**Plan**	**View**	**View**	**View**	**View**	**View**	**View**	**View**
Total Operating Revenues	**6.7%**	**-4.9%**	**-3.0%**	**1,155,536**	**1,242,823**	**1,315,596**	**1,188,232**	**788,321**	**805,158**	**822,395**	**840,044**	**858,118**	**876,630**
Total Public Funding	**2.3%**	**2.6%**	**2.3%**	**2,230,995**	**2,264,055**	**2,332,676**	**2,342,628**	**2,400,390**	**2,469,112**	**2,539,913**	**2,599,989**	**2,663,834**	**2,726,948**
Total Revenues	**3.8%**	**0.3%**	**0.7%**	**3,386,531**	**3,506,878**	**3,648,272**	**3,530,860**	**3,188,711**	**3,274,270**	**3,362,308**	**3,440,033**	**3,521,952**	**3,603,577**
Total Expenses	**3.8%**	**4.0%**	**3.9%**	**3,378,469**	**3,498,370**	**3,639,240**	**3,771,225**	**3,911,470**	**4,073,427**	**4,242,883**	**4,407,319**	**4,581,576**	**4,761,497**
Service Board Net Results													
CTA Net Result				7	(0)	(0)	(177,487)	(494,056)	(551,246)	(612,299)	(677,434)	(746,903)	(820,964)
Metra Net Result				1	(0)	0	(19,972)	(177,279)	(190,859)	(205,139)	(220,144)	(235,917)	(252,493)
Pace Net Result				(2)	0	0	(42,906)	(51,424)	(57,053)	(63,138)	(69,709)	(76,804)	(84,462)
ADA Net Result				205	466	756	0	0	0	0	0	0	0
Service Board Combined Net Result				**211**	**466**	**757**	**(240,365)**	**(722,759)**	**(799,158)**	**(880,576)**	**(967,286)**	**(1,059,624)**	**(1,157,920)**
RTA Net Result				0	0	0	0	0	0	0	0	0	0
RTA System Net Result				**211**	**466**	**757**	**(240,365)**	**(722,759)**	**(799,158)**	**(880,576)**	**(967,286)**	**(1,059,624)**	**(1,157,920)**
Cumulative RTA System Net Result				**211**	**676**	**1,433**	**(238,932)**	**(961,692)**	**(1,760,849)**	**(2,641,425)**	**(3,608,711)**	**(4,668,335)**	**(5,826,255)**
Regional Recovery Ratio				**45.2%**	**46.2%**	**50.0%**	**40.7%**	**26.2%**	**25.6%**	**25.0%**	**24.4%**	**23.8%**	**23.3%**

Under current conditions, the Federal relief funding will be exhausted in 2025 for all service boards, resulting in a significant operating shortfall of $723 million in 2026. The annual shortfall is projected to grow to $1.2 billion in 2031, yielding a cumulative net result of $5.8 billion. Over this time period, the regional recovery ratio increases from 46.2% in 2023 to 50.0% in 2024, before declining year-over-year and reaching a value of 23.3% in 2031.

Figure 12 shows the trendlines over time for the annual net result, cumulative net result, and regional recovery ratio under the Baseline scenario.

Figure 12: Baseline Projection Summary Graph (Dollars in Thousands)



Scenario 4. Uneven Recovery

In this scenario, the Chicago metropolitan region is affected by a brief national recession at some point in the 10-Year forecasting period, but recovers to the baseline level quickly. Economic activity slows down during the recession, reducing the average annual sales tax growth rate by 25%. Due to longer-term disruptions on travel demand and commute patterns caused by the recession, transit ridership remains below baseline projections through 2031. The impacts of the recession also slow the rate of growth in service board operating expenses, as the reduced economic activity temporarily depresses prices and the increase in unemployment reduces wage pressures. Therefore, annual service board expense growth rates decline, but the lower rate of growth in sales tax revenues has a more significant impact on overall financial conditions.

Figure 13 provides an overview of the model results for each year between 2022 and 2031 under the Uneven Recovery scenario.

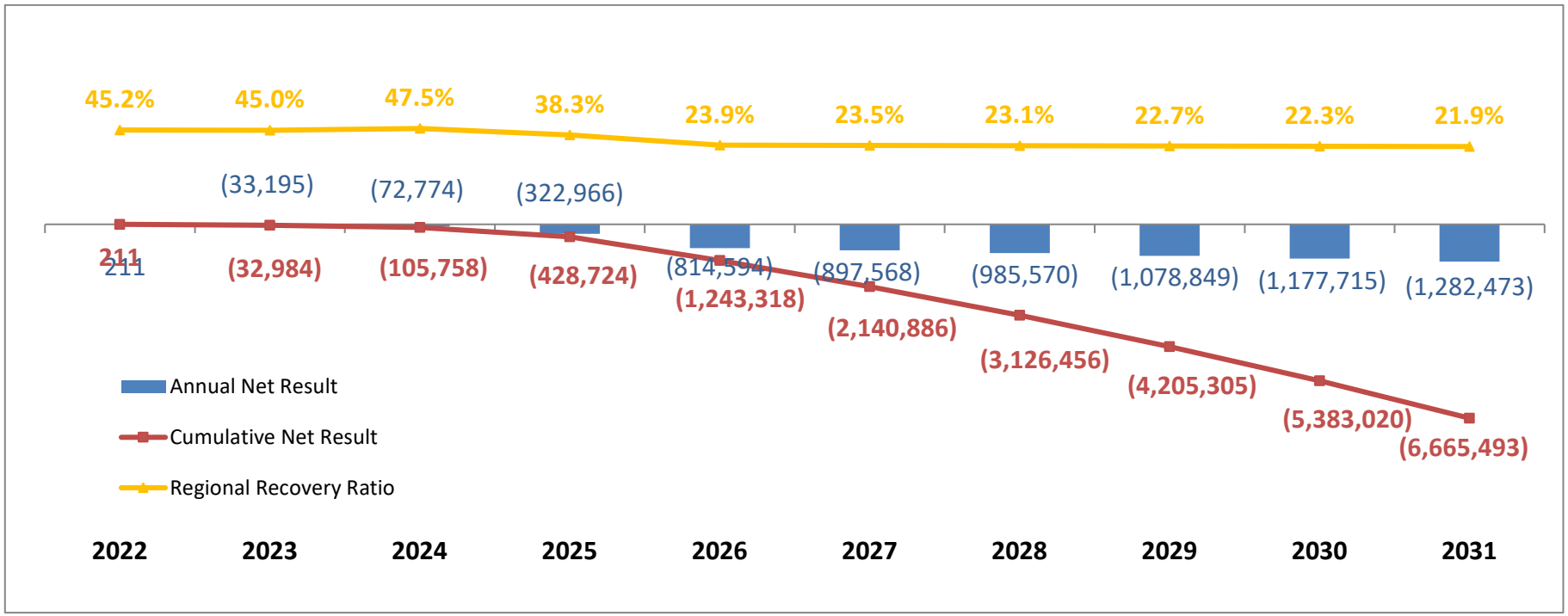
Figure 13: Uneven Recovery Scenario Model Results (Dollars in Thousands)

	CAGR			2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Regional Totals	**'22-'24**	**'25-'31**	**'22-'31**	**Budget**	**Plan**	**Plan**	**View**	**View**	**View**	**View**	**View**	**View**	**View**
Total Operating Revenues	**3.7%**	**-5.2%**	**-3.9%**	**1,155,536**	**1,209,163**	**1,242,066**	**1,113,231**	**711,820**	**729,933**	**748,542**	**767,663**	**787,311**	**807,504**
Total Public Funding	**2.3%**	**1.8%**	**1.7%**	**2,230,995**	**2,264,055**	**2,332,676**	**2,326,556**	**2,367,401**	**2,418,330**	**2,470,425**	**2,510,848**	**2,554,056**	**2,595,508**
Total Revenues	**2.7%**	**-0.2%**	**0.1%**	**3,386,531**	**3,473,218**	**3,574,742**	**3,439,787**	**3,079,221**	**3,148,263**	**3,218,968**	**3,278,511**	**3,341,367**	**3,403,012**
Total Expenses	**3.8%**	**3.7%**	**3.7%**	**3,378,469**	**3,498,370**	**3,639,240**	**3,762,753**	**3,893,815**	**4,045,831**	**4,204,537**	**4,357,360**	**4,519,082**	**4,685,485**
Service Board Net Results													
CTA Net Result				7	(0)	(0)	(181,643)	(502,385)	(561,894)	(625,169)	(692,409)	(763,843)	(839,704)
Metra Net Result				1	(33,661)	(73,530)	(97,333)	(258,578)	(275,359)	(292,913)	(311,265)	(330,456)	(350,524)
Pace Net Result				(2)	0	0	(43,991)	(53,630)	(60,315)	(67,488)	(75,175)	(83,416)	(92,245)
ADA Net Result				205	466	756	0	0	0	0	0	0	0
Service Board Combined Net Result				**211**	**(33,195)**	**(72,774)**	**(322,966)**	**(814,594)**	**(897,568)**	**(985,570)**	**(1,078,849)**	**(1,177,715)**	**(1,282,473)**
RTA Net Result				0	0	0	0	0	0	0	0	0	0
RTA System Net Result				**211**	**(33,195)**	**(72,774)**	**(322,966)**	**(814,594)**	**(897,568)**	**(985,570)**	**(1,078,849)**	**(1,177,715)**	**(1,282,473)**
Cumulative RTA System Net Result				**211**	**(32,984)**	**(105,758)**	**(428,724)**	**(1,243,318)**	**(2,140,886)**	**(3,126,456)**	**(4,205,305)**	**(5,383,020)**	**(6,665,493)**
Regional Recovery Ratio				**45.2%**	**45.0%**	**47.5%**	**38.3%**	**23.9%**	**23.5%**	**23.1%**	**22.7%**	**22.3%**	**21.9%**

In the Uneven Recovery scenario, RTA and the service boards first experience an annual shortfall of $33 million in 2023. This shortfall increases to $815 million in 2026 as the remaining Federal funding is depleted. Annual shortfalls increase year over year, reaching $1.3 billion in 2031, while the net result grows to $6.7 billion. Over this time period, the regional recovery ratio declines from a high of 47.5% in 2024 to 21.9% in 2031.

Figure 14 shows the trendlines over time for the annual net result, cumulative net result, and regional recovery ratio under the Uneven Recovery scenario.

Figure 14: Uneven Recovery Summary Graph (Dollars in Thousands)



Scenario 5. Economic Slowdown

In this scenario, the national recession lasts longer and has a more significant impact. Economic activity experiences a greater slowdown, reducing the average annual sales tax growth rate by 50% over the 10-Year forecast period. The longer recession has a greater impact on unemployment levels, leading to lower ridership recovery rates by the middle of the forecast period. However, as economic recovery begins in the second half of the forecast period, ridership recovers more rapidly, albeit staying below the total recovery level of the baseline scenario. The longer recession has a more significant impact on service board operating expenses due to higher unemployment levels. However, the decrease in operating costs does not compensate for the lower rate of growth in sales tax revenues.

Figure 15 provides an overview of the model results for each year between 2022 and 2031 under the Economic Slowdown scenario.

Figure 15: Economic Slowdown Model Results (Dollars in Thousands)

	CAGR			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Regional Totals	**'22-'24**	**'25-'31**	**'22-'31**	**Actual**	**"Actual"**	**Budget**	**Plan**	**Plan**	**View**	**View**	**View**	**View**	**View**	**View**	**View**
Total Operating Revenues	**3.9%**	**-4.8%**	**-3.7%**	**1,046,708**	**933,949**	**1,155,536**	**1,241,157**	**1,247,465**	**1,107,840**	**695,424**	**719,666**	**744,799**	**770,857**	**797,877**	**825,895**
Total Public Funding	**2.3%**	**1.1%**	**1.1%**	**1,886,054**	**2,151,849**	**2,230,995**	**2,264,055**	**2,332,676**	**2,310,483**	**2,334,654**	**2,368,287**	**2,402,450**	**2,424,285**	**2,448,230**	**2,469,727**
Total Revenues	**2.8%**	**-0.6%**	**-0.3%**	**2,932,762**	**3,085,798**	**3,386,531**	**3,505,212**	**3,580,141**	**3,418,324**	**3,030,078**	**3,087,953**	**3,147,249**	**3,195,142**	**3,246,107**	**3,295,622**
Total Expenses	**3.8%**	**3.5%**	**3.5%**	**2,863,803**	**3,119,503**	**3,378,469**	**3,498,370**	**3,639,240**	**3,754,280**	**3,876,202**	**4,018,368**	**4,166,467**	**4,307,878**	**4,457,334**	**4,610,560**
Service Board Net Results															
CTA Net Result				0	0	7	(0)	(0)	(192,942)	(525,032)	(584,561)	(647,463)	(713,899)	(784,060)	(858,138)
Metra Net Result				35,630	(29,461)	1	(1,667)	(68,131)	(97,552)	(264,499)	(281,681)	(299,522)	(318,038)	(337,261)	(357,217)
Pace Net Result				33,693	1,882	(2)	0	0	(45,462)	(56,593)	(64,173)	(72,233)	(80,800)	(89,905)	(99,583)
ADA Net Result				(0)	(930)	205	466	756	0	0	0	0	0	0	0
Service Board Combined Net Result				**69,324**	**(28,508)**	**211**	**(1,201)**	**(67,375)**	**(335,957)**	**(846,124)**	**(930,414)**	**(1,019,218)**	**(1,112,736)**	**(1,211,227)**	**(1,314,938)**
RTA Net Result				4,291	(3,033)	0	0	0	0	0	0	0	0	0	0
RTA System Net Result				**73,615**	**(31,542)**	**211**	**(1,201)**	**(67,375)**	**(335,957)**	**(846,124)**	**(930,414)**	**(1,019,218)**	**(1,112,736)**	**(1,211,227)**	**(1,314,938)**
Cumulative RTA System Net Result						**211**	**(990)**	**(68,365)**	**(404,321)**	**(1,250,446)**	**(2,180,860)**	**(3,200,078)**	**(4,312,814)**	**(5,524,040)**	**(6,838,979)**
Beginning RTA Unassigned Fund Balance				**(590)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**
Change in RTA Fund Balance				4,291	(3,033)	0	0	0	0	0	0	0	0	0	0
Transfers and Adjustments				(4,740)	3,033	-	-	-	-	-	-	-	-	-	-
Ending RTA Unassigned Fund Balance				**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**	**(1,039)**
Regional Recovery Ratio				**50.2%**	**40.8%**	**45.2%**	**46.2%**	**47.6%**	**38.2%**	**23.5%**	**23.3%**	**23.2%**	**23.0%**	**22.9%**	**22.7%**

In the Economic Slowdown scenario, RTA and the service boards first experience an annual shortfall of $1 million in 2023. This shortfall increases to $930 million in 2026 as the remaining Federal funding is depleted. Annual shortfalls increase year over year, reaching $1.3 billion in 2031, while the net result grows to $6.8 billion. Over this time period, the regional recovery ratio declines from a high of 47.6% in 2024 to 22.7% in 2031.

Figure 16 shows the trendlines over time for the annual net result, cumulative net result, and regional recovery ratio under the Economic Slowdown scenario.

Figure 16: Economic Slowdown Summary Graphs (Dollars in Thousands)

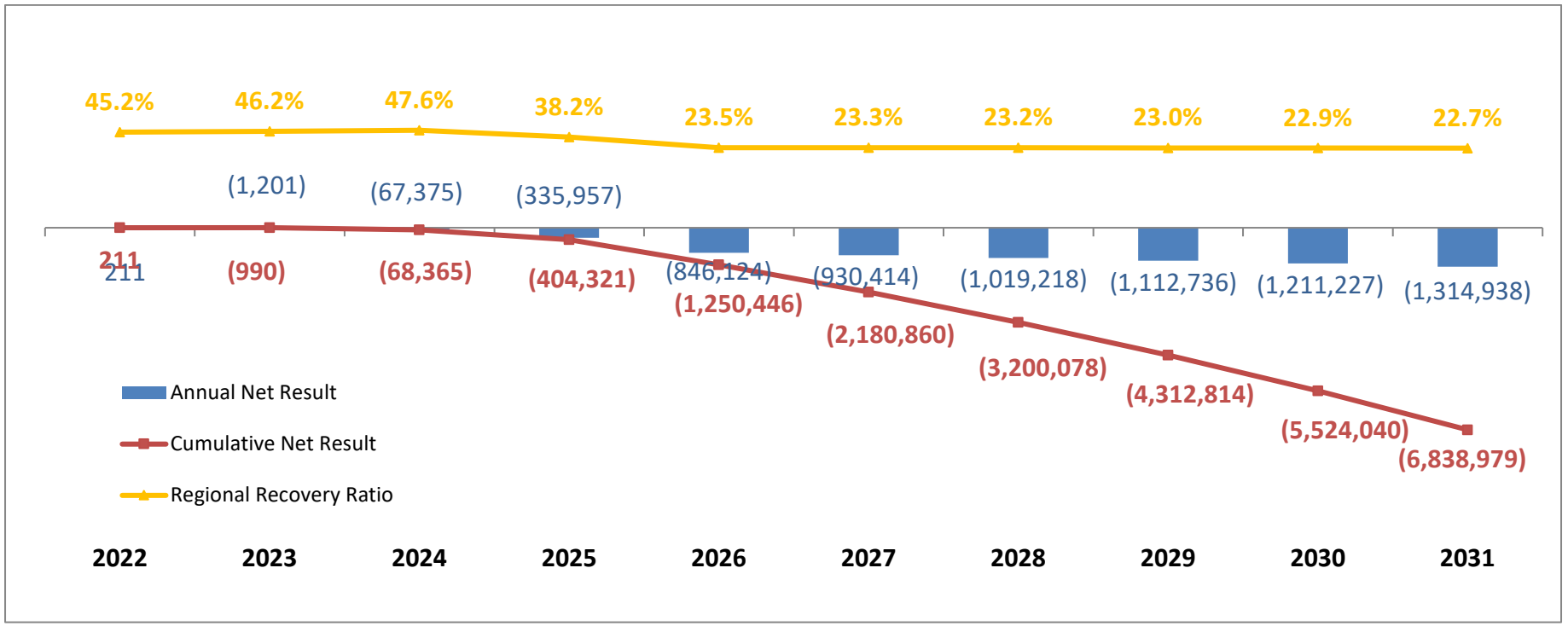


Figure 17 shows the annual shortfalls across the five scenarios through 2031, while Figure 18 shows the cumulative net results across the five scenarios during this forecast period.

Figure 17: Projected RTA System Annual Net Result for Five Scenarios (Dollars in Millions)

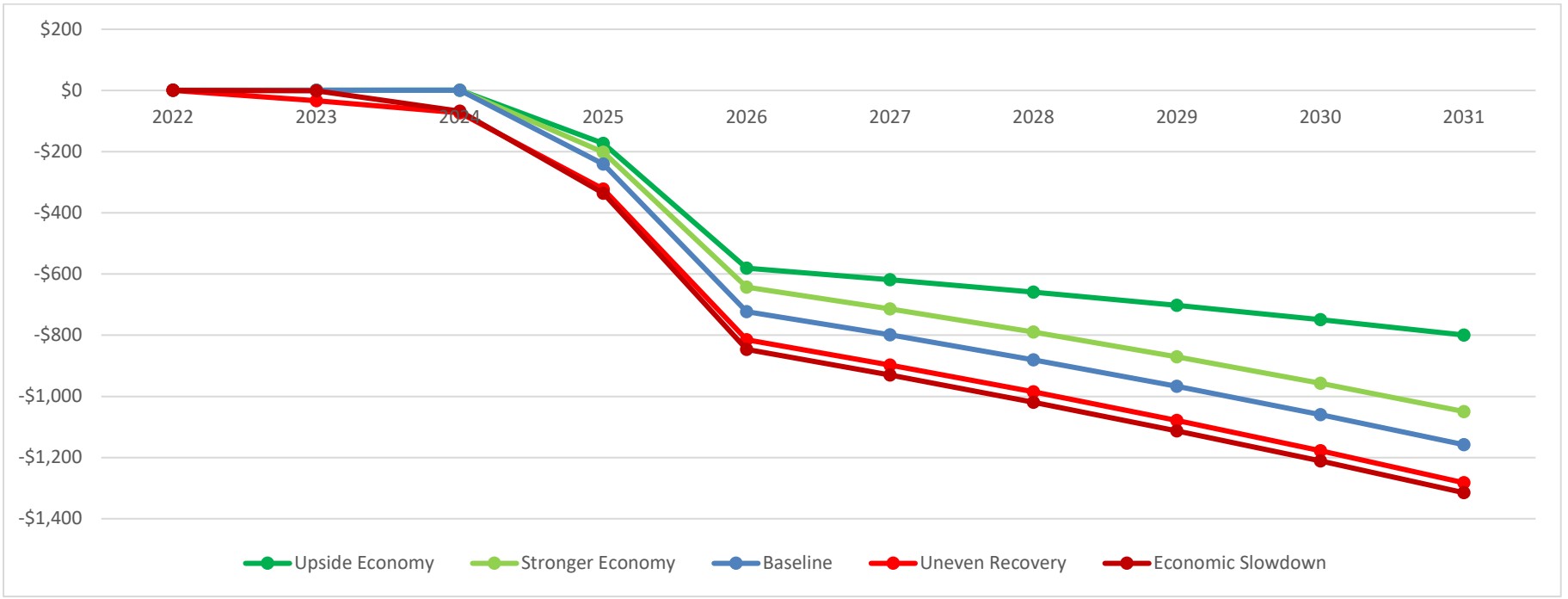
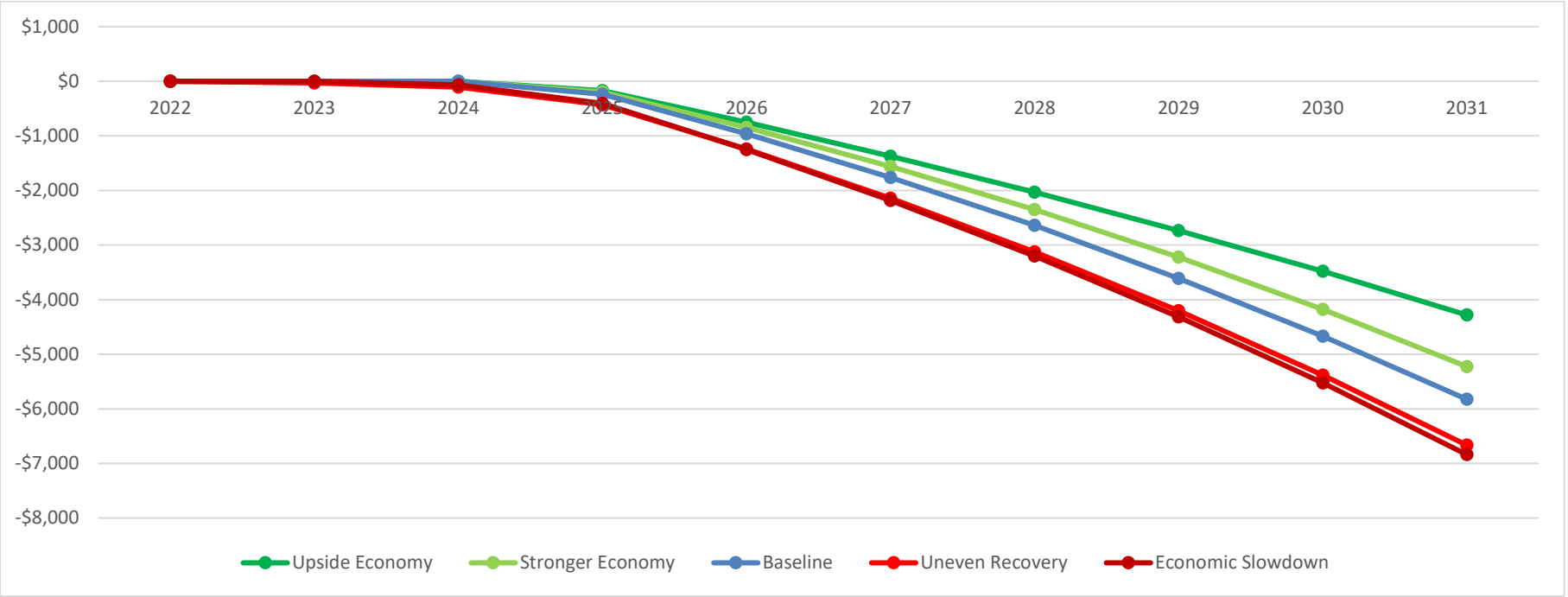


Figure 18: Projected RTA System Cumulative Net Results for Five Scenarios (Dollars in Millions)



The results of the scenario planning demonstrate the need for additional funding to support the RTA system. Under a range of conditions for ridership growth, sales tax revenue growth, and operating expense growth, the RTA system faces a cumulative net result in the billions of dollars by the end of 2031. These findings suggest that the financial losses experienced during the COVID-19 pandemic and the depressed ridership levels in the post-COVID recovery period have significantly impacted the financial conditions of the RTA and the transit service providers in the Chicago metropolitan region.

Alternative Revenue Source Evaluation Framework

As part of a 10-Year Financial Plan, the RTA is evaluating potential alternative revenues to support public transit in the six-county RTA service area in order to address a funding gap expected to start in 2025 from continued low transit ridership from COVID and exhausting Federal relief funding.

RTA Finance staff worked with Service Board and CMAP representatives and the consultant team to create an evaluation framework to assess alternative revenue options. This work is intended to help determine which sources the RTA and the service board agencies should support and pursue with further research and advocacy efforts. The framework establishes six criteria (Table 6) to evaluate each alternative revenue source. Each criterion has a Low/Medium/High Rating Scale to assess the revenue source. The Rating Scale frames "Low" ratings as lower-performing and "High" ratings as higher-performing for all criteria to streamline the evaluation and ranking process.

Additionally, this analysis identifies two non-evaluative criteria to assist with decision-making. The first criterion is Authorizing Entity, which highlights which agency is responsible for establishing and/or collecting the revenue source. The second criterion is Growth, which estimates the annual growth rate projected for the revenue source over the 10-year timeframe (2022 – 2031). As with the other criteria, Growth is categorized on a Low/Medium/High Rating Scale, along with an additional rating for No Growth. However, Growth is not factored into the overall rating of the criteria since the annual growth rate estimates are preliminary and subject to considerable external macroeconomic forces that are beyond the scope of this assessment.

Table 5: Preliminary Alternative Revenue Source Evaluation Framework Criteria

Criterion	Definition	Rating Scale
Revenue Yield	The amount of annual revenue generated by the funding source *(Presented as a range and assigned to a rating scale)*	• Low: Less than $10m per year • Medium: Between $10m and $100m per year • High: More than $100m per year
Stability	The extent to which the funding source may be expected to change in volume (excepting inflation) from year to year	• Low: Fluctuation is significant and unpredictable, and factors affecting stability are not identified • Medium: Fluctuation is moderate and relatively predictable, and factors affecting stability are understood • High: Fluctuation is low or nonexistent and volumes are highly predictable
Equitable Outcomes	The degree to which costs associated with the funding source reduce the share of impacts on historically	• Low: The source is regressive, reinforcing the status quo which predominantly affects historically disadvantaged groups

Criterion	Definition	Rating Scale
	disadvantaged groups, particularly low-income households and including communities of color, people who possess limited English proficiency, have a disability, and/or are senior citizens	• Medium: The source falls on all income levels and socioeconomic groups, irrespective of the consequences • High: The source is progressive, with a lower share of revenue collection from historically disadvantaged groups
Nexus with Transit	The extent to which the revenue source has been utilized to support regional public transit previously aligns with or supports the purpose of regional public transit as a public good	• Low: The source has little alignment with public transit • Medium: The source has historically supported public transit • High: The source creates and/or strengthens incentives to use public transit
Ease of Administrative Implementation	The amount of resources needed to establish and maintain the revenue source and collect revenue	• Low: The revenue source represents a new mechanism for revenue collection and new procedures must be established • Medium: The revenue source is not yet in place but is structurally similar to existing revenue sources and can be collected using existing procedures • High: The revenue source is already in place and requires no additional resources for administration
Projected Range of Implementation	The range of years in which the enhanced revenues would be collected by state or local agencies *(Presented as a range and assigned to a rating scale)*	• Low: The revenue source will take more than five years to be in effect • Medium: The revenue source can be in effect in two to five years • High: The revenue source can be in effect in two years or less
Authorizing Entity	The agency or agencies responsible for establishing and/or collecting the revenue source	• N/A: Rating values are not assigned to this criterion. The criterion is informative, not evaluative.

Table 7 presents the ratings for 26 potential revenue sources in five categories: Local Revenues generated from taxes; Local Revenues generated from fees; State Revenues; Federal Revenues; and Farebox Revenue Enhancement strategies, which represent policy changes designed to incentivize people to use transit. In addition to showing the ratings for the six criteria, Table 7 also identifies a Authorizing Entity for each revenue source identifying the agency or governing body that has authority or jurisdiction to enact the new revenue source.

Table 6: Alternative Revenue Source Matrix

Category	Source	Description	Authorizing Entity	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
Federal Revenue	Reestablish Federal formula funding dedicated for transit operations	Reestablish a Federal dedicated funding program to provide operating subsidies as a match state and local funding.	Congress (Establishment) Federal Transit Administration (Administration)	$216m to $960m High	High	High	Medium	Low	Low
Local Revenue - Taxes	Increase RTA sales tax rate by 0.25%	Increase in existing RTA sales tax levied on Cook County & Collar Counties in RTA service area	State Legislature, Governor's Office	$300m to $400m High	Medium	Medium	Low	High	Two years or less High
State Revenue - Taxes	Increase State Motor Fuel Use Tax by $0.05/gal and dedicate revenues to transit operations	Increase in Illinois Motor Fuel Tax, levied on per-gal sale of gasoline &/or diesel, with revenues dedicated to transit operations	State Legislature	$220m to $280m High	Medium	High	Low	High	Two years or less High
Local Revenue – Fees	Establish congestion pricing within the Chicago Metropolitan Area and dedicate revenues to transit operations	Geographic- &/or temporal toll or fee levied on travel on Chicago-area highways into the city, with revenues dedicated to transit operations	State legislature (design and admin); FHWA (authorization)	$200m to $220m High	High	High	Medium	Low	More than five years Low
Local Revenue – Taxes	Expand RTA sales tax to business-to-business transactions	Application of sales tax base to business-to-business transactions currently exempt from taxation	State Legislature	$150m to $200m High	Medium	Medium	Medium	Low	More than five years Low
Local Revenue - Taxes	Expand sales tax base by levying taxes on services	Application of sales tax base to services currently exempt from taxation	State Legislature	$150m to $200m High	Medium	Medium	Medium	Medium	Two to five years Medium
State Revenue - Taxes	Establish progressive state income tax and dedicate 5% of revenues to the RTA for transit operations	Income tax with a rate that scales with income, with 5% of revenues dedicated to the RTA for transit operations	State Legislature and the General Public	$145m to $195m High	Medium	Low	High	Low	More than five years Low

Category	Source	Description	Authorizing Entity	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
State Revenue - Taxes	Implement VMT Tax with revenues dedicated to the RTA	Implement VMT tax to replace 5% of state MFT taxes lost by fuel efficiency and EV adoption and dedicate revenues to the RTA for transit operations	State Legislature	$100m to $130m High	High	High	Medium	Low	More than five years Low
Local Revenue - Taxes	Expand the Real Estate Transfer Tax to suburban Cook County and Collar Counties	Extension of RETT from real estate transactions in City of Chicago to entire RTA service area, with revenues dedicated to all service boards	State Legislature (Establishment); Counties and Municipalities (Administration)	$70m to $100m Medium	Low	Medium	Medium	Medium	Two to five years Medium
Local Revenue - Fees	Increase Tollway tolls with increment dedicated to transit operations	Establish a 5% increase on tolls with revenues dedicated to transit operations	State Legislature (Authorization) Tollway Authority (Administration)	$70m to $80m Medium	High	High	Low	High	Two years or less High
State Revenue – General Funding	Increase State PTF match on sales tax and RETT	Increase State Public Transit Fund match on sales tax and RETT revenues by 5%	State Legislature	$65m to 95m Medium	Medium	Medium	Medium	High	Two years or less High
Local Revenue – Fees	Implement value capture on new developments in transit station service areas	Fee mechanism levied on new developments in transit station service areas to fund increased transit demand resulting from new development	Municipalities (Establishment) State Legislature (Authorization)	$60m to $100m Medium	Medium	High	High	Medium	Two to five years Medium
Federal Revenue	Establish Federal dedicated funding for Federally-mandated ADA paratransit operations	Establish a Federal dedicated funding program to match 20% of total expenditures on Federally-mandated ADA paratransit operations	Congress (Establishment) Federal Transit Administration (Administration)	$45m to $70m Medium	High	High	Medium	Low	More than five years Low
Local Revenue - Fees	Increase vehicle registration fee with revenue collections dedicated to RTA	Increase in existing vehicle registration fee for vehicles registered in RTA service area	State Legislature	$45m to $50m Medium	High	High	Low	High	Two years or less High

Category	Source	Description	Authorizing Entity	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
Federal Revenue	Increase flexibility to use Federal formula funds for operating vs capital	Establish rule allowing transit agencies to flex up to 10% of their 5307/5340 Urbanized Area Formula funds from capital expenditures to operating expenditures	Federal Transit Administration	$35m to $37m Medium	High	Low	Medium	High	Two years or less High
State Revenue – General Funding	Eliminate State surcharge on RTA sales tax	Removal of 1.5% surcharge on RTA sales tax receipts retained by State of Illinois	State Legislature	$20m Medium	Medium	Medium	Medium	High	Two years or less High
State Revenue – General Funding	Enhance State Reduced Fare reimbursement	Increase state reimbursement for Reduced Fare to better reflect revenue losses from free and reduced fares	State Legislature	$17.5m to $80m Medium	Low	High	High	High	Two years or less High
Farebox Revenue Enhancement	Require employers developers, and property managers, in transit station service areas to establish travel demand management plans	Policy change to increase ridership and revenue at large trip generators by promoting alternative transportation via travel demand management plans and incentives	Municipalities	$10.5m to $12.5m Medium	Medium	High	Medium	Medium	Two to five years Medium
Farebox Revenue Enhancement	Require developers in Chicago's eTOD areas to subsidize transit service and adhere to mandatory parking maximums	Policy change to increase ridership and revenue at large trip generators in Chicago by promoting alternative transportation via removal of subsidies for SOVs and increase in incentives for transit use and disincentivizing car ownership	City of Chicago	$10m to $12m Medium	Medium	High	Medium	Medium	Two to five years Medium
Local Revenue - Taxes	Establish equitable property tax assessment	Progressive property tax framework that scales property tax assessments with housing values	Municipalities and Counties	$6m to $12m Low	Medium	Low	High	Medium	More than five years Low

Category	Source	Description	Authorizing Entity	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation
Local Revenue - Taxes	Implement auto rental tax	Implement 1% local auto renting tax within RTA service area, as authorized under ILCS	RTA (Establishment) IL Dept. of Revenue (Collection)	$4.5m to $7.5m Low	Medium	High	Medium	Medium	Two years or less High
Local Revenue - Taxes	Increase parking tax with revenue collections from increase dedicated to RTA	Tax levied on on-street and off-street parking in Cook County & Collar Counties	State Legislature (establishment); Municipalities (admin)	$4.0m to $5.0m Low	Medium	High	Low	Low	More than five years Low
Local Revenue – Fees	Establish RTA electric vehicle registration fee with revenue collections dedicated to RTA	Fee levied on Electric Vehicle registrations in Cook County & Collar Counties	State Legislature	$3.0m to $4.0m Low	Medium	High	Medium	Medium	Two to five years Medium
Farebox Revenue Enhancement	Establish rider fare donation pool	Fare-sharing pool for riders to donate fare payments to support low-income riders who may be unable to afford fares	Service Boards (Administration); RTA (Coordination)	$3.0m to $3.5m Low	Low	High	High	Low	Two to five years Medium
Farebox Revenue Enhancement	Require developers to subsidize transit for affordable housing developments throughout the RTA service area	Policy change to increase ridership and revenue by making affordable housing incentives (tax credits, density bonuses, etc.) in the Chicago metropolitan region contingent on transit subsidies	Municipalities	$2.0m to $2.5m Low	Medium	High	High	Medium	Two to five years Medium
State Revenue – General Funding	Index State Funding for ADA Paratransit to inflation	Revision of State MOU for ADA paratransit funding to index state funding for inflation	State Legislature	$0.2m to $0.3m Low	Low	Medium	Medium	High	Two years or less High

Table 8 provides an overview of the annual growth rate rankings assigned to each funding source:

Table 7: Estimated Annual Growth Ratings for Revenue Sources, 2022-2031

Rating	Solutions
No Growth	Eliminate 1.5% State surcharge on RTA sales tax receipts Establish ride fare donation pool Allow flexibility to use federal formula funds for operating expenses
Low Growth	Increase existing on and off-street parking tax and dedicate revenues from increase to RTA Implement automobile rental tax Increase State vehicle registration fee with increment for transit Increase State Motor Fuel Tax by $0.05 per gallon Index State ADA Paratransit funding to inflation Establish Travel Demand Management plans near transit Establish requirements for developers in Transit-Oriented Developments to subsidize transit and enforce parking maximums Require affordable housing developers to subsidize transit
Medium Growth	Increase RTA sales tax by 0.25% Expand RTA sales tax to business-to-business transactions Expand RTA sales tax to services Establish equitable property tax assessments Increase tollway tolls with increment for transit Establish congestion pricing Establish electric vehicle registration fee with increment for transit Implement Vehicle Miles Traveled (VMT) tax Establish progressive State income tax

Rating	Solutions
	Reestablish a Federal dedicated funding program to provide operating subsidies as a match for state and local funding
High Growth	Expand Real Estate Transfer Tax (RETT) to suburban Cook and Collar Counties Implement value capture on developments near transit Increase State Public Transportation Fund (PTF) match on sales tax and RETT Increase State funding for reduced fare and free rides Dedicate federal funding for ADA Paratransit operations

Two visual summaries of these results are provided to summarize the findings of this initial evaluation.

Figure 19 provides a comparison of each alternative revenue source by estimated revenue yield. The graphic highlights the range of revenues that could be expected from each funding source per year.

Figure 20 provides a visualization of Table 7, comparing the alternative revenue sources along all six dimensions of evaluation criteria. Revenue sources are sorted by their rating of revenue yield (increasing from left to right), and Ease of Administrative Implementation (increasing from bottom to top). The shape of the graphic indicates projected range of implementation, and darker shading represents higher equitable outcomes. Stability is represented with a graph, and Nexus with Transit is represented by a train symbol, and both use green as high rating, yellow as medium rating, and red as low rating. In this figure, revenue sources within the same box have the same rating, and comparisons should look across High/Medium/Low rankings rather than within each category.

Additional details on the ratings for each revenue source are provided as follows, organized by Category of source.

Figure 19: Comparison of Alternative Revenue Sources by Revenue Yield

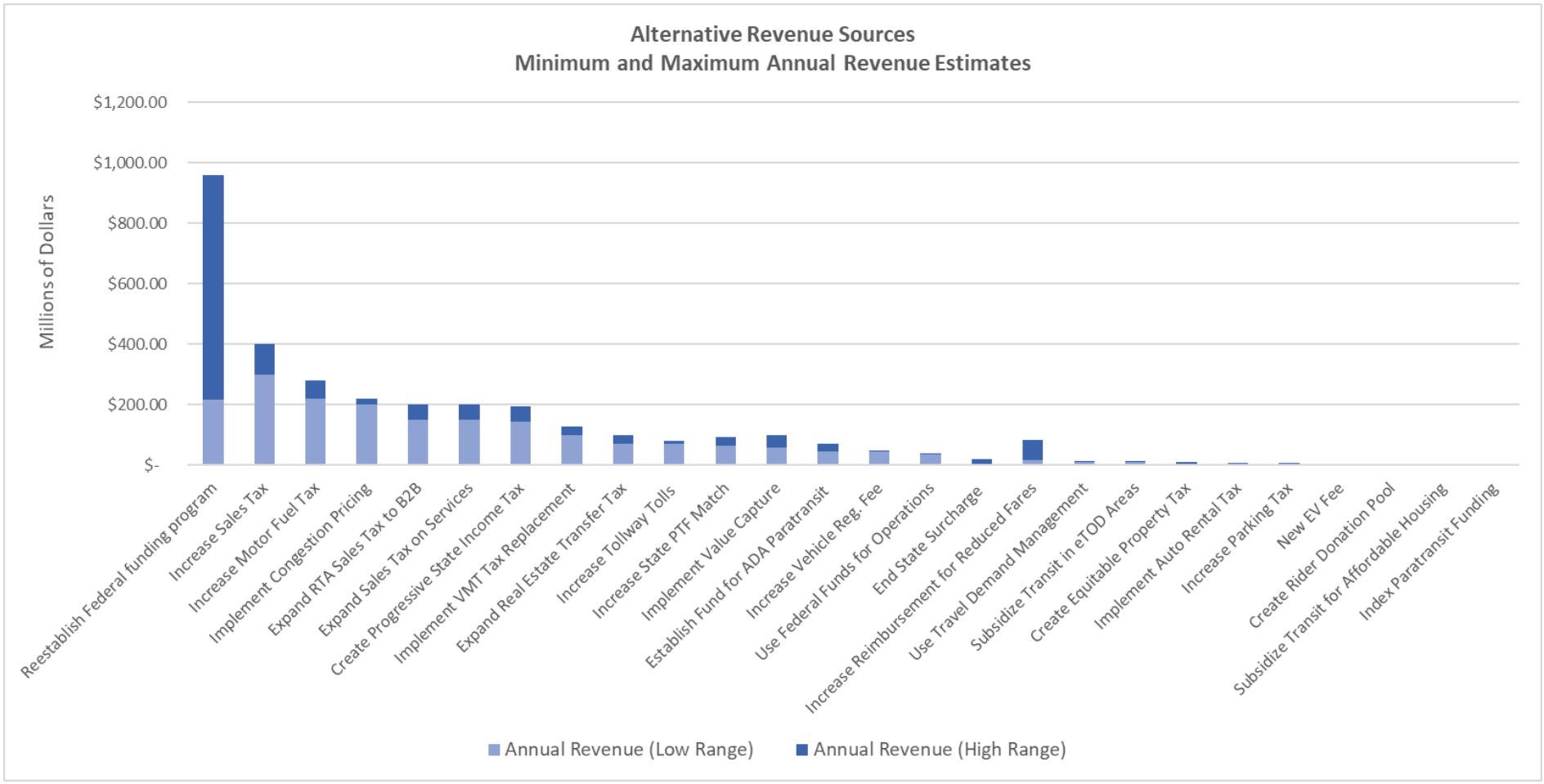
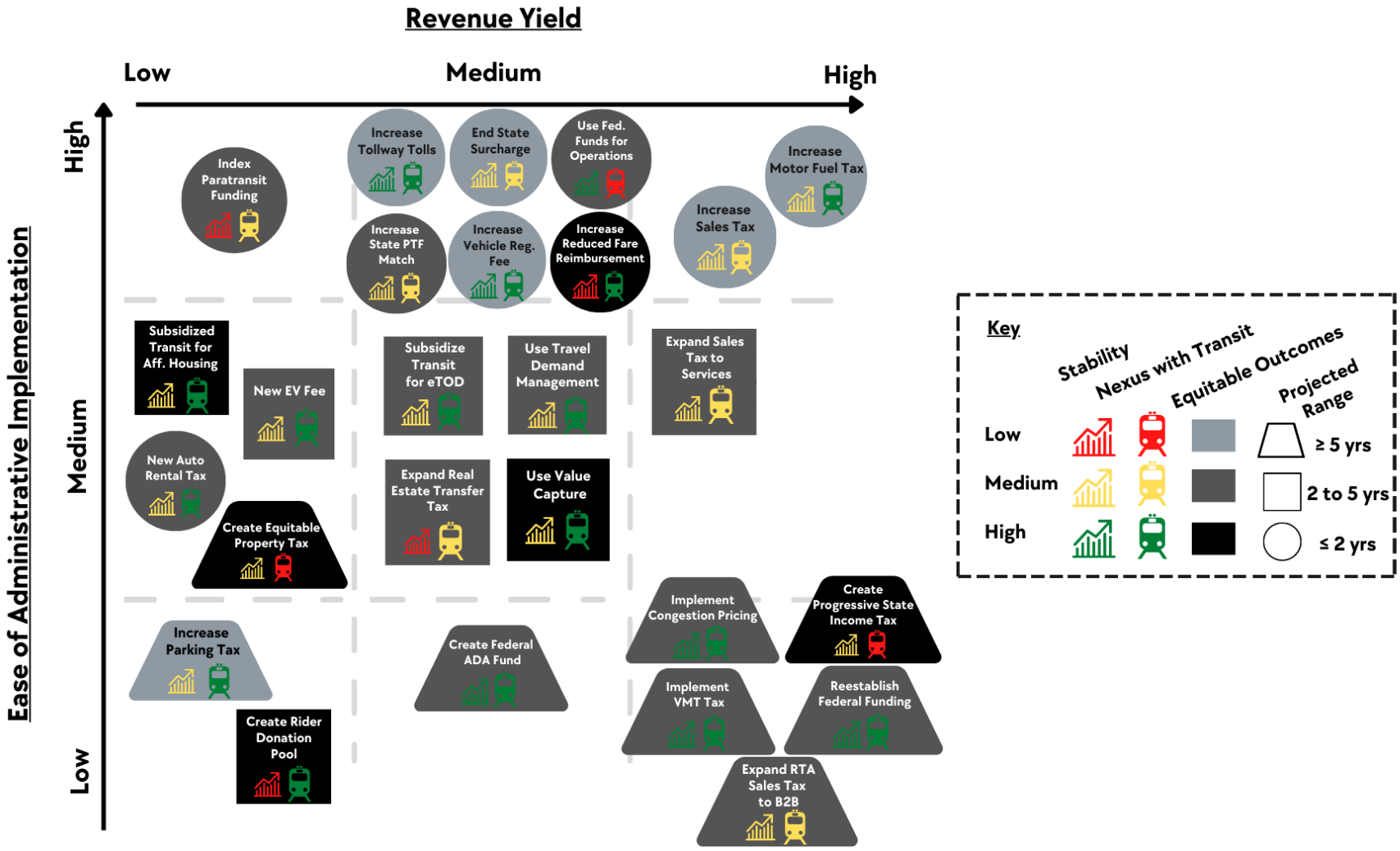


Figure 20: Matrix Comparison of Alternative Revenue Sources Across Evaluation Criteria



Local Revenues - Taxes

Increase RTA Sales Tax

An increase in the existing RTA sales tax of 0.25% levied on Cook County and Collar Counties in the RTA service area.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Increase RTA sales tax by 0.25%	Increase existing RTA sales tax levied on Cook County & Collar Counties in RTA service area	$300 - $400 million High	Medium	Medium	Low	High	Two years or less High	Medium

- *Authorizing Entity* – **State Legislature; Governor's Office** – Adjustment to the RTA sales tax requires an act of State legislation.
- *Revenue Yield* – **$300 million to $400 million (High)** – Current revenues are roughly $1.3 billion from this source; this is a 20% increase for Cook County and a 50% increase for Collar Counties. Assuming 70% of total revenue comes from Cook County and 30% comes from the Collar Counties, this would yield an increase of $300 million to $400 million over current revenues.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions.
- *Nexus with Transit* – **Medium** – Since 1979, the RTA has collected and used sales tax as a source of funding for transit.
- *Equitable Outcomes* – **Low** – Sales taxes are regressive since consumer goods represent a higher share of income for lower-income households than for higher-income households
- *Ease of Administrative Implementation* – **High** – This is an expansion of an existing sales tax, and requires no additional collection mechanisms to be put into place.
- *Projected Range of Implementation* – **Two years or less (High)** – The Illinois State Legislature would need to approve the sales tax adjustment during a legislative session. Due to the low administrative requirements for expanding an existing tax, collection could begin in the following Fiscal Year after approval.
- *Annual Growth Rate* - **Medium**

Expand RTA sales tax base by levying taxes on services

An expansion in the existing RTA sales tax to cover services, the majority of which are currently exempt from taxation.[1]

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Expand sales tax base by levying taxes on services	Application of sales tax base to services currently exempt from taxation	$150 - $200 million High	Medium	Medium	Medium	Medium	Two to five years Medium	Medium

- *Authorizing Entity* – **State Legislature** – Adjustment to the RTA sales tax requires an act of State legislation.
- *Revenue Yield* – **$150 million to $200 million (High)** – The RTA Sales Tax generated approximately $1.3 billion in 2020. A 2019 whitepaper from the Chicago Metropolitan Agency for Planning (CMAP) analyzed the impacts of expanding the RTA Sales Tax base by 15% to cover additional services and estimated that it would generate $1.1 billion in revenue between 2019 and 2050.[2] Based on 2020 estimates, a 15% increase in the sales tax base would generate $150 million to $200 million in additional revenue.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions.
- *Nexus with Transit* – **Medium** – Since 1979, the RTA has collected and used sales tax as a source of funding for transit.
- *Equitable Outcomes* – **Medium** – Sales taxes (like other consumption taxes) are typically regressive because they are imposed at a flat rate, and lower-income taxpayers spend a greater portion of their income on goods and services. However, a sales tax on services is more progressive than a sales tax on goods because wealthier households tend to spend more money on services than lower-income households.[3]
- *Ease of Administrative Implementation* – **Medium** – Although the sales tax and its collection mechanisms are in place, the process of determining which services will be subject to the tax will require policy and economic analysis. Additionally, the implementation of the service tax will require an implementation and roll-out process that may include training for businesses on how to levy the tax.

[1] Photofinishing, canned software, and 900 numbers are the only taxable services under current regulations.

[2] https://www.cmap.illinois.gov/documents/10180/986064/Benefits+of+adding+more+services+to+IL+sales+tax+base.pdf/98029a31-c167-689f-2b6c-2367c8239a6e

[3] https://www.cmap.illinois.gov/2050/mobility/transportation-funding

- *Projected Range of Implementation* – **Two to five years (Medium)** – The Illinois State Legislature would need to approve the sales tax adjustment during a legislative session. Due to the moderate administrative requirements for revising the tax base and implementing the adjustments, two to three years will be needed for implementation, roll-out, and training and technical assistance, meaning revenue would start flowing in to the RTA within three to four years, placing this revenue source within the Medium range.
- *Annual Growth Rate* - **Medium**

Expand RTA sales tax base by levying taxes on business-to-business transactions

An expansion of the RTA sales tax to business-to-business (B2B) transactions, which are currently exempt from taxation.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Expand sales tax base by levying taxes on business-to-business transactions	Application of sales tax base to business-to-business transactions currently exempt from taxation	$150 - $200 million High	Medium	Medium	Medium	Low	More than five years Low	Medium

- *Authorizing Entity* – **State Legislature** – Adjustment to the RTA sales tax requires an act of State legislation.
- *Revenue Yield* – **$150 million to $200 million (High)** – The RTA Sales Tax generated approximately $1.3 billion in 2020. A 2019 whitepaper from the Chicago Metropolitan Agency for Planning (CMAP) analyzed the impacts of expanding the RTA Sales Tax base by 15% to cover additional services and estimated that it would generate $1.1 billion in revenue between 2019 and 2050. Based on 2020 estimates, a 15% increase in the sales tax base would generate $150 million to $200 million in additional revenue. While services and business-to-business transactions are different categories of activities, this analysis assumes that a business-to-business transaction tax would be similar in scope and scale to a service tax and thus generate a similar amount of revenue.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions.
- *Nexus with Transit* – **Medium** – Since 1979, the RTA has collected and used sales tax as a source of funding for transit.
- *Equitable Outcomes* – **Medium** – Expanding the tax to cover business-to-business transactions would limit consumers' exposure to the tax, although it is probable that some businesses that sell consumer goods and services would pass a portion of the tax on to consumers in the form of higher prices. However, the overall tax structure would remain the same as it exists today.
- *Ease of Administrative Implementation* – **Low**– Although the sales tax and its collection mechanisms are in place, the process of determining which transactions will be subject to the tax will require more extensive policy and economic analysis, including the possibility of addressing double taxation. Additionally, the implementation of the business-to-business sales tax will require an implementation and roll-out process that may include training for businesses on how to levy and report on the tax.

- *Projected Range of Implementation* – **More than five years (Low)** – The Illinois State Legislature would need to approve the sales tax adjustment during a legislative session. Due to the extensive administrative requirements for evaluating the tax mechanisms, revising the tax base and implementing the adjustments, three to five years will be needed for implementation, roll-out, and training and technical assistance, meaning revenue would start flowing in to the RTA in at least five years' time.
- *Annual Growth Rate* – **Medium**

Increase State Parking Tax, with Revenues Dedicated to RTA

Establish a 20% regional parking tax on top of the existing State Parking Excise Tax for on-street and off-street parking within the RTA service area and dedicate revenues to the RTA for transit operations.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Increase parking tax with revenue collections dedicated to RTA	Tax levied on on-street and off-street parking in Cook County & Collar Counties	$4 - $5 million Low	Medium	High	Low	Low	More than five years Low	Low

- *Authorizing Entity* – **State Legislature (establishment); Municipalities (administration)** – Adjustment to the existing State of Illinois Parking Excise Tax requires an act of State legislation. However, parking taxes are collected at the municipal level.
- *Revenue Yield* – **$4.0 million to $5.0 million (Low)** – Between July 2021 and May 2022, the existing State of Illinois Parking Excise Tax generated $2.9 million per month, for a total of $34.8 million per year. Assuming that 67% of this revenue was generated within the six-county RTA service region (which represents approximately 67% of Illinois's population) and the Parking Excise Tax is increased by 20% within this region, the revenue adjustment generates $4.7 million. A range of $4.0 million to $5.0 million is presented to account for potential exemptions and changes in parking demand.
- *Stability* – **Medium** – Parking demand, while relatively inelastic, still correlates with overall economic conditions and is sensitive to economic downturns.
- *Nexus with Transit* – **High** – Despite priced parking in denser areas, most parking spaces in the region are free. Free parking conceals the cost of driving and the cost of the infrastructure. Further, taxed parking enables unoccupied land to become a revenue-generating use.[4]
- *Equitable Outcomes* – **Low** – Distribution of payment would be concentrated in a small number of downtown areas. In municipalities that are not well-served by transit, these costs will represent a greater share of income for low-income households, creating a regressive system, even though vehicle ownership is lower among low-income households.
- *Ease of Administrative Implementation* – **Low** – Outside of Chicago, on-street and off-street parking in many municipalities is currently free. Installation of a payment system and a tax collection system on currently-unpriced parking would require extensive planning and administration costs. Within Chicago, on-street parking is administered by a private vendor. Negotiation with the private vendor to establish a dedicated parking tax that subsidizes

[4] https://www.cmap.illinois.gov/2050/mobility/transportation-funding

transit – and therefore makes parking less attractive – would likely be extensive due to the fact that the private vendor would likely resist any policy change that makes parking more expensive and less attractive.

- *Projected Range of Implementation* – **More than five years (Low)** – Negotiation, setting the parking costs and the tax, and designing and implementing the collection system throughout the RTA service area will take several years.
- *Annual Growth Rate* – Low

Expand the Real Estate Transfer Tax to suburban Cook County and Collar Counties

Expansion of the current Real Estate Transfer Tax of $1.50 per $500 in sale value, levied on home sales in the City of Chicago, to suburban Cook County and the Collar Counties.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Expand the Real Estate Transfer Tax to suburban Cook County and Collar Counties	Extension of RETT from real estate transactions in City of Chicago to entire RTA service area, with revenues dedicated to all service boards	$70 - $100 million Medium	Low	Medium	Medium	Medium	Two to five years Medium	High

- *Authorizing Entity* – **State Legislature (Establishment); Counties and Municipalities (Administration)** – The State Legislature authorizes counties and municipalities to collect real estate transfer taxes and to dedicate those revenues to the RTA. An act of State legislation would allow counties and municipalities outside of the City of Chicago to use RETTs for RTA service board operations.
- *Revenue Yield* – **$70 million - $100 million (Medium)** – In 2021, residential sales in the Chicago metropolitan area totaled approximately $49.8 billion, while commercial sales totaled $9.1 billion. If the $1.50 per $500 sales tax were applied to this amount, total tax revenue would be $146.7 million. Eliminating $71.2 million, which represents the 2021 RETT revenue collected in Chicago and given to the CTA, this revenue source would yield $75.6 million in net new revenue. This analysis presents a range of $70 million to $100 million to account for changes in the residential and commercial real estate market.
- *Stability* – **Low** – The stability of RETT depends on influx and a semi-unstable housing market.
- *Nexus with Transit* – **Medium** – As the region becomes more suburbanized and transit aims to operate outside of the traditional commuter schedules, expanding the RETT may provide the service boards with funds to expand service outside of the city core.[5] Other communities such as Aurora, Naperville,

[5] Under current City of Chicago RETT regulations, 50% of RETT revenue is dedicated to paying the CTA's pension obligation bonds, not operations. However, this regulation can be revised through an act of the City Council.

Joliet, Elmhurst, Glen Ellyn, Bolingbrook, Romeoville etc., have RETTs in place, and communities like Oswego are looking to implement their own RETT to generate funds for infrastructure improvements.[6]

- *Equitable Outcomes* – **Medium** – The existing RETT structure sets the tax rate to be directly proportional to housing and property values, meaning the tax structure is progressive. However, the expansion of the tax to areas outside of the City of Chicago means that a new form of taxation would fall on low- and moderate-income households that had not previously experienced the tax, increasing the tax burden for these households.
- *Ease of Administrative Implementation* – **Medium** – While the tax and the procedures for collecting it are in place, the expansion of the RETT to areas outside of Chicago will require coordination with other municipalities to establish procedures for reporting sales, recording the RETT, and submitting new revenue to the State. The current administrative framework therefore complicates the implementation process.
- *Projected Range of Implementation* – **Two to five years (Medium)** – If the General Assembly were to pass the RETT expansion in a given legislative session, an additional two to three years of procedure design, implementation, and coordination with municipalities and counties would be necessary before the revenue could be collected. This timeframe places this revenue source within the Medium ranking.
- *Annual Growth Rate* – **High**

[6] https://www.oswegoil.org/Home/Components/News/News/244/16

Establish Equitable Property Tax Assessments

Establishing property tax assessments that set different tax rates for tiers of property value so that high-value properties pay a higher share in property taxes.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Establish equitable property tax assessment	Progressive property tax framework that scales property tax assessments with housing values	$6 - $12 million Low	Medium	Low	High	Medium	More than five years Low	Medium

- *Authorizing Entity* – **Municipalities and Counties** – Municipalities and counties have jurisdiction over setting property tax rates and collection procedures.
- *Revenue Yield* – **$6 million to $12 million (Low)** – In 2019, property tax revenues in the six-county RTA service area were as follows: Cook County: $782 million; DuPage County: $68.6 million; Kane County: $55.5 million; Lake County: $162 million; McHenry County: $69 million; and, Will County: $82.3 million. This represents a total of $1.2 billion.[7] Because property taxes have not historically funded transit, it is unlikely that the RTA would receive a significant amount of funding from a revised property tax assessment. Assuming the equitable property tax assessment framework increased total revenue by 15%, this analysis assigns 5% of that total to the RTA. This yields $9.2 million, which is presented as a range of $6.0 million to $12.0 million to account for variation in property values, housing markets, and tax revenues.
- *Stability* – **Medium** – Housing property values are more stable than housing sales, but they generally track with overall economic conditions and are vulnerable to long-term market changes.
- *Nexus with Transit* – **Low** – Property taxes have not historically been used to support transit in the Chicago metropolitan region.
- *Equitable Outcomes* – **High** – The implementation of a progressive property tax assessment framework would increase the equity of the property tax system.
- *Ease of Administrative Implementation* – **Medium** – The policies and procedures for conducting property value assessments and property tax assessments are in place. However, socioeconomic data and statistical analysis would need to be more fully incorporated into these policies and procedures in order

[7] This amount does not account for non-county taxing districts, such as school districts, library districts, and municipalities. They are excluded from this analysis to simplify the estimate, but would need to be incorporated into a more thorough analysis during the policy analysis process for implementation.

to improve their Equitable Outcomes, and further restructuring of the property tax system may be necessary. For example, property tax rates are higher in areas with lower property values to generate comparable amounts of revenue to low-taxation rates in high-value areas, and a graduated system would correct for this by itself. Coordination of a regionally-based equity framework that relies on local assessments would be very complex, and that should be considered in planning for implementation.

- *Projected Range of Implementation* – **More than five years (Low)** – Municipalities would likely have to spend two years on research and analysis to determine the inequitable outcomes of their property assessment and property tax assessment procedures, along with two to three years of program design to establish a more equitable system of assessment and evaluation and another one year for implementation. It is likely that assessments would not begin for at least five years.
- *Annual Growth Rate* - **Medium**

Implement Auto Rental Tax in RTA Service Area

A 1% automobile rental tax on all car rentals within Cook County and a 0.25% automobile rental tax on all car rentals within the Collar Counties.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Implement auto rental tax	Implement 1% local auto renting tax within RTA service area, as authorized under ILCS	$4.5 - $7.5 million Low	Medium	High	Medium	Medium	Two years or less High	Low

- *Authorizing Entity* – **Regional Transportation Authority (Establishment); Illinois Department of Revenue (Administration)** – The RTA is authorized under 70 ILCS 3615 to impose an automobile rental tax on all car rental transactions up to 1% within Cook County and up to 0.25% within the Collar Counties.[8] Collection of the revenue is assigned to the Illinois Department of Revenue under the enabling legislation. To date, the RTA has not established this tax.
- *Revenue Yield* – **$4.5 million to $7.5 million (Low)** – The RTA's internal analysis of this revenue source estimates that the local auto renting tax would yield approximately $6.0 million per year. A range of $4.5 million to $7.5 million is presented to account for changes in the regional economy more generally and the auto rental market specifically.
- *Stability* – **Medium** – Car rentals correlate with overall economic conditions and are sensitive to economic downturns.
- *Nexus with Transit* – **High** – Establishing a tax on auto rentals within the RTA service region increases the incentive for visitors to the Chicago metropolitan area to take transit.
- *Equitable Outcomes* – **Medium** – While low-income residents, seniors, and people with disabilities are less likely to rent cars, the auto rental tax is a type of sales tax and is therefore regressive in nature. However, this tax predominantly falls on people from outside the Chicago metropolitan area who are renting a car when they visit the area. Therefore the overall equity impacts avoid Chicago metropolitan area residents.
- *Ease of Administrative Implementation* – **Medium** – A state tax is already levied on auto rentals within Illinois, meaning the collection mechanisms for the regional auto tax are in place. However, the regional tax does not already exist within the RTA service area, and the implementation of the tax will require an outreach and roll-out process that may include training for businesses on how to levy the tax.

[8] https://www2.illinois.gov/rev/research/taxinformation/sales/Pages/autolocal.aspx; https://ilga.gov/legislation/ilcs/documents/007036150K4.03.1.htm

- *Projected Range of Implementation* – **Two years or less (High)** –Since the tax rate and the ability to levy the tax are already authorized under State law, the RTA can begin to implement the tax following a vote by the Board. Implementing the tax will likely take an additional one to two years, however.
- *Annual Growth Rate* - Low

Local Revenues - Fees

Establish RTA Electric Vehicle Registration Fee

A $50 fee levied on the registration of electric vehicles in Cook County and the Collar Counties.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Establish RTA electric vehicle registration fee with revenue collections dedicated to RTA	Fee levied on Electric Vehicle registrations in Cook County & Collar Counties	$3 - $4 million Low	Medium	High	Medium	Medium	Two to five years Medium	Medium

- *Authorizing Entity* – **State Legislature** – Vehicle registration fees are administered by the Office of the Secretary of State of Illinois. Adjustment to these fees requires an act of State legislation.
- *Revenue Yield* – **$3 million to $4 million (Low)** – As of December 2020, there are 26,000 electric vehicles registered in Illinois.[9] The annual vehicle registration fee for a passenger vehicle is $151 and an EV surcharge of $100 is levied annually as payment in lieu of MFT revenues.[10] Assuming that an EV registration would be $50, that 75% of Illinois-registered electric vehicles are located in the RTA service region, and that electric vehicle registrations will increase by 50 percent each year between 2022 and 2026, this fee yields an average of $3 to $4 million per year.
- *Stability* – **Medium** – Vehicle sales generally track with overall economic growth and are vulnerable to recessions.
- *Nexus with Transit* – **High** – Efforts to combat declining revenues from motor fuel taxes, coupled with limited financial resources to build, operate, and maintain complex transportation systems, encourage the adoption of an alternative fuel vehicle fee as a replacement source, providing public transportation a new, stable and ever-growing funding source. Additionally, fees have been historically levied on private vehicles to capture the externalities that they create in the form of emissions and other air pollution and to encourage people to take transit. While EVs may not produce emissions at the tailpipe, they create other externalities, in the form of congestion and particulate matter from tires (and their electricity may be

[9] https://afdc.energy.gov/data/10962

[10] https://www.ilsos.gov/departments/vehicles/basicfees.html; https://www.ilsos.gov/departments/vehicles/license_plate_guide/electric_vehicle.html

generated from fossil fuel sources that still pollute). Therefore, levying fees on EVs can capture these other externalities and incentivize people to use transit.

- *Equitable Outcomes* – **Medium** – While the fee is levied on all vehicles regardless of owner income, current market trends indicate that electric vehicles are more commonly owned by higher-income households, so the incidence of the fee is less likely to impact lower-income households in practice.
- *Ease of Administrative Implementation* – **Medium** – Vehicle registration fees and EV surcharges are already collected by the state; some additional processes needed to establish fee for electric vehicles in specified counties.
- *Projected Range of Implementation* – **Two to five years (Medium)** – The Illinois State Legislature would need to authorize the establishment of a fee for specific vehicle types in the identified counties during a legislative session. Implementation of the policies and procedures, including the value of the fee and the type of vehicles subject to the fee, would likely require one to two years of planning, design, and roll-out, with collections taking at least two to three years in total to be realized. This timeframe places this revenue source within the Medium ranking.
- *Annual Growth Rate* - **Medium**

Implement Value Capture in Transit Station Service Areas

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Implement value capture on new developments in transit station service areas	Fee mechanism levied on new developments in transit station service areas to fund increased transit demand resulting from new development	$60 - $100 million Medium	Medium	High	High	Medium	Two to five years Medium	High

- *Authorizing Entity* – **Municipalities (Establishment); State Legislature (Authorization)**– The State of Illinois authorizes municipalities to establish value capture frameworks and dedicate revenues from those frameworks to the RTA. Municipalities must establish these frameworks through legislative and/or regulatory action.
- *Revenue Yield* – **$60 million to $100 million (Medium)** – In 2020, Tax Increment Financing (TIF) districts in Cook County generated $1.5 billion in total revenue.[11] A modified TIF or similar mechanism could be used for value capture at transit station service areas. Assuming that these value capture districts would be fewer in number and smaller in size (both due to the smaller number of transit stations and the fact that a transit station's value has a smaller geographic footprint than a TIF district), a conservative assumption is that they could generate 5% of Cook County's TIF revenue throughout the entire six-county RTA area, yielding $75 million per year. This estimate is presented as a range of $60 million to $100 million to account for variation in a transit station value capture district's area and economic value.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions, land ownership, cost overrun, neighborhood opposition. For joint development, it requires in-house real estate experience by the public organization and value generation is based on the extent of land holdings. Increases the capital required initially and may negatively affect the ability of the developer to obtain capital in a market where financing is difficult. The entire value generation burden is solely on new development. There is limited value generation in developed areas where no new development is likely to be built.[12]

[11] https://www.cookcountyclerkil.gov/sites/default/files/publications/2020%2520TIF%2520Executive%2520Summary_0.pdf

[12] Chicago Metropolitan Agency for Planning, *Transit Value Capture Analysis*, December 2010, https://www.cmap.illinois.gov/documents/10180/27573/Value-Capture-Analysis_12-10-2010.pdf/622b876a-2eb4-4a89-bb02-5724e97f8c89

- *Nexus with Transit* – **High** – Often property owners and adjacent developments benefit from the construction of new or updated transportation facilities through increased property values or higher rents. Value capture supports the funding of capital costs, facility improvements, and augmented service. This is an opportunity to invite the private sector to share in transit investments.
- *Equitable Outcomes* – **High** – Areas near CTA and Metra rail stations that are eligible for TOD benefits but have not seen TOD project activity have 40% more minority residents, 23% more low-income residents and 16% more residents with a high school education or less than areas with TOD project activity[13]. This could further eTOD and efficiently source underutilized land owned by the municipality or a transit agency. As well, residents near the development will benefit from augmented services. Existing properties do not contribute financially to the transit improvement even though they stand to gain from it.
- *Ease of Administrative Implementation* – **Medium** – Chicago has experience with TIFs and strong relationships with developers. Most forms of value capture have been enabled by the Illinois Legislature, but may require amendments related to TOD/ transit. Further, the value capture can be tailored to a specific type of development (office, residential, etc.). Although several municipalities outside of Chicago currently use value capture to support development around transit stations, some municipalities have less experience with TIFs and/or TOD and would likely need to develop more procedures for assessing the fees or building TOD policies, they would be able to adopt models from Chicago based on successful case studies. However, value capture has not been used to fund regional transit operations in the Chicago area. While the FTA permits value capture to be used for operating costs and CMAP has prepared guidance on how to connect TIF mechanisms to regional transit agencies,[14] the lack of precedent within the Chicago metropolitan area would complicate the implementation.
- *Projected Range of Implementation* – **Two to five years (Medium)** – If the Chicago City Council approved this change in policy, it would likely take an additional two to three years for developers to incorporate the policy into their plans and designs, build, and put the developments on the market. Additional municipalities would likely follow as the benefits of the value capture mechanism became visible, particularly those around Metra stations. This timeframe places this revenue source within the Medium ranking.
- *Annual Growth Rate* - **High**

Increase Vehicle Registration Fee

Increase the vehicle registration fee for vehicles registered in the RTA service area by 10% and dedicate the revenues to the RTA for transit operations.

[13] https://www.chicago.gov/content/dam/city/sites/etod/Pdfs/ETOD-Policy-Plan_Full_9-14-20.pdf

[14] CMAP. Transit Value Capture Analysis. December 2010.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Increase vehicle registration fee with revenue collections dedicated to RTA	Increase in existing vehicle registration fee for vehicles registered in RTA service area	$45 - $50 million Medium	High	High	Low	High	Two years or less High	Low

- *Authorizing Entity* – **State Legislature** – Vehicle registration fees are administered by the Office of the Secretary of State of Illinois. Adjustment to these fees requires an act of State legislation.
- *Revenue Yield* – **$45 million - $50 million (Medium)** – Assuming a 10% dedicated RTA fee is levied on the existing State of Illinois registration fee for passenger vehicles, this revenue source yields $15.10 per vehicle in the six-county RTA service area. As of June 10, 2022, there are currently 1,551,452 passenger vehicles registered in Cook County; 618,028 in DuPage; 79,173 in Kane; 451,850 in Lake; 202,567 in McHenry; and 431,827 in Will, respectively.[15] This represents a total of 3.2 million cars, yielding $48.3 million in revenue. This estimate presents a range of $45 million to $50 million to account for exemptions or minor fluctuations in vehicle registration over time.
- *Stability* – **High** – Since this fee is imposed on existing vehicles, the number of vehicles is expected to remain relatively constant over time as fundamental patterns of vehicle ownership are unlikely to change throughout the region.
- *Nexus with Transit* – **High** – Leveraging on existing collection mechanisms, revenues should be collected and increased for those who benefit from the transportation system. The increased registration fee aims to mitigate car dependency amongst residents and promote transit usage. While there are areas in the RTA service area that lack transit, the majority of paid on-street spaces and off-street parking facilities are located in downtown areas that receive some level of transit service, meaning the incentive structure would be applicable. Exemptions could be established for municipalities that are unserved by transit.
- *Equitable Outcomes* – **Low** – Currently, Illinois' registration fee is substantially higher than other states' fees. Among neighboring states, Illinois is the only one to charge a flat rate over $100 for registration.[16] While low-income households have lower rates of vehicle ownership, those households with cars would experience a higher percentage of their income going to the increased fees.

[15] https://www.ilsos.gov/departments/vehicles/statistics/lpcountycounts/home.html

[16] https://www.illinoispolicy.org/illinois-license-plate-sticker-will-be-among-most-expensive-in-the-nation/

- *Ease of Administrative Implementation* – **High** – The procedure and systems of collection are in place today and requires no additional mechanisms to be put into place.
- *Projected Range of Implementation* – **Two years or less (High)** – If the Illinois State Legislature approved the increased rates in a given legislative session, they could be put into effect for the following year.
- *Annual Growth Rate* – **Low**

Increase Tollway Tolls with Increment Dedicated to Transit Operations

A 5% increase in tolls on the Illinois State Toll Highway Authority (Illinois Tollway), with revenues dedicated to transit operations

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Increase Tollway tolls with increment dedicated to transit operations	Establish a 5% increase on tolls with revenues dedicated to transit operations	$70 - $80 million Medium	High	High	Low	High	Two years or less High	Medium

- *Authorizing Entity* – **Illinois State Legislature (Establishment); Illinois Tollway (administration)** – The Illinois Tollway has jurisdiction over the establishment of tolling rates. However, under the Illinois Toll Highway Act[17], as written, revenues may only be used for operations and maintenance of the toll highways. Changing the regulations to permit the Illinois Tollway to dedicate revenues to transit will require an act of State Legislation.
- *Revenue Yield* – **$70 million to $80 million (Medium)** – The Illinois Tollway generated $1.5 billion in revenues in 2019. Assuming that 2019 is representative of post-COVID traffic volumes, a 5% increase would be levied with revenues dedicated to transit, this would yield $75 million in annual revenue. This analysis presents a range of $70 million to $80 million to account for minor changes in travel demand.
- *Stability* – **High** – A November 2021 traffic and toll revenue study of the Illinois Tollway found that transaction volume has increased steadily over time due to continued growth in travel demand, and that toll revenues have followed a similar pattern (excepting sudden increases in revenue due to toll rate increases).[18] These patterns suggest that travel on the Tollway network is more inelastic and less impacted by changes in economic conditions.
- *Nexus with Transit* – **High** – While toll revenues have not been used to fund transit operations historically, increasing tolls and dedicated the revenue to transit creates an incentive for people to switch from using the Tollway facilities in the Chicago metropolitan area to using transit.
- *Equitable Outcomes* – **Low** – Tolls are regressive since transportation costs represent a higher share of income for lower-income households than for higher-income households

[17] https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=1746&ChapterID=45

[18] https://www.illinoistollway.com/documents/20184/785978/Illinois+Tollway_Comprehensive+Report_November+2021_final.pdf/1d1201e6-bbf7-d65f-890c-f9c8b643a83a?t=1638823993163

- *Ease of Administrative Implementation* – **High** – This is an increase in an existing fee structure, and the mechanisms for levying and collecting tolls are already in place. It should be noted that dedicating revenues from tolls to RTA risks negative impacts to the credit rating of the Illinois Tollway.
- *Projected Range of Implementation* – **Two years or less (High)** – Implementation of this source would require the Illinois State Legislature to reform the Illinois Toll Highway Act. Following the revision to its authorization, the Illinois Tollway could increase its tolls and create a public information campaign for the toll increases and their new purpose. This implementation and education process would take at least one year, suggesting that it will take less than two years for collection to begin.
- *Annual Growth Rate* - Medium

Establish Congestion Pricing within the Chicago Metropolitan Area, with Revenues Dedicated to Transit Operations

A geographic- and/or temporal toll or fee levied on travel on Chicago-area highways into the city. Revenues will be dedicated to funding transit operations.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Establish congestion pricing within the Chicago Metropolitan Area, with revenues dedicated to transit operations	Geographic- &/or temporal toll or fee levied on travel on Chicago-area highways into the city, with revenues dedicated to transit operations	$200 - $220 million High	High	High	Medium	Low	More than five years Low	Medium

- *Authorizing Entity* – **State Legislature (design and administration); Federal Highway Administration (authorization)** – The most likely locations for establishing the congestion pricing area and installing the collection and enforcement mechanisms are Interstate facilities leading into the City of Chicago, including I-55, I-290, and I-90. These facilities are operated and maintained by the Illinois Department of Transportation (IDOT), but are part of the federal interstate system. Therefore, the State Legislature would need to pass legislation defining the congestion pricing mechanism and authorizing IDOT to administer it. However, because these are federal roadways, the Federal Highway Administration (FHWA) has authority to review tolling programs that impact them. Therefore, the FHWA will have to approve an environmental assessment or environmental impact statement of the congestion pricing program before IDOT can administer it.
- *Revenue Yield* – **$200 million to $220 million (High)** – A 2012 City of Chicago Inspector General report estimated net revenue from congestion pricing would potentially be $210 million after accounting for annual costs, assuming the rate charged would be $5 per day and assuming a 20% reduction in vehicle trips to the central area after implementation of the charge.[19] This analysis presents the range of values for this source as $200 million to $220 million to account for variation in travel demand.

[19] City of Chicago Office of the Inspector General, Savings and Revenue Options 2012, September 2012, p. 76.

- *Stability* – **High** – Travel demand into central business districts is relatively inelastic, as shown by the recovery of traffic volumes in the Chicago metropolitan area to pre-pandemic levels in 2021.[20] However, it is possible that the overall level of travel into Chicago's CBD has been reduced by the increase in telework that occurred as a result of COVID-19, and further analysis will be needed to determine the durability of this trend.
- *Nexus with Transit* – **High** – Leveraging sources like congestion pricing provides funding while contributing to larger goals like reducing congestion, modernizing the transportation funding system, raising revenue to improve the system's assets, and tying new fees to those who use the roads the most.
- *Equitable Outcomes* – **Medium** – Vehicle drivers into the urban core tend to be higher-income travelers. A 2008 report on income-based equity impacts of congestion pricing prepared by the U.S. Federal Highway Administration (FHWA) found that congestion-based fees or time-based tolling programs affect high-income quintiles to a greater degree than low-income quintiles.[21]
- *Ease of Administrative Implementation* – **Low** – This is a new source that would require new collection procedures to be implemented.
- *Projected Range of Implementation* – **More than five years (Low)** – Implementation of this source would require a new pricing program design and approval from the State Legislature and the Federal Highway Administration. These approval processes would likely take three to four years in total, while the initial design process would take at least one year. Following design and approval, it is likely another two or three years before the program is implemented and generating revenue, creating a timeframe of more than five years.
- *Annual Growth Rate* - **Medium**

[20] https://www.cmap.illinois.gov/updates/all/-/asset_publisher/UIMfSLnFfMB6/content/covid-affects-transportation-update; https://www.tomtom.com/en_gb/traffic-index/chicago-traffic/

[21] https://ops.fhwa.dot.gov/publications/fhwahop08040/fhwahop08040.pdf

State Revenues - Taxes

Increase State Motor Fuel Use Tax

An increase of $0.05/gallon in the Illinois Motor Fuel Tax (MFT), levied on the per-gallon sale of gasoline or diesel, with revenues dedicated to transit operations.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Increase State Motor Fuel Use Tax by $0.05/gal and dedicate revenues to transit operations	Increase in Illinois Motor Fuel Tax, levied on per-gal sale of gasoline &/or diesel, with revenues dedicated to transit operations	$220 - $280 million High	Medium	High	Low	High	Two years or less High	Low

- *Authorizing Entity* – **State Legislature** – The Illinois MFT is established by the State legislature. Adjustments to the state MFT require an act of State legislation.
- *Revenue Yield* – **$220 million to $280 million (High)** – Approximately 5.8 billion gallons of fuel sold per year in the state[22]; a $0.05 tax would yield approximately $250 million per year. This analysis presents a range of values for this revenue source of $220 million to $280 million to account for variation in travel demand.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions and high fuel prices; in long term vulnerable to shifts to electric vehicles.
- *Nexus with Transit* – **High** – Municipalities throughout Illinois, and the nation, have historically utilized MFT revenues to fund critical transportation infrastructure projects. Increased MFT revenue dedicated to transit operations will allow municipalities to address current operating challenges, such as workforce shortages that impact service reliability and frequency.

[22]https://www2.illinois.gov/rev/research/taxinformation/motorfuel/mft/Documents/ActualFiledMotorFuelGallons.pdf

- *Equitable Outcomes* – **Low** – Motor fuel taxes are regressive since transportation costs represent a higher share of income for lower-income households than for higher-income households
- *Ease of Administrative Implementation* – **High** – This is an expansion of the existing motor fuel tax, and requires no additional collection mechanisms to be put into place.
- *Projected Range of Implementation* – **Two years or less (High)** – The Illinois State Legislature would need to approve the MFT adjustment during the a legislative session. Due to the low administrative requirements for expanding an existing tax, collection could begin in the following Fiscal Year following approval.
- *Annual Growth Rate* - **Low**[23]

[23] While MFT revenues are projected to decrease in the long run due to the increased market share of EVs, it is assumed that in the short run, MFT revenue will increase as economic activity increases. This analysis assumes that, while it is possible that MFT revenue will decrease year-over-year within the 10-year timeframe, the average annual growth rate during this time period will be low due to positive growth in the beginning of the timeframe and low to negative growth in the latter years.

Establish Progressive State Income Tax

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Establish progressive state income tax and dedicate 5% of the revenues to the RTA for transit operations	Income tax with a rate that scales with income, with 5% of revenues dedicated to the RTA for transit operations	$145 - $195 million High	Medium	Low	High	Low	More than five years Low	Medium

- *Authorizing Entity* – **State Legislature and the General Public** – The State income tax is regulated by the State Constitution. The State Constitution may be amended by the State Legislature through the Constitutional amendment process, which requires a three-fifths majority vote to approve the amendment for public referendum. A public referendum is required for passage of the amendment.
- *Revenue Yield* – **$145 million to $195 million (High)** – The 2020 Illinois Fair Tax constitutional amendment, which would establish a progressive income tax, was estimated to create $3.4 billion in new state revenues. If the RTA received 5% of total revenue under a similar framework, the progressive state income tax would yield $170 million. This analysis presents a range of $145 million to $195 million for this revenue source to account for variation in economic growth.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions. The state's current tax policy creates a continuous structural deficit because the current rate is unresponsive and passive.
- *Nexus with Transit* – **Low** – The state income tax has not historically been used to fund public transit in the State of Illinois.
- *Equitable Outcomes* – **High** – In 2018, the Institute on Taxation and Economic Policy ranked Illinois' tax system as the 8th most regressive structure in the United States. The 20 percent of non-elderly residents with the lowest incomes paid 14.4 percent of their income in taxes, while the top 1 percent of taxpayers paid 7.4 percent.[24]
- *Ease of Administrative Implementation* – **Low** – The Illinois State Constitution mandates income taxes be at a non-graduated rate. To change the Illinois Constitution, amendments must be passed through the Illinois General Assembly with a three-fifths majority and then be approved by voters via public

[24] Institute on Taxation & Economic Policy, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, 6th Edition. October 2018, p.58.

referendum.[25] After the progressive income tax is established, the General Assembly would need to pass additional legislation dedicating a share of the revenue to the RTA under state statute. This is a complex, multi-step process.

- *Projected Range of Implementation* – **More than five years (Low)** – It is likely that the Illinois General Assembly would debate the income tax adjustment and the Constitutional amendment in a session before voting on the amendment in a subsequent session. Advocacy groups would likewise push for a substantial public outreach and education campaign of several months in advance of the General Assembly action and the subsequent referendum. The voters would then need to approve the amendment later that year. It is likely that these processes would take at least three to four years, meaning the adjusted tax would not produce revenues until after five years' time. This timeframe places this revenue source within the Low ranking.
- *Annual Growth Rate* - **Medium**

[25] Constitution of the State of Illinois, Article IX, Section 3

Implement VMT Tax with Revenues Dedicated to the RTA

A Vehicle Miles Traveled (VMT) tax is a tax on the number of miles driven in a vehicle. VMT taxes are being studied and introduced in pilot programs as an alternative to or replacement for state gas taxes, which are decreasing in revenue generation potential due to increases in fuel efficiency and the growing adoption of electric vehicles and other alternative fuel vehicles that do not consume gasoline. This evaluation assumes that VMT fees equivalent to 5 percent of state MFT revenues are implemented as an incremental increase in total transportation revenues (rather than a replacement for existing revenues), and that these revenues are dedicated to the RTA.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Implement VMT Tax with revenues dedicated to the RTA	Implement VMT tax to replace 5% of state MFT taxes lost by fuel efficiency and EV adoption and dedicate revenues to the RTA for transit operations	$110 - $130 million High	High	High	Medium	Low	More than five years Low	Medium

- *Authorizing Entity* – **State Legislature** – The State Legislature is responsible for establishing new taxes.
- *Revenue Yield* – **$110 million to $130 million (High)** – This VMT tax is structured as an initial replacement for lost state MFT revenues as a result of increased fuel efficiency and EV adoption. The VMT tax is designed to replace 5% of state MFT revenues, which totaled $2.3 billion in FY2021. As a result, this VMT tax would generate $115 million per year, which this analysis presents as $100 million to $130 million to account for changes in travel demand.
- *Stability* – **High** – Generally tracks with overall economic growth, but less vulnerable to recessions than other forms of economic activity and expected to be more stable than the MFT over the long-term as a result of electrification.
- *Nexus with Transit* – **High** – The establishment of a new tax on the amount that people drive will incentivize them to find alternatives to driving.
- *Equitable Outcomes* – **Medium** – This tax would be regressive since transportation costs represent a higher share of income for lower-income households than for higher-income households CMAP's 2021 analysis on equity in transportation fees, fines, and fares found that "households with low income have fewer vehicles and drive fewer miles than other households." Other research has found that lower-income residents are likelier to own vehicles with lower fuel economies, creating the potential for a progressive outcome in which lower-income residents pay less in VMT taxes than they would in MFT taxes. Therefore, low-income households are unlikely to bear an outsized share of this tax. However, since the VMT tax does not scale with income or target higher-income households, it does not have a progress structure.

- *Ease of Administrative Implementation* – **Low** – Designing a VMT tax for collection would be complex due to the privacy and data security concerns around how much people drive. Additionally, new revenue collection methods would have to be established since the tools used to measure travel distance are not currently tied to revenue streams and are generally privately-held. The State Legislature, the Illinois Department of Transportation, and the Illinois Department of Revenue would have to coordinate on establishing a balance between accuracy, privacy, and administrative costs.
- *Projected Range of Implementation* – **More than five years (Low)** – It is likely that the legislative and executive branches would need several years to establish the program design, pass the enabling legislation, and then build the administrative procedures for enforcement and collection of the new revenue source. The VMT tax would also likely be phased in via a piloting phase to ensure administrative procedures function correctly and that the public understands the new tax and how it will be collected. The new tax would not likely produce revenues for at least five years.
- *Annual Growth Rate* - **Medium**

State Revenues – General Funding

Eliminate State surcharge on RTA sales tax

Elimination of the 1.5% surcharge on RTA sales tax receipts retained by the Illinois Department of Revenue. The elimination of the surcharge represents an incremental increase in total state spending, rather than a substitution of existing state spending.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Eliminate State surcharge on RTA sales tax	Removal of 1.5% surcharge on RTA sales tax receipts retained by State	$20 million Medium	Medium	Medium	Medium	High	Two years or less High	No Growth

- *Authorizing Entity* – **State Legislature** – Adjustment to the RTA sales tax requires an act of State legislation.
- *Revenue Yield* – **$20 million (Medium)** – The RTA estimates the value of this surcharge at approximately $20 million per year.
- *Stability* – **Medium** – The amount of revenue generated by the sales tax would be subject to economic activity, which fluctuates with macroeconomic and microeconomic conditions.
- *Nexus with Transit* – **Medium** – Instead of providing the state with a passive revenue stream, the elimination of the surcharge could provide a new funding source for the RTA and service boards, albeit a small amount.
- *Equitable Outcomes* – **Medium** – The removal would provide approximately $20 million to the RTA which could be invested in projects that provide for historically underserved areas or sustain operating costs. The removal of the surcharge would not change the underlying distribution of the incidence of sales tax, which is regressive due to the fact that goods represent a larger share of household income for low-income households.
- *Ease of Administrative Implementation* – **High** – The Illinois State Legislature would need to amend the law requiring the 1.5% surcharge during a legislative session, but the existing law and the procedures for making the adjustment to the law are in place. It is important to note that the changing the surcharge under the current statute for the RTA sales tax would require a change for all local governments or an exemption for the RTA specifically. This may complicate the implementation process.
- *Projected Range of Implementation* – **Two years or less** (**High)** – The Illinois General Assembly could remove the surcharge and apply the change to the current fiscal year.
- *Annual Growth Rate* – **No Growth**

Increase State PTF match on sales tax and RETT

A 5% increase in the amount transferred from the Illinois General Revenue Fund to the Illinois Public Transportation Fund (PTF) as part of a State match for revenues generated regionally. The increase in State match represents an incremental increase in total state spending, rather than a substitution of existing state spending.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Increase State PTF match on sales tax and RETT	Increase State PTF match on sales tax and RETT revenues by 5%	$65 - $95 million Medium	Medium	Medium	Medium	High	Less than two years High	High

- *Authorizing Entity* – **State Legislature** – Under Illinois state law, the Illinois PTF receives a transfer from the General Revenue Fund equal to 30% of the revenue generated from the RTA Sales Tax and the CTA's portion of the RETT in Chicago. The State Legislature has jurisdiction over the law that enables this transfer and can increase it via the legislative process.
- *Revenue Yield* – **$65 million to $95 million (Medium)** –The RTA estimates that a 5% increase in this transfer would generate approximately $80 million per year. This analysis presents a range of $65 million to $95 million to account for changes in economic conditions.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions. While the RETT taxes are dependent on the more volatile housing market, they represent a smaller share of the overall revenue source and thus have a smaller impact on the State PTF match.
- *Nexus with Transit* – **Medium** – This is a revenue source that has historically supported transit service in the Chicago region.
- *Equitable Outcomes* – **Medium** – Since this transfer is funded by General Fund revenues, the increase in the transfer does not change the overall structure of the current framework of taxes and fees.
- *Ease of Administrative Implementation* – **High** – This is an expansion of an existing transfer in the budgeting process, and requires no additional collection mechanisms to be put into place.
- *Projected Range of Implementation* – **Two years or less (High)** – The Illinois State Legislature would need to approve the transfer percentage increase during a legislative session, and the transfer increase would go into effect during the following Fiscal Year.
- *Annual Growth Rate* - **High**

Enhance State Reduced Fare Reimbursement

Increase in State reimbursement to RTA and service boards to offset revenue losses from free and reduced fares provided to the elderly, people with disabilities, and students. Historically, this fare reimbursement was equal to $34 million, but the State reduced it to $17.6 million in 2014, causing the RTA and the service boards to absorb the costs. The increase in reduced fare reimbursement represents an incremental increase in total state spending, rather than a substitution of existing state spending.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Enhance State Reduced Fare reimbursement	Increase State reimbursement for Reduced Fare to better reflect revenue losses from free and reduced fares	$17.5 - $83 million Medium	Low	High	High	High	Two years or less High	High

- *Authorizing Entity* – **State Legislature** – The State Legislature has control over the reimbursement amount through the budgeting process and could restore the reimbursement to its historic levels or increase it to account for growth in reduced fare program ridership and inflation since 2014.
- *Revenue Yield* – **$17.5 million to $83 million (Medium)** – The estimated revenue yield ranges from restoring the fare reimbursement funding to its historic levels to providing a level of funding that accounts for the full costs of the reduced fare program to RTA and the service boards, which the RTA estimates at approximately $100 million. This estimate produces a range of $17.5 million to $83 million.
- *Stability* – **Low** – The current reimbursement process does not hold the State to a specific value, which means the level of funding can fluctuate. Historic patterns of funding, as referenced above, do not seem tied to specific economic conditions, making it difficult to predict how and when these fluctuations may occur.
- *Nexus with Transit* – **High** – This is a revenue source that has historically supported access to transit for those with mobility challenges and/or economic vulnerability. Increasing the funding for reduced fare reimbursement increases the stability of the reduced fare program, but it is unlikely that the additional funding would change the structure of the program or expand its eligibility. Therefore, it is unlikely that the public would experience additional incentives to use transit under an increased reimbursement structure.

- *Equitable Outcomes* – **High** – This policy change generates additional revenue from the General Fund. Because the revenue source is not specified, it may be assumed that revenue is drawn from existing mechanisms and therefore does not change the overall structure of the current framework of taxes and fees.
- *Ease of Administrative Implementation* – **High** – This policy change represents an adjustment to an existing line item in the budget and can be implemented via current policymaking procedures.
- *Projected Range of Implementation* – **Two years or less (High)** – The Illinois General Assembly could revise the line item for program reimbursement during the budget-setting process and put the policy change into effect in the following Fiscal Year.
- *Annual Growth Rate* - **High**

Index State Funding for ADA Paratransit to Inflation

Revision of the existing Memorandum of Understanding that provides funding for ADA paratransit to index the funding amount to account for inflation.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Index State Funding for ADA Paratransit to inflation	Revise State MOU for ADA paratransit funding to index state funding for inflation	$0.2 - $0.3 million Low	Low	Medium	Medium	High	Two years or less High	Low

- *Authorizing Entity* – **State Legislature** – The State Legislature enacted the Memorandum of Understanding which establishes funding for ADA paratransit. Adjusting the Memorandum of Understanding requires an act of State legislation.
- *Revenue Yield* – **$0.2 million - $0.3 million (Low)** – Assuming that inflation ranges from 2% to 4% per year over the ten-year timeframe of the Financial Plan, this policy change will yield an additional $200,000 to $300,000 per year above current ADA paratransit funding from the State, which has ranged from $8.0 million to $8.5 million since it was established in 2010 (except for 2016 and 2017, when the amount was reduced to $3.8 million).[26]
- *Stability* – **Low** – The current Memorandum of Understanding does not hold the State to a specific value, which means the level of funding can fluctuate. Historic patterns of funding via this MOU, as referenced above, do not seem tied to specific economic conditions, making it difficult to predict how and when these fluctuations may occur.
- *Nexus with Transit* – **Medium** – 2,320,119 adults in Illinois have a disability, which is equal to 23% or 1 in 4 Illinoisian adults.[27] As the region's population ages, on demand mobility services and paratransit services will be in higher demand as time goes on. To stay competitive and inclusionary, more public transit agencies must be pushing mobility for all.
- *Equitable Outcomes* – **Medium** – This policy change generates additional revenue from the General Fund. Because the revenue source is not specified, it may be assumed that revenue is drawn from existing mechanisms and therefore does not change the overall structure of the current framework of taxes and fees.

[26] https://www.rtachicago.org/finance-management/operating-revenue-and-funding

[27] https://www.cdc.gov/ncbddd/disabilityandhealth/impacts/illinois.html

- *Ease of Administrative Implementation* – **High** – This policy change represents an adjustment to an existing Memorandum of Understanding and can be implemented via current policymaking procedures.
- *Projected Range of Implementation* – **Two years or less (High)** – The Illinois General Assembly could revise the Memorandum of Understanding to account for inflation during a given legislative session and put the policy change into effect for the following Fiscal Year.
- *Annual Growth Rate* - **Low**

Farebox Revenue Enhancement

Establish Rider Fare Donation Pool

A donation pool, managed by the transit service boards, in which riders are able to donate fares to a pool, which eligible riders can draw down from to pay for transit

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Establish rider fare donation pool	Fare-sharing pool for riders to donate fare payments to support low-income riders who may be unable to afford fares	$3.0 - $3.5 million Low	Low	High	High	Low	Two to five years Medium	No Growth

- *Authorizing Entity* – **Service Boards (Administration); RTA (Coordination)** – A fare-sharing pool would likely be administered through the Ventra farecard program to reduce administration costs and facilitate electronic transfers. The Chicago Transit Authority controls the Ventra contract and would therefore take primary responsibility for negotiating the terms of establishing and operating a fare-sharing pool. However, determining the specific terms and conditions of how donations function and how donated fares can be applied across transit services would require coordination across all service boards. To that end, the RTA would need to take a leadership role and facilitate the coordination effort with the service boards.
- *Revenue Yield* – **$3.0 million to $3.5 million (Low)** – This estimation assumes 5% of riders participate in the program and donate 10% of average annual fare payments. Based on current RTA financial projections for the 10-Year Financial Plan, 10% of 5% of fare revenue in 2027 (the estimated year of implementation) would be equal to $3.2 million. The estimate is presented as a range of $3.0 million to $3.5 million to account for variation in participation rate and donation rates.
- *Stability* – **Low** – A voluntary program will be difficult to predict in terms of how consistently riders contribute and how their volume of contributions changes over time.
- *Nexus with Transit* – **High** – This concept ties in with the idea of transit being the region's most equitable and affordable means to mass mobility available. The fare-sharing program promotes greater equity in transit access by leveraging donated fare revenues, meaning the revenue source is directly generated within the transit services.

- *Equitable Outcomes* – **High** – Highly distributive program; eligibility standards for participation will ensure that fare access is limited to those who are unduly cost-burdened by fare payments.
- *Ease of Administrative Implementation* – **Low** – New policies and procedures will have to be developed for determining eligibility for program participation and for the submission/withdrawal of fare donations. Program will also rely on extensive outreach and public education
- *Projected Range of Implementation* – **Two to five years (Medium)** – One year for program design and approval; Three years for program development and implementation; One year for outreach, education, and piloting. The total timeframe of five years places this revenue source within the Medium ranking.
- *Annual Growth Rate* – **No Growth**

Require developers in the City of Chicago's eTOD areas to purchase transit services in lieu of constructing parking

A regulatory change to existing equitable Transit-Oriented Development (eTOD) regulations in the City of Chicago, requiring residential developers that build in eTOD areas to purchase transit passes or provide other subsidies for residents at the developments in lieu of building on-site parking.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Require developers in Chicago's eTOD areas to subsidize transit service and adhere to mandatory parking maximums	Policy change to increase ridership and revenue at large trip generators in Chicago by promoting alternative transportation via removal of subsidies for SOVs and increase in incentives for transit use and disincentivizing car ownership	$10 - $12 million Medium	Medium	High	Medium	Medium	Two to five years Medium	Low

- *Authorizing Entity* – **City of Chicago** – Municipalities have authority over the zoning codes and building codes within their geographic areas. Adjustment to parking policy and development approval processes would require action from legislative bodies within the City of Chicago.
- *Revenue Yield* – **$10 million to $12 million (Medium)** – Assuming that eTOD increases population within the transit service areas by 10,000 per year and that the average transit rider spends $1,100 per year on transit (Average fare of $1.48 multiplied by two rides per day by 365 days per year), this requirement generates $11 million in farebox revenue. This estimate is presented as a range of $10 million to $12 million to account for variation in population growth.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions.

- *Nexus with Transit* – **High** – Another avenue to provide a greater role for the private sector to strategically finance transportation improvements while maintaining public interest, especially in eTOD areas where they typically find it harder to secure financing or earn the returns necessary to support new investments.
- *Equitable Outcomes* – **Medium** – While low-income households are less likely to own a vehicle and thus subsidize parking that they do not use via rents or housing costs, the policy change does not ensure that current or prospective low-income residents at eTOD properties benefit
- *Ease of Administrative Implementation* – **Medium** – While the Chicago City Council can reform the eTOD program, its parking requirements, and its associated zoning codes under its own authority, determining the appropriate balance of parking and transit subsidies would require policy and/or economic analysis.
- *Projected Range of Implementation* – **Two to five years (Medium)** – If the Chicago City Council approved this change to eTOD policy, it would likely take an additional two to three years for developers to incorporate the policy into their plans and designs, build the housing, and put the housing on the market.
- *Annual Growth Rate* - **Low**

Require developers to subsidize transit for affordable housing developments

The establishment or revision of Transit-Oriented Development (TOD) regulations in the City of Chicago and other municipalities throughout the RTA service area, requiring residential developers that build affordable housing to provide transit passes or other transit subsidies for the residents of the affordable housing units or developments.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Require developers to subsidize transit for affordable housing developments throughout the RTA service area	Policy change to increase ridership and revenue by making affordable housing incentives (tax credits, density bonuses, etc.) in the Chicago metropolitan region contingent on transit subsidies	$2.0 - $2.5 million Low	Medium	High	High	Medium	Two to five years Medium	Low

- *Authorizing Entity* – **Municipalities** – Municipalities have authority over the zoning codes and building codes within their geographic areas. Adjustment to affordable housing policy and development approval processes would require action from legislative bodies within cities, villages, and other municipal governments.
- *Revenue Yield* – **$2.0 to $2.5 million (Low)** – Assuming that the average TOD development includes a 20% affordable housing requirement and that eTOD growth increases population within the transit service areas by 10,000 per year, 2,000 people live in affordable housing developments. If the average transit rider spends $1,100 per year on transit (Average fare of $1.48 multiplied by two rides per day by 365 days per year), this requirement generates $2.2 million in farebox revenue. This estimate is presented as a range of $2.0 million to $2.5 million to account for variation in population growth and household expenditures on transit.
- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions.
- *Nexus with Transit* – **High** – This policy adjustment would make the connection between land use and transportation more explicit in zoning codes and reduce household transportation costs for low-income residents by enhancing transit access.

- *Equitable Outcomes* – **High** – Limiting these subsidies to affordable housing residents ensures that they are targeted towards those who are most cost-burdened by fare payments
- *Ease of Administrative Implementation* – **Medium** – While municipalities can establish TOD regulations or revise existing TOD programs and their associated zoning codes under its own authority, determining the appropriate amount of transit subsidy and its impact on the affordable housing market would require policy and/or economic analysis.
- *Projected Range of Implementation* – **Two to five years (Medium)** – If the Chicago City Council and other municipality councils coordinated to enact these changes to TOD within a given year, it would likely take an additional two to three years for developers to incorporate the policy into their plans and designs, build the housing, and put the housing on the market.
- *Annual Growth Rate* - **Low**

Require developers and employers in Transit Station Service Areas to establish travel demand management plans

A regulatory change in the City of Chicago and in municipalities throughout the RTA service area, requiring developers, property managers, and/or employers located in transit station areas to establish travel demand management plans and incentives that encourage employees to use transit or alternative transportation modes for their work commute.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Require developers, property managers, and employers in transit station service areas to establish travel demand management plans	Policy change to increase ridership and revenue at large trip generators by promoting alternative transportation via travel demand management plans and incentives	$10.5 - $12.5 million Medium	Medium	High	Medium	Medium	Two to five years Medium	Low

- *Authorizing Entity* – **Municipalities** – Municipalities have authority over the zoning codes and building codes within their geographic areas. Adjustment to affordable housing policy and development approval processes would require action from legislative bodies within cities, villages, and other municipal governments.
- *Revenue Yield* – **$10.5 million to $12.5 million (Medium)** – In 2019, the Chicago metropolitan area, which includes parts of Indiana and Wisconsin, added approximately 28,600 jobs.[28] This analysis assumes 24,000 of those jobs were located within the six-county RTA service area and 60% of these new jobs would be created within an accessible distance of a transit station. If employers and developers establish Transportation Demand Management (TDM) plans that successfully persuade 75% of employees to use transit, this represents 10,800 new riders per year. If the average transit rider spends $1,100 per year on transit (Average fare of $1.48 multiplied by two rides per day by 365 days per year), this requirement generates $11.9 million in farebox revenue. This estimate is presented as a range of $10.5 million to $12.5 million to account for variation in employment growth, job location, and transit adoption rate among employees.

[28] https://www.bls.gov/regions/midwest/news-release/2020/areaemployment_chicago_20200107.htm

- *Stability* – **Medium** – Generally tracks with overall economic growth; vulnerable to recessions.
- *Nexus with Transit* – **High** – This policy change would make the connection between land use and transportation more direct and improve transit ridership in locations where transit accessibility is high and where travel demand is effectively served by transit.
- *Equitable Outcomes* – **Medium** – This policy change would affect all businesses in a similar manner.
- *Ease of Administrative Implementation* – **Medium** – Municipal counties would have to define standards for TDM plans and analyze how those TDM plans may impact other zoning or building regulations.
- *Projected Range of Implementation* – **Two to five years (Medium)** – If municipal councils throughout the RTA service area counties revised their zoning regulations and/or economic development policies in a given year, it would likely take one to two additional years for businesses to adopt TDM plans and for employees to change their travel behavior in response to them. Additional time would be needed for developers or property managers to incorporate TDM principles into their designs and build the supportive infrastructure into their facilities. This timeframe places this revenue source within the Medium ranking.
- *Annual Growth Rate* - **Low**

Federal Revenues

Establish Federal Dedicated Funding for Federally-Mandated ADA Paratransit Operations

A new Federal formula program that matches 20% of annual operating expenditures for Federally-mandated ADA paratransit operations.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Establish Federal dedicated funding for Federally-mandated ADA paratransit operations	Establish a Federal dedicated funding program to match 20% of total expenditures on Federally-mandated ADA paratransit operations	$45 - $70 million Medium	High	High	Medium	Low	More than five years Low	High

- *Authorizing Entity* – **U.S. Congress (Establishment); Federal Transit Administration (FTA) (Administration)** – Under the ADA Act, fixed-route transit agencies are required to provide paratransit services for people with mobility challenges to travel within three-quarters of a mile of fixed-route transit service. Despite the Federal mandate for this service, the FTA does not provided dedicated funding for fixed-route transit agencies to support paratransit operations.[29] Congress can establish new transportation programs via Federal surface transportation reauthorization legislation, which regulates multi-year transportation program funding, which the FTA then administers. A new dedicated formula-based program for ADA paratransit operations would establish funding for the Federally-mandated service.
- *Revenue Yield* – **$45 million to $70 million (Medium)** –This estimate assumes that the Federal dedicated funding program for paratransit would match 20% of total expenditures for ADA paratransit operations. In the RTA's 10-Year Financial Model, ADA paratransit operating expenses range from $229 million in 2022 to $340 million in 2031. The proposed program would therefore provide $45 million to $70 million per year.
- *Stability* – **High** –A Federal program would be subject to reauthorization, but codification of the program as a formula fund would likely reduce the probability that funding amounts would change significantly in the short-term.

[29] The FTA provides funding for transportation services for people with mobility challenges, including seniors and people with disabilities, via its Section 5310: Enhanced Mobility of seniors & Individuals with Disabilities program, but this program is designed to support services that go beyond ADA requirements.

- *Nexus with Transit* – **High** –This program represents direct Federal funding for transit operations. The influx of funding would enable Pace Bus, which operates ADA paratransit services in the Chicago metropolitan region, to add additional revenues and program the multi-year funding for longer-term investments or program enhancements. The Federal funding could therefore improve the quality of paratransit service, encouraging users to take it for a wider array of trip purposes.
- *Equitable Outcomes* – **Medium** –Since this program is funded by Federal revenues (and it is assumed that the Federal gas tax would not be increased to fund this program specifically), the establishment of the program does not change the overall structure of the current framework of taxes and fees.
- *Ease of Administrative Implementation* – **Low** –While the dedicated paratransit funding program does not exist, the processes for establishing and administering transportation funding programs is established in legislative procedures and the Code of Federal Regulations. However, the federal policymaking process is large and complex, and Chicago-area legislators would have to advocate for this program among many competing priorities. Therefore, the process for authorizing the program is not straightforward.
- *Projected Range of Implementation* – **More than five years (Low)** – It is unlikely that a new program would be established before the next Federal transportation reauthorization. Since the current surface transportation authorization was passed in 2021 and extensions of the existing authorization have become more common in recent years, it is likely that the next reauthorization process will not occur until at least five years from now.
- *Annual Growth Rate* - **High**

Increase Flexibility to Use Federal Formula Funds for Operating Expenditures

Change FTA regulations to allow transit agencies to spend 10%of FTA Section 5307 and 5340 funds on operating costs.

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Increase flexibility to use Federal formula funds for operating expenditures (rather than capital expenditures)	Establish rule allowing transit agencies to flex up to 10% of their 5307/5340 Urbanized Area Formula funds from capital expenditures to operating expenditures	$35 - $37 million Medium	High	Low	Medium	High	Two years or less High	No Growth

- *Authorizing Entity* – **Federal Transit Administration (FTA)** – Under current regulations, the FTA's Section 5307 and Section 5340 Urbanized Area Formula funds are restricted for certain purposes based on the population of the area receiving the funds. For areas with populations greater than 200,000, these funds must be used for project planning and design or for capital investments. Transit operations are not permitted for funding. The regulations can be adjusted to allow for transit operations to receive funds, however. Determining the activities that are eligible for formula funds is under the purview of the FTA via its rulemaking procedures.[30]
- *Revenue Yield* – **$35 million to $37 million (Medium)** – The RTA's 2022-2026 Five Year Capital Program shows an overview of Federal formula funding estimates by major program between 2023 and 2027. Over this time period, total 5307/5340 Urbanized Area Formula funding increases from $336 million to $369 million. Under the assumption that the FTA's rulemaking would allow agencies to flex up to 10% of their annual formula funding allocations from capital to operating, this analysis presents this revenue estimate as a range of $35 million to $37 million. This, in turn, reduces the available Capital funding by an equivalent amount.

[30] Rules are submitted to Congress for final approval. While Congress can pass a resolution of final disapproval for the proposed rule, this happens infrequently. <https://www.federalregister.gov/uploads/2011/01/the_rulemaking_process.pdf>

- *Stability* – **High** – A Federal program's regulations would be subject to reauthorization or subsequent rulemaking efforts, but codification of rule change would likely reduce the probability that funding amounts would change significantly in the short-term.
- *Nexus with Transit* – **Low** – This program represents an increase in Federal funding for transit operations. Although the influx of operating funding could allow the Chicago transit service boards to improve frequency by hiring more operators and putting more vehicles into service, the shift from capital to operating funding may raise concerns about the sustainability of increasing vehicle usage without the ability to support increased maintenance or vehicle replacement costs in the long-run. Therefore service boards may use this funding more conservatively and may not expand service, limiting the service improvements that would incentivize greater transit use.
- *Equitable Outcomes* – **Medium** –Since this program is funded by Federal revenues (and it is assumed that the Federal gas tax would not be increased to fund this program specifically), the establishment of the program does not change the overall structure of the current framework of taxes and fees.
- *Ease of Administrative Implementation* – **High** – The FTA rulemaking procedures are already in place, and the FTA can make this adjustment under its own regulatory authority. Transit agencies are familiar with the FTA rulemaking process and understand how to respond to changes in FTA regulations.
- *Projected Range of Implementation* – **Two years or less (High)** – The Federal rulemaking process requires a public notification of the intended rule change, a public comment period to respond to the announced rule change, and a publication of the final rule. The rule itself must also be drafted and reviewed within the regulatory agency. The overall process takes less than two years to complete.
- *Annual Growth Rate* – **No Growth**

Reestablish Federal Dedicated Funding for Transit Operations

The reestablishment of a Federal subsidy program that was in operation in the 1980s and provided operating subsidies to match state and local government funds. Historically, this operating subsidy program matched state and local funding with $1.00 of federal funding for every $2.25 of state and local funding.

Note: This funding source was not included in the evaluation for identifying the ten highest-scoring revenue options. While it receives high rankings on several criteria, the challenges associated with establishing a new federal program and the likely need for a national, multi-agency coordination effort on this program removed it from inclusion in the top-10 rankings.[31]

Source	Description	Revenue Yield	Stability	Nexus with Transit	Equitable Outcomes	Ease of Administrative Implementation	Projected Range of Implementation	Annual Growth Rate
Reestablish Federal formula funding dedicated for transit operations	Reestablish a Federal dedicated funding program to provide operating subsidies as a match for state and local funding.	$216 - $960 million High	High	High	Medium	Low	More than five years Low	Medium

- *Authorizing Entity* – **U.S. Congress (Establishment); Federal Transit Administration (FTA) (Administration)** –Congress can establish new transportation programs via Federal surface transportation reauthorization legislation, which regulates multi-year transportation program funding, which the FTA then administers. A new dedicated formula-based program for transit operations would establish funding for the Federally-mandated service.
- *Revenue Yield* – **$216 million to $960 million (High)** –This estimate assumes that the Federal dedicated funding program for transit operations would match state and local expenditures. In the RTA's 10-Year Financial Model, public funding from state and local sources totaled $2.1 billion in 2021. This would yield a range of $216 million on a federal match of $1:$10 to $960 million on the historical federal match of $1:$2.25.
- *Stability* – **High** –A Federal program would be subject to reauthorization, but codification of the program as a formula fund would likely reduce the probability that funding amounts would change significantly in the short-term.

[31] Representative Jesús "Chuy" García (IL-04) has previously introduced a bill to establish operating funding for transit, signaling there is some support within the Illinois Congressional delegation for this concept.

- *Nexus with Transit* – **High** –This program represents direct Federal funding for transit operations. The influx of funding would enable transit service providers in the Chicago metropolitan region, to add additional revenues and program the multi-year funding for longer-term investments or program enhancements. The Federal funding could therefore improve the quality of transit service, encouraging users to take transit more frequently and use it for a wider array of trip purposes.
- *Equitable Outcomes* – **Medium** –Since this program is funded by Federal revenues (and it is assumed that the Federal gas tax would not be increased to fund this program specifically), the establishment of the program does not change the overall structure of the current framework of taxes and fees.
- *Ease of Administrative Implementation* – **Low** –While processes for establishing and administering transportation funding programs are established in legislative procedures and the Code of Federal Regulations, the federal policymaking process is large and complex, and Chicago-area legislators would have to advocate for this program among many competing priorities. Therefore, the process for authorizing the program is not straightforward.
- *Projected Range of Implementation* – **More than five years (Low)** – It is unlikely that a new program would be established before the next Federal transportation reauthorization. Since the current surface transportation authorization was passed in 2021 and extensions of the existing authorization have become more common in recent years, it is likely that the next reauthorization process will not occur until at least five years from now.
- *Annual Growth Rate* - **Medium**