Meeting of the RTA Ad Hoc Committee on Transit Funding

July 24, 2025

Welcome! Meeting Starts at 11 a.m.

Meeting Agenda: rtachicago.org

Regional Transportation Authority

RTA Ad Hoc Committee on Transit Funding

1. Call to Order
2. Establishment of membership
3. Roll call

4. Public comment

5. Ad Hoc Committee Charter

Charter – Duties of the Committee

- Assess the current fiscal crisis / cliff facing the Authority, CTA, Metra, and Pace
- Identify potential solutions to the fiscal crisis
- Recommend courses of action to mitigate the crisis
- Take up such other matters as may be referred by the Board of Directors or Chairman

Ad Hoc Committee Goals

- Provide recommendations on regional spending decisions in 2025
- Discuss regional policy priorities to ensure the transit network is preserved and enhanced in 2026 and beyond
- Recommend one-time decisions that assist the RTA Board in voting on complicated fiscal decisions for 2026
- Develop actionable funding recommendations to support addressing the 2026 funding gap. Ensure solutions are socialized across RTA and Service Board boards and management to build regional consensus

6. Regional Budget Issues

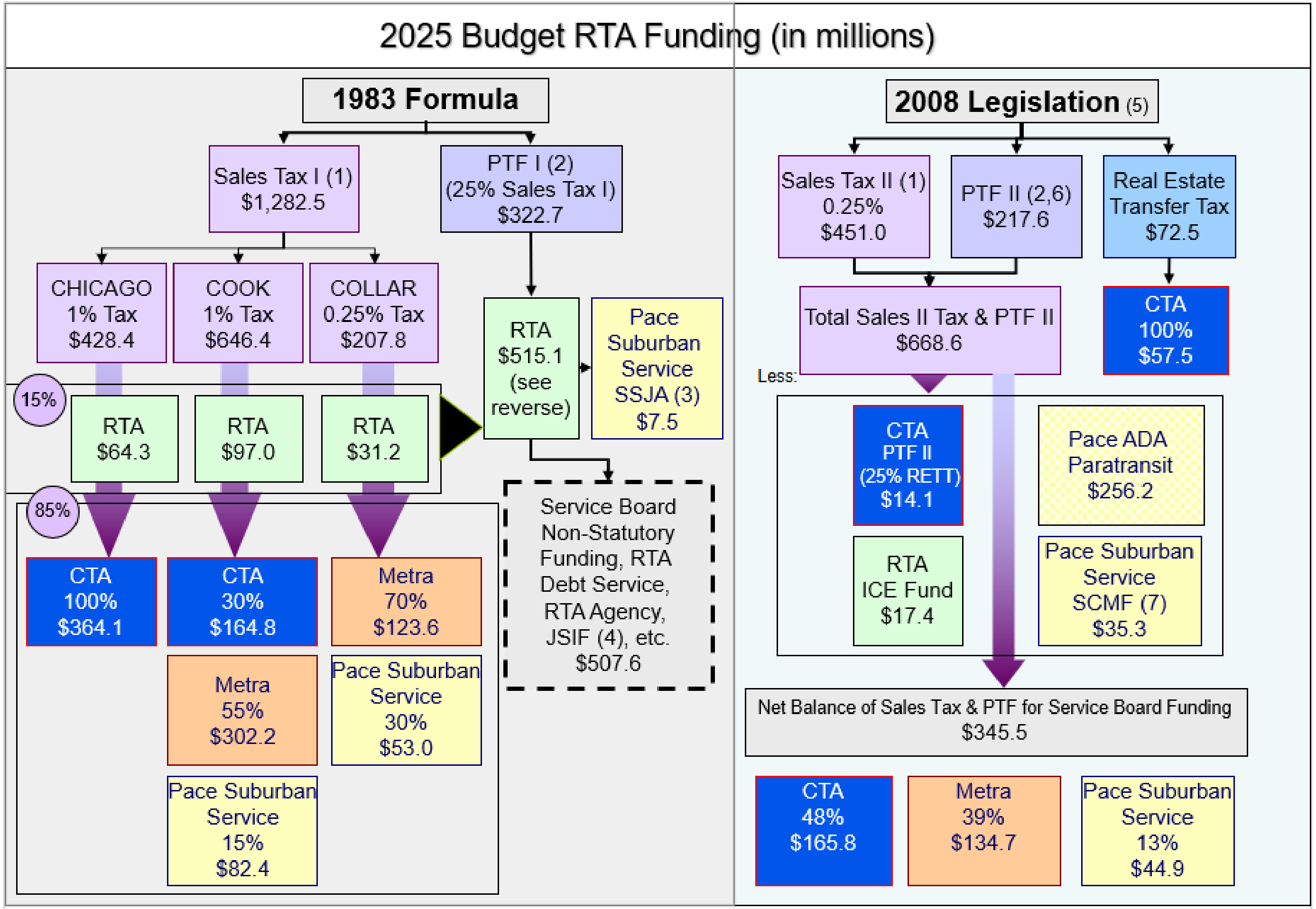
Budget Taskforce

- Formed by the passage of the Budget Call
- Members include Service Board and RTA Staff
- Taskforce has met three times since RTA's June Board meeting
- This group will continue to guide the budget process and the ad-hoc committee agenda

Background on RTA Act and funding formulas

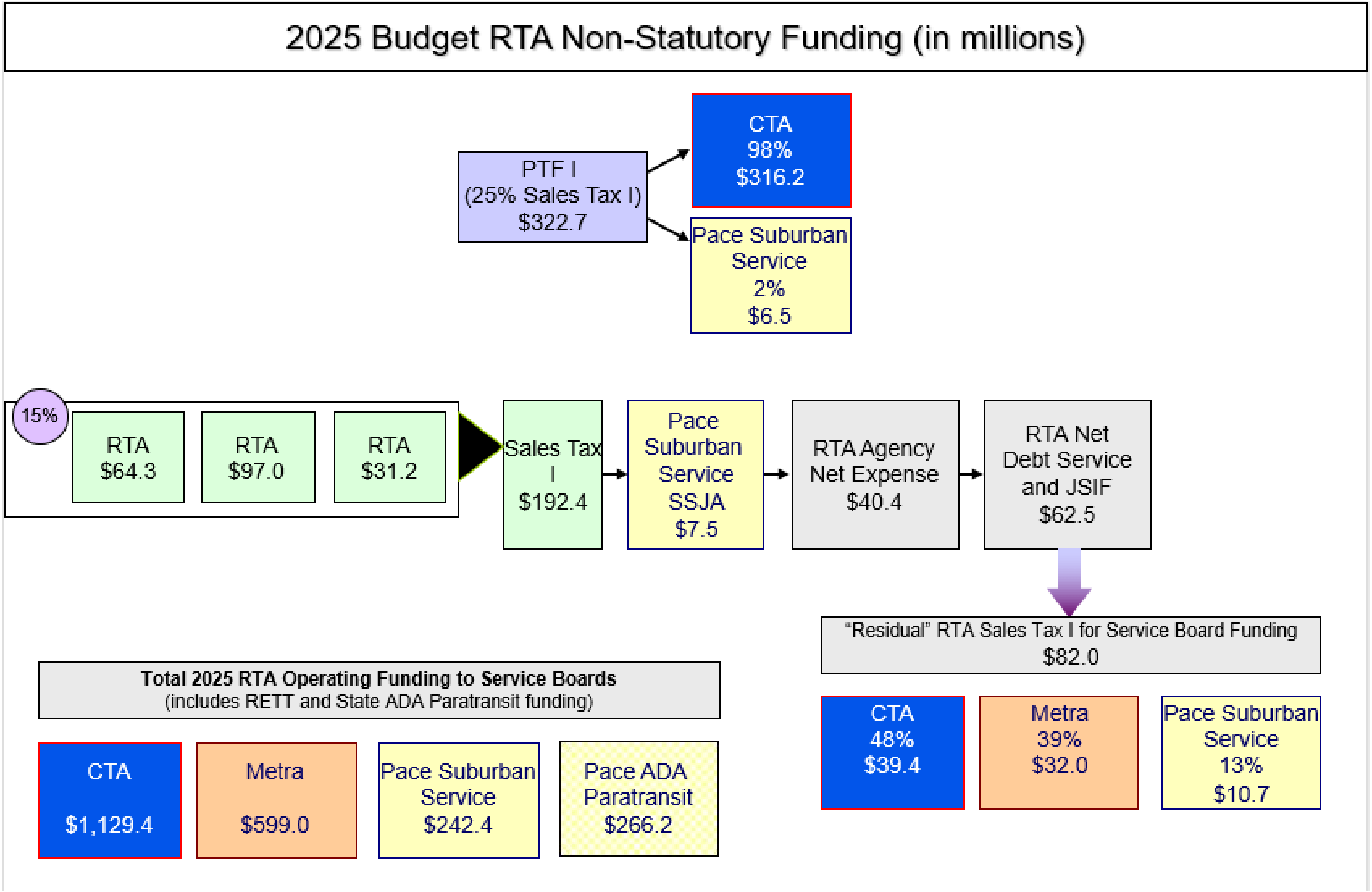
- Approximately 75% of the $2.6 billion of existing annual RTA sales tax, PTF, and RETT is allocated to the Service Boards according to statute
- After covering RTA requirements, around $460 million remains to be distributed at the direction of the RTA Board
- Close to 90% of this remainder is allocated to CTA under the current funding agreement, leaving about $60 million of flexibility
- RTA Board could consider other one-year measures to manage the timing of potential service cuts until State provides new funding

Background on RTA Act and funding formulas



(1) Amounts are net of 1.5% State administrative surcharge. (2) 5% PTF cut was discontinued effective July 1, 2021. (3) SSJA - South Suburban Job Access (4) JSIF – Joint Self Insurance Fund (5) 2008 Legislation also included 0.25% sales tax in Collar Counties retained by the county where collected. (6) PTF II – 5% Sales Tax I, 30% Sales Tax II, 30% RETT (7) SCMF - Suburban Community Mobility Fund

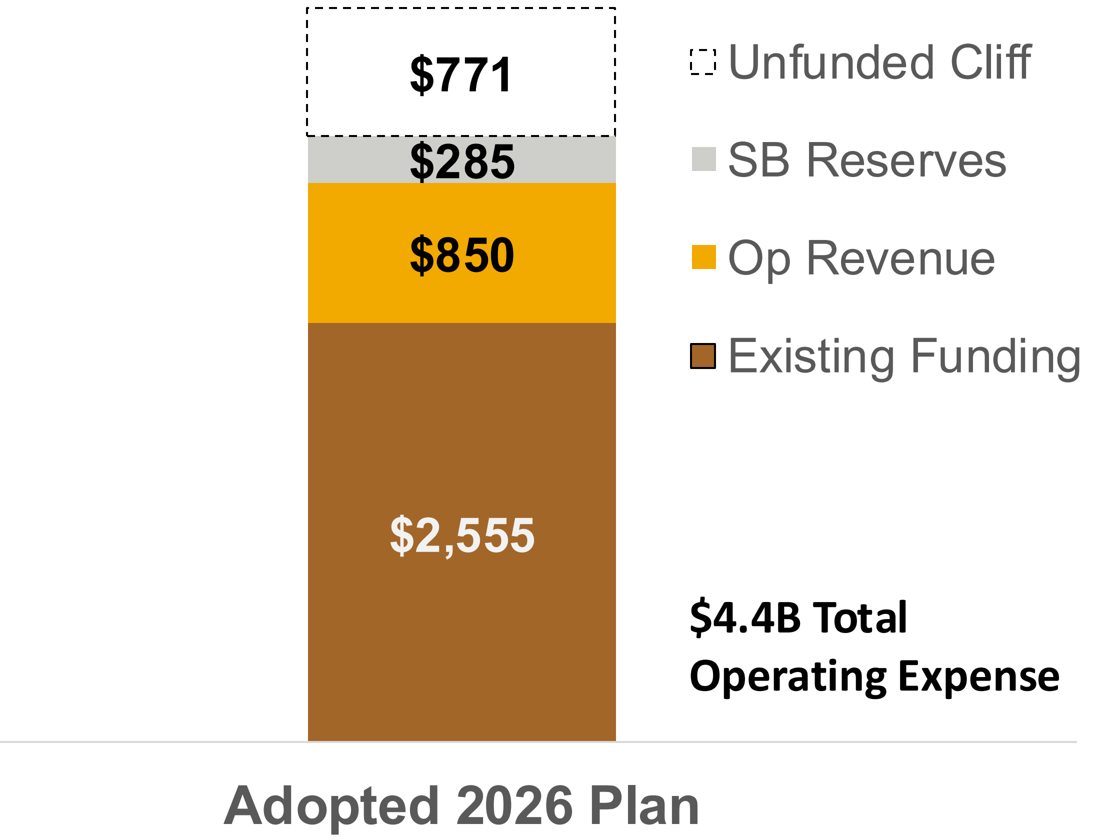
Background on RTA Act and funding formulas



Background on budget production

May/June	RTA Board adopts annual budget call
July/August	Release of preparatory funding amounts
by **Sep 15**	Statutory deadline for RTA Board to adopt proposed funding amounts
October	Service Boards submit proposed budgets and capital programs to RTA
by **Nov 15**	Statutory deadline for Service Boards to submit adopted budgets
November 20	Service Boards present their budgets to the RTA Board of Directors
December 18	RTA Board of Directors considers regional budget for adoption

Recap: Fiscal cliff determination as projected in late 2024 (in millions)



Many factors impact cliff timing and magnitude:

- Expense projections
- Ridership and fare trends
- Prior year budget performance
- Sales tax changes

Remaining reserves through May 2025 (in millions)

Reserves	Utilized	% Utilized	Remaining	Estimated Exhaustion
CTA	$1,799.8	81.5%	$409.4	2Q 2026
Metra	$846.8	78.7%	$229.6	3Q 2026
Pace	$69.9	34.0%	$135.6	2027
ADA Paratransit	$20.7	100.0%	-	-
RTA	$28.8	100.0%	-	-
Total	**$2,766.0**	**78.1%**	**$774.6**	

Sources: CTA, Metra, and Pace ACFRs and monthly financial results.

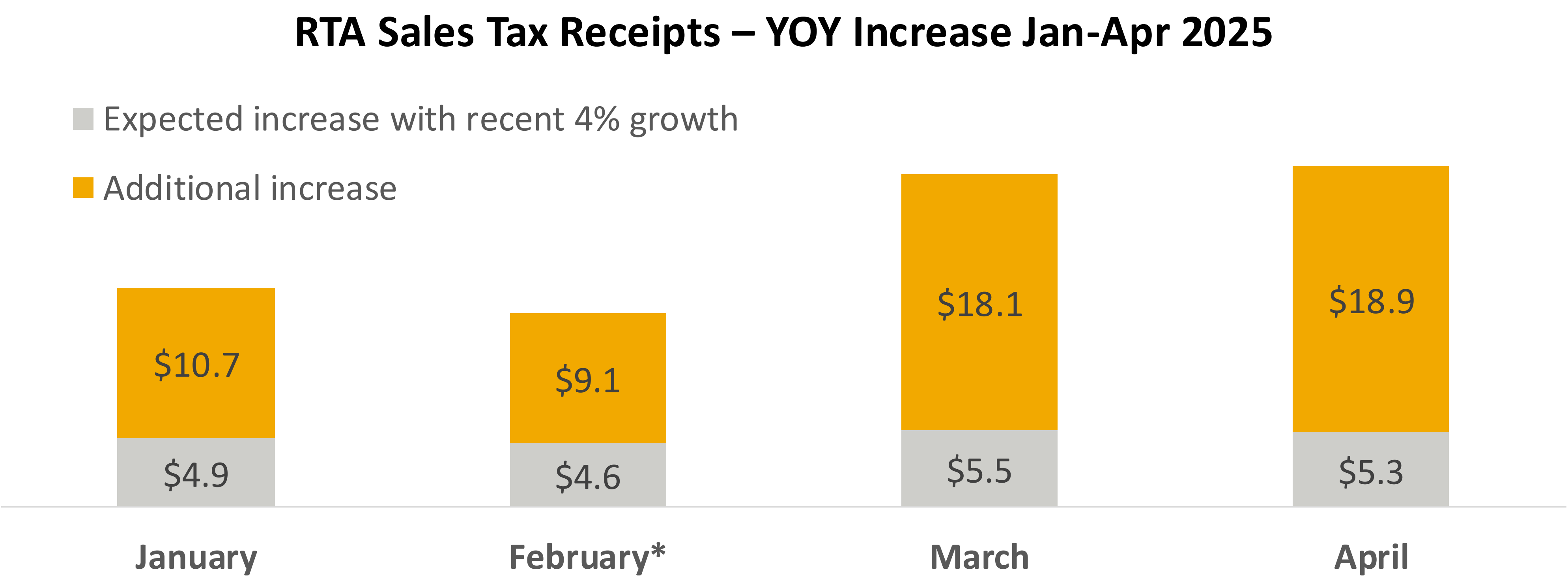
2025 YTD PBVs through May (in millions)

Operating Deficits	Actual	Budget	Variance	% Variance
CTA	$665.7	$702.0	+$36.3	+5.2%
Metra	$314.1	$356.0	+$41.8	+11.8%
Pace	$103.1	$118.8	+$15.7	+13.2%
ADA Paratransit	$119.2	$108.4	($10.8)	(10.0%)
Total	**$1,202.2**	**$1,285.2**	**+$83.0**	**+6.5%**

Sources: CTA, Metra, and Pace monthly financial results.

Sales Tax – impact of P.A. 103-0983

- YTD results suggest an upward RTA sales tax shift between $10M and $18M per month



* Adjusted for extra day in Feb 2024 (leap year)

2025 ADA Paratransit funding shortfall

- Rideshare Access Program continues to experience rapid growth
- Overall ridership is expected to exceed budget by 2.2 million rides, or more than 50%
- Projected funding shortfall of $53 million could be reduced by action plan measures

(in millions)	2025 Budget	2025 Projected	Change	% Change
Ridership	4.2	6.4	+2.2	+51.4%
Operating Expense	$281.2	$338.0	+$56.7	+20.2%
- Operating Revenue	$15.0	$18.7	+$3.7	+24.7%
= Funding Required	**$266.2**	**$319.2**	**+$53.0**	**+19.9%**

Development of 2026 budgets, 2027-2028 financial plans, and 2026-2030 capital programs

2026 Budget Call requires two scenarios

- **Scenario 1:**
  - No new funding is identified and reductions in service levels and operating expense are needed to maintain balance with available revenue.
- **Scenario 2:**
  - Stopgap or other funding is made available to avert the fiscal cliff before the passage of each Service Board's budget in Fall 2025.

Operating efficiencies

- **Service Boards and RTA are identifying operating efficiencies.**
  - Working toward detailing efficiencies in 2025
  - 2026 Budget Scenario 1: Target of 5% of 2024 actual expenditures and incorporate these efficiencies into proposed budgets

Estimating 2026 sales tax

Decision points affecting 2026 funding levels

- 2025 step-up due to online sales: Between $10m and $18m per month
- Moody’s provided two scenarios for 2026 growth from 2025:
  - *Baseline (no recession) =* ***3.0% sales tax growth in 2026***
  - *Mild recession =* ***0.5% sales tax growth in 2026***
- Non-statutory funding of approximately $460 million
  - *$400 million of PTF I and non-statutory ST I to CTA*
  - *$60 million of additional flexibility*
- ADA Paratransit budget structure and funding level

Incremental sales tax provides limited flexibility

- Flexibility limited by statutory allocations
- Using the estimated $156 million of sales tax and PTF expected from new online transactions in 2025 as an example:

Incremental ST / PTF (in millions)	**Statutory**	**Non-Statutory**	**Total**	**% of Total**
CTA	$57.4	$22.1	$79.5	51%
Metra	$45.8	$0.0	$45.8	29%
Pace	$17.2	$0.5	$17.7	11%
RTA	$0.0	$13.3	$13.3	9%
Total	**$120.4**	**$35.9**	**$156.3**	**---**
	77%	**23%**		

Recovery ratio impact

- Current relief from the 50% recovery ratio requirement and financial penalties only through 2025
- Even after reducing 2026 service to balance budgets, absent new funding:
  - *Regional recovery ratio would be less than 40%*
  - *Financial penalty for this 10-point shortfall to 50% could be approx. $400 million*
  - *Negates the usage of $400 million of public funding, requiring even further service reductions*
- Recovery ratio relief is critical in addition to sustainable state funding

Fare increase

Under both scenarios the Service Boards must include a general fare increase to generate additional system generated revenues.

- Fares have not been increased since before the COVID-19 pandemic
- Average fares have decreased due to pass pricing adjustments and zone restructuring
- Regionally, fare increase must generate at least $50 million in new annual revenue
- Fare increases to include ADA Paratransit services in accordance with the Action Plan adopted by the RTA Board
- Additional/higher fare increases could be proposed to assist in meeting the recovery ratio/lowering state penalty

Potential service reductions

Under scenario 1, the Service Boards implement service reductions as necessary to achieve balance

- A detailed listing of the services to be reduced
- The amount of associated service reduction
- Timeline of approval and implementation of service cuts

Under scenario 2, the Service Boards provide current service

- Optional: Potential service growth options in case of additional state funding

Recap: Key Issues

- ADA paratransit funding decisions will impact available funding for mainline services
- 2025 sales tax increase will bring additional revenues but not solve the fiscal cliff
- A regional perspective on the 2026 budget process will require one-time decisions
- These policy decisions will be captured in:
  - Approval of RTA Marks in August

Updating the 2026 fiscal cliff estimate

What we know:

- 2025 additional sales tax estimates
- 2025 service board expenses and reserves estimates
    - *Efficiencies*

What we will know in the coming months:

- 2026-2028 sales tax and other public funding projections
- 2026-2028 service board system generated revenue projections
    - *Fare increase*
- 2026-2028 service board expense estimates

Committee Discussion on Key Issues

- Options to address ADA paratransit funding shortfall in 2025 and 2026
  - 2025 Sales Tax Increment
  - Pace Reserves
- Scenarios to project sales tax growth in 2025 and 2026
  - Increment estimates and 2026 growth rate
- Levers to pull at the regional level to delay any potential service cuts in 2026
  - 2026 ADA paratransit and user subsidy program funding sources
  - 2026 Sales Tax and PTF Discretionary Funding
  - ICE Funding
  - Other Sources?

7. Scheduling Next Meeting

8. Other business

Adjournment

The next meeting of the Ad Hoc Committee on Transit Funding is scheduled for **Monday, August 11 at 9am.**

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