



From crisis to commitment: next steps for transit funding

October 7, 2025

Key findings

In the coming weeks, Illinois faces a decisive moment in the future of transit. The 8.6 million people in northeastern Illinois — along with its communities, and businesses — are all connected through the region’s transit system. The system’s future is threatened by a funding cliff that will start at \$202 million in 2026 and grow to almost \$1.0 billion by 2029.^{1,a} Recent short-term financial maneuvers by the RTA and service boards have delayed the inevitable, but it remains clear the status quo is no longer sustainable.

The state’s leaders now have a choice that will indelibly shape the region for years to come. On the one hand, a funding solution for the shortfall in 2026 will allow the transit system to remain in survival mode. On the other hand, our leaders can commit to a framework that stabilizes funding, strengthens governance, and delivers the modern, seamless system residents expect.

To inform these deliberations, CMAP analyzed the current outlook for transit funding in northeastern Illinois within the context of the challenges ahead and the goals articulated in the [*Plan of Action for Regional Transit \(PART\)*](#).

^a Fiscal cliff forecasts for 2026-2029 are based on the information shared by the Regional Transportation Authority (RTA) at the Ad Hoc Committee on Transit Funding meeting on October 3, 2025. Forecasts for 2029 were developed by CMAP.

Key takeaways from this analysis include:

People expect more, not less. A key finding from PART was that residents and leaders across the region want frequent, reliable, affordable transit that connects them to jobs, schools, healthcare, and community life. Investing in a system that solely maintains 2019 service levels and quality will not rebuild trust or ridership.

Now is the time to secure adequate and sustainable funding. Transit’s future depends on timely, decisive action. Delaying reform only raises costs and risks service cuts that would harm riders, jobs, and the regional economy. Lawmakers must address the near-term shortfall in 2026 while enacting durable, growing revenue sources that keep pace with costs in the years ahead. Adequate and sustainable funding — not temporary fixes — is the only path to a stable, modern system that can serve the region for decades to come.

Successful reform requires a thoughtful transition and sustained effort. Whatever its form, implementing governance reforms for regional transit will take several years. Legislative solutions should calibrate revenue and resources to sustain the system through that transition and position it for success and growth once the new structure is in place.

A transformational investment will provide a system that works better for everyone. Residents and leaders have issued a clear call for transformative investment: integrated fares, faster and more reliable service, and universal accessibility. Any solution must provide the revenue necessary to deliver these improvements. Every additional program or requirement — however valuable — adds costs that must be matched with funding, or the vision for transformation will remain out of reach.

A modernized sales tax can provide a foundation for lasting transit investment. No single revenue source will fill the gap, but updating the sales tax to reflect a modern economy offers one of the most powerful tools to secure long-term transit investment.

Background

The 2023 [*Plan of Action for Regional Transit \(PART\)*](#), developed at the direction of the Illinois General Assembly, laid out a vision for moving beyond survival toward the **transformational investment needed to deliver the transit system the region wants**. This vision was approved by CMAP’s Board — reflecting the region’s counties, municipalities, and councils — and its Metropolitan Planning Organization (MPO) Policy Committee — reflecting the region’s counties and transportation implementors.

PART's recommendations include the following:

- a \$1.5 billion annual investment in transit operations to stabilize the fiscal cliff and support rider-oriented improvements that grow the region's economy like integrated fares, faster and more dependable service, and universal accessibility;
- governance reform to align decision-making with regional priorities; and
- a balanced mix of near-term and long-term revenue sources, recognizing that no single tax or fee can meet the challenge on its own.

Since PART was delivered, the call for transformational investment has been echoed in Senate Transportation Committee hearings, legislative work groups, civic forums, and extensive media coverage. Multiple legislative proposals have been introduced to translate many of PART's recommendations into statutory change. This analysis focuses on HB3438, which has provided a baseline for the most recent legislative deliberations. These discussions underscore a growing consensus that the state must both stabilize the fiscal cliff and advance toward improvements that make the system more seamless, accessible, and reliable.

To support upcoming deliberations, CMAP has analyzed the current fiscal outlook for the region's transit system in 2026 — the first anticipated year of the fiscal cliff — as well as the years that follow, when a new governance model is expected to be fully implemented. These figures were updated in early October to reflect the most up-to-date information from RTA and the service boards about system needs.

Overall, this analysis lays out:

- how the transition to a new governance model could affect multiyear funding needs;
- anticipated transit operating budget deficits;
- phased implementation of the transformational investment costs identified in PART;
- estimates of additional costs introduced by HB3438;
- updated estimates for potential revenues sources; and
- a multiyear view of the funding solutions under consideration.

The timing of governance transition will shape total funding needs

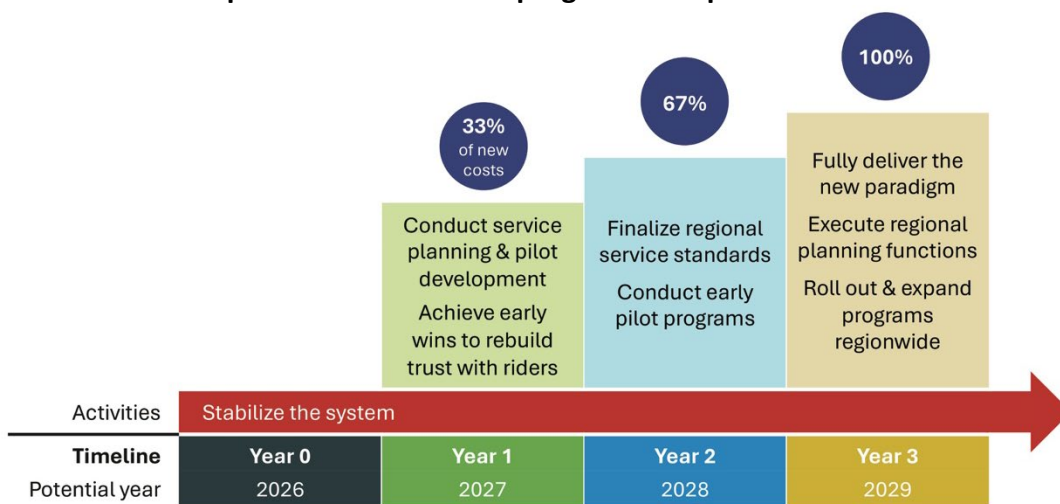
There appears to be broad agreement in the Illinois General Assembly on the direction of governance reform for transit in northeastern Illinois. While details such as board appointments and voting structures remain under discussion, the practical realities of standing up a new regional authority — and the time it takes to translate governance changes into visible service improvements — must be factored into decisions about funding.

If enacted in a form similar to HB3438, stakeholders should anticipate a multi-year transition period before the Northern Illinois Transit Authority (NITA) is fully operational. While the specifics would need to be determined by the transition team provided for in the legislation, the transition process can broadly be thought of in three phases:

1. **Planning and piloting (Years 1-2):** NITA and the service boards stabilize the fiscal cliff, prepare the first coordinated service plans, begin piloting fare integration, and test service improvements. Early wins — such as fare capping and the deployment of transit ambassadors — could enhance the rider experience and rebuild trust, even as longer-term reforms remain in development.
2. **Scaling what works (Year 2):** Once pilots and early programs are established, NITA can begin to scale them regionwide. This period would likely focus on finalizing regional service standards, and expanding programs such as low-income fare subsidies, service frequency increases, and rider safety initiatives.
3. **Delivering the new paradigm (Year 3 and beyond):** By this point, NITA should have the governance tools, standards, and programs in place to sustain a full transformational investment in service.

A phased transition means the region will not need 100 percent of new revenues to enable a transformational change on day one. However, early funding beyond the fiscal cliff is still critical to deliver quick, visible improvements while NITA is being established, and to support the early planning efforts that will ensure service expansion is deployed strategically. That said, by the time NITA reaches full implementation, new revenue sources must be fully online to support the complete rider experience envisioned by both the state and regional leaders. **Figure 1** shows how resources beyond those needed to stabilize the fiscal cliff could scale over time to support NITA's full launch in 2029.

Figure 1. Illustrative phase-in of new NITA programs and processes



New cost estimates for stabilizing and transforming transit in northeastern Illinois

The costs required to realize the transit system the region wants, as well as the priorities that have been identified by regional and state leadership, can be understood as three distinct pieces:

- the operating budget deficit — or the **fiscal cliff** — that is projected to begin in 2026 after the service boards fully spend down their federal pandemic aid funding and reserves;
- the **transformational investment costs** identified in PART that would enable service expansion, improved coordination, and other operational improvements; and
- **additional costs** associated with HB3438 proposals for expanded safety programs and mobility services that were not previously anticipated in PART.

While these categories overlap in practice, the most urgent priority is addressing the fiscal cliff to prevent service disruptions that would be difficult to restore. At the same time, many of the service and rider experience improvements under consideration, such as fare integration and transit ambassadors, are essential to attracting riders and maintaining transit's overall fiscal health. As discussed, new improvements will not all be implemented at once, which provides some flexibility to align revenues with implementation timelines. Any funding solution put in place today must be both **adequate** (covering all anticipated costs) and **sustainable** (growing with costs over time) to fully realize the vision for a modern, reliable, and financially stable transit system.

The transit fiscal cliff continues to evolve

The first comprehensive estimates of the fiscal cliff came from the RTA in 2022. Since then, the economy has shifted in unexpected ways, including experiencing generationally high inflation between 2022 and 2024. To provide an updated picture, CMAP analyzed the recent RTA budget deficits for 2026 through 2028 and forecasted the deficit for 2029.²

RTA now estimates the fiscal cliff will be **\$202 million in 2026** — considerably lower than previous estimates. The three main reasons for the lower-than-expected deficit are as follows:

- **Remaining federal aid bolsters reserves in 2026:** The service boards have extended their allotments of the federal financial assistance provided to transit agencies nationwide in response to the COVID-19 pandemic. The strong performance of the RTA sales tax over the past several years has been instrumental in prolonging the availability of these

reserve funds. Combined with surplus sales tax revenue, service board reserves are estimated to be about \$482 million in 2026, directly subsidizing part of the deficit.

- **Recent technical changes to the sales tax:** Effective in January 2025, a statewide technical change to the sales tax expanded the number of remote transactions subject to taxation.^{3,b} This change is increasing RTA sales tax revenue well-above previously budgeted levels for both 2025 and 2026. In addition, the state’s 30 percent match on RTA sales tax receipts will apply to these elevated collections, depositing additional funding into the Public Transportation Fund (PTF). Updated forecasts indicate that, in 2026, sales tax revenues will be \$175 million higher than budgeted, with the PTF adding another \$53 million above projections.⁴
- **Short-term budget actions:** As they develop their 2026 budgets, the RTA and service boards are taking several measures to delay the onset of the fiscal cliff:
 - *Redirecting discretionary funds:* The RTA voted to shift \$74 million in discretionary funding to the Chicago Transit Authority (CTA), delaying potential CTA service cuts by roughly two months.
 - *Managing Rideshare Access Program (RAP) growth:* Both the RTA and Pace are addressing rapid increases in RAP participation, which affects the amount of operating revenue available to offset the fiscal cliff.
 - *Maximizing operating resources:* To preserve operating revenue, the RTA has indicated it will temporarily prohibit service boards from transferring operating funds to capital programs.

Importantly, most of these actions only extend the runway and reduce the deficit within calendar year 2026. Once federal aid and other reserves have been completely expended, the region will realize transit’s full structural deficit — estimated to be \$789 million in 2027. CMAP’s analysis shows the deficit growing year-over-year, reaching nearly \$1.0 billion by 2029.

The future growth of the budget deficit is driven primarily by two factors:

- **Growth in paratransit and RAP:** Traditional paratransit — a critical mobility service that is mandated but unfunded under the American with Disabilities Act (ADA) — guarantees comparable transportation services for individuals who are unable to access fixed-route transit due to a disability. Paratransit is considerably more expensive to operate than

^b Retail sales made to Illinois customers by retailers with a “physical presence nexus” in the state must pay local sales taxes — included the RTA sales tax — based on where the item is delivered. Effective January 1, 2025, the definition of physical presence nexus now captures in-state retailers that ship items to their customers from out-of-state distribution facilities.

fixed-route service. Because state statute requires that these services are paid first before other components of transit operations, continued cost growth is expected to increasingly draw down RTA sales tax revenue that would otherwise flow to the fixed-route system.^c In addition, RAP — which subsidizes transportation network company (TNC) trips as an alternative to traditional paratransit service — has experienced a tremendous increase in trips in 2025.^d Although the RTA and Pace are implementing changes to the program (for example, caps in the number of trips users can take each month) and how it is funded, even moderate growth will require additional funding.

- **General trends in cost growth and inflation over time:** Since the RTA published its first estimates of the fiscal cliff, both the broader economy and the transit industry have experienced significant inflationary pressures and labor shortages. To account for this, CMAP applied updated cost trends to RTA's latest deficit estimates, reflecting the elevated inflation levels of recent years, with some degree of increased cost growth expected to persist.

The key elements of transit operating budgets that drive cost growth are:

- labor expenses (e.g., salary and benefits),
- materials and supplies (e.g., cleaning supplies, mechanical parts, lubricants),
- fuel and electricity (e.g., diesel for buses, electricity for trains and facilities), and
- contract costs (e.g., Ventra, security services).

Labor is the largest expense category because transit is a labor-intensive industry. For example, bus drivers and train conductors operate the service vehicles, while mechanics and engineers ensure capital assets are safe and working properly. Labor costs also include common organizational functions such as customer service, human resources, and finance. A key driver of labor costs is the increased cost of providing employer-subsidized health insurance. Some annual cost growth is also expected across other categories, but it must remain reasonable and consistent with market trends.

Historically, the service boards have demonstrated strong fiscal stewardship by containing cost growth. Before the pandemic, they were very cost efficient compared to peer metropolitan transit system across all service types.^e In 2019, CTA spent \$41 and

^c For additional context on Pace ADA paratransit and how it is funded in the RTA region, see the [paratransit funding memo](#) released during the PART process in 2023.

^d The RAP program was initially designed to generate cost savings by replacing the more expensive traditional paratransit trips with trips on TNCs at roughly half the cost per trip. However, higher-than-expected uptake of the program, resulting in higher-than-expected costs, has had little effect on the number of traditional paratransit trips.

^e Service types include urban bus and rail (corresponding to CTA bus and rail), commuter rail (corresponding to Metra), suburban bus (corresponding to Pace Suburban Bus), and paratransit (corresponding to Pace ADA). For more information, see Figure 28 of the [PART final report](#).

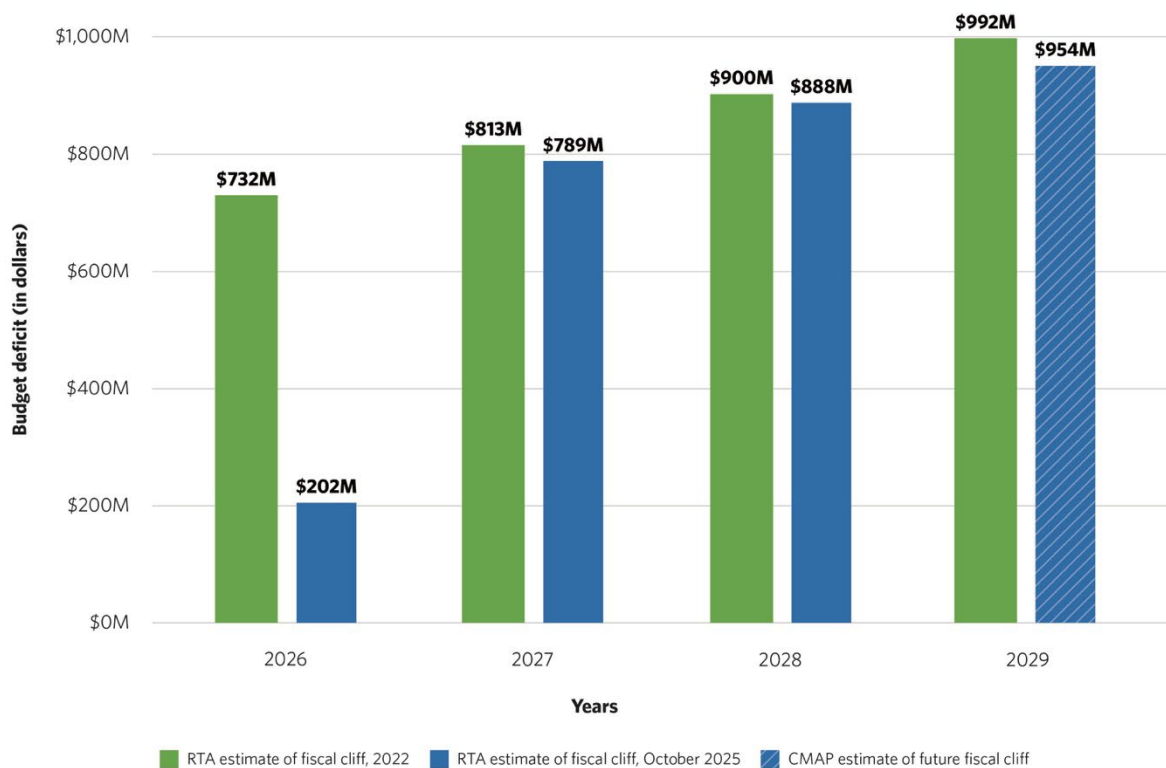
\$93 less per vehicle-revenue hour for urban bus and urban rail service, respectively, than the peer averages. Pace similarly spent \$30 and \$15 less per vehicle-revenue hour for suburban bus and paratransit service, respectively, in the same year. In March 2025, the RTA released a peer review report based on financial and service performance data from 2023.⁵ CMAP's analysis of the report finds that the service boards continue to operate cost-efficiently compared with peer systems.

Looking ahead, governance reforms should promote balanced cost containment and fiscal stewardship — ensuring continued efficiency while providing the flexibility and resources needed to maintain and improve service through enhanced regional coordination and oversight.

Taken together, these revenue and cost trends result in a much lower deficit in 2026 than the RTA's initial estimate of about \$730 million, which previously served as the anchor for the PART report as well as legislative and civic dialogue. Figure 2 compares RTA's revised deficits for 2026-2028 and CMAP's estimate for 2029 to the RTA's baseline estimates from 2022. The figure shows that the budget deficit is significantly less than expected in 2026 and slightly below the initial forecasts for 2027-2029.

Figure 2: The transit operating deficit could exceed \$950 million by 2029

Original and revised estimates of the fiscal cliff



Source: CMAP and RTA

A transformational investment is needed to realize the system we want

Beyond closing the immediate and long-term operating deficit, building the transit system the region expects requires the **transformational investment identified in PART**. The transformational package lays out the core improvements needed to attract riders and restore confidence in the system. Understanding these costs in combination with the fiscal cliff is essential to determining how much revenue must be raised and when.

In PART, CMAP linked the call for transformational investment to a set of system improvements, estimating that — together with the fiscal cliff — these would require a \$1.5 billion annual revenue package to support:

- \$575 million: Increased transit service (including regional rail)

- \$250 million: Fare integration and affordability (including a unified low-income fare subsidy^f)
- \$100 million: Other rider-oriented improvements (e.g., transit ambassadors, safety and cleanliness investments)

CMAF forecasted these costs forward through 2029 using an average rate of growth and applied the assumptions outlined previously in Figure 1 to calculate the share of new costs that would reasonably be expended during NITA's initial years. CMAF estimates transformational investment costs will be more than \$300 million in 2027 and rise to roughly \$1.0 billion by 2029.

Table 1: Estimated cost of system transformation, as envisioned in PART

Cost	2026	2027	2028	2029
Increased service	\$575M	\$606M	\$625M	\$644M
Fare integration and affordability	\$250M	\$258M	\$269M	\$280M
Everything else	\$145M	\$150M	\$159M	\$167M
Cost savings and fare increases ^g	(\$87M)	(\$90M)	(\$93M)	(\$97)
Total	\$883M	\$923M	\$954	\$985
NITA implementation phasing assumptions ^h	- %	33.3%	66.6%	100.0%
Adjusted total	\$0	\$308M	\$635M	\$985M

^f HB3438 proposes a suite of fare affordability measures for specific groups, including income-eligible seniors and people with disabilities, veterans, and individuals experiencing homelessness, among others. These measures are meaningful but less expansive than the unified low-income fare subsidy and youth fare subsidy envisioned in PART. Cost estimates in this analysis are based on the broader fare affordability measures in PART.

^g PART also called for operational efficiencies to offset the total costs of this transformational investment by \$200 million. The RTA has already reduced their anticipated budget figures for 2026 to begin delivering on these balancing measures. While their October 2025 estimates incorporate \$63 million from efficiencies and \$50 million from fare increases, CMAF's analysis assumes the remainder of these efficiencies (\$87 million) will be incorporated into the planning and delivery of new service improvements.

^h See Figure 1 above.

New programmatic costs under legislative consideration could impact the viability of other system improvements

At the same time, HB3438 outlines additional initiatives that extend beyond the PART recommendations and introduces new recurring obligations, particularly in safety and mobility programs. Some legislative proposals, such as a temporary law enforcement task force, would impose one-time costs. Others, such as a program through which local governments would seek reimbursement from NITA for the cost of sidewalk and other mobility improvements, would require meaningful capital investment but would not have a major impact on operating budgets.

Most notably, the legislation would direct NITA to vote on implementing a sworn law enforcement officer crime prevention program and to create an incident response and long-term safety strategy — together establishing ongoing operating obligations that exceed those estimated in PART.ⁱ (Figure 3 on the next page expands on CMAP’s assumptions related to the potential structure and costs of the crime prevention program and long-term safety strategy.) Expanded subsidies for local dial-a-ride providers would also add to annual needs.

CMAP estimates that these programs could total an additional \$20 million in 2026 and rise to nearly \$280 million in 2029 as NITA becomes fully operational (Table 2). Without new revenues, lawmakers will need to decide: **add funding — or scale back ambitions.**

Table 2: Estimated cost of selected additional initiatives envisioned in HB3438

Cost ^j	2026	2027	2028	2029
Crime prevention program and long-term safety strategy	\$5M	\$87M	\$171M	\$261M
Increased dial-a-ride operating assistance	\$15M	\$16M	\$17M	\$18M
Total	\$20M	\$103M	\$188M	\$278M

ⁱ PART identified a suite of recommendations to address rider concerns about safety and security, including a pilot “transit ambassador” program, expanded partnerships with state and local social services agencies, and an infrastructure for coordinated investments to improve safety and cleanliness. The operating costs of these recommendations are included in the total cost of system transformation, although some complementary capital investments would be required as well.

^j Note: These estimates reflect one potential scenario for each initiative and would be contingent on program design and budget decisions by the NITA board and other stakeholders. Only initiatives that would require long-term operating funding, and that would not be covered by the transformational investment envisioned in PART, are included here. Costs are added based on specific program design assumptions (i.e., existing security contracts are replaced by the costs associated with a long-term safety strategy in 2027) and not the general phasing assumptions used for transformational investment costs.

Figure 3. Cost of safety provisions in HB3438: one likely scenario

If the safety and security provisions in HB3438 became law, NITA would have the option to create a new in-house transit police force, complemented by additional grants for non-profits and offset by savings from the non-renewal of the CTA's current security contracts.^k NITA would be required to also establish a long-term safety strategy, which would require additional funding.

- **Transit police:** It would take several years to design and staff a new transit police force. Assuming it could be fully implemented by 2029, the force could cost about \$250 million that year in salaries, benefits, overtime, and non-labor operations costs like insurance and vehicle maintenance. This estimate assumes that a NITA transit police force would operate on the CTA and Pace networks and employ a staff of sworn officers and support staff comparable in size to transit police forces in peer regions like Boston and Washington, D.C. This cost estimate was scaled by vehicle revenue hours to reflect the Chicago region system's larger size. Capital costs are not included.
- **Grants for non-profits:** NITA could expand funding for non-profit organizations providing social services on the transit system, beginning with \$5 million in 2026 and \$10 million in 2027.
- **CTA security savings:** CTA currently purchases security services from private security companies and local police agencies, including the Chicago Police Department. Ending and/or choosing not to renew these arrangements could save \$94 million in 2027 and more thereafter, partially offsetting other costs.
- **Long-term safety strategy:** HB3438 provided that the safety strategy "shall consider actions and outcomes achievable given a baseline annual funding level of \$95,000,000" The legislation does not specify the relationship between the budget for the long-term safety strategy and the budget for the crime prevention program. This scenario assumes the long-term safety strategy would have a separate \$95 million budget and would fund different initiatives. That budget is included in this estimate of the total cost of the crime prevention program and long-term safety strategy.

^k HB3438 requires NITA to vote on creating a crime prevention program but is relatively open-ended about how that program could be designed. The program could conceivably include an in-house transit police force, intergovernmental agreements with law enforcement agencies, and/or contracts with non-profit organizations, among other potential features.

Transit funding must align with total system needs

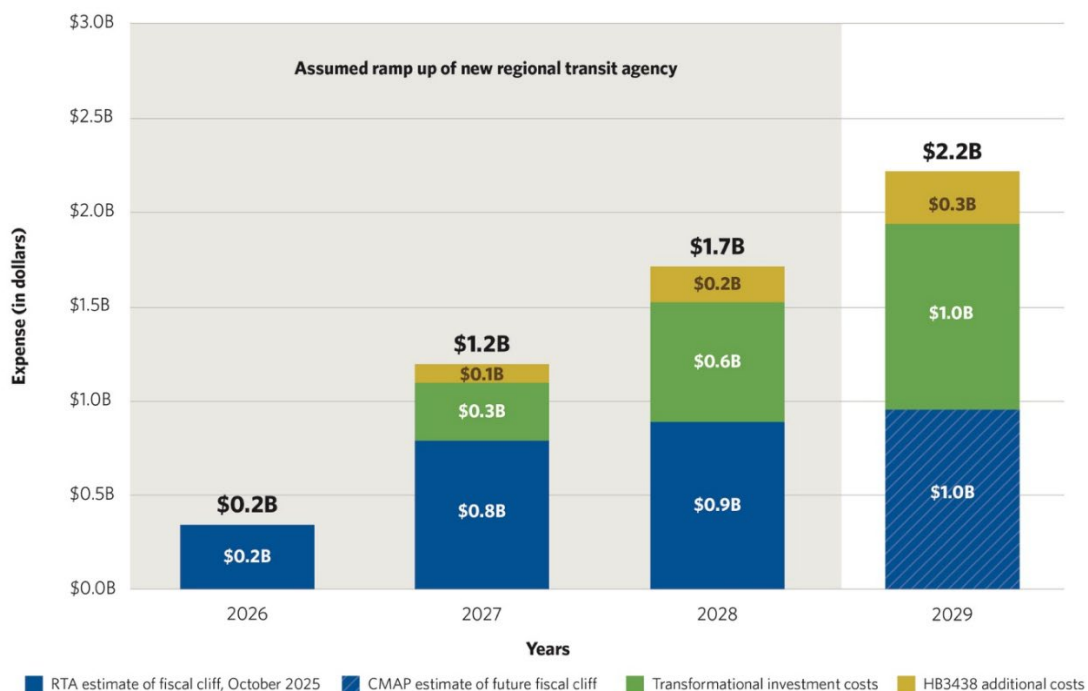
After several years of planning, the fiscal cliff will hit the regional transit system next year. Although its full impact will unfold in subsequent years, immediate action is required to address the structural budget deficit and prevent a downward spiral of service cuts before they occur. However, this action alone will only restore the system to its pre-pandemic condition.

If the Illinois General Assembly answers the region's call for a transformational investment, the improvements outlined in PART and HB3438 will add further costs to the system. While no initial costs for these improvements are necessary in 2026, given that increased service levels will be ramped up over time, these costs are expected to reach about \$1.3 billion by 2029 when NITA and the full package of system improvements are fully implemented. Including the growing structural budget deficit, the combined total cost is expected to exceed \$2.2 billion in 2029 (Figure 4).

Ultimately, legislators must implement transit reforms that account for the growing cost of the improvements and the obligations they impose on the system, supported by a commensurate and sustainable funding package.

Figure 4: Transit's total estimated need includes the fiscal cliff, transformational investments, and additional HB3438 costs

Estimated total transit need



Source: CMAP and RTA

Funding solutions that balance near-term stability with long-term sustainability

One of the clearest lessons from the PART process is that no single revenue source will be enough to transform transit. It will take a balanced mix of funding to meet both modest and ambitious goals. To be successful, any package must match the rising cost of improvements and new requirements with a proportionate set of durable funding sources.

To explore this balance, CMAP analyzed both the proposed operating revenue package in HB3438 and the recommendations advanced in PART. Many of the options under consideration will take time to design, implement, and reach full compliance. Because costs will also phase in over several years, the strongest funding solution will be one enacted soon — structured as a package that combines bridge revenues to address the fiscal cliff with long-term revenues that can sustain the system as NITA reaches full implementation by 2029.

HB3438’s operating revenue proposal provides a starting point for long-term, sustainable funding

HB3438 proposes a suite of new revenues to provide operating and capital funding for NITA. The revenue sources dedicated to transit operations include the following:

- **Retail delivery fee (or “climate impact fee”):** The legislation establishes a flat fee of \$1.50 on most online orders delivered by motor vehicle to a location within Illinois, including both e-commerce and food delivery orders. Exceptions apply based on item type (groceries and prescription and non-prescription drugs) and retailer size (businesses that have less than \$500,000 in annual revenues). Eighty percent of the statewide revenue would be dedicated to transit operations in northeastern Illinois, while 20 percent would flow to downstate transit operators.

CMAP estimates the \$1.50 delivery fee would likely raise \$677 million for northeastern Illinois in 2027 and more than \$1.0 billion annually beginning in 2029. This analysis is based on revenues from a similar fee in Colorado and incorporates adjustments to reflect differences in demographics and fee structure, as well as e-commerce trends to account for revenue growth over time. If the fee were reduced to be more in line with the current rates in Colorado or Minnesota, or a graduated fee were implemented that varied rates by order value, potential revenues would decrease proportionally.¹

¹ Compared to the fee imposed in Colorado, deliveries with values less than \$100 are exempt from Minnesota’s retail delivery fee. Comparisons between the two programs — and the rates they impose — should keep this distinction in mind.

- **Rideshare tax:** HB3438 also proposes applying a new 10 percent tax on the gross fare of rideshare, or transportation network company (TNC), trips that originate or end in northeastern Illinois. The state would extend its existing 30 percent match to the revenues collected.

Based on trip frequency and average fares, CMAP estimates the regional rideshare tax could generate \$176 million in 2027 and roughly \$250 million annually by 2029, including the state's 30 percent match. If the tax were structured to account for existing rideshare fees imposed by the City of Chicago, City of Evanston, and Village of Skokie, revenues would be significantly reduced. Data shows that 84 percent of rideshare trips in the region originate or end within the city of Chicago.⁶

- **Regional real estate transfer tax (RETT):** The bill also proposes a real estate transfer tax of \$1.50 per \$500 of property value on sales in suburban Cook County and in DuPage, Kane, Lake, McHenry, and Will counties. This would mirror the current share of Chicago's RETT that already supports CTA operating costs.

Including the state's 30 percent match, this expanded tax is projected to yield an average revenue of \$184 million per year beginning in 2026.

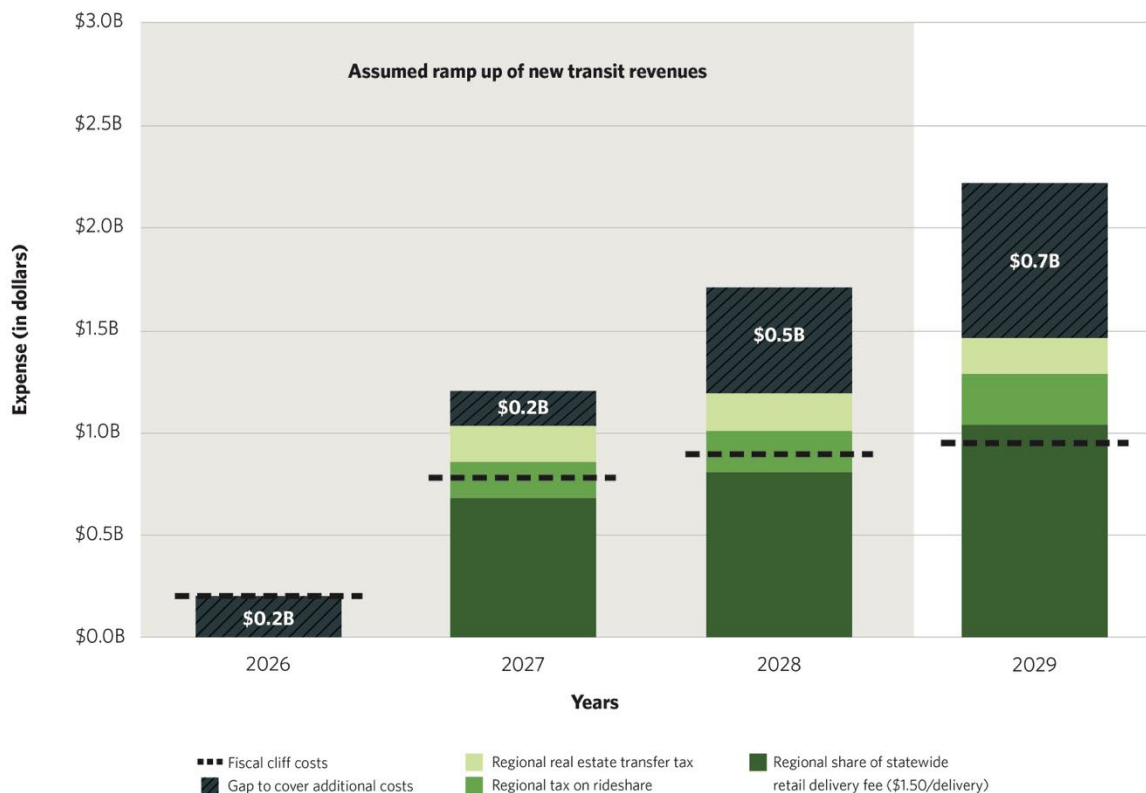
Together, these three revenue sources could raise more than \$1.0 billion for transit operations in northeastern Illinois in 2027 and more than \$1.4 billion by 2029 (Table 3). While this represents a significant infusion of new funding, the 2029 figure covers only about two-thirds of the \$2.2 billion in costs anticipated that year (Figure 5). Any future changes to reduce or scale back these revenue proposals — such as lowering the retail delivery fee to \$1.00 or \$0.50 per delivery or adopting a graduated rate — would further widen the shortfall.

Table 3: Estimated revenue projections for the transit operating revenues proposed in HB3438

Revenue source	2026	2027	2028	2029
Retail delivery fee	\$0	\$677M	\$811M	\$1,034M
Rideshare tax	\$0	\$176M	\$202M	\$249M
Real estate transfer tax	\$184M	\$184M	\$184M	\$184M
Total	\$184M	\$1,037M	\$1,197M	\$1,467M

Figure 5: The operating revenue package in HB3438 provides a baseline for a future funding package, but falls short of anticipated transit needs

Estimated HB3438 operating funding package



Source: CMAP and RTA

Revenues must be both adequate today and sustainable long-term

Legislators must weigh not only how much new funding is raised, but whether the sources can grow with the system over time. The current fiscal cliff reflects a structural deficit decades in the making: operating costs — driven by labor, fuel, and paratransit mandates — have risen faster than revenues, while key funding streams have either stagnated or fluctuated sharply.

The clearest example of this is the Chicago RETT, dedicated to CTA operations as part of the 2008 transit reforms. Following the collapse of the housing market and the Great Recession, the RETT failed to deliver anticipated revenues, forcing the CTA to cut bus service in subsequent years to balance its budget.^m In recent years, RETT performance has continued to vary,

^m For more information, see pages 63-65 of [the PART final report](#).

generating \$51 million for transit in 2020, \$80 million in 2022, and then approximately \$59 million in 2024.⁷

Some revenues currently under consideration carry similar structural risks:

- **Rideshare tax:** Most of the projected growth between 2026 and 2029 reflects the one-time effect of implementing the tax. With ridership expected to remain relatively flat, revenues are unlikely to grow meaningfully beyond that point.
- **Real estate transfer tax:** Historical data shows that RETT revenues are highly volatile and closely tied to swings in the housing market. Annual yields could vary significantly from the \$184 million projection, making it unreliable for steady operating support.

If the funding package is built on revenue streams that excessively stagnate or fluctuate, the system could again face recurring shortfalls. To avoid this outcome, transit needs revenues that are both **adequate today** and **sustainable tomorrow**.

Revenues identified in PART can close the gap

PART outlined a framework for a comprehensive funding package designed to stabilize the system in the near term and sustain it over the long term. Two core components of this framework — transportation-related user fees and sales tax modernization — offer tools that can complement the revenues in HB3438 and help build a more durable solution.

Transportation-related revenues

As PART emphasized, transit and roads are part of a single, interconnected system moving both people and goods. A strong, well-operated transit network benefits drivers by reducing congestion, improving mobility options, and advancing broader goals like economic competitiveness, climate resilience, and quality of life. For this reason, roadway-generated revenues are a logical and equitable source of transit funding.ⁿ

Certain road-related revenues could also help address transit's imminent fiscal cliff because they can be deployed — or increased — quickly to cover short-term shortfalls. If structured appropriately, these revenues could continue to serve as long-term funding solutions well into the future.

- **Toll fees:** Tolls play an important role in managing travel demand by imposing the true cost of vehicle trips on drivers, encouraging mode shifts to transit, and reducing congestion. Increasing tolls would advance these regional priorities while providing a sustainable source of operating revenue for transit.

ⁿ For more information, see the [road systems revenues memo](#) released during the PART process in 2023.

For PART, CMAP estimated that a 30 percent increase in passenger vehicle tolls within the RTA region would generate \$180 million annually that — if directed by the state — could be dedicated to transit.^o

- **Motor vehicle registration surcharge:** Motor vehicle registration fees, or “wheel taxes,” are currently levied by the State of Illinois as well as county and municipal governments. Under Rebuild Illinois, the annual state registration fee is a flat \$151 per fuel-powered vehicle, with an additional \$100 surcharge for electric vehicles because they do not pay motor fuel taxes.

Registration costs in Illinois are considered relatively high compared to some neighboring states (Wisconsin, Indiana, and Missouri) but are lower than others (Minnesota, Iowa, and Michigan). Although Illinois is not the only state that imposes a flat registration fee — charged regardless of vehicle value or income — this approach is more regressive than systems that vary fees based on factors such as vehicle weight, value, or age, which better align with ability to pay

Modernizing the registration system to assign costs according to vehicle characteristics could create a more equitable structure and ensure that heavier vehicles, which cause more wear on roadways, pay higher fees. CMAP estimates that a graduated vehicle registration surcharge based on vehicle type could generate nearly \$74 million for transit operations in 2026 (Table 4).^p Higher surcharges — for example, \$20 for passenger vehicles rather than \$10 — would generate proportionally greater revenues.

Table 4: Modeled vehicle registration surcharge amounts by vehicle type

Vehicle type	Surcharge scenario	
	\$10/MV/weight	\$20/MV/weight
Motorcycle	\$7.50	\$15.00
Passenger vehicle	\$10.00	\$20.00
Passenger truck	\$12.50	\$25.00
Commercial truck (light)	\$15.00	\$30.00
Commercial truck (heavy)	\$20.00	\$40.00
Estimated total revenue (2026)	\$73.6M	\$147.3M

^o While the PART report focuses toll increases on passenger vehicles, the Tollway system also plays an integral role in the regional economy through goods movement. Recognizing the symbiotic nature of economic activity between suburban and urban job centers, fair consideration to raising tolls on commercial vehicles could be given as well.

^p For PART, CMAP estimated that every \$10 surcharge on motor vehicle registration fees in the RTA region, applied evenly across all vehicles, would generate \$60-70 million annually. The new estimates are in line with this previous work. Revenue forecasts also assume a revised MVR fee would be indexed to inflation.

- **Expand commercial parking tax in downtown Chicago:** There is a strong connection between parking and transit, particularly in transit-rich areas. Taxing commercial parking in targeted ways can encourage travelers to shift from single-occupancy vehicles to transit or other transportation alternatives (e.g., micromobility and active modes), thereby reducing congestion and emissions. The City of Chicago, Cook County, and the State of Illinois already impose taxes on commercial parking.

An additional commercial parking tax to support transit could be implemented in several ways. New revenues could be generated by increasing the existing tax rate or adding a flat fee (e.g., \$2.50 per parking transaction). PART estimates assumed that an expanded commercial parking tax could generate roughly 50 percent of the City of Chicago’s current commercial parking tax revenues, or about \$65 million in 2026. Concentrating higher rates within the central business district would align the policy with areas that have the most robust transit options and provide affordable, low-carbon alternatives for travelers.

- **Flex capital dollars to eligible costs:** Because the transit system is part of the broader regional transportation network, greater consideration should be given to how all transportation system funds — including federal dollars allocated to the state — could support critical transit investments.^q While the state and regional funding agencies do currently leverage some federal highway funds for transit, as permitted by federal law, opportunities remain to expand these efforts.

As the transition to NITA occurs, the state should consider increasing the use of highway funds for transit investments and exploring additional tools to leverage, or “flex,” federal highway dollars.^r Flexed funds are generally limited to eligible capital expenditures such as vehicles, planning, engineering, crime prevention and security equipment, mobility management, workforce development, stations, track, preventative maintenance, and system expansion. However, because many of these costs are typically covered by operating budgets, applying eligible capital funds can relieve pressure on operating revenues and reduce the need for alternative funding sources.

Together, these transportation-related revenues represent important opportunities to strengthen transit funding. Vehicle registration fees already play a key role in transportation finance and could be readily leveraged to provide immediate relief for near-term funding gaps.

^q For more information on flexing capital dollars to eligible transit costs, see the [flexing memo](#) released during the PART process in 2023.

^r The state should also explore process innovations that could improve delivery of needed investments over time. Two of these innovations could include maximizing the use of Transportation Development Credits and broadening the Illinois Finance Authority’s mandate to finance transit.

When paired with the proposed vehicle registration surcharge, the ability to flex capital funds could help offset the shortfall anticipated in 2026. Increasing toll fees and dedicating the funds to transit may have more implementation considerations that could impact when the revenues can reasonably come online. Nevertheless, tolling should remain a central component of a long-term, sustainable funding package.

Table 5: Estimated revenues for transit that would be generated by road-related sources

Revenue source	2026	2027	2028	2029
Toll fees	\$180-360M	\$184-368M	\$188-376M	\$192-385M
Vehicle registration surcharge	\$74-147M	\$76-152M	\$78-156M	\$80-161M
Expanded commercial parking taxes in downtown Chicago	\$65M	\$66M	\$68M	\$69M
Flex capital dollars for eligible costs	\$125M	\$128M	\$131M	\$134M
Estimated revenues (low end)	\$444M	\$454M	\$465M	\$476M
Estimated revenues (high end)	\$697M	\$714M	\$731M	\$749M

Sales tax modernization

Since it was first implemented in 1979, the RTA sales tax has been the primary public funding source for transit operations in northeastern Illinois. Past funding crises were addressed largely by raising the RTA sales tax, making it a cornerstone of the funding recommendations advanced in both *Transit is the Answer* and PART.

However, rather than raise the RTA sales tax rate yet again — which would make the composite sales tax rate in Chicago among the highest in the nation — PART argues Illinois should modernize its sales tax by expanding its base to include more consumer services, most of which are largely untaxed in the state.⁵

Modernization would not only strengthen transit but also enhance Illinois’ overall fiscal health. By aligning the tax base with today’s service-driven economy, the state could achieve greater long-term stability, reduce reliance on rate increases, and better position itself to meet future economic challenges. For transit specifically, a modernized sales tax would provide a more durable revenue stream, with growth tied to the broader economy.

⁵ Adopted in 1990, the State of Illinois’ 6.25 percent state sales tax rate is currently assessed on general merchandise and qualifying food and drugs. It is comprised of a 5.0 percent rate retained by the state and 1.0 and 0.25 percent rates distributed to municipalities and counties, respectively. In addition to state sales taxes, home rule counties, municipalities, and special districts can impose their own sales taxes. Collectively, these rates comprise the composite rate, which is what consumers see when purchasing taxable goods. In Cook County and the collar counties, the composite rates on general merchandise range from 9.0-11.0 percent and 7.0-8.75 percent, respectively. The statewide average composite tax rate in Illinois ranks 8th highest nationally, and City of Chicago consumers are charged the 2nd highest sales tax rate in the nation.

PART identified two key mechanisms through which sales tax modernization could bolster long-term transit funding:

- **Strengthen existing public funding:** The effects of an expanded base would flow to the RTA through current tax rates and the existing state match of RTA sales tax receipts. PART estimated this would yield approximately \$315 million in new RTA sales tax revenues and increase the state’s PTF contribution by \$90 million in 2026 (assuming implementation in 2025). CMAP has since updated the PART modeling to reflect 2027 implementation and recent sales tax performance. The revised estimates show sales tax modernization would generate about \$364 million for the northeastern Illinois transit system in its first year — \$280 million through existing tax rates and \$84 million through the state’s match. By 2029, this figure is projected to grow to nearly \$550 million.
- **Enable additional state support:** Expanding the sales tax base would also generate nearly \$2.0 billion in new annual state revenues. Illinois currently provides less direct operating support for the RTA than peer states provide for their major transit systems. Modernization would create an opportunity to recalibrate that relationship. If the state assumed responsibility for fully funding paratransit services and reduced fare programs — mandates it presently imposes — CMAP estimates new state support for transit could reach \$573 million in 2027 and \$724 million by 2029. Importantly, shifting paratransit funding to the state could also unlock federal Medicaid reimbursements for qualifying trips, further strengthening the system’s financial foundation.

Table 6: Estimated revenues for transit that would be generated by sales tax modernization

Revenue source	2026	2027	2028	2029
Sales tax modernization (revenues to RTA via existing formulas)	\$0	\$364	\$430	\$546
Sales tax modernization (allocation of revenues to state to RTA for paratransit and reduced fare programs)	\$0	\$573	\$645	\$724
Total	\$0	\$937	\$1,075	\$1,270

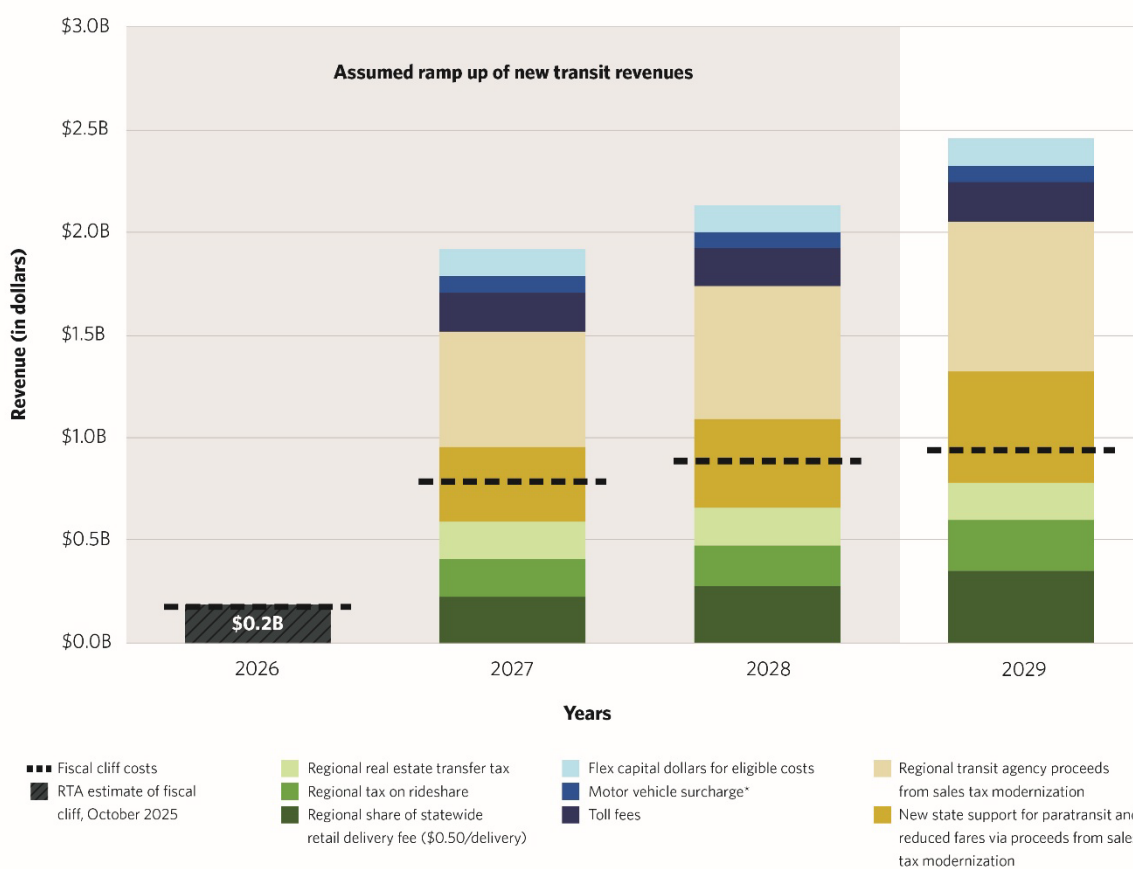
To ease the burden of new services taxes on consumers, an expansion of the sales tax base could be paired with a reduction in the state’s share of the existing statewide sales tax rate on general merchandise (currently 5 percent). Incremental decreases in the state rate would lower overall sales tax rates, improve Illinois’ economic competitiveness and provide relief to consumers. This approach could also create room for a future increase in the RTA sales tax rate if such an adjustment were deemed necessary.

Bringing the pieces together: A comprehensive package will put the system on the right path

To solve this complex funding challenge, Illinois will need a balanced mix of revenue sources. As visualized below, a potential path forward includes a revenue package that combines modified sources from HB3438 with those articulated in the PART report. Together, such a package could adequately and sustainably address both current and future transit funding needs.

Figure 6: A mix of revenue options are needed to provide adequate and sustainable funding for transit

Estimated revenue package for PART transformational investment



Source: CMAP and RTA

*Surcharge was modeled as a \$10 graduated fee by vehicle type as a proxy for vehicle weight

Next steps

During this veto session, **the General Assembly must act to stabilize the transit system**. In the coming weeks, legislators will need to finalize a budget package that closes the near-term operating gap and prevents devastating service cuts. At the same time, decisions on governance

must move forward so the transition to NITA can begin in earnest. Together, these actions will create the foundation to maintain essential service while demonstrating that long-discussed reforms are moving from vision to reality.

However, action to resolve the immediate crisis must be paired with a commitment to secure the system's long-term future. The transit system requires a permanent, sustainable funding package that can grow over time and be fully in place by 2029, when NITA reaches full implementation and transformational investments come online. This means lawmakers must not only resolve the fiscal cliff projected for 2026 but also enact revenue measures that ramp up over the next several years.

Taking both steps in tandem — stabilizing today while securing tomorrow — will ensure that Illinois delivers a transit system that residents can rely on, one that drives the region's growth and quality of life for decades to come.

Endnotes

¹ Regional Transportation Authority (RTA), “Meeting of the RTA Ad Hoc Committee on Transit Funding,” October 3, 2025, <https://www.rtachicago.org/uploads/files/meeting-materials/Ad-Hoc-Finance-Committee/2025/October/RTA-FINAL-Ad-Hoc-Committee-Meeting-10.3.25.pdf>.

² RTA, “Meeting of the RTA Ad Hoc Committee on Transit Funding.”

³ Illinois Department of Revenue, “Local Government Newsletter - April 2025,” <https://tax.illinois.gov/localgovernments/localtaxallocation/ltad-quarterly-newsletter/2025-04.html>.

⁴ Chicago Metropolitan Agency for Planning (CMAP) analysis of the RTA memorandum on operating public funding marks for 2026-2028.

⁵ RTA, “Modal Peer Review: Report Year 2023,” March 2025, https://www.rtachicago.org/uploads/files/general/Region/RTA_ModalPeerReview_2023_0.pdf.

⁶ CMAP analysis of 2024 Replica data.

⁷ CMAP analysis of RTA budgets and the RTA memorandum on operating public funding marks for 2026-2028.