



ON THE RIGHT TRACK: ILLINOIS' NEW TRANSIT AGENCY AND PATH TO SUSTAINABILITY

EXECUTIVE SUMMARY

Illinois Senate Bill 2111, passed by the Illinois General Assembly on October 31, 2025, makes major changes to the way transit service is governed and funded in Illinois. The legislation, which is expected to be signed by the Governor, becomes effective on June 1, 2026. This report briefly summarizes the components of this legislative breakthrough and assesses how well the legislation addresses the system's underlying challenges.

While the legislation specifies substantial governance reforms for the northern Illinois transit system and further provides new public funding for transit state-wide, many questions about oversight and accountability remain as the region enters crucial transition and implementation phases. In this report, we consider these challenges in light of four broad issues: governance; public funding; passenger fares; and system ridership.

- **Governance:** The Regional Transportation Authority (RTA) will “sunset,” and strengthened regional oversight of the Chicago Transit Authority (CTA), Pace, and Metra service boards will be provided by a new entity: the Northern Illinois Transit Authority (NITA). There will also be significant changes to governing boards' membership and voting requirements.
- **Public Funding:** Significant new support for the RTA and downstate transit agencies will come from directing the state's general sales taxes on motor fuel sales towards transit instead of roads; allocating annual interest revenue on the state's “road fund” towards transit; and allowing the RTA to increase its sales tax rate by 0.25 percentage points in the RTA service region.
- **Passenger Fares:** The legislation significantly and permanently lowers the minimum expected shares of operating expenses to be covered by fares and other revenues generated directly by the transit systems (e.g., advertising). Under SB 2111, the so-called “farebox recovery ratio” requirement, which was essentially waived throughout the pandemic and recovery period, is waived in 2026 and is set at 25% in 2027.
- **System Ridership:** The legislation also details operational changes related to fare structures and payment systems; service standards and plans; distribution of public funds, which will reflect service plans, not statutory formulas; transit-oriented development policies; safety and security improvements; and more – all of which are intended to attract and retain more riders.

These changes have significant implications for stakeholders statewide, including:

- **Averted Fiscal Cliff:** With the additional \$1.5 billion in public funding in place, Chicago-area transit agencies avoid the so-called “fiscal cliff” previously expected in 2026 and



beyond. Dramatic service cuts are now off the table, and any fare increases are paused for at least one year after SB 2111's effective date of June 1, 2026.

- **Sustainability of Funding Sources:** While the bill's public funding sources close transit agency funding gaps in the near term, those sources may not grow sustainably over the long term:
 - Local sales taxes derived from the state's "goods-heavy, services-light" sales tax base may fail to grow robustly over time; and
 - Growth in sales tax revenues from motor fuel sales may also weaken as electrification and improved fuel efficiency of vehicles lead to downward pressure on motor fuel consumption.
- **User-Pay Shift:** The bill fundamentally shifts transit funding obligations towards road users, who benefit from transit access even when not using transit themselves, thus improving alignment of system benefits with funding responsibilities.
- **Role of Fares:** The region's weak post-COVID ridership recovery is now reflected in permanent reductions in the minimum "farebox recovery" ratios set for the service boards. While more realistic than the 50% levels set in the past, the decreased standards decrease the funding burden on riders and weaken agency incentives to attract riders and provide service efficiently.

More generally, the increased funding, improved alignment of resources with service plans, and strengthened oversight offer the promise of building and running a truly integrated regional transit system. However, realizing that promise will require hard work by multiple stakeholders, with active oversight, intentionally chosen milestones, and true accountability, both during the transition from RTA to NITA and afterward, as NITA more fully assumes its new responsibilities. Only with all those pieces in place can we look forward to our revitalized transit system taking us where we wish to go: toward a region served by an efficient and reliable transit system that enhances economic opportunity and vitality across the region.