



175 W. Jackson Blvd.
Suite 1650
Chicago, IL 60604
312-913-3200
www.rtachicago.org

To: Board of Directors
From: Leanne P. Redden, Executive Director
Date: October 28, 2021
Re: **Ordinance Authorizing the Execution of the American Rescue Plan Act Federal Funding Allocation Agreements Between Northeastern Illinois, Northwestern Indiana, and Southeastern Wisconsin and Approving the Allocation of American Rescue Plan Act Federal Funding to the Service Boards**

Staff is requesting Board approval of an ordinance that authorizes the execution of federal formula funding allocations based on the Letter of Understanding (LOU) agreements between Northeastern Illinois and Northwestern Indiana and between Northeastern Illinois and Southeastern Wisconsin. The agreements reflect the share of the region's American Rescue Plan Act (ARP) allocations for Federal §5307 Urbanized Area (UZA) funding. The proposed ordinance also fully allocates the RTA Region's resulting share of federal ARP funding among the Service Boards.

Previous Actions

09/15/21 2021-52 Adoption of 2022-2024 Operating Funding Amounts

ARP Apportionment and UZA Splits

The third federal COVID relief funding package, the American Rescue Plan Act of 2021 (ARP) was signed into law on March 11, 2021. The ARP Act approved \$30.5 billion of nationwide relief funding for transit and allocated approximately \$1.5 billion of that to the greater Chicago-IL-IN-WI Urbanized Area (UZA). The Northwestern Indiana Regional Planning Commission (NIRPC), the Northern Indiana Commuter Transportation District (NICTD) and the Southeastern Wisconsin Regional Planning Commission (SEWRPC) have approved RTA's recommended ARP Act federal formula funding apportionment sub-allocations. The following are the funding allocations by region within the UZA:

Region	ARP Act Apportionment
Illinois (RTA)	\$1,496,974,311
Indiana (NIRPC/NICTD)	\$3,472,471
Wisconsin (SEWRPC)	\$175,609
Total	\$1,500,622,391

As required by federal guidelines, the Chicago Metropolitan Agency for Planning's (CMAP) Transportation Committee and MPO Policy Committee will also endorse the recommended allocations following RTA Board approval, and RTA staff will subsequently provide written notification to the Federal Transit Administration (FTA) of the allocated capital federal funding to all recipients in the region. The proposed ordinance approves the ARP Act Federal Apportionments, including two LOUs that specify the allocation of federal ARP Act funds by region within the Chicago, IL-IN and Round Lake Beach-McHenry-Grayslake, IL-WI UZAs.

Service Board ARP Allocation Considerations

With the UZA splits determined, RTA staff focused on our region's portion of this emergency relief funding. Previously, we had stated that we would only initially allocate enough funding to fill budget holes for FY 2022 as part of the annual budgeting process while reserving the majority of ARP funding for a longer-term discussion allowing for financial flexibility in future budget years.

However, in September the FTA put out a Notice of Funding Opportunity (NOFO) for a \$2.2 billion discretionary grant program within ARP meant to provide additional relief funding for transit agencies. As part of that NOFO, the FTA outlined an application process that requires that an applicant demonstrate how much total federal relief funding it has access to by documenting how much funding has been allocated to the agency from the total available to the UZA. If an agency's application does not include a CRSSAA and ARP FTA split letter documenting the sub-allocation within the UZA, the FTA will assume that the agency has access to the totality of the federal relief funding when applying, which would likely hinder its competitiveness for the funding. Applications for the \$2.2 billion discretionary program are due on November 8, 2021.

To meet that deadline, an additional RTA Board meeting has been scheduled for November 3 to approve the UZA splits and consider the recommended ARP allocations to the Service Boards. Despite the increased urgency, RTA staff's recommendation for allocating ARP to CTA, Metra, and Pace adheres to our previously stated principles of funding near-term need while also maximizing the longevity of relief funding for the region in the face of an ongoing and uncertain recovery. Since sales tax and PTF performance has more than fully recovered and is expected to strongly support upcoming Service Board budgets, the allocation approach instead focused on the ongoing impact of the pandemic on fare revenue.

Recommended ARP Allocations

The Service Boards' proposed operating budgets were submitted on time to RTA staff on Friday, October 15, and released to the public by October 22, identifying three-year operating funding needs above and beyond previously allocated relief funding. Although not yet fully vetted by the RTA staff or Board, the proposed budgets will guide the first step of the ARP allocation, which will fund stated Service Board needs for the 2022 budget year only. Due to the uncertainty of projected expense levels beyond 2022, staff recommends fully allocating the remaining balance of the ARP funding based on fare revenue loss, rather than planned expense levels.

Specifically, staff used a 3-step approach for allocating the Region’s \$1.497 billion ARP funding apportionment. Step 1 allocated \$249.0 million to fully address projected CTA and Metra 2022 budget shortfalls. Due to the continuing availability of previously allocated relief funding, Pace’s proposed budget contains no 2022 shortfall. In Steps 2 and 3, allocations were made to each Service Board to address ongoing fare revenue losses in 2023 and 2024, and by extension, into 2025. To measure those losses, a consistent benchmark was established for each Service Board, using fare revenue levels from the pre-COVID 2022 Plan, adopted as part of the original 2020 Budget in December 2019: \$607.2 million for CTA, \$398.0 million for Metra, and \$39.0 million for Pace. Projected fare revenue losses were then measured for 2023 through 2025 by comparing the fare revenue levels for those years in the current proposed Service Board budgets against the established benchmarks. The fare revenue levels for 2025 were assumed to be the same as for 2024.

After meeting the 2022 budget shortfalls in step 1, enough ARP funding remained to fully fund the \$930 million of projected CTA, Metra, and Pace fare revenue losses for 2023 and 2024 in step 2. Following that allocation, \$318 million of ARP funding remained, enough to proportionately fund about 78% of the projected 2025 fare revenue loss in step 3, fully exhausting the Region’s ARP apportionment. That 2025 fare revenue replacement level suggests that Service Board fare revenue is being made whole 78% of the way into 2025, or early in the fourth quarter. The 3-step allocation is shown with more detail in the table below.

American Rescue Plan (ARP) Funding Allocations (in millions)

RTA Region Apportionment (after UZA split): \$1,497.0	CTA	Metra	Pace	Total
Step 1: Fully Fund 2022 Budget Shortfalls ¹	\$156.2	\$92.8	---	\$249.0
Step 2: Fully Fund 2023-2024 Fare Revenue Losses ²	\$537.7	\$347.7	\$44.6	\$930.0
Step 3: Partially Fund (78% of) 2025 Fare Revenue Loss ²	\$197.5	\$103.1	\$17.3	\$318.0
Proposed ARP Allocations	\$891.4	\$543.6	\$62.0	\$1,497.0

¹ Stated need in proposed 2022 operating budgets, above and beyond existing funding

² As determined by projected Service Board losses from pre-COVID fare revenue benchmarks

In summary, after fully addressing any projected 2022 budget shortfalls, the RTA’s recommended ARP allocation recognizes that Service Board expense levels beyond 2022 are uncertain, and instead effectively makes each Service Board’s fare revenue whole to a common point in time, leveling the revenue playing field respectively well into 2025. Once approved, the Service Boards will be fully responsible for managing their ARP allocations and operating expense levels to optimize the longevity of the total available relief funding as the recovery continues.

ARP funding grants have an FTA expenditure date of December 31, 2029. If any Service Board has not fully expended its approved ARP grant by the close of RTA fiscal year 2027, the ordinance requires that the Service Board revise its ARP grant to forfeit remaining ARP funds for re-allocation by the RTA Board. This provision is intended to ensure that all the region’s federal relief funding is expended before the grants expire.

When combined with the two previous federal relief packages, the proposed ARP allocations result in an overall split of total relief funding of \$2.070 billion for CTA, \$1.106 billion for Metra, and \$196.2 million for Pace, with total percentage shares as shown in the following table. Totals exclude \$28.8 million of CARES Act funding allocated to the RTA Agency and \$20.0 million of CRRSAA funding allocated to ADA Paratransit.

Combined CARES, CRRSAA, and ARP Funding Allocations (in millions)

	CTA	Metra	Pace	Total
CARES Act ¹	\$817.5 (58%)	\$479.2 (34%)	\$112.8 (8%)	\$1,409.5
CRRSAA ¹	\$361.3 (77%)	\$83.4 (18%)	\$21.4 (5%)	\$466.2
ARP Act (proposed)	\$891.4 (60%)	\$543.6 (36%)	\$62.0 (4%)	\$1,497.0
Total Combined Relief Allocations	\$2,070.2	\$1,106.3	\$196.2	\$3,372.6
Share of All 3 Federal Relief Packages¹	61.4%	32.8%	5.8%	100.0%

¹ To facilitate comparison, excludes RTA Agency and ADA Paratransit allocations of CARES Act and CRRSSA funding, respectively.

Requested Action and Next Steps

The Board is requested to adopt the attached ordinance which approves the LOUs with Northwestern Indiana and Southeastern Wisconsin and fully allocates the RTA Region’s ARP apportionment among the Service Boards. After the allocations are adopted, the Service Boards will in turn apply for FTA ARP operating grants in the approved amounts and may also apply to the FTA for a portion of the \$2.2 billion of additional ARP funding made available by the FTA’s September NOFO, if eligible.

Prepared by: Finance, Innovation, and Technology; Capital Programming and Planning

LPR/JL/BRH/WDL/DKA/TJ
Attachments



ORDINANCE NO. 2021-

ORDINANCE AUTHORIZING THE EXECUTION OF THE AMERICAN RESCUE PLAN ACT FEDERAL FUNDING ALLOCATION AGREEMENTS BETWEEN NORTHEASTERN ILLINOIS, NORTHWESTERN INDIANA, AND SOUTHEASTERN WISCONSIN AND APPROVING THE ALLOCATION OF AMERICAN RESCUE PLAN ACT FEDERAL FUNDING TO THE SERVICE BOARDS

WHEREAS, the federal American Rescue Plan (“ARP”) Act of 2021 was enacted on March 11, 2021, providing approximately \$30.5 billion of relief funding for transit systems nationwide;

WHEREAS, the Regional Transportation Authority (the “Authority”) will receive funds made available from the Federal Transit Administration (the “FTA”) under Section §5307 funds based on the ARP Act;

WHEREAS, the total funds made available to the Chicago, Illinois / Northwestern Indiana / Southeastern Wisconsin urbanized areas for ARP Act funding are allocated by agreements between the Authority and the Northwestern Indiana Regional Planning Commission (NIRPC) and the Northern Indiana Commuter Transportation District (NICTD), as well as between the Authority and the Southeastern Wisconsin Regional Planning Commission (SEWRPC);

WHEREAS, the agreements regarding the allocation of the funds appropriated pursuant to the ARP Act are set forth in Letters of Understanding between the Authority and each of NIRPC, NICTD, and SEWRPC;

WHEREAS, it is in the best interest of the Authority to execute the Letters of Understanding to facilitate expeditious allocation of the ARP Act funding;

WHEREAS, the FTA issued a Notice of Funding Opportunity (“NOFO”) on September 7, 2021, making available an additional \$2.2 billion of ARP funds nationwide, subject to certain eligibility criteria, and soliciting project proposals for the competitive distribution of such funds, to be submitted by November 8, 2021;

WHEREAS, RTA Ordinance 2021-52 adopted the 2022-2024 operating funding and 2022-2026 capital funding estimates for CTA, Metra, Pace (the “Service Boards”) and the Authority on September 15, 2021;

WHEREAS, the Service Boards submitted their proposed 2022 operating budgets, 2023-2024 financial plans, and 2022-2026 capital programs to the Authority on October 15, 2021, and the proposed 2022 operating budgets included non-specific budget balancing actions that

represent the need for additional federal relief funding above and beyond previously allocated funding; and

WHEREAS, considerable uncertainty remains in the status of the ongoing ridership recovery, and as a result federal relief funding should be allocated to both address stated 2022 budget shortfalls and provide fare revenue replacement equitably among the Service Boards for the longest possible duration.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY that:

- 1) The Board of Directors of the Authority hereby authorizes and approves the execution of the attached Letters of Understanding for ARP Act funding.
- 2) The Executive Director of the Authority is hereby authorized and directed on behalf of the Authority to execute and deliver the Letters of Understanding.
- 3) The \$1,496,974,311 regional apportionment of federal ARP Act funding shall be allocated among the Service Boards as follows: CTA \$891,399,380; Metra \$543,611,857; Pace Suburban Service \$61,963,074.
- 4) The Service Boards are hereby directed to submit ARP Act grant applications with the FTA in the amounts specified above. In the event that a Service Board has not drawn down the full amount of its FTA ARP Act grant by the close of RTA fiscal year 2027, that Service Board will be required to revise its grant application with the FTA to release all remaining ARP Act funds for re-allocation to the other Service Boards, provided that they have exhausted their ARP funding, subject to the approval of the RTA Board.
- 5) Nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, allocation of operating funds among the Service Boards.
- 6) All provisions of previously adopted ordinances and resolutions not expressly amended or repealed by this amendatory ordinance remain in full force and effect.
- 7) The Executive Director of the Authority is hereby authorized and directed to take such other actions as the Executive Director deems necessary or appropriate to implement, administer and enforce this ordinance and said Letters of Understanding.

FTA SECTION 5307 – AMERICAN RESCUE PLAN ACT

LETTER OF UNDERSTANDING

between

REGIONAL TRANSPORTATION AUTHORITY,

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION

and

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT

This Letter of Understanding is an agreement between the Regional Transportation Authority (RTA), Northwestern Indiana Regional Planning Commission (NIRPC) and the Northern Indiana Commuter Transportation District (NICTD) on behalf of the Designated Recipients and public transit operators within their respective geographic areas. It is intended to define the basic terms by which funds made available from the Federal Transit Administration (FTA), an agency of the United States Department of Transportation, pursuant to Section 5307 of Title 49, United States Code, Chapter 53, as amended, are to be divided within the Chicago, Illinois/ Indiana urbanized area (UZA). Specifically, this Letter of Understanding pertains to funds allocated pursuant to the American Rescue Plan Act (ARPA, Public Law 117-2, enacted March 11, 2021).

The method for determining the division of funds apportioned to the Chicago, Illinois/ Indiana urbanized area (UZA) is based on FTA Table 2: ARPA Section 5307 Urbanized Area Apportionments published by the Federal Transit Administration on April 13, 2021.

The terms of this Letter of Understanding (LOU) are as follows:

- I. The parties agree, of the **\$1,495,628,027** apportionment currently available under American Rescue Plan Act (ARPA) to the Chicago, Illinois/Indiana Urbanized Area (UZA), published on April 13, 2021, **1,492,155,555.96** is the amount suballocated to Northeastern Illinois, and **\$3,472,471** is suballocated to Northern Indiana.
- II. After NIRPC and the RTA have calculated and verified their respective shares of the total Section 5307 apportionment, the RTA will execute the LOU. Upon execution of the LOU, a copy of the executed LOU indicating the final allocation between Northwestern Indiana and Northeastern Illinois will be forwarded to the FTA Regional Administrator.
- III. This Letter of Understanding is valid for funds used in accordance with all purposes specifically permitted by ARPA, including those expended to prevent, prepare for,

and respond to the Corona Virus Disease-19 public health emergency since January 20, 2020.

REGIONAL TRANSPORTATION AUTHORITY

By: _____

Name and Title: Leanne P. Redden, Executive Director

Date: _____

NORTHWESTERN INDIANA REGIONAL PLANNING COMMISSION

By: _____

Name and Title: Tyson Warner, Executive Director

Date: _____

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT

By: _____

Name and Title: Michael Noland, General Manager

Date: _____

FTA SECTION 5307 – AMERICAN RESCUE PLAN ACT

LETTER OF UNDERSTANDING

between

REGIONAL TRANSPORTATION AUTHORITY,

and

SOUTHEASTERN WISCONSIN REGIONAL PLANNING COMMISSION

This Letter of Understanding is an agreement between the Regional Transportation Authority (RTA), and the Southeastern Wisconsin Regional Planning Commission (SEWRPC) on behalf of the Designated Recipients and public transit operators within their respective geographic areas. It is intended to define the basic terms by which funds made available from the Federal Transit Administration (FTA), an agency of the United States Department of Transportation, pursuant to Section 5307 of Title 49, United States Code, Chapter 53, as amended, are to be divided within the Round Lake Beach/McHenry/Grayslake, Illinois/Wisconsin urbanized area (UZA). Specifically, this Letter of Understanding pertains to funds allocated pursuant to the American Rescue Plan Act (ARPA, Public Law 117-2, enacted March 11, 2021).

The method for determining the division of funds apportioned to the Round Lake Beach/McHenry/Grayslake, Illinois/Wisconsin urbanized area (UZA) is based directly from the tables published by the Federal Transit Administration on April 13, 2021.

The terms of this Letter of Understanding (LOU) are as follows:

- I. The parties agree, of the **\$4,994,364** apportionment currently available under American Rescue Plan Act (ARPA) to the Round Lake Beach/McHenry/Grayslake, Illinois/Wisconsin, published on April 13, 2021, **\$175,609** is the amount suballocated to Southeastern Wisconsin and **\$4,818,755** is the amount sub-allocated to Northeastern Illinois.
- II. After SEWRPC and the RTA have calculated and verified their respective shares of the total Section 5307 apportionment, the RTA will execute the LOU. Upon execution of the LOU, a copy of the executed LOU indicating the final allocation between Southeastern Wisconsin and Northeastern Illinois will be forwarded to the FTA Regional Administrator.
- III. This Letter of Understanding is valid for funds used in accordance with all purposes specifically permitted by ARPA, including those expended to prevent, prepare for, and respond to the Corona Virus Disease-19 public health emergency since January 20, 2020.

REGIONAL TRANSPORTATION AUTHORITY

By: _____

Name and Title: Leanne P. Redden, Executive Director

Date: _____

SOUTHEASTERN WISCONSIN REGIONAL PLANNING COMMISSION

By: _____

Name and Title: Kevin Muhs, AICP, P.E., Executive Director

Date: _____