
Memorandum

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To: Board of Directors
From: Leanne P.
Redden, Executive
Director
Date: August 14, 2025

Re: Ordinance authorizing an amendment to the 2025 Pace ADA Paratransit funding amount

Action Requested

Staff is requesting Board adoption of an ordinance to amend the 2025 RTA operating funding amount for Pace ADA Paratransit and to require that a revised ADA Paratransit budget be submitted by Pace within 30 days. The proposed amendment approves the distribution of the remaining \$8.3 million balance of the RTA's ADA Paratransit Reserve, \$17.5 million of projected favorable variance in RTA's 15% share of 2025 Sales Tax I, and \$16.6 million of 2025 Innovation, Coordination, and Enhancement (ICE) funding sourced from RTA fiscal year 2023 to Pace for incorporation into the revised 2025 ADA Paratransit budget. Pace will need to provide the remaining funding, estimated at \$2.8 million, and mitigation measures to achieve budget balance with this funding.

Background

In 2012, Section 2.01(d) of the RTA Act was amended to require full funding of the adopted ADA Paratransit operating budget by establishing an ADA Paratransit Fund to be used solely for the provision of regional ADA Paratransit service. Following favorable ADA Paratransit operating results in 2013 and 2014, an ADA Paratransit Reserve was created within the RTA account structure to hold any ADA Paratransit funding surpluses until such time as they may be needed in a future budget year. This reserve balance had grown to \$33.8 million upon the closeout of RTA fiscal year 2024. In May 2025, the Board approved the distribution of \$25.5 million from the reserve to remedy a 2024 year-end ADA Paratransit funding shortfall, leaving a reserve balance of approximately \$8.3 million.

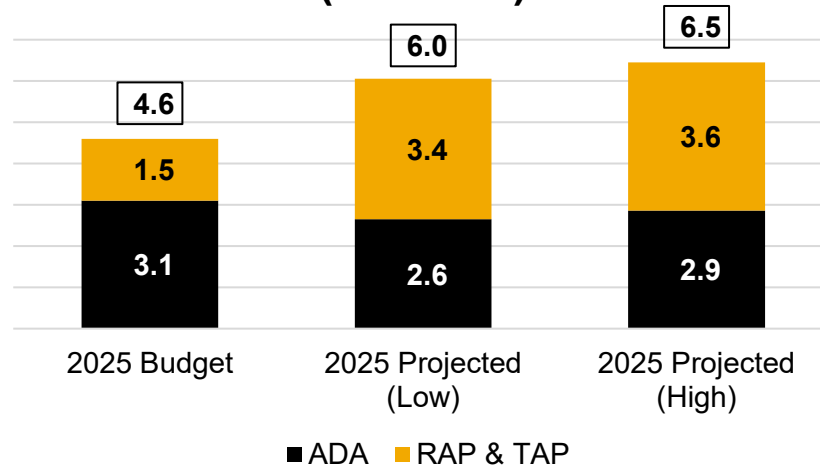
2025 Ridership Trends

The adopted 2025 ADA Paratransit operating budget of \$281.2 million assumed ADA Paratransit ridership growth of 4.8% from the prior year to 4.2 million base rides, excluding companions. The 4.2 million ride assumption was further broken down by mode: 2.7 million traditional ADA Paratransit rides and 0.7 million rides

each for the Taxi Access Program (TAP) and the newer Rideshare Access Program (RAP), which provide a more flexible mobility option to ADA Paratransit certified customers and is less expensive to operate than traditional ADA Paratransit service.

RAP ridership grew rapidly after the program was launched in March 2024. When the 2025 budget was developed in mid-2024, there were limited results on which to project how popular this new service would prove to be. By January 2025 the combined RAP/TAP ridership surpassed that of traditional ADA Paratransit and is now projected to exceed 2025 budgeted levels by more than 2 million rides.

Annual Paratransit Ridership (Millions)



2025 Financial Results

The RAP and TAP programs were intended to reduce overall ADA Paratransit expenses by diverting demand from the more expensive traditional ADA Paratransit rides, which cost around \$75 each. However, most of the RAP ridership has proven to be incremental (new) rides, rather than riders who switched from traditional ADA. This result in turn has driven overall ADA Paratransit program expenses higher. In May, Pace's first quarter financial results for ADA Paratransit were found to be not in substantial accordance with budget, and the RTA Board subsequently adopted an Action Plan in June which required implementation of measures to mitigate expense growth:

- Fare restoration to \$3.25 (same as traditional ADA)
- Cap of 30 RAP rides per month (down from cap of 8 rides per day)
- Free fixed-route rides systemwide for ADA-certified customers
- Review of RTA ADA Certification process

Pace initiated a public hearing process on these proposed changes which ended on July 31. Pace plans to discuss changes at their August 20 Board meeting with implementation by October 1.

On July 17, Pace staff provided the following reforecast of ADA Paratransit revenue and expense for 2025, indicating that the unconstrained funding requirement, which does not incorporate the impact of mitigation measures, is projected to exceed budget by \$53 million:

ADA Paratransit (in millions)	2025 Budget	2025 Projected	Variance	% Variance
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%

Cost of Required Service

As stated in Section 2.01(d) of the RTA Act, no later than August 15 of each year the RTA Executive Director is required to provide to the RTA Board a written determination of the projected annual costs for the current year of ADA Paratransit services that are required to be provided pursuant to the Americans with Disabilities Act of 1990 and its implementing regulations. When reporting this requirement in the past, no distinction was made between the operating expense of mandatory traditional ADA Paratransit and the operating expense of non-mandatory services such as RAP and TAP due to their intended cost-reducing role within the overall ADA Paratransit budget.

Due to rapidly increasing overall ADA Paratransit expenses, the projected annual costs and funding requirements are now being reported by type of service:

2025 Projection (in millions)	Mandatory Traditional ADA	RAP/TAP	Total
Operating Expense	\$254.3	\$83.7	\$338.0
- Operating Revenue	\$16.6	\$2.1	\$18.7
= Funding Required	\$237.6	\$81.6	\$319.2
		Budgeted ST II	(\$256.2)
		State Funding	(\$10.0)
		4Q Mitigation	(\$7.9)
		Net Shortfall:	\$45.1

After applying previously budgeted funding and the anticipated impact of the pending RAP/TAP fare increase and 30-ride cap, the projected ADA Paratransit funding shortfall for 2025 is \$45.1 million.

Proposed Funding Solutions

Based on feedback from the August 11, 2025 Ad Hoc Committee, staff recommends that the projected additional 2025 funding requirement be remedied with a four-component approach.

First, \$8.3 million is available in the RTA ADA Paratransit Reserve.

Second, due to increased RTA sales tax receipts resulting from the impact of P.A. 103-0983, \$17.5 million of incremental RTA 15% Sales Tax I (non-statutory funding) is forecast to be available.

Third, \$16.6 million of 2025 ICE funding, sourced from RTA fiscal year 2023, is to be reallocated from CTA, Metra, and Pace Suburban Service. In accordance with RTA Act Section 2.01c, this reallocation requires the declaration of an ICE funding emergency caused by the lack of action on the State's part to address a sustainable funding plan for transit in the Chicago region. Because the 2025 ICE funding has already been granted to CTA, Metra, and Pace for approved capital projects, reallocation also requires the deobligation of this funding with a 2025 Capital Program amendment.

If approved, the three funding components listed above, totaling \$42.3 million, would be distributed to Pace as shown in Schedules I-A and I-B of the proposed ordinance for utilization in a revised 2025 ADA Paratransit operating budget. The estimated remaining \$2.8 million (or fourth component) would come from a Pace funding source or the implementation of mitigation measures, to be identified within the revised ADA Paratransit budget submittal, for a total additional funding solution of \$45.1 million. The accompanied ordinance includes this four-component approach.

An alternative funding solution which avoids the deobligation of 2025 ICE funding would similarly approve the distribution of both the remaining ADA Paratransit Reserve and the incremental RTA 15% Sales Tax I, totaling \$25.8 million, but require Pace to provide the estimated remaining \$19.4 million balance of the projected additional 2025 funding requirement from reserves and/or additional mitigation measures rather than \$2.8 million. Pace has sufficient resources from recent positive budget variances and agency reserves to execute this alternative approach, which would minimize the impact on allocated CTA, Metra, and Pace Suburban Service funding.

Revised Budget Required

In accordance with Section 4.11(c)(2) of the RTA Act, the proposed ordinance requires Pace to submit a revised 2025 ADA Paratransit budget within 30 days, or by September 20. The revised budget must incorporate the three RTA funding amounts identified above as well as sufficient Pace funding and/or additional mitigation measures to achieve balance with projected expenses. It is important to note that the stated ADA Paratransit budget shortfall and proposed funding solution are based on ridership projections for 2025 that could vary significantly from actual results. Because the RTA is funding ADA Paratransit at the budget amount, Pace will need to address any resulting funding requirement in excess of the revised

budget. If the revised budget exceeds the actual funding requirement, the positive budget variance will be transferred to the RTA's ADA Paratransit reserve.

If the RTA Board approves a funding amendment that reallocates ICE funds, the budgeted funding levels of CTA, Metra, and Pace Suburban Service are also being amended. However, since each Service Board had opted to use 2025 ICE funding for capital projects, revised operating budgets will not be required for CTA, Metra, and Pace Suburban Service. Operating funding for 2025 will continue to be distributed to the CTA, Metra, and Pace Suburban Service based on actual results and is expected to exceed budgeted allocations as a result of P.A. 103-0983, implemented on January 1, 2025, that extended local sales taxes, including the RTA sales tax, to more online transactions.

Prepared by: Finance, Innovation, and Technology

LPR/JL/KAB/WDL/DKA/SER

Attachment



Ordinance No. 2025-XX

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WHEREAS, Section 2.01(d) of the Regional Transportation Authority Act (RTA Act) was amended in 2012 to require full funding of the adopted or amended ADA Paratransit budget for all future years by establishing an ADA Paratransit Fund to be used solely for the provision of regional ADA Paratransit service.

WHEREAS, the Regional Transportation Authority (RTA) ADA Paratransit Reserve was established in 2014 to hold any surplus funding resulting from actual ADA Paratransit financial results for utilization as needed for ADA Paratransit in future budget years.

WHEREAS, the Board of Directors of the RTA (Board) adopted the 2025 operating and capital funding amounts for the Chicago Transit Authority (CTA), Metra, and Pace Suburban Bus (Pace) (collectively the Service Boards) and the RTA on August 15, 2024 and adopted the 2025 operating budgets and capital programs of the Service Boards and the RTA on December 19, 2024.

WHEREAS, the adopted 2025 operating budget for ADA Paratransit projected \$281.2 million in expense with a base ridership assumption of 4.2 million rides, or 4.8% growth from 2024.

WHEREAS, on May 15, 2025, RTA Resolution 2025-19 found that the financial results of ADA Paratransit through the first quarter of 2025 were not in substantial accordance with budget due to an unfavorable operating deficit variance of 6.3%.

WHEREAS, on May 15, 2025, RTA Ordinance 2025-21 amended the 2024 ADA Paratransit funding amount by providing \$25.5 million to Pace from the RTA's ADA Paratransit Reserve to remedy a year-end 2024 funding shortfall, leaving \$8.3 million in the reserve, and further required that an ADA Paratransit Action Plan for 2025 and future years be developed jointly by the RTA and Pace.

WHEREAS, on June 12, 2025, the Board adopted Ordinance 2025-26 which approved an ADA Action Plan requiring Pace to implement certain program changes as soon as possible to mitigate ADA Paratransit expense increases.

WHEREAS, on July 17, 2025, Pace provided a revised forecast to the RTA which indicated that total projected ADA Paratransit operating expenses for 2025 had increased to \$338.0 million, producing a projected \$53 million funding shortfall for the 2025 ADA Paratransit operating budget before accounting for the impact of mitigation measures.

WHEREAS, ADA Paratransit ridership is now projected by Pace and the RTA to exceed budget by more than 2 million rides for the 2025 fiscal year, primarily due to the rapidly growing Rideshare Access Program (RAP) ridership.

WHEREAS, in accordance with RTA Act Section 2.01c, the Board must declare an emergency in order to use 2025 Innovation, Coordination, and Enhancement (ICE) funding (sourced from RTA fiscal year 2023) for non-specified operations due to the increase in ADA Paratransit expenses that has created an urgent additional funding need.

WHEREAS, P.A. 103-0983, implemented on January 1, 2025, extended local sales taxes, including the RTA sales tax, to more online transactions, strengthening overall RTA sales tax receipts and increasing the RTA's 15% share of Sales Tax I for 2025 by an estimated \$17.467 million from the adopted budget.

WHEREAS, Pace shall manage and operate the traditional ADA Paratransit Service, the Taxi Access Program (TAP), and RAP in a manner that ensures the total deficit does not exceed the amended budgeted amount, and Pace shall be solely responsible for funding any deficit above such budgeted amount without reduction or suspension of the services provided.

WHEREAS, Section 4.11(c)(2) of the RTA Act states that a Service Board submitting quarterly results found to be not in substantial accordance with budget shall be required to submit a revised budget to the RTA within the period specified by the Board.

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

1. The full remaining balance of the RTA ADA Paratransit Reserve, approximately \$8.260 million, is authorized to be distributed to Pace as set forth in Schedules I-A and I-B and is to be incorporated into a revised 2025 ADA Paratransit budget.
2. The current projected favorable variance from the 2025 budget of RTA's 15% share of Sales Tax I, approximately \$17.467 million, is authorized to be distributed from the RTA General Fund to Pace as set forth in Schedules I-A and I-B and is to be incorporated into a revised 2025 ADA Paratransit budget.
3. An ICE funding emergency is hereby declared for RTA fiscal year 2025, and all 2025 ICE funding sourced from RTA fiscal year 2023 is reallocated from CTA, Metra, and Pace Suburban Service and is to be distributed to Pace as set forth in Schedules I-A and I-B and shall be incorporated into a revised 2025 ADA Paratransit budget.
4. Pace shall submit a revised and balanced 2025 ADA Paratransit operating budget within 30 days of the date of this Ordinance, as required by Section 4.11(c)(2) of the RTA Act. The revised budget shall incorporate the funding components provided by this Ordinance and must otherwise meet the requirements for adoption specified in Section 4.11(b)(2) of the RTA Act.

5. Nothing in this Ordinance estimating amounts available to the Service Boards is intended to or shall have the effect of (i) creating an obligation on the part of the RTA to provide funding to the Service Boards in excess of their respective statutorily allocated portions of the proceeds from taxes and State funds actually received by the RTA, or (ii) waiving any discretion the RTA may have under law to appropriate amounts available to the Service Boards, subject to compliance by the Service Boards with terms and conditions established by the RTA.
6. The Executive Director is authorized and directed to inform each of the Service Boards of the amounts, timing, and ratios established by this Ordinance, as well as the amounts and purposes of available funding sources, promptly after enactment of this Ordinance.

**Amended RTA 2025 Public Funding Estimates for Service Board Operations¹
and Required 2025 Service Board Recovery Ratios**
(dollars in thousands)

	2025 Budget	2025 Change	2025 Amended
CTA			
Sales Tax I	528,932	0	528,932
Sales Tax II	68,130	0	68,130
PTF II	97,693	0	97,693
25% PTF on RETT	14,059	0	14,059
Non-Statutory Funding - PTF I ²	316,225	0	316,225
Non-Statutory Funding - Sales Tax I ²	39,351	0	39,351
Innovation, Coordination, and Enhancement (ICE) Funding ³	7,967	(7,967)	0
Total RTA Funding	1,072,357	(7,967)	1,064,390
Real Estate Transfer Tax (RETT)	57,485	0	57,485
Total Funding for Operations	1,129,842	(7,967)	1,121,875
System-Generated Revenue Recovery Ratio	42.0%		42.0%
Metra			
Sales Tax I	425,806	0	425,806
Sales Tax II	55,355	0	55,355
PTF II	79,376	0	79,376
Non-Statutory Funding - PTF I ²	0	0	0
Non-Statutory Funding - Sales Tax I ²	31,973	0	31,973
Innovation, Coordination, and Enhancement (ICE) Funding ³	6,473	(6,473)	0
Total RTA Funding	598,983	(6,473)	592,509
System-Generated Revenue Recovery Ratio	39.0%		39.0%
Pace Suburban Service			
Sales Tax I	135,394	0	135,394
Sales Tax II	18,452	0	18,452
PTF II	26,459	0	26,459
Suburban Community Mobility Fund (SCMF)	35,287	0	35,287
South Suburban Job Access Fund (SSJA)	7,500	0	7,500
Non-Statutory Funding - PTF I ²	6,454	0	6,454
Non-Statutory Funding - Sales Tax I ²	10,658	0	10,658
Innovation, Coordination, and Enhancement (ICE) Funding ³	2,158	(2,158)	0
Total RTA Funding	242,360	(2,158)	240,202
System-Generated Revenue Recovery Ratio	17.0%		17.0%
Pace ADA Paratransit Service			
Sales Tax II	256,180	0	256,180
State Funding for ADA Paratransit	10,020	0	10,020
RTA ADA Paratransit Reserve	0	8,260	8,260
RTA Fund Balance (from incremental 2025 RTA 15% Sales Tax I)	0	17,467	17,467
Innovation, Coordination, and Enhancement (ICE) Funding ³	0	16,598	16,598
Total Funding for Operations⁴	266,200	42,326	308,526
System-Generated Revenue Recovery Ratio	7.5%		7.5%

¹ CTA, Metra, and Pace Suburban Service funding amounts are not being amended. Actual results will be distributed.

² For clarification, "non-statutory funding" refers to funding which is not statutorily allocated.

³ ICE funding was paused for two years beginning in 2023, allowing actual 2023 amounts to be programmed beginning in 2025.

⁴ The RTA funding increase covers all of the additional projected 2025 traditional ADA Paratransit funding requirement and all but \$2.8 million of the additional projected 2025 RAP/TAP mitigated funding requirement; Pace must provide any additional funding needed for the revised 2025 ADA Paratransit budget required by this ordinance and the 2Q 2025 certification resolutions.

Amended Cash Flow Estimates
for FY 2025 Distribution of RTA Funds to the Service Boards
(excludes RFR, dollars in thousands)

	CTA	Metra	Pace	Pace ADA
Jan-25	-	-	-	21,348
Feb-25	-	-	-	21,348
Mar-25	-	-	-	21,348
Apr-25	80,895	39,962	15,884	21,348
May-25	79,244	39,031	15,532	21,348
Jun-25	93,637	47,061	18,682	31,368
Jul-25	82,652	43,433	17,236	21,348
Aug-25	87,065	47,540	18,802	21,348
Sep-25	94,421	49,121	19,443	21,348
Oct-25	89,721	46,618	18,477	21,348
Nov-25	95,528	49,023	19,416	21,348
Dec-25	92,883	47,522	26,344	29,608
Jan-26	105,628	58,856	22,612	-
Feb-26	105,281	58,666	22,548	-
Mar-26	114,920	65,677	25,225	34,066
Total ^{1,2}	1,121,875	592,509	240,202	308,526

¹ Estimated cash disbursements from 2025 RTA funds total \$2.263 billion. Of these funds, \$613.5 million or 27.1% are not expected to be available until the first quarter of 2026.

² Assumes 3-month delay of RTA PTF payments to Service Boards.