



Transit Funding and Reform Legislation HB 3438

ISACo prepared this analysis of HB 3438 to inform county officials and staff about the changes in Illinois proposed within the legislation. ISACo encourages county staff to carefully review the content of the legislation to ensure a complete understanding of any new requirements and responsibilities.

Overview

HB 3438 includes sweeping reforms to public transportation governance and policy in northern Illinois. It renames the Regional Transportation Authority Act to the Northern Illinois Transit Authority Act and creates the Northern Illinois Transit Authority (NITA) to oversee regional transit coordination and planning. The legislation expands and revises key provisions related to strategic planning, service coordination, capital investment, performance auditing, transit safety, and fare policy. It establishes new entities such as the Office of Transit Safety and Experience, NITA Law Enforcement Task Force, and Coordinated Safety Response Councils, and sets standards for pedestrian access, zero-emission buses, crime prevention, and safety enhancements like bus shields.

The bill also renames the Metropolitan Transit Authority Act to the Chicago Transit Authority (CTA) Act, updating the CTA's powers, governance, budget process, and relationship with NITA. A new Sustainable Transit for Northern Illinois Act limits the ability of local governments to impose minimum parking requirements on developments within a half-mile of transit hubs, reinforcing transit-oriented development goals and limiting home rule authority.

Additional provisions include the creation of two climate-focused revenue mechanisms: the Electric Vehicle Charging Fee Act, which imposes a fee on EV power providers starting in 2026, and the Retail Delivery Climate Impact Fee Act, which adds a \$1.50 charge per qualifying retail delivery. The legislation also directs the Illinois Department of Transportation to establish an Interagency Coordinating Committee on Transit Innovation, Integration, and Reform, along with other coordination and oversight entities to promote efficient and integrated transit systems.

Legislation Title and Core Purpose

The bill amends several existing state laws, most significantly renaming and restructuring the Regional Transportation Authority (RTA) and altering its relationship with its Service Boards: the Chicago Transit Authority (CTA), the Suburban Bus Division, and the Commuter Rail Division.

The stated purpose of the changes related to the RTA (renamed the Northern Illinois Transit Authority or NITA) includes reforming and continuing the unit of local government to assure proper management of public transportation, addressing financial deficits, increasing ridership, constraining road congestion, and allocating resources for an adequate, efficient, geographically equitable, and coordinated regional transportation system in a state of good repair. The intent is to maintain the existence of the RTA (NITA), preserving the rights of existing bondholders and the non-impairment covenant, despite changes in name and appointment powers.

Key Policy Changes and Analysis

1. Renaming and Governance Restructuring:

- The Regional Transportation Authority is officially renamed the Northern Illinois Transit Authority (NITA). References to the "Regional Transportation Authority Act" will continue for outstanding debt obligations and other purposes.
- The governing body, formerly the RTA Board, becomes the NITA Board, significantly changing its size and appointment process. The terms of all current RTA Board members expire on February 1, 2026, replaced by a new structure. The new RTA Board will consist of 20 Directors, appointed by the Mayor of Chicago (5), Cook County Board President with Board consent (5), and one appointment each by the chairs (with Board consent) of the county boards of DuPage, Kane, Lake, McHenry, and Will counties for a total of 5. The remaining 5 appointments will be made by the Governor with Senate consent. Directors are required to have diverse and substantial relevant backgrounds.
- Similar restructuring of the governing boards for the Suburban Bus Division (becoming an 11-director board) and the Commuter Rail Division (appointment process detailed), with existing terms expiring on February 1, 2026.
- A "lame duck" provision prevents the current RTA and Service Boards from entering or renewing large or long-term contracts (\$1M or more, or term of 1 year or more) from the effective date until the new boards are seated; violating contracts are voidable by the new boards.
- Directors of the RTA/Service Boards face a revolving door prohibition, barring them from accepting employment or compensation from entities they had official dealings with for one year after leaving office.
- A mechanism for a two-thirds vote of no confidence in the Executive Directors of the Service Divisions by the Authority Board is established for "just cause."

2. Shift in Authority and Responsibilities:

- The Authority (NITA) is given ultimate responsibility for providing a high-quality public transportation system in the metropolitan region.
- The Authority assumes primary responsibility for setting and coordinating fares across the region and for developing/implementing a regionally coordinated fare collection system.
- The Authority is responsible for creating and adopting plans that implement state public policy for transportation, setting goals, objectives, and standards, conducting operations, service, and capital planning, and providing design and construction oversight of capital projects.

- This includes adopting a Strategic Plan every 5 years, an annual 5-Year Capital Program, and an Annual Budget and 2-Year Financial Plan. These require public hearings and consultation with Service Boards and other stakeholders.
- The Authority develops a regionally coordinated service plan starting in 2026, guided by adopted service standards (due by Dec 31, 2027). Performance reporting against these standards is mandated.
- While Service Boards (CTA, Suburban Bus, Commuter Rail) continue their operational roles, they are subject to the Authority's powers, goals, priorities, and budget/planning finalization. Service Boards must not undertake capital improvements not identified in the Authority's 5-Year Capital Program.

3. Financial Provisions:

- The amendment includes new revenues intended to address the impending \$771 million “fiscal cliff” confronting the metro Chicago transit systems as well as providing \$200 million in new funding for downstate transit systems. The funding sources are referenced below:

- **Retail Delivery Fee** (Described as an Environmental Impact Fee totaling \$1.50 per delivery.
- **Real Estate Transfer Tax** of \$1.50 for each \$500 of the sale price. This policy exists in Cook County and would be extended to DuPage, Kane, Lake, McHenry and Will Counties. The revenue raised in Cook County would be split with 50 percent going to the CTA and 50 percent going to transit operations. 100 percent of the revenue raised in the aforementioned collar counties would go toward transit operations.
- **Electric Vehicle Power Provider Fee**
- **Rideshare Tax** of 10 percent.

- The amendment details the flow of tax revenues collected by the state (including those imposed by the RTA/NITA) to the Public Transportation Fund and the Northern Illinois Transit Authority Occupation and Use Tax Replacement Fund, and their allocation to the Authority and Service Boards.
- The Authority retains the power to issue bonds and notes, pledging its full faith and credit, with specific limitations on amounts authorized for Strategic Capital Improvement Projects. These are general obligations of the Authority, not state debt. The state pledges not to impair contracts with bondholders.
- The Authority is required to determine and report a system-generated revenue recovery ratio annually. If the ratio of revenue to costs falls below 25% initially (until 2029), or below 20% for two consecutive years thereafter, specific reporting and consideration of fare adjustments or changes are triggered. A separate 5% fare recovery ratio is required for ADA paratransit services.
- The Service Boards' ability to issue *new* bond debt is significantly limited, generally only for refinancing/retiring existing debt or for specific bond types tied to particular revenue streams.
- Executive-level bonuses and large employment contracts at Service Boards require review by the Authority Board.

4. Safety and Security Focus:

- A new structure is created, including an Office of Transit Safety and Experience, a Coordinated Safety Response Council, and a Safety Subcommittee.
- The Office of Transit Safety and Experience is responsible for developing and overseeing a regionwide safety strategy, promoting code compliance, liaising with law enforcement and social service agencies, collecting safety data, and managing rider feedback.
- Within one year, the Authority must vote on implementing a sworn law enforcement officer crime prevention program and a crime prevention plan, informed by a report from the Coordinated Safety Response Council.
- The Authority must implement a real-time safety reporting feature in its mobile app within 180 days.
- Requires the installation of security barriers on fixed-route buses.
- Addresses traffic law enforcement issues like blocking bus stops/lanes, allowing local agencies to use camera evidence, and potentially allowing the Authority to establish its own enforcement program in jurisdictions with inadequate enforcement.
- Requires annual reports on the implementation of NTSB rail safety recommendations.
- Amends criminal code provisions related to criminal trespass on transit property, adding penalties for actions causing significant transit delays or property destruction.

5. Infrastructure, Development, and Service Delivery:

- The Authority is directed to promote transit-supportive development near transit facilities. New sections outline the potential for an incentive program and require an inventory of Authority/Service Board property suitable for such development. This development is defined based on proximity to transit and design facilitating transit use. TIF districts can be established near STAR Line stations under certain conditions without meeting traditional blight criteria.
- Requires planning and implementation of pedestrian access improvements (sidewalks) to transit stops, potentially involving local government construction projects near transit.
- Establishes a framework for a Dial-a-ride service program to support local government and Service Board DAR services.
- Mandates the implementation of a Transit Ambassador program by June 1, 2026.
- Public transportation vehicles under agreement with NITA (RTA) or a Service Board operating regular scheduled service may use the toll highway system toll-free.
- Highway commissioners in RTA territory road districts may contract with NITA (RTA) or Service Boards for public transportation services using road funds.

6. Labor and Employee Provisions:

- The amendment preserves existing employee protections aligned with federal law.

- Entities are subject to the Illinois Human Rights Act and must file affirmative action programs.
- Significant portions amend the Illinois Pension Code and related provisions concerning the CTA Employee Retirement Plan and Retiree Health Care Trust and other RTA-related pension plans. This includes requirements for funding, actuarial reports, and oversight by the Auditor General.
- The Illinois Public Labor Relations Act is amended to state that the Act's provisions prevail over conflicting laws but do not diminish employee rights established in specific sections of the CTA Act and the RTA Act (NITA Act), which are also amended in this legislation.
- The Transportation Benefits Program Act requires covered employers (those near fixed-route transit in the RTA region) to offer eligible employees the option to purchase transit passes via pre-tax payroll deduction. The Authority (NITA) must provide a searchable map of covered locations.

7. Oversight and Transparency:

- Mandates performance audits by the Auditor General.
- Creates a new Chief Internal Auditor position for the Authority (NITA), appointed by the Board and removable only for cause, with broad audit and investigation powers and prohibitions against political activity and conflicts of interest. Agencies must cooperate and provide access to records.
- Requires public availability of Authority and Service Board financial information, including real-time, read-only access for the Authority to Service Board financial systems.
- Requires diversity reporting by construction contractors on Authority projects, published on the website.
- Board meetings and records must comply with the Open Meetings Act.