

**Statement made at the Public Hearing
on the proposed FY2000
Community College District No. 508 Budget,
September 22, 1999 by Myer Blank, Director of Policy Analysis.**

To the members of the Board of Trustees of Community College District, No. 508:

The Civic Federation thanks you for this opportunity to comment on the proposed FY2000 budget of Community College District, No. 508. Our remarks today will be brief given that we were informed of this meeting at a late date in correspondence from this Board dated September 16, 1999. As a result, The Civic Federation has not had sufficient time to do a thorough analysis of the proposed budget.

As a taxpayer watchdog group founded over 105 years ago, The Civic Federation closely monitors the revenues collected by government and the services provided for those revenues. As one of Chicago's leading educational institutions, the City Colleges system is vitally important to the City of Chicago. It can play a significant role in the creation of skilled and educated work force, which is an important tool in encouraging economic development. However, historically, the city Colleges system has not always risen to this challenge. This year it is encouraging to see the Board of the City Colleges attempting to move this system forward to better serve the widely divergent needs of its student population and the community. We are pleased to see the breadth of the system's future plans as outlined in the eight initiatives contained within the budget.

Although the Civic Federation applauds the positive steps taken by the Board, we have some concerns about the proposed budget. Over the past five years expenditures have outpaced revenues. One consequence of these rising expenditures is a decreasing fund balance.

Since 1994, the City Colleges system has expended \$5 to \$10 million more than it receives in revenue minus reserves. In the 1998 Financial Statements and Schedule, the City Colleges system is reported to have spent \$250.4 million, while receiving only \$245.6 million. During fiscal year 1997, total expenditures equaled \$242.6 million and total revenues amounted to only \$231.1 million. These deficits have been masked by transferring money among different funds and by utilizing money not spent in previous years. The result is that the City Colleges system now does not have the fund balances it once enjoyed. Simply stated, spending increases cannot continue at their present levels.

Using the Consumer Price Index as an indicator from which to gauge expenditures, spending at the city Colleges has risen faster on average since 1995. Between 1995 and 1998 the CPI rose on average 2.4% annually. During the same time period the budget of the city Colleges increased on average 4.31% annually. The actual annual increase in the City College system's budget was not so steady. Spending by the City Colleges seems to have stabilized, however, at about a 5% annual rate of increase for last year and the next.

If growth in the CPI continues at rates of the recent past, spending at the City Colleges will be growing at twice the rate of the CPI.

When one looks more closely at the spending at the City Colleges, one quickly sees that personal services are the primary expense. Salary costs comprises 53% of the total expenditures at the City Colleges. The majority of these expenditures are spent on non-instructional staff. At only one point in the past five years did the salary expenses of the instructional staff exceed the expenses of the non-instructional staff.

In 1992 the Civic Federation urged the City Colleges to control its increasing reliance on property taxes, which at that time constituted 41% of the total budget. Over the past eight years the City Colleges has trimmed back its reliance on property taxes. For fiscal year 2000 property taxes will make up 30% of the total budget. To compensate for this decreasing reliance on the property tax, the amount of money received through State Grants and Contracts has been increased dramatically. In fiscal year 1997 State Grants and Contracts rose 43.52%, and this year they are once again expected to rise by 40.92%. This year it is also expected that Local Grants and Contracts will rise by 41.15%. While this decreasing reliance the property tax is a positive step, it must be remembered that grants and contracts can be an unpredictable revenue source.

While the property tax has declined as a percent of the total budget, the amount of money taken in by the City Colleges through the property tax has increased steadily over the years. In 1994 the property tax contributed \$74.1 million to the City Colleges' revenues. For fiscal year 2000 this will have grown by 14.8% to \$85.1 million. This rate of growth parallels the rate of growth in the CPI over the same time period.

In conclusion, the Chicago City Colleges are an important asset to the City of Chicago and it's citizens. Access to quality education and training are key to improving the quality of life in the city as well as helping to keep the Chicagoland economy vibrant. It is good to see the Board of the Chicago City Colleges taking steps to improve the system in terms of operating efficiencies and educational standards. While these steps are encouraging, the system still has a long way to go.

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