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CIVIC FEDERATION SUPPORTS FY2015 CTA BUDGET *Proposal reflects past work to secure pensions, modernize labor practices*

(CHICAGO) In an analysis released today, the Civic Federation supports the Chicago Transit Authority's (CTA) proposed FY2015 operating budget of nearly \$1.4 billion. The budget represents an improved level of fiscal stability made possible by the CTA's efforts in past years to secure its pension fund and modernize its labor practices. The full 48-page analysis is available at www.civicfed.org.

"We've seen a significant fiscal turn-around for the CTA in its past three budget cycles," said Laurence Msall, president of the Civic Federation. "The agency is working under a more sustainable labor agreement, no longer relies heavily on one-time revenue sources and has balanced its budget for the past three years without increasing base fare rates." The Civic Federation recommends that the CTA develop a long-term financial plan for keeping the agency on this fiscally sustainable path, particularly with significant capital funding challenges and back-loaded debt service costs projected for future years.

The proposed FY2015 budget continues to benefit from past modernization and efficiency efforts including changes to CTA employee health plan offerings, the transfer of outsourced operations to in-house employees and greater attention to the causes of employee absenteeism. The CTA has also reduced its FY2015 financing costs related to the planned renovation of the Red Line's 95th Street Terminal by securing a federal Transportation Infrastructure Finance and Innovation Act loan from the U.S. Department of Transportation.

While acknowledging the progress the CTA's pension fund has made since it was close to insolvency in 2006, the Civic Federation retains some concerns about the fund's overly optimistic expected investment rate of return of 8.25%. This rate remains well above the expected rates of return for other local funds. Additionally, the fund's current 50-year plan to get to 90% funded is less than ideal from an actuarial perspective. The State of Illinois has moved to a 30-year plan and other local funds are also looking to shorter time frames to ensure intergenerational equity. Both of these factors have the effect of lowering the CTA's required payments in the short-run, but at the cost of increased contributions later, for which the CTA has no public plan to accommodate. If the CTA pension fund is to remain stable over the long run at an affordable cost to taxpayers, these ongoing issues must be examined and addressed.

The Civic Federation also warns that the CTA may be relying too heavily on funding from the State of Illinois in FY2015 without fully accounting for the State's continued fiscal deterioration. Following guidance from the Regional Transportation Authority, the CTA is counting on an increase in the reduced fare subsidy provided by the State in FY2015. Given Illinois' precarious fiscal position, the Federation believes that a more prudent course would be to anticipate that the State will not increase funding in FY2015 and prepare a menu of items that might be incorporated into the budget if more State resources become available.

The Federation's full analysis provides recommendations to continue the balance and sustainability achieved in this budget proposal. These include establishing a level principal policy for new bond issuances, increasing budget transparency by providing more detail on labor expenses and prohibiting "scoop and toss" refinancing.

The Civic Federation is an independent, non-partisan government research organization that promotes efficient delivery of public services and sustainable tax policies in the Chicago region and State of Illinois. For more information, please visit the Federation's website at www.civicfed.org.



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