

**EMBARGOED FOR RELEASE UNTIL
12:01 A.M. WEDNESDAY, JULY 16, 2008**

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**CIVIC FEDERATION WARNS FY2009 CITY COLLEGES
BUDGET NOT SUSTAINABLE**

Tax-to-the Max Budget Wrong for Current Economic Climate

The Civic Federation announced today that it has strong reservations about the long-term sustainability of the \$388.6 million proposed FY2009 City Colleges of Chicago (CCC) operating budget. The budget over-relies on future tax increases to close a projected \$7.9 million deficit related to increased spending of 5.4%. “In a time of economic hardship for Chicagoans, exacerbated by enormous recent property and sales tax increases, the Federation believes that governments should focus their efforts on reducing costs, not increasing taxes and student fees,” said Laurence Msall, president of the Civic Federation.

City Colleges plans to increase its property tax levy to the maximum amount allowed under the property tax cap law, an increase of 4.1% or \$9.7 million. The City of Chicago also levies millions of property tax dollars on behalf of City Colleges to pay for capital improvements—over \$36 million in tax year 2008 alone. When the millions of dollars Chicago has levied on behalf of City Colleges for tax year 2008 are factored into the Colleges’ property tax levy, the total levy increases to \$162.8 million from \$126.2 million. Including the monies raised by the City of Chicago, the total property tax burden imposed by City Colleges increased by 8.5% over the previous tax year. While the transaction between the two governments is legal, it obscures the relationship between which government raises revenue and which delivers services to residents.

The Civic Federation is pleased that City Colleges has begun to implement important long-term planning procedures and is moving to prioritize its operations. However, the CCC has provided little, if any, evidence of the financial impact of these measures. Given the fact that City Colleges expects to have an operating deficit of \$15.5 million by FY2011, the Civic Federation would like to see the CCC take the next step of reducing or eliminating non-essential programs and targeting remaining resources at core programs. “Efficiency initiatives are not an end in themselves,” said Msall. “City Colleges’ planning and prioritization initiatives should inform, even dictate its budget, and their goal should be to constrain costs and increase efficiency.”

In its analysis, the Federation does praise the CCC’s leadership for holding the line on salary and benefit costs, which will increase by 0.9% in total over last year. City Colleges negotiated a prudent salary package with faculty and unions that will help ease the pressure on the District’s long-term spending by limiting annual salary budget increases to less than the rate of inflation. Controlling employee costs, the largest portion of most governments’ budgets, is crucial to the long-term financial health of City Colleges.

The Civic Federation will testify at City Colleges’ public hearing on Wednesday, July 16th. The Federation’s full analysis and recommendations will be available on our website, www.civiefed.org, at 9:00 a.m. that morning.

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation’s membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.

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