



The Civic Federation

177 North State Street, Suite 400, Chicago, IL 60601 • 312.201.9066 fax 312.201.9041 • www.civicfed.org

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FOR IMMEDIATE RELEASE - NOVEMBER 3, 2009

For more information, contact Laurence Msall at 312-201-9044

PAINFUL CTA BUDGET NECESSARY TO OVERCOME PLUMMETING REVENUE, SENIOR FREE RIDES SAYS CIVIC FEDERATION

The Civic Federation **supports** the Chicago Transit Authority's proposed \$1.29 billion FY2010 budget as an evenhanded response to significant declines in available revenues. The CTA will employ administrative cuts, fare increases, and service reductions to balance its budget and reduce spending by 3.0% or \$39.4 million below proposed FY2009 appropriations. While painful to both riders and CTA workers, the budget tackles a revenue crisis directly while avoiding quick fixes that just delay the inevitable another year. The Federation's full analysis, including recommendations, is available at www.civicfed.org.

Public funding for the CTA from sales tax revenue, state matching funds, and the real estate transfer tax will bring in \$213 million less than anticipated in FY2010, representing two-thirds of the System's \$300.9 million deficit. The other drivers of the deficit include personnel costs, the *Seniors Ride Free* program, and the State of Illinois' failure to fully fund reduced fares.

The sheer size of the FY2010 deficit has rendered it impossible for the CTA to balance it only with administrative cuts, even though the CTA intends to eliminate 1,021 full-time equivalent positions, institute furlough days, and freeze pay for non-union personnel. As a result, the System has proposed service reductions and fare increases of 25 to 75 cents per ride. "In the Civic Federation's view, the CTA's proposed budget strikes an appropriate balance between service reductions and fare increases to minimize the hardship it imposes on Chicago residents," said Laurence Msall, president of the Civic Federation. "This is a responsible budget that satisfies the CTA's financial obligations while maintaining the System's basic service."

The Civic Federation has several concerns regarding the CTA's future fiscal viability. The first is the ill-advised *Seniors Ride Free* program that has contributed to the CTA's deficit and is one of the causes of higher fares for all other riders. The Federation sees no sound public policy reason to provide free rides to affluent seniors who are able to contribute their fair share. It is estimated that the program will cost the CTA \$60.0 million in FY2010, a number that will only rise as the senior population grows in Chicago. The Federation calls on the Illinois General Assembly to pass a law restricting free rides to low-income seniors and Governor Quinn to sign it. The program is unsustainable and will continue to put unnecessary pressure on the CTA's budget if it is not repealed.

The CTA's continued use of capital funds for operating expenses is another cause for concern. Every year since FY2006, the CTA has been forced to use its limited capital funds for maintenance, which will eventually result in higher annual operating costs for the System to operate a neglected bus and rail infrastructure. According to the CTA, the System's capital needs now total nearly \$7 billion. The Civic Federation recommends that the CTA develop an alternate method of propping up its budget, including making preparations to build up an operating reserve fund.

Civic Federation President Laurence Msall will testify at a CTA hearing on the FY2010 budget tonight at 6:00 p.m. at the South Shore Cultural Center.

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. For more information, please visit the Federation's website at www.civicfed.org.

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