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CTA'S BALANCED FY2014 BUDGET REFLECTS INCREMENTAL PROGRESS MADE IN RECENT YEARS

Federation warns that agency's expectations for State funding may be unrealistic

(CHICAGO) In an analysis released today, the Civic Federation supports the Chicago Transit Authority's (CTA) proposed FY2014 operating budget of nearly \$1.4 billion. The Federation commends the significant efforts made by the CTA in the past two years to stabilize its operating budget, but warns that the agency's expectations for State funding in FY2014 may be unrealistic given Illinois' precarious fiscal position. The full 44-page analysis is available at www.civicfed.org.

"After two years of difficult but necessary steps to stabilize its operations, the CTA has produced a balanced budget with no fare increases," said Laurence Msall, president of the Civic Federation. "We are pleased to see for the second year in a row that the CTA has broken free of its damaging habit of relying heavily on one-time revenue sources." The FY2014 budget reflects significant steps taken by the CTA in recent years to match ongoing expenses with recurring revenues.

Prior to FY2013, the CTA regularly relied on one-time revenue sources including transfers from capital funds, debt restructuring and a one-time infusion of State funds in exchange for delaying necessary fare increases. By modernizing its labor practices and implementing a targeted fare pass increase in 2013, the CTA was able to stabilize its operating budget. The agency continues to prudently manage personnel costs in the FY2014 budget by introducing a streamlined healthcare structure for its employees and by shifting security services from outsourced contracts to in-house employees. Thanks to these measures, the CTA projects balanced budgets through FY2016. 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 Federation warns that the CTA may be relying too heavily on funding from the State of Illinois in FY2014 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 FY2014. Given Illinois' precarious fiscal position, the Civic Federation believes that a more prudent course would be to prepare for level State funding in FY2014.

The Federation's analysis also tracks the declining health of the CTA's pension fund. Since FY2007, reforms passed by the Illinois General Assembly have started to stabilize the fund. However, the market value funded ratio of the fund fell from 66.0% funded in FY2008 to 59.4% funded in FY2012. The drop below a 60% funded level triggered increased contributions to the fund by the CTA and its employees. The increased rates were calculated to return the plan to 60% funded in 10 years. Although the CTA's pension plan is self-adjusting, the Civic Federation urges the agency to closely monitor the funded level to ensure it remains financially sustainable.

The Civic 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 deficit reduction measures and studying the potential benefits of a zone-based fare structure.

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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