

## Statement made at the Public Hearing on the FY2000 Chicago Transit Authority (CTA) Budget

The Civic Federation would like to thank the Chairman and the members of the Board for this opportunity to comment on its proposed FY2000 budget.

### A. Overview

In its testimony regarding the CTA's FY1999 Budget, The Civic Federation commended the CTA on its specific plans for attracting new riders and its addressing capital needs that will enable the CTA to provide better and more cost-effective services. The Federation views this year's budget as a continuation of the strategic plans presented in last year's budget. We encourage the CTA to focus on its ridership initiatives including reducing graffiti, providing additional service to meet ridership demand, and improving communication through service timetables.

### B. Ridership

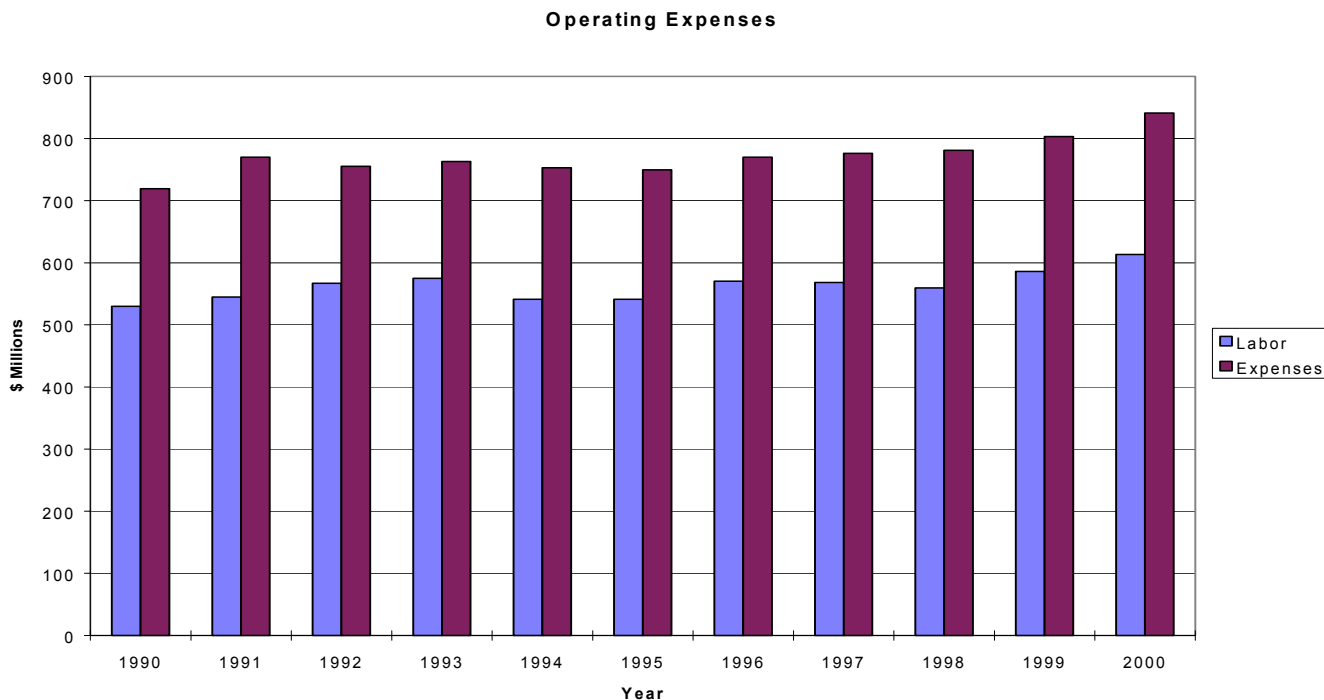
The Federation's support for this year's budget is based on the agency's ability to reverse its declining ridership trend. According to the FY1999 CTA Budget, ridership in the system had declined 47 percent over the last 36 years. As this year's budget indicates, ridership in the year 2000 is projected to be 5% greater than it was in 1997, an increase of 20.8 million riders. Last year alone, an additional 3.3 million riders rode the system. The Federation commends the CTA for its *On-Time, Clean, Safe, and Friendly* initiative. The activities that comprise this initiative will enable the system to attract new riders as well as maintain its existing ridership base.



### C. Operating Expenses

Although The Civic Federation is pleased with the direction the CTA is taking in its finances, the Federation continues to be concerned about the agency's rising expenses.

The Civic Federation recognizes that the CTA has faced unplanned catastrophes such as last year's snowstorm that have contributed to rising costs. However, since 1990, overall operating expenses have continue to grow at a substantial rate. As the table below indicates, overall operating expenses are projected to increase from \$719 million to \$841 between 1990 and 2000. Historically, the largest percentage of overall expenses has been labor costs. The Civic Federation recognizes that the CTA's current collective bargaining agreement ends on December 31, 1999. The Federation recommends that any new agreement not disrupt the current stable financial status of the agency.



**D. Capital**

As a long time supporter of increased capital funding for the CTA, The Civic Federation was pleased to see the increase in capital funding for the CTA through legislation such as *Illinois First*. The Civic Federation cautions the agency against viewing this new funding as a “Blank Check”. Rather, the Federation asks the agency to provide the public with a plan to insure that the budget and implementation of capital projects does not exceed the projected costs as occurred in the rebuilding of the CTA's Green Line. Although the CTA will be receiving additional funding, The Civic Federation understands that the CTA needs to find an additional \$1.3 billion in funding over the next five years to bring the system to a state of good repair. The Federation urges the CTA to continue to seek additional funding from the Federal government.

**E. Long Term Viability**

The Civic Federation is pleased that the RTA Sales Tax marks for the CTA show conservative growth estimates of 4.2% for 2001 and 1.0% for 2002. In past statements made to the RTA regarding proposed budgets, The Civic Federation has commented on what it believed to be an overestimation of external revenues, specifically public funding to the service boards from the RTA

Sales Tax and Public Transportation Funds (PTF) funds. Historically, as indicated below, the overestimation of these revenues was particularly true in the last recession during the early 1990s.

### RTA Sales Tax Growth (\$ Millions)

	Actual	End of Year Estimate	Budget Proposed	% Change Actual	% Change Prop.	Diff. Actual to Prop.	Over-Estimation
1988	419	418					
1989	430	435	435	2.87%	4.07%	1.20%	*
1990	444	452	465	2.07%	6.90%	4.83%	*
1991	425	440	470	-5.97%	3.98%	9.96%	*
1992	446	438	461	1.36%	4.77%	3.41%	*
1993	462	463	463	5.48%	5.71%	0.23%	*
1994	498	488	487	7.56%	5.18%	-2.38%	
1995	513	509	509	5.12%	4.30%	-0.82%	
1996	532	532	540	4.52%	6.09%	1.57%	*
1997	555	551	552	4.32%	3.76%	-0.56%	

The Civic Federation recognizes that by Illinois Statute the RTA's Sales Tax growth projections are from the Illinois Bureau of the Budget. By law, the RTA is required to accept these projections. However, any overestimation particularly of the RTA Sales Tax growth will result in revenue and budgetary shortfalls at the end of the fiscal year. As the table above shows, during the years 1989 through 1997, the projections received from the bureau of the budget by the RTA contained overestimated sales tax growth six out of the nine years.

### The Business Cycle: An Economic Downturn is Inevitable

#### Length of Business Cycles

BUSINESS CYCLE REFERENCE DATES				DURATION IN MONTHS				
Trough		Peak		<u>Contraction/Expansion Cycle</u>				
-----				(Trough From Previous Peak)	(Trough to Next Peak)	(Trough from Previous Trough)	(Peak from Previous Peak)	
April	1958	April	1960	8	24	47	32	
February	1961	December	1969	10	106	34	116	
November	1970	November	1973	11	36	117	47	
March	1975	January	1980	16	58	52	74	
July	1980	July	1981	6	12	64	18	
November	1982	July	1990	16	92	28	108	
March	1991				8	--	100	--

Source: National Bureau of Economic Research, Inc.

As the table above indicates, the average length of a business cycle between 1958 and 1990 was approximately 55 months. The current business cycle, which began in 1991, has continued to date for 103 months. Thus, the possibility of a contraction occurring in the near future is likely. The Civic Federation cautions the CTA against overextending itself financially during this current economic business cycle. The Federation believes that the projections contained in this year's budget to not put the agency at risk at the current time.

Respectfully submitted,

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