

STATEMENT MADE ON THE FY1999 CHICAGO TRANSIT AUTHORITY (CTA) BUDGET BY LANCE PRESSL, PH.D., PRESIDENT.

The Civic Federation would like to thank the Chairman and the members of the Board for this opportunity to comment on the CTA's proposed FY1999 budget.

A. Overview

According to the FY1999 CTA Budget, ridership in the system has declined 47 percent over the last 36 years. Although it is difficult to determine the exact cause of the CTA's ridership decrease, one thing is certain -- if the system is to survive for the long term, new riders and riders that have left the system must be attracted onto the system through changes like the new fare structure. The Civic Federation believes that a viable mass transit system is vital to the economic growth of the city. In addition to its ridership declines, another issue that needs to be addressed is the CTA's need for capital dollars. According to the FY1999 Budget, the CTA needs over \$4.1 billion in capital over the next five years to maintain its system in good working order. Without these dollars, it will be difficult for the system to retain the riders gained in its recent ridership campaigns and deliver cost-effective service.

The Civic Federation supports the CTA's proposed budget and applauds the plan to attract new riders. The Federation also supports the proposed FY1999 Budget because it addresses critical capital needs that will enable the CTA to provide better and more cost-effective services.

B. Conservative Budgetary Assumptions

The Civic Federation commends the CTA on a more realistic and fiscally responsible budget. In past statements made to the CTA regarding proposed budgets, The Civic Federation has commented on what it believed to be an overestimation of external revenues and ridership, specifically public funding expected from the RTA. Overestimation was particularly commonplace during the last recession in the early 1990s. In the case of ridership, the CTA continued to project modest ridership increases that did not occur given the sluggish economy of the early 1990s.

This year, the CTA is projecting a modest ridership increase of 1.2%. We believe this increase is achievable given CTA's soon-to-be implemented changes in the fare structure and efforts to improve service for the individual rider. The Federation is pleased to see the CTA's new emphasis on improving security and station maintenance at stations. In the case of revenues, the CTA projects that system generated revenues will actually decline by approximately \$11 million. Part of this decline is a result of the projected loss from the system's reduced fare structure. Although The Civic Federation is hesitant about supporting a budget that anticipates a decline in revenue, we are pleased to see the CTA come forward with realistic estimates of its fiscal health and taking the necessary steps to reverse this revenue decline.

C. New Fare Structure

The Civic Federation supports the proposed new fare structure and believes that the recommended changes are a positive step toward reversing the severe ridership losses of the past. During the last six years, the CTA implemented numerous fare restructuring programs, including fare increases and the elimination of the discounted pass. A correlation between fare increases and ridership declines is documented in transportation literature.¹ The following are the Federation's reasons for supporting the new fare structure:

- **The new fare structure increases the options available for CTA riders to use the transit system at reduced rates.** The lowering of the monthly pass from \$88.00 to \$75.00 will reduce the cost of using the system on a monthly basis by 17%. Basic economic theory indicates that when the price per ride drops, the number of rides is likely to increase.
- **The new fare structure increases the convenience of using the system.** By making the fare bonus in increments of \$10 rather than \$13.50, riders will be awarded fare bonuses at a lower investment threshold. It should also help to relieve congestion at the fare card machines by eliminating the need for passengers to handle change to purchase fare cards.
- **The new fare card increases the potential for riders to match fare payments with individual needs for using the system.** For example, the minimum value of a fare card will now be \$1.50, thereby allowing users to purchase a single-ride rather than requiring the purchase of a round trip.

D. Capital Needs

As discussed earlier, the CTA has identified over \$4.1 billion in capital needs over the next five years.² According to the proposed budget, approximately \$1.8 billion of the \$4.1 billion in future capital funding has been identified, leaving a deficit of \$2.3 billion over the next five years. Most recently, the Federal government appropriated approximately \$550 million to renovate the Blue and Brown Lines as part of the recently signed Federal budget agreement. The Civic Federation believes that this infusion of capital dollars is important to the CTA for two reasons:

- **The CTA needs capital to continue to meet service demands.** As the CTA's bus and rail fleets age, these fleets must be replaced with new equipment to meet service needs. In addition, changes to the system need to be made such as the expansion of platforms on the Ravenswood line to meet new ridership demand for services.
- **A lack of sufficient capital actually increases the CTA's operating budget.** For example, having "slow zones" on the rail system increases labor costs by having rail operators spend more time to complete their routes. If the CTA does not repair or upgrade its system, then its bus and rail lines cannot operate cost-effectively, maintenance costs will increase, and service to the public will deteriorate.

¹ American Public Transit Association, "Effects of Fare Changes in Bus Ridership," May, 1991.

² Recent assessment reports of CTA's capital needs include the 1987 Booz Allen Hamilton study, the 1992 Engineering Condition Assessment, and the 1993 Envirodyne-Kenny Joint Venture.

We urge the State Legislature to explore funding mechanisms that will enable the State to provide the CTA with the needed funding match that will allow it to take advantage of its recent gains in Federal capital assistance. Although The Civic Federation is encouraged by the recent good news from Washington, we are concerned that the CTA may forfeit the Federal funds if a local match of 20% is not achieved. Since 1989, the State of Illinois has been reluctant to provide much needed capital resources for local transit.

E. Conclusion

While the Federation supports the proposed FY1999 budget, it must be recognized that the CTA's budgetary problems are not fully resolved. Focusing on increasing ridership is just one part of a much larger equation. In order to address the larger issue of the long term viability of the system, the CTA must, in addition to the capital programs and initiatives outlined in the budget, continue to reduce its costs -- specifically labor costs -- and reinvent its service delivery system, specifically off-peak, non-commuter travel. A restructuring of the system and an increase in capital dollars from Federal and State sources will enable the CTA to survive financially and deliver quality services well into the future.

Finally, The Civic Federation applauds the CTA's stated goals of providing *clean, safe, friendly, and on-time services*. We believe this type of customer-oriented approach is in the right direction. Once the CTA is able to achieve the above goals, it will have come a long way toward ensuring the long term viability of the system.

Respectfully submitted,

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