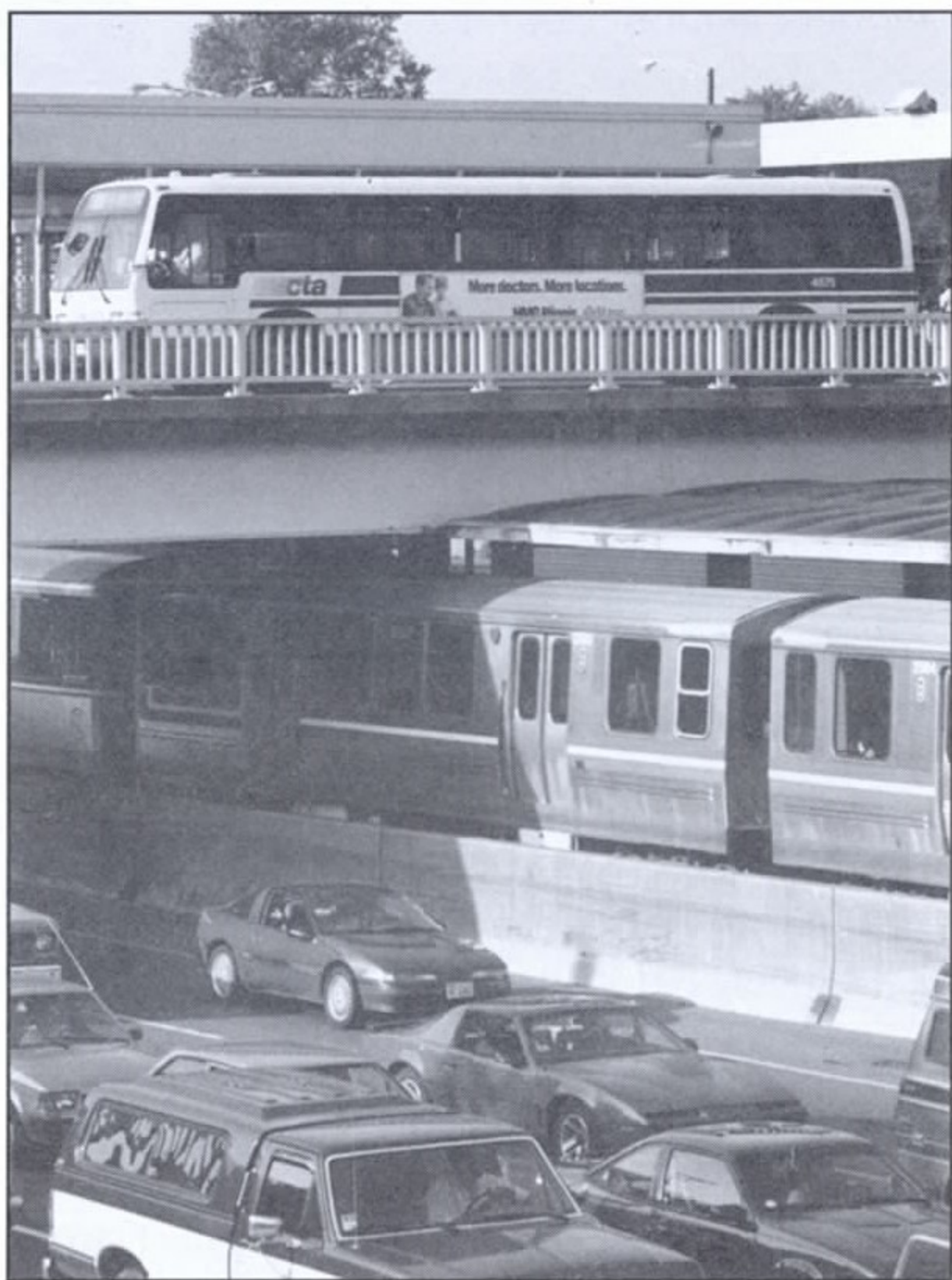


FUNDING PUBLIC TRANSIT IN CHICAGO



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The Chicago Transit Authority operates the second largest public transportation system in the United States. Each day nearly 2,000,000 rides are taken on CTA's bus and rail systems. One of every twelve daily public transit commuters in the United States rides on CTA.

It is no surprise, then, that substantial amounts of money are needed to operate and maintain CTA, if we are to provide the same level of service that our ridership has grown to expect.

There are many misconceptions about how public transit is funded in the Chicago area...where the money comes from, where and how the funds are spent. A viable transportation system is critical to the economic health of Chicago; it is important that the public, who plays a major part in paying for this service, fully understands how public transit, specifically the CTA, is funded.

In reality, CTA has two budgets, derived from different sources and guided by different restrictions on expenditures. For purposes of clarity we need to look at each in turn.

CAPITAL BUDGET

The capital program deals with the maintenance and renewal of our facilities and vehicles, i.e., our buses, rail cars, elevated structure, subways, garages and terminals.

For example, by the end of 1991 we will have taken delivery of 961 new buses. We also began several extensive repair projects on various parts of our rail system. Work on the new rapid transit line to Midway Airport is proceeding on schedule. These are all projects funded with capital dollars.



The capital program is paid for by subsidies from the Urban Mass Transportation Administration (UMTA), the Regional Transportation Authority (RTA) and the General Assembly of the State of Illinois. Typically, these funds are awarded for specific projects and are awarded as a result of grants applied for by CTA.

Federal and state monies for public transportation are limited by the pool of tax revenues made available by the respective legislatures. Funds from those pools must be distributed among transit properties throughout the state and the country. Thus, few transit companies ever get all they want or need.

CTA is no exception: we have received large amounts of capital dollars for the purchase of buses and rail cars and for the renewal of our infrastructure.

Yet, we are well short of what it would take to restore the entire system to the condition required to provide long term quality service.

Although the first phase of the current capital program is well under way, additional funds have not been identified to pay the nearly \$4 billion cost associated with meeting remaining capital needs.

OPERATING BUDGET

The second budget category for CTA covers operating expenses. Fuel and power to operate our rolling stock, costs of maintaining equipment and facilities and the salaries of all employees are part of the operating budget. Also included in this category are the normal administrative costs of operating a large business, i.e., purchasing, law, accounting, budget, management information, finance and other departments.

Operating expenses are funded by a combination of several sources. First, as required by law, more than half of our operating revenue comes from the farebox. This is the primary reason CTA must raise fares periodically.

Another source of operating budget dollars is the pool of Chicago and Cook County sales tax revenues, which are distributed by the RTA to Pace, Metra and CTA according to a fixed formula. The remaining portions of the operating budget come from the state legislature and the federal government through RTA.

FUNDING PROBLEMS

Two factors have had a severe impact on the reliability of traditional funding sources to provide the monies needed to run the CTA system.

One, there continues to be a migration of people from the city to the suburbs and collar counties, as workers have followed the growing employment opportunities that exist there.

Families and individuals do more and more of their shopping in the suburbs (suburban shopping malls have proven to be attractive to Chicagoans as well as the residents of those areas). Therefore, sales tax revenues are growing more rapidly in the suburbs than those in the city.

Because the RTA formula that distributes tax dollars favors the geographical source of the tax dollars, CTA is placed at a disadvantage vs. Metra and Pace. Each year as population and purchasing grows in the suburbs, a larger and larger share of sales tax revenues go to Pace and Metra.

The current allocation of tax subsidies by RTA would be equitable if transit ridership and sales tax source followed the same geographic pattern. They do not. It is a fact that CTA carries over five times the number of passengers as Metra and Pace combined. It is also a fact that CTA, despite being thought of as carrying only Chicago riders; carries **more suburban transit riders than Pace and Metra combined.** CTA provides 84% of the transit rides taken in Cook, Will, Lake, DuPage, Kane and McHenry counties.

The second factor affecting operating funds is a decrease of ridership due to the current recession. The poor economic climate has forced the layoff of thousands of workers, many of whom relied upon CTA to get back and forth to their places of employment. Their absence this year reflected in lower ridership and therefore lower revenues.



There is no mechanism in place to restore these lost funds during a depressed economy. Ridership declines make it difficult to meet the legislative mandate to provide half of operating revenues from the farebox without raising fares. Tax revenue shortfalls place additional pressure on the CTA to either raise fares or cut service in order to balance the budget.

THE OUTLOOK

The long term funding picture does not look promising. There have been cutbacks in funding for transit operations by the state, and federal funding has been declining steadily over the past decade, particularly funding for operations. We do not expect that the situation will get better in the foreseeable future, without a change in governmental philosophy regarding how public transportation should be funded.

It is anticipated there will be an operating budget shortfall of \$57 million in 1992; fare increases and service reductions are proposed to close the gap between revenues and expenses. An economic recovery would certainly help ridership, but the effects of that recovery would not be felt immediately.

We believe that all residents of the Chicago and suburban metropolitan area have a stake in maintaining a healthy CTA. If you currently use CTA your interest is obvious; any changes that affect fares or service levels will certainly touch your life every working day.

If you are a resident of the Chicago metropolitan area and do not use CTA you will still be affected should drastic changes take place in our fare or service levels. Those people who shift to automobiles will add to an already crowded traffic situation. Imagine the impact on your daily commute and the environment with additional automobiles creating more congestion, competing for parking spaces and adding more pollutants to the air.

Employers may find that more workers will not get to work on time. Those who drive will spend more time in traffic; those who do not will find fewer, more crowded buses that are caught in the same traffic as the autos.

WHAT YOU CAN DO

We ask your help in supporting our efforts to change the distribution of sales tax revenues to transit systems within RTA. Here's an analogy of how inequitable the current system is. If dollars on police services in Chicago were distributed the same way as transit dollars between Pace, Metra and CTA, there would be police officers on virtually every street corner in the Gold Coast and downtown, but only one for every few blocks in neighborhoods of economic deprivation. That does not make sense from a law enforcement perspective.

Given that public transportation's function is to serve the interest of all the area's citizens and to meet the mobility needs of those residents who are transit dependent, the current funding distribution policy does not make sense when applied to public transit either.

A more equitable distribution of sales tax dollars, one that allocates dollars to where transit demand, productivity and congestion reduction goals are highest, would be of greater benefit to the entire metropolitan area than a policy that focuses on the source of tax collection.

Each year during the RTA funding process, the public transit needs of the region are subject to political pressures as public agencies and special interest groups compete for state funds. One way to ensure that RTA and its member agencies get a fair share of funding is to have the active support of residents voiced through their elected representation. Our combined efforts can make a difference in Springfield and Washington D.C.

If you are interested in helping keep CTA a strong and efficient system please register your opinion to your alderman, and your state and national representative. Your support can make a difference.

