

FY13 Budget Proposal Board of Education

August 22, 2012

Summary

- Today, request Board approval for the FY 13 Operating, Capital and Debt Service Budgets
- Budget reflects investment in top priorities
 - Empower principals
 - Increase access to high quality school options
 - Protect investments that boost student learning
- Declining resources makes this challenging
- Significant expense cuts made in past two years
 - \$400 million in FY 12
 - \$144 million in FY 13
- Much lower capital plan than past years
- Revised budget needed when collective bargaining process concludes

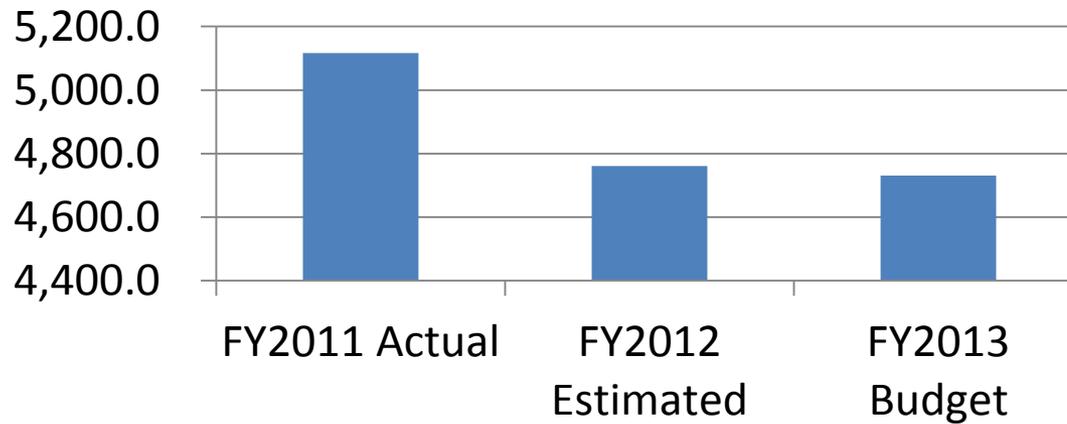
Approval requested for FY 13 budgets released in May and July

- Capital budget was released May 2
- Operating budget was released July 6
- Three public hearings held July 11
- Tele-town hall held July 18
- Summary and transcripts of testimony provided to Board members for review
- Transcripts posted on CPS budget website

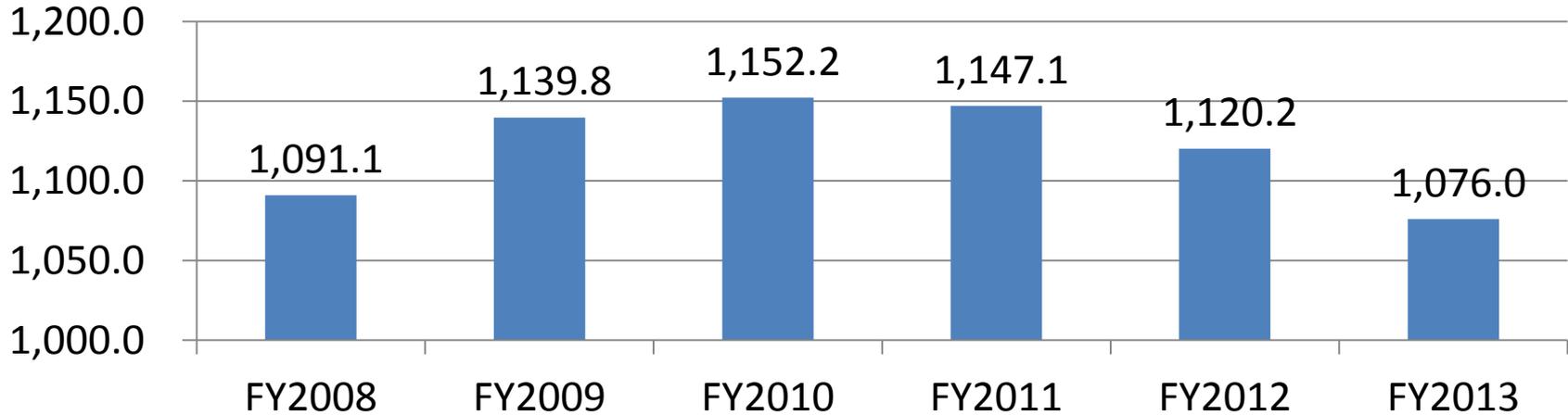
OPERATING BUDGET OVERVIEW

FY13 challenged by continuing revenue declines

	FY 2011 Actual	FY2012 Budget	FY2012 Estimated End of Year	FY 2013 Budget
Federal	1,121.4	977.3	827.5	910.9
State	1,694.6	1,619.2	1,640.6	1,523.2
Local	2,299.9	2,272.6	2,293.2	2,296.4
TOTAL	5,115.9	4,869.1	4,761.4	4,730.5
Change			(354.5)	(30.9)

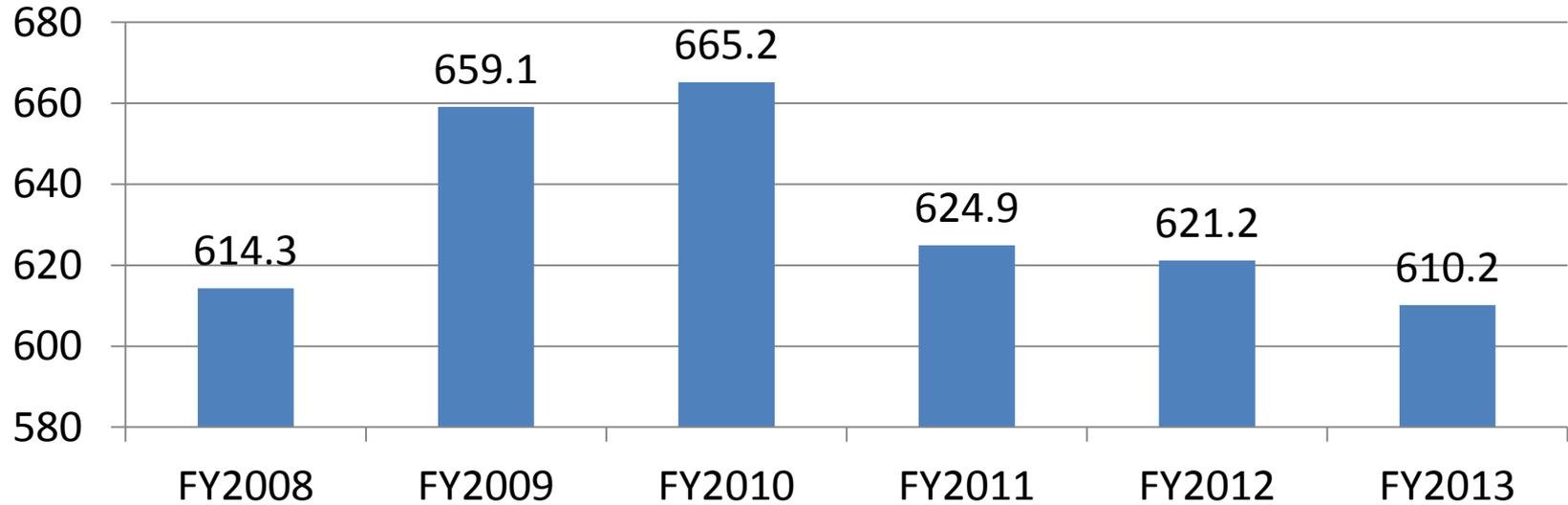


General State Aid is below FY2008 levels



	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Total State allocation	4,475.2	4,616.4	4,600.3	4,600.3	4,448.1	4,236.8
CPS share (All Funds)	1,091.1	1,139.8	1,152.2	1,147.1	1,120.2	1,076.0
CPS change vs. prior year	67.2	48.6	12.5	(5.1)	(26.9)	(44.2)

...as is funding from State Block Grants



	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Amount Appropriated	614.3	659.1	665.2	624.9	621.2	610.2
Total Change vs. Prior Year	64.5	44.8	6.2	(40.3)	(3.7)	(12.6)

Local revenues remain flat, despite two years of taking property taxes to cap

	FY 11 Actual	FY 12 Estimated	FY 13 Budget	FY 13 v. FY 12 Estimated
Property Taxes	1,904.2	2,053.4	2,052.8	(0.6)
Replacement Taxes	172.4	120.4	105.7	(14.7)
TIF	123.0	16.0	30.0	14.0
Other Local	98.4	101.3	104.4	3.1
Interest	1.9	2.1	3.5	1.4
TOTAL LOCAL	2,299.9	2,293.2	2,296.4	3.2

Property Tax Increase generates \$62 million in FY13;
costs an additional \$28 for average homeowner

Budget Continues Investment in Priorities:

(1) Empower principals with flexible funding

- \$130 million in new discretionary funding for schools that principals can spend on student learning and the Full School Day:
 - \$70 million new for College Ready Fund (*plus more flexibility for another \$30 million from existing funds they now control*)
 - 276 teaching positions added
 - 199 other positions
 - \$60 million new increase in state and federal supplemental funding moved from Central Office to schools
 - 236 teaching positions added
 - 47 other positions

(2) Increase access and choice to high quality school options

- 1,848 seats in magnet, selective enrollment, International Baccalaureate, and STEM:
 - 5 brand-new STEM schools with 870 seats
 - 522 additional seats in magnet schools
 - 206 additional seats in selective enrollment schools
 - 250 additional seats in International Baccalaureate programs
- 4,665 new seats in charter schools
 - Charter schools are public school options
 - 9 new schools with 2,765 seats
 - Existing charters grow one grade level at a time, adding new seats each year: 1,900 new seats
 - Additional \$76 million allocation for CPS students attending charter schools

(3) Protect investments that boost student learning

- Early Childhood Education
 - Maintain programs for 42,000 children from birth to age 5, despite state funding cuts of \$19 million
 - Maintain full-day kindergarten for 17,000 children, despite loss of \$19 million in federal funding
 - Create early childhood evaluation teams to ensure young children with special needs are identified early (new \$4.7 million investment)
- High Quality Full School Day
 - Support Math, Science, Art, World Languages, Recess, and other areas through Full School Day
- Hire over 1,000 New Teachers

\$144 million in cuts made to protect investments in kids

Total Cuts	144.4
Operations	105.3
Facilities	36.0
Procurement (driving savings from suppliers)	20.0
IT streamlining	11.1
Central Education Central Office reductions	10.0
Reduce non-personnel costs	8.4
Transportation (bus route pairing, smaller buses)	8.0
Other Operations savings (streamlining in Talent, Finance, Security)	7.5
Transportation alternatives for special education students and families	4.3
Programs	39.0
Eliminate outdated or less effective programs	20.6
Culture of Calm efficiencies	7.7
Restructure staffing for centrally budgeted programs	6.3
Other	4.4

Significant deficit remains, use fund balance to close gap

Operating Budget Summary	\$ millions		\$ millions
Revenue		Expenditures	
Property Tax	2,052.8	Teacher Salaries	1,943.5
Replacement Tax	105.7	Other Salaries	628.7
Other Local	137.9	Benefits	887.7
General State Aid	862.8	Non-Compensation	1,702.4
State Pension Aid	10.9		
Other State	649.5		
Federal	910.9		
Revenue Total	4,730.5	Expenditures Total	5,162.3

431.8M Deficit covered by Fund Balance

Agreement reached on Full School Day

- 512.5 new teaching positions were added
 - Allocation to each elementary school to ensure that there is 1 ancillary teacher for every 5 classroom teachers to cover 60 minute prep periods each day
 - Schools received up to 3.5 additional positions
- Estimated cost: \$46 million already included in budget for collective bargaining costs
- We will modify the budget as required based on the outcome of the current negotiations

CAPITAL BUDGET OVERVIEW

Capital Budget Summary

- Legislation required a draft capital plan on May 2
- Budget challenges and high debt burden required reduced **new** capital investment
- Over 200 projects currently underway from capital budgets approved for FY08 – FY12
- \$110 million proposed in FY13 (\$40 million coming from the City's Infrastructure Trust)
- FY14 – FY17 will be about \$200 million each year

Capital investments boost student learning

- **Early College Science, Technology, Engineering and Math (STEM):** \$5.1 million for labs and equipment
- **Career and Technical Education:** \$1.1 million for labs
- **Teach to One:** \$1.2 million for larger, more open classrooms and new technology
- **Playgrounds:** \$3.6 million to support recess as a key component of the Full School Day plus \$1 million for sustainable schoolyard
- **Information Technology Upgrades:** \$13 million to support online curriculum and web-based applications to improve student performance

And ensure safety and save money

- **Chimneys:** \$5 million to replace 10 chimneys in disrepair
- **Roof, Windows, Masonry, Mechanical, and ADA repair:** \$11 million
- **Energy Performance Program:** \$40 million largely funded by the City's Infrastructure Trust to add high-efficiency lighting, identifying energy conservation, and provide real-time energy usage data
- **Capital Project Support Services/Legal Requirements:** Assessments, Construction Managers, Legal Fees, and Contingencies represent \$28 million

Capital Summary

<u>Annual Capital Budget Sources and Uses</u>	FY2013
Sources	
Bond Proceeds	68.8
Chicago Infrastructure Trust	39.9
IEPA Rainwater Grant	1.0
Total Sources	109.7
Uses (Appropriations)	109.7

Summary

- FY 13 represents financial turning point
- Made significant strides toward strategic goals and are presenting a budget that invests in priorities
 - Empowering principals
 - Increasing access to high quality school options
 - Protecting investments that boost student learning
- Cut spending in lower priority areas
- Yet, still rely significantly on one-time resources to balance budget
- In FY 14, must address structural challenges of pension funding, spending and revenue mismatch to achieve goal of financial stability