ANALYSIS OF PROPOSED FY2014
CHICAGO PUBLIC SCHOOLS BUDGET

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Analysis of Proposed FY2014 Chicago Public Schools Budget Research Team

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About CTBA

Founded in 2000, the Center for Tax and Budget Accountability is a non-profit, bi-partisan research and advocacy think tank committed to ensuring that tax, spending and economic policies are fair and just, and promote opportunities for everyone, regardless of economic or social status.

CTBA uses a data-focused, bipartisan approach to work in partnership with legislators, community groups and other organizations to help change both public policy and perceptions.
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# Analysis of Proposed FY2014 Chicago Public Schools Budget

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<tr>
<th>Acronym</th>
<th>Full Name</th>
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<tbody>
<tr>
<td>ARRA</td>
<td>American Recovery and Reinvestment Act</td>
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<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>CPS/District</td>
<td>Chicago Public Schools</td>
</tr>
<tr>
<td>CTBA</td>
<td>Center for Tax and Budget Accountability</td>
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<td>CTPF</td>
<td>Chicago Teacher’s Pension Fund</td>
</tr>
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<td>GSA</td>
<td>General State Aid</td>
</tr>
<tr>
<td>ECI</td>
<td>Employment Cost Index</td>
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<tr>
<td>ELL</td>
<td>English Language Learner</td>
</tr>
<tr>
<td>ESP</td>
<td>Education Staff Professional</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>ISBE</td>
<td>Illinois State Board of Education</td>
</tr>
<tr>
<td>NCES</td>
<td>National Center for Education Statistics</td>
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<tr>
<td>PTELL</td>
<td>Property Tax Extension Limitation Law</td>
</tr>
<tr>
<td>PA</td>
<td>Public Act</td>
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<tr>
<td>TIF</td>
<td>Tax Increment Financing</td>
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1. INTRODUCTION

In FY2013, Chicago Public Schools (CPS or “District”) embarked on its extended school day program. To support that program’s implementation, CPS funded an additional 1,075 teaching positions for the 2012-2013 school year. At that time, many community organizations and parents questioned whether CPS could afford the true cost associated with the extended school day initiative. One year later, it appears those concerns were warranted.

Indeed, in its proposed budget for FY2014, CPS proposes eliminating 1,520 instruction positions. The most significant of these cuts are at the elementary level—grade school, art, and music teachers—but there are also significant reductions being made at high schools in core subjects like math, English, and history. While some of these teachers have been and will continue to be rehired, the District’s decision to fire so many teachers is a dramatic shift from FY2013.

The question is why are so many instructional positions being cut? After all, the proposed FY2014 CPS general operating budget is $5.59 billion, which is a nominal (that is, not inflation adjusted) increase of $493.8 million or 9.7 percent from FY2013 levels, as illustrated in Figure 1. Even after adjusting for inflation (using the Employment Cost Index (ECI) and enrollment changes), the proposed FY2014 budget represents an increase of $353 million or 6.7 percent in real terms from FY2013 levels.

The reason CPS is forced to cut instructional positions despite increasing its year-to-year expenditures in both real and nominal dollars is simple: the District is paying for its decision to underfund the Chicago Teacher’s Pension Fund (CTPF). As will be discussed later, most of the increase in the CPS budget is actually due to the large year-to-year increase in the District’s required pension payment, which comes as a consequence of its aforesaid pension underfunding.

The FY2014 proposed budget projects revenues of $4.95 billion. Since CPS is required to present a balanced budget, it has proposed to close the deficit through a number of cuts and increases in the local property tax levy. However, these actions do not balance the budget, leaving the District with a $642.7 million deficit as shown in Figure 2. CPS has proposed drawing down reserves to cover the remaining deficit, also shown in Figure 2.

CPS is in such a difficult fiscal position primarily for two reasons. First, the state of Illinois’ failure to fund K-12 education adequately from state-based resources has forced CPS to scramble to find other ways to pay for educating the children in its care. This in turn led directly to the second cause of CPS’s current fiscal troubles. CPS elected to underfund its pensions since FY1995, which resulted in the current pension funding ramp that grows annually at unaffordable levels.

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Interestingly, the data reveal that if CPS had not diverted property tax revenue (that prior to 1995 went directly to CTPF), CTPF would have been nearly 80 percent funded in FY2011, and the District may not have found itself in its current fiscal straits.7

The following is a brief analysis of the District’s FY2014 operating budget proposal, which illustrates how the aforesaid factors resulted in the challenges CPS faces today.

2. REVENUE: CONTINUED DECLINE IN STATE FUNDING

CPS is projecting revenues of $4.95 billion for FY2014. This is a nominal increase of $87.7 million (1.8 percent) from FY2013 as seen in Figure 3. However, after adjusting for inflation and the slight increase in enrollment for FY2014, in real terms, the District’s revenue projections represent a decline of $46.8 million (-0.9 percent) from FY2013.

Figure 3
Proposed FY2014 CPS Budget Revenue to FY2013 in Nominal Dollars ($ Millions)

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FY2013 Estimated</th>
<th>FY2014</th>
<th>$ Difference (nominal)</th>
<th>% Change (nominal)</th>
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</thead>
<tbody>
<tr>
<td>Local</td>
<td>$2,319.0</td>
<td>$2,419.7</td>
<td>$100.7</td>
<td>4.3%</td>
</tr>
<tr>
<td>State</td>
<td>$1,645.2</td>
<td>$1,621.5</td>
<td>($23.7)</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Federal</td>
<td>$897.7</td>
<td>$908.4</td>
<td>$10.7</td>
<td>1.2%</td>
</tr>
<tr>
<td>Total</td>
<td>$4,861.9</td>
<td>$4,949.6</td>
<td>$87.7</td>
<td>1.8%</td>
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</tbody>
</table>


As Figure 3 shows, CPS obtains funding from three major sources: local revenue, predominately from property taxes; transfers from the state, which are appropriated by the General Assembly and then distributed by the Illinois State Board of Education (ISBE) based on a funding formula that takes into account the number of students in CPS, the District’s property wealth, and the portion of the student population that is at the poverty level; and transfers from the federal government. Figure 4 breaks the District’s estimated FY2014 revenue by source in FY2014.

Figure 4
Percentage of Revenue by Source for Chicago Public Schools in FY2014


A major challenge facing CPS is a decline in state funding. From FY2013 to FY2014, the District is projecting state funding to decrease by $23.7 million (-1.4 percent) in nominal dollars.

The state of Illinois funds K-12 education through three primary vehicles: the General State Aid (GSA) Formula Grant (certain districts with significant local property wealth receive GSA through either an alternative formula or a flat grant—
CPS is not one of those districts); the Poverty Grant, which is intended to cover the additional cost of educating children who are at risk of failure because they live in poverty; and mandated categorical funding for costs such as transportation and special education.\(^8\)

In the FY2014 state budget, overall appropriations for K-12 education were increased nominally from FY2013. However, in real, inflation adjusted terms, the state appropriation is less than FY2013.\(^9\) Even though the state's nominal appropriations for K-12 appear greater in FY2014 than in FY2013, Illinois has no intention of fully funding its K-12 appropriation as stated in the FY2014 budget. Indeed, ISBE has already notified school districts that actual funding for K-12 from the state under GSA will be "pro-rated." This means that the Formula Grant portion for education funding will not be made at the level identified in the budget, but rather only at 88.7 percent of the state mandate.\(^10\)

One reason the state is pro-rating the Formula Grant is because Poverty Grant claims have more than quadrupled over the last decade.\(^11\) Simply stated, Illinois does not have the fiscal capacity to maintain its full GSA funding while also covering the growth in Poverty Grant claims.\(^12\) Hence, over the past few years, state lawmakers have diverted a portion of the Formula Grant to cover growing Poverty Grant claims as shown in Figure 5. This means that the pool of money available for K-12 education does not increase while its allocation is significantly changed.

![Figure 5](http://www.isbe.net/funding/pdf/gsa-historical.pdf)

The state's lack of investment in education has required CPS, like many other districts, to become more reliant on local revenue over time. As Figure 6 shows, the percentage of total funding for CPS that comes from local sources has increased by 3.5 percentage points over the last decade, while state revenue has declined by nearly 3 points.

![Figure 6](http://www.isbe.net/funding/pdf/gsa-historical.pdf)

This is unsurprising since, according to the National Center for Education Statistics (NCES), Illinois ranks dead last among all states in the portion of education funding covered by the state. This makes all districts in Illinois, including CPS, more reliant on local resources to fund education. As Figure 7 shows, in FY2010, Illinois only covered 28.4 percent of public education costs while the national average was 43.5 percent. The portion of funding that CPS received from the state was in line with the statewide trend reported by NCES.\(^13\)
CPS’s growing reliance on local sources for revenue is problematic because under the Property Tax Extension Limitation Law (PTELL) it is limited in the amount of revenue it can raise via property taxes.\textsuperscript{14} PTELL limits increases in property tax extensions, “to the lesser of 5 percent or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year.”\textsuperscript{15} This places a cap on the amount of money CPS can raise from property taxes annually, which ultimately means that CPS does not have the option to raise property taxes to cover increasing costs and insufficient and/or reduced state funding, let alone expanding education supports for students. In short, as expenses have increased over the years, the lack of funding from the state has, in part, forced CPS to raise property taxes to the allowable PTELL “cap” almost every year.

As it has done in past years, in FY2014, CPS is once again proposing to raise property taxes to the allowable cap. However, increasing the property tax to its allowable limit added only $101 million in revenue.\textsuperscript{16} This still falls far short of the amount of revenue CPS requires to educate its students, leaving the District in the unenviable position of cutting programs and educational supports for its students.

3. EXPENDITURE: AS PENSIONS COSTS INCREASE, CPS SHIFTS FUNDING FROM NEIGHBORHOOD SCHOOLS TO CHARTERS

CPS expenditures are projected to increase nominally from FY2013 levels by $493.8 million (9.7 percent) in FY2014. The District reports its total spending for FY2014 in four different ways: Unit (by department), Fund (by revenue source), Account (salaries, benefits, equipment, etc), and Program (core educational functions). In each case, the District’s total proposed spending is the same: $5.592 billion, the different reporting systems are intended to inform the public. CTBA will focus on the Program and Account budgets in this analysis as they provide the best snapshot of how CPS spends money in the classroom.

3.1 Budget by Account

Proposed expenditures in the FY2014 budget by Account are broken into seven major categories. Salaries and benefits (healthcare and pension) are the total compensation given to non-charter employees of the District (i.e. teachers, education support personnel, central office employees, etc). Contracts include student tuition for charter schools, telecom services, early childhood education provided by community partners, facility upkeep, and safety and security. Commodities are items such as textbooks, energy, and food which the District uses for education; while equipment pays for the cost of furniture, computers, and other similar items. Finally, in the proposed budget, it is unclear how contingencies spending is allocated. However, the District says that this line item is money that has been budgeted to schools but has not been allocated due to the new Student Based Budgeting system.\textsuperscript{17} Some of this money will likely be
spent in the classroom, but how much is unclear since some of these funds are allocated to departments (for example, the proposal for the Human Capital department has just under $26 million in funding for contingencies).

The proposed FY2014 Account Budget sees large increases in spending for benefits and contingencies; a modest increase in contract spending; and, declines in salary, commodities, and equipment, as shown in Figure 8.

<table>
<thead>
<tr>
<th>Account</th>
<th>FY2013 Final (Estimated)</th>
<th>FY2014 Proposed</th>
<th>$ Difference (nominal)</th>
<th>% Change (nominal)</th>
<th>FY2013 Final (real)</th>
<th>$ Difference (real)</th>
<th>% Change (real)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$2,706,843.2</td>
<td>$2,558,032.0</td>
<td>($148,811.2)</td>
<td>(5.5%)</td>
<td>$2,781,593.0</td>
<td>($223,561.0)</td>
<td>(8.0%)</td>
</tr>
<tr>
<td>Benefits</td>
<td>$883,051.4</td>
<td>$1,248,407.0</td>
<td>$365,355.6</td>
<td>41.4%</td>
<td>$907,436.9</td>
<td>$340,970.1</td>
<td>37.6%</td>
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<tr>
<td>Contracts</td>
<td>$1,032,016.0</td>
<td>$1,101,273.3</td>
<td>$69,257.3</td>
<td>6.7%</td>
<td>$1,060,515.2</td>
<td>$40,758.1</td>
<td>3.8%</td>
</tr>
<tr>
<td>Commodities</td>
<td>$298,430.9</td>
<td>$257,035.1</td>
<td>($41,395.8)</td>
<td>(13.9%)</td>
<td>$306,672.1</td>
<td>($49,637.0)</td>
<td>(16.2%)</td>
</tr>
<tr>
<td>Equipment</td>
<td>$67,251.5</td>
<td>$37,564.9</td>
<td>($29,686.6)</td>
<td>(44.1%)</td>
<td>$69,108.6</td>
<td>($31,543.7)</td>
<td>(45.6%)</td>
</tr>
<tr>
<td>Transportation</td>
<td>$109,945.9</td>
<td>$111,776.2</td>
<td>$1,830.3</td>
<td>1.7%</td>
<td>$112,982.1</td>
<td>($1,205.9)</td>
<td>(1.1%)</td>
</tr>
<tr>
<td>Contingencies</td>
<td>$938.1</td>
<td>$278,185.5</td>
<td>$277,247.4</td>
<td>29,555.1%</td>
<td>$964.0</td>
<td>$277,221.5</td>
<td>28,757.4%</td>
</tr>
</tbody>
</table>


CPS is projecting a reduction in salaries (both teachers and education support personnel) of $148.8 million in FY2014, with nearly 60 percent of that reduction coming from teacher salaries. These cuts are made solely to salaries of teachers who teach at non-charter CPS schools (i.e. neighborhood, magnet, and selective K-12 schools). The District is also projecting a reduction in non-teaching staff salaries of $37 million. CPS achieved both of these savings by laying off over 1,500 teachers and education support staff.  

The year-to-year increase of $365 million (41 percent) in nominal spending on benefits is mainly attributable to the significant bump in the required CPS pension payment. However, classifying this payment as part of the current benefit line is somewhat misleading. This is because the large increase in the FY2014 pension payments is statutorily required to make up for CPS’s policy decision to underfund the CTPF in prior years. Hence, it is not an actual increase in pension benefits for current teachers or education support personnel. It is more accurate to view the increase in pension payments as debt service. Finally, CPS is projecting its spending on health care benefits to decline in FY2014 by $26 million (-6.7 percent) from FY2013 levels. Presumably, the health care cut is tied to the teacher and education support personnel cuts.

The District is projecting a modest increase in contract spending in FY2014 of $69 million (6.7 percent) more than FY2013 in nominal dollars. This increase in the overall line item is mainly due to the proposed increase in charter school funding, a nominal increase of $80 million or 16.5 percent from FY2013 levels. Charter school teachers are not included in the teacher salaries line item mentioned previously; rather the District funds the operators of the charter schools, who in turn pay the teachers who work there. Some of the increased funding for charter schools in the contract spending line item, however, is offset by proposed cuts to after school programs.

Finally, CPS is projecting a decrease in spending on commodities in FY2014 of $41 million (-13.9 percent). Some highlights include reducing spending on textbooks ($29 million), food ($7.6 million), and supplies ($10.5 million), while projecting a slight increase in energy spending ($1.1 million) from FY2013.

### 3.2 Budget by Program

Over 97 percent of the Program Budget is made up of two spending categories: instruction and support services. In the proposed CPS FY2014 budget, instruction spending is projected to increase by $414.4 million (13 percent) while support services are projected to decline by $22.6 million (-1.2 percent) in nominal terms, as seen in Figure 9.
### 3.2.1 Instruction

While the nominal increase in instructional spending looks impressive, most of that spending will not go to the classroom. Rather, the vast majority of the increase is due to a scheduled jump in CPS’s annual pension payment. Under the proposed FY2014 budget, the pension contribution is $412.5 million more than the required payment in FY2013 (the cause of this dramatic increase is explained in Section 3.3). If you were to exclude this $412.5 million increase in pension payments from the instruction budget, nominal funding for instruction increases in the proposed budget by just $1.9 million from FY2013. After adjusting for inflation, that represents a real cut of 2.6 percent from FY2013. Hence, as opposed to how it appears at first blush in CPS’s budget proposal, real spending on instruction in FY2014 will be less than it was in FY2013.

Along with pensions, the greatest increases in spending in the proposed FY2014 budget are for charter and contract tuition ($77.7 million); substitutes ($25.1 million); reassigned teachers due to school actions ($19.8 million); summer programs for special education ($5.4 million) and high school students ($3.3 million); International Baccalaureate high schools ($2.3 million); and, English Language Learner (ELL) programs ($2 million).

CPS also proposes to cut spending on a number of instructional programs as seen in Figure 10. Although the District has stated that the FY2014 proposed budget will “minimize impacts on the classroom,” as shown in Figure 10, it is the classroom which will bear the brunt of these cuts.

### 3.2.2 Support Services

As indicated previously, FY2014 spending on support services is scheduled to decrease collectively by $22.6 million nominal dollars from FY2013 levels. However, a few programs are scheduled to receive an increase in funding including: new school openings ($40.2 million), asset management ($20.4 million), E-Rate ($14 million), Instructional Administration ($13 million), professional development ($11.7 million) and school safety services ($10 million). Notwithstanding those increases, many school support services are scheduled for major cuts, as illustrated in Figure 11.
Many of these cuts in support services have been previously announced, either through layoffs or through the District’s decision to close 50 schools prior to the start of the 2013-2014 school year.

### 3.3 Pensions

Recently, the District has requested “pension reform” from state lawmakers because the CTPF is only 53.9 percent funded\(^2\) and CPS’s FY2014 required pension contribution, by law, will represent an increase of over 200 percent from its FY2013 contribution.\(^3\) What this reform would look like, however, is unclear. CPS has blamed the lack of pension reform in Springfield as the cause of its budget woes, but the data make it clear this claim is misleading.

To understand why CPS’s required pension contribution will increase dramatically this year, a brief history of the funding of the CTPF is helpful. As recently as FY2002, the CTPF was 96 percent funded. Nine years later, it was only 60 percent funded. Since then, the funded ratio has fallen further. The funded ratio is the percentage of liabilities (an actuarial calculation of benefits) covered by a system’s assets. Those that are not covered by assets are collectively called an “unfunded liability.” An unfunded liability grows annually by a retirement system’s investment rate assumption, and it is the responsibility of the employer to pay this annual interest cost. Presently, CPS’s contributions do not cover the combined cost of benefits earned by current employees and the interest on the unfunded liability. This is one of the primary reasons why the CPTF’s funded ratio has declined so significantly in the last ten years. Even with the 200 percent year-to-year increase required in FY2014, the contribution still will not cover the interest\(^2\) — let alone the normal cost of benefits earned by employees. Therefore, the unfunded liability will continue to grow and the CTPF’s funded ratio will likely decline.

Several pieces of legislation have allowed the District to underfund the CTPF, and understanding this legislative history is crucial for understanding the current pension issue facing CPS. First, Public Act (PA) 89-15 allowed the property tax revenue that previously went directly to the CTPF to go instead to CPS, who was then responsible for contributing to the CTPF. A few years later in 1997, PA 90-548 became law, which allowed the District to contribute only the amount of money needed to maintain a funded ratio of 90 percent. As Figure 12 shows, CTPF’s funded ratio was above 90 percent until FY2005.
Since the District was not required to contribute to the CTPF if the funding ratio was at least 90 percent, for 11 years CPS did not contribute the amount of money required to pay for benefits being earned by current employees (the "employer normal cost"), nor did it pay the interest on the unfunded liability. By law, CPS was allowed to underfund the CTPF during that time, the consequences of which are being felt today.

Figure 13 compares CPS's pension contributions, which include federal funds, with the employer normal cost. The total normal cost is paid by both employee and employer contributions. Employee contributions are a fixed rate of pay, and are 9 percent for members of the CTPF. The employer normal cost is the total normal cost less the employee contributions.

Not paying the employer normal cost even when the CTPF was well funded contributed to the dramatic decline in its funded ratio. As Figure 13 shows, it was not until FY2008 that the District's annual contribution covered at least the cost of pension benefits being earned by current employees.

Because the funded ratio dropped below 90 percent in FY2005, CPS had to begin contributing to the CTPF based on a funding plan also established under PA 89-15. The law required CTPF to be at least 90 percent funded by FY2045, and achieved this through a two-part funding plan. From FY1999-FY2010, CPS's contributions were to be increased incrementally from year-to-year, so that by FY2011 the contribution, as a percentage of payroll, would be level through FY2045. This funding law is why the District's contributions increased significantly from year-to-year over the FY2005-FY2010 sequence. Another reason for these increases was due to the Great Recession. The Great Recession dramatically reduced CTPF's assets, increasing the unfunded liability, which in-turn increased the District's required pension payments. The increasing pension contributions created further budgetary issues for the District. As a temporary solution, CPS was granted a pension "holiday" for FY2011-FY2013, meaning that its contributions for those years were significantly less than required under prior law. In addition, the funding goal was changed from FY2045 to FY2059. While the pension holiday provided CPS with short-term budgetary relief by reducing required pension contributions by hundreds of millions of dollars, it also grew the unfunded liability significantly.

CPS has known that the dramatic increase in its required pension contribution was coming for a number of years. In fact, two years ago, CPS warned of the looming deficit in FY2014. However, it appears that few actions were taken to address this problem prior to CPS announcing its FY2014 proposed budget. It appears that the District's only course of action was an attempt to extend its pension holiday for two more years (which would have allowed the CTPF's funding status to decline further), but this failed after Governor Pat Quinn threatened to veto the bill if it passed. CPS also claims that the lack of pension reform has put the District in this position. However, prior to the end of the spring 2013 legislative session, none of the major bills under consideration by the General Assembly would have affected the CPS pension situation. In other words, even if one of those bills had passed, CPS's pension obligations would not have changed.
Additionally, CPS has been unclear about what form pension reform would take for members of the CPTF. If pension reform were to reduce benefits, then it is extremely likely that the changes would be contested in the courts because pension benefits are protected by the state’s constitution.27

4. HISTORICAL EXPENDITURE ANALYSIS

As shown in Figure 14 over the last decade, CPS has increased spending by $1.09 billion (24.2 percent) in real inflation adjusted terms. However, over that same period, the District’s revenues have increased by only $0.497 billion (11 percent) in real terms. The District has been able to paper over its imbalance by utilizing two primary budgetary tactics. First, under programs like the American Recovery and Reinvestment Act (AARA), the District was able to access one-time non-recurring revenue sources. Second, state legislation allowed CPS to underfund the CTPF. The FY2014 proposed budget is fundamentally different from past years in that federal funding under AARA is gone—that source has declined to pre-recession levels, and CPS’s pension funding holiday has ended.

<table>
<thead>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>General Budget</td>
<td>$3,758,510.0</td>
<td>$5,592,274.0</td>
<td>$4,501,267.3</td>
<td>$1,091,006.7</td>
<td>24.2%</td>
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As with the current budget proposal, in past years CPS has announced that it was going to draw down reserve revenue to cover its estimated $642.7 million FY2014 budget deficit. In the past, however, the District has been able to avoid drawing down its reserves significantly, leaving CPS with reserves to then be used in the future. However, the proposed FY2014 budget draws down reserves to such a low level that in the near future it will not be able to be used as a one-time revenue source to plug budget deficits in future years. Without an increase in revenues in the near term, the situation for CPS is dire. Since property taxes are capped due to PTELL, a large increase in revenue from local sources is not possible under current law.28 There appears to be no major legislation on the horizon to increase federal spending on education, so that too is an unlikely revenue source. This leaves the state as the only potential source of new or enhanced revenue.

However, it is unlikely that any additional revenue for education would be appropriated until the state’s own fiscal situation is fixed. For over a decade, CTBA has pointed out that Illinois’s tax system consistently does not generate enough revenue to maintain delivery of the same level of public services from year-to-year after adjusting for inflation. The ongoing mismatch in the state’s General Fund between the lower rate of growth for revenue and the pace of increase in the cost of maintaining service levels is commonly called a “structural deficit.” The structural deficit in Illinois has led to real, inflation adjusted cuts in services since FY2000. This is especially true in education, which has seen a -10.7 percent cut in funding in real, inflation adjusted terms over this time period.29 If the state were to solve its structural deficit in the near term, more funding would be available for services like K-12 education. This would provide a significant boost in revenues to CPS and put the District in a much more secure fiscal position.

Over the last decade, CPS has focused spending cuts in specific areas. As seen in Figure 15,30 the District has cut spending on teacher salaries, education support personnel, and commodities by $295.7 million in real terms over the last ten years. At the same time, CPS has increased its benefits contributions by $589.4 million (89.4 percent) mostly because of the growth in the unfunded liability and the FY2011-FY2013 pension holiday. Indeed, only $61.4 million (20.1 percent) of this benefit payment increase is attributable to rising health care costs. The vast majority of the increase is because of increased pension payments (as explained in Section 3.3)—with the lion’s share of that increase occurring in FY2014.
Given that Illinois has been cutting its education funding, it is highly unlikely the District will see any sort of revenue increase from the state in FY2016 when state revenues are scheduled to decline significantly.
Meanwhile, expenses for CPS are projected to increase over the coming years due to salary increases, growing health care costs, and repayment of the unfunded pension liability.

CPS has claimed that it has kept a number of cuts away from the classroom. However, the data show the contrary is true. CPS has in fact been making fairly drastic cuts to a number of basic educational programs like math, reading, and social sciences. These cuts will likely have an adverse effect on students. Meanwhile, despite large reductions in education spending, the District is increasing its payments to charter schools. Unlike neighborhood schools, charters will not have to suffer the same educational cuts that the rest of the District faces.

The District is facing a budget crisis that it has not seen in decades, if ever before. Lack of funding from the state has left the District overly reliant on property taxes. The considerable increase in pension payments is mostly because CPS has not effectively contributed to the CTPF (note that much of the debt on the pensions was incurred prior to the current administration taking charge). It is no doubt a difficult time for all stakeholders at Chicago Public Schools—there is no easy solution to any of the budgetary choices facing the District.
6. APPENDIX A: ENDNOTES

1. CTBA analysis of Interactive report, Budget by Program: Instruction https://supplier.csc.cps.k12.il.us/analytics/saw.dll?Dashboard


3. CTBA analysis of Interactive report, Budget by Program: Instruction https://supplier.csc.cps.k12.il.us/analytics/saw.dll?Dashboard


5. CPS is projecting an increase in enrollment of 2,058 students (0.5 percent) in FY2014; Chicago Public Schools, Proposed Budget 2013-2014 (Chicago, July 24, 2013), 174.


10. Illinois State Board of Education, Presentation on General State Aid: Senate Advisory Committee on Education Funding (Springfield, IL: August 19, 2013), 21


13. In FY2010, districts in Illinois—including CPS—received a large amount of funding through federal sources via the American Recovery and Reinvestment Act (ARRA).


22. CTPF’s investment rate assumption is 8 percent and at the end of FY2012 its unfunded liability totaled $8 billion, therfore the interest payment alone FY2013 would be at least $640 million. Meaning that to just prevent the unfunded liability from growing and pay for benefits earned by current employees CPS would have had to contribute a minimum of approximately $760 million. Instead, CPS’s required FY2013 contribution was only $205 million, which means the unfunded liability likely grew in FY2013. Thus, the FY2014 interest on the unfunded liability can reasonably be assumed to be at least $640 million. Sources: CTPF, Chicago Teachers’ Pension Fund: 117th Comprehensive Annual Financial Report for the Year Ended June 30, 2012 (Chicago: March 2013 ); FY2013 pension contribution from Chicago Public Schools, Proposed Budget 2013-2014, CTBA analysis of Interactive report, Budget by Account: Benefits https://supplier.csc.cps.k12.il.us/analytics/saw.dll?Dashboard.

23. CPS pension contribution includes federal funds.
CPS contributions are made up of contributions from CPS via local revenue sources and federal funds. Since the federal funds had to be used for pension benefits, CPS’s pension contributions for FY1995-FY2005 were not $0; however, because CTPF’s actuarial reports do not separate CPS and federal pension contributions it is not clear if the contributions for that time period are solely attributable to federal funds.

Chicago Public Schools, Final Budget 2011-2012 (Chicago, IL: August 2011), 9.


Article XIII, Section 5 of the Illinois Constitution.

A number of people across Chicago communities are calling for a release in surplus Tax Increment Finance (TIF) funds. While this may be enough to cover part of the deficit in FY2014, it would still be only a one time injection of cash, leaving the District in a similar fiscal situation a year from now. In short, releasing surplus TIF funds would only delay the CPS budget crisis for a year, maybe two, at most.

Center for Tax and Budget Accountability, Analysis of FY2014 Illinois General Fund Budget (Chicago: June 2013), 20.

Figure 12 is a snapshot of various line items which CTBA was able to compare, there are a number of other programs and student supports which are not captured here.

A note on the process for using historical data: CTBA went through the 2007 and 2012 CPS CAFRs and collected data in them. Then, using the FY2014 Budget and the online interactive budget, CTBA compared line item figures in the CPS FY2013 Amended Budget with the 2012 CAFR. If the FY2013 figures matched, CTBA then used the FY2013 Expenditures as of 6/30/2013 for all FY13 figures. This also allowed CTBA to compare historical figures with the FY2014 budget. If CTBA could line up the FY2013 Amended Budget figures with a line item in the 2012 CAFR, it allowed comparison to past budgets and expenditures.

For example, to find the FY2004 charter figure, CTBA found the FY2013 Amended Budget figure (Budget by Accounts/Contracts/Student Tuition - Charter Schools) matched it with the line item in the 2012 CAFR for FY2013 (line item 'Non-compensation: Charter schools' on page 187); they both show $425,834 in thousands of dollars. Using that line item in the CAFR, CTBA used the FY2004 figure. This is important because CPS lists two different charter expenditure figures in the FY2014 budget; one under the accounts section and one under the programs section. CTBA used the accounts figure because it found the same exact FY2013 figure in both the FY2014 proposed budget and the 2012 CAFR. The program figure in the FY2014 proposed budget is lower (though increasing at a greater rate from FY2013 to FY2014), however there is no corresponding figure in the 2012 CAFR, and thus no historical comparison can be done. This is also why there is not a historical comparison other items like, for example, textbooks.


Chicago Public Schools, Proposed Budget 2013-2014, 12.

Chicago Public Schools, Proposed Budget 2013-2014, 12.

Center for Tax and Budget Accountability, Analysis of FY2014 Illinois General Fund Budget, 2.

Center for Tax and Budget Accountability estimate for revenue lost done using Commission on Government Forecasting and Accountability, 3-Year Budget Forecast FY2014-FY2016 (Springfield, IL: April 2013), 13; and using historic revenue growth rates (2.63% personal and 3.92% corporate).