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CIVIC FEDERATION SUPPORTS FY2006 CPS BUDGET, BUT WARNS OF “UNSUSTAINABLE” LONGTERM FINANCIAL OUTLOOK

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The Civic Federation supports the FY2006 CPS budget as a short-term plan to address the current year's fiscal and programmatic challenges. The Federation is encouraged by several positive features of the \$5.043 billion proposed budget but remains concerned about the District's long-term financial structure.

CPS held the line on spending, reducing total appropriations by \$2.4 million, or 0.05% from the previous year. This budget calls for elimination of 1,000 positions, for a total of \$90 million in savings, plus cost savings totaling \$24 million in the food service and transportation programs.

“The proposed CPS FY2006 budget is based on significant cost-cutting moves that -- if implemented effectively -- represent a laudable step toward improved financial management,” said Laurence Msall, President of the Civic Federation. “However, the Chicago Public Schools' long-term financial situation appears unsustainable.”

Illinois' largest school district faced a \$274 million deficit for the coming fiscal year. In addition to the \$114 million in expenditure reductions, this budget includes more than \$150 million in increased revenues. The proposed budget calls for a \$45 million increase in the property tax levy. This includes a \$31 million increase in taxes on properties covered by the tax cap law, the maximum amount allowed, plus \$14 million in taxes on new properties. This marks the ninth time in 11 years that CPS has increased its levy to the limit allowed by law.

“With this increase, the property tax bill for a commercial property currently valued at \$500,000 will increase by approximately \$411,” Msall said. “This additional tax will push the CPS portion of that property's tax bill over \$15,000.”

Revenue increases for the coming year include more than \$92 million in new funding from the State of Illinois, \$82.2 million for operations and \$9.8 million earmarked for the Chicago Teachers' Pension Fund. The budget also calls for \$20 million of the District's reserve funds to be used for operations.

Personnel costs are outstripping revenue growth even as District student enrollment falls. Projected enrollment has dropped by more than 5,000 students, or 1.2%, since under 2003. While forecasts of high school enrollment predict a slight increase, elementary school enrollment may drop by as much as 7,844 students, or 2.7%. However, spending for employee compensation, including salaries and benefits, will increase to \$3.1 billion in FY2006, up 4.2% from \$2.9 billion in the preceding year. Since FY2002, total compensation costs have risen by 18.8%, or \$492.7 million, and benefit costs have risen by 34.7%, from \$478.3 million to \$644.5 million.

The Civic Federation remains disappointed by the continued lack of transparency in the CPS budget. In addition, the school district released the budget only one week before public testimony began, allowing insufficient time for public review. The Civic Federation's full analysis of the CPS Proposed FY2006 Budget is available at www.civiced.org.

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The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago-area corporations, professional service firms and institutions.

