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## CIVIC FEDERATION SUPPORTS PRUDENT FY2010 CHICAGO PUBLIC SCHOOLS BUDGET *Retains Significant Concerns about the District's Future Financial Challenges*



Citing reasonable measures taken by Chicago Public Schools to balance its \$6.9 billion budget, the Civic Federation announced its **support** of the District's FY2010 spending plan today. The District has cut personnel and proposed drawing down reserves and a modest increase to the CPS property tax levy to close a \$473 million budget deficit, the largest since 1995. Visit [civiced.org](http://civiced.org) to download the full 67-page report and read a staff [blog post](#) about the budget.

Early in the budget process, the District identified a looming deficit and acted to reduce it by cutting administrative personnel by 557 positions and eliminating inefficient or ineffective programs for a total estimated savings of \$100 million. Personnel cuts are especially important for the District as it faces falling enrollment combined with the fact that 68% of the operating budget is spent on salaries and benefits. The Civic Federation applauds Chicago Public Schools for its commitment to reducing expenditures while maintaining classroom service.

Given the daunting budget deficit CPS has faced this year and the painful but necessary steps it has already taken to reduce operating expenses, the Civic Federation supports the District's reasonable 1.5% increase to its property tax levy. "The Civic Federation commends Chicago Public Schools for showing praiseworthy restraint by implementing expenditure cuts before raising taxes," said Lise Valentine, Vice President of the Civic Federation. The District has also shown moderation by choosing not to raise its levy to the maximum amount allowed under law of 4.1%, as it has done nearly every year since 1995.

The Civic Federation retains **grave concerns** about the District's fiscal future. Despite a potential total reduction in staffing of over 1,000 positions and a tax increase, CPS will face a colossal projected deficit of \$913 million next year—nearly twice as large the already massive FY2010 deficit. The projected shortfall will be driven in large part by a required pension payment of \$563.3 million that has ballooned to 35 times the size of the contribution made in FY2006. "Such large increases to the District's pension contributions are clearly unsustainable, especially in light of reduced State funding, limited revenue options for 2011, and the expiration of federal stimulus funds in FY2012," said Valentine.

The required increases in contributions are the result of a sharp decline in investment revenue, combined with an Illinois law requiring the Chicago Teachers Pension Fund to be 90% funded by 2045. The Illinois General Assembly has exacerbated the Pension Fund's difficulties by cutting the State's already low contribution by half in FY2010, providing a mere \$32.5 million. Countering the District's severe pension crisis will require aggressive action on the part of the General Assembly, including working with CPS to implement a moratorium on pension enhancements and limit annual pension increases for new hires. Legislators should also increase the State's contribution to Chicago teachers' pensions to a more equitable level compared to the funding Illinois provides for downstate teachers.

*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. For more information, please visit the Federation's website at [www.civiced.org](http://www.civiced.org).*