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## **CIVIC FEDERATION OFFERS QUALIFIED SUPPORT FOR CPS BUDGET URGES BOARD OF TRUSTEES TO REDUCE PROPERTY TAX LEVY BY \$32 MILLION**

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Chicago Public Schools (CPS) has taken some important steps to contain costs and increase the transparency of its proposed \$5.8 billion operating budget, the Civic Federation reported in its 68-page budget analysis released today. However, the Federation qualified its support of the proposed FY2008 school spending plan until CPS leadership follows through on its commitment to publicly release detailed long-term financial and capital plans next year.

The Civic Federation applauds CPS for taking a number of fiscally responsible actions this year, such as reducing staffing by 160 as enrollment declines and successfully containing the cost of employee health insurance. The district's health insurance costs are projected to increase by 2% in 2008, compared to 9.5% last year and 7.3% two years ago. CPS has also made considerable progress in improving its budget document, crafting a budget that will be more accessible to the general public and contain better information. Most significantly, CPS leadership has made a public commitment to develop and implement long-overdue capital and fiscal planning strategies.

The Civic Federation also urges the Chicago Board of Education to **cut the CPS property tax levy by \$32 million** in response to extra funding the State of Illinois has appropriated for the district. CPS created its proposed budget with the expectation that it would receive \$98 million in new state aid, but the state budget recently passed by the General Assembly includes \$131 million for the district. Given that the FY2008 CPS budget as currently configured would increase property taxes to the maximum amount allowed under the tax cap law for the eleventh time since 1997, the Federation believes that it would be appropriate for the district to cut its levy. "Reducing the property tax levy at even a modest level would send a strong message to Springfield that increased state funding does have an impact on the district's property tax demand," said Laurence Msall, President of the Civic Federation.

CPS faces enormous fiscal challenges in coming years, from rising personnel costs, despite staff reductions, to exponentially growing pension costs. Benefit costs are outstripping revenue growth by a ratio of nearly two to one while student enrollment continues to fall. All of these budgetary pressures make it imperative that the CPS implement long term strategies to effectively prioritize the use of scarce resources. We were very pleased to see schools Chief Executive Officer Arne Duncan and Mayor Daley endorse the school financial management accountability reforms, such as capital improvement plans and long term financial plans, the Federation developed for a Metropolitan Mayors Caucus report released in April. "An enterprise as large and complex as the Chicago Public Schools must be able to show taxpayers their money is being used efficiently. Without a long term financial plan, it is difficult for the district to demonstrate the good fiscal stewardship needed to manage billions of dollars in operating funding and proposed capital investment," said Msall.

The CPS must also aggressively seek legislation to curb its rapidly growing retirement costs. A moratorium on **any** pension benefit enhancements would help control the rate of increase of pension liabilities, as would indexing annual increases in annuities to the lesser of CPI or 3%. We also advise CPS to seek reform of the Teachers' Pension Fund governing structure to ensure greater balance of interests between management and employee representatives.

The Civic Federation's full analysis and recommendations will be released to the public on our website, [www.civiced.org](http://www.civiced.org), at 9:00 a.m. on Wednesday, August 22, 2007.

*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.*