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# The Civic Federation

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## FOR IMMEDIATE RELEASE JULY 19, 2012

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### CIVIC FEDERATION URGES BOARD OF EDUCATION TO REJECT “ALARMINGLY SHORT-SIGHTED” FY2013 CPS BUDGET PROPOSAL

(CHICAGO) In an analysis released today, the Civic Federation opposes the Chicago Public Schools (CPS) proposed \$5.2 billion operating budget for FY2013 which drains all General Fund reserves to help close a \$665 million budget deficit and leaves the District with no identifiable plan to address a devastating financial reality. The Federation urges the Chicago Board of Education to reject the proposed budget in favor of a financially responsible plan that accounts for current and growing future liabilities. The full 76-page analysis is available at [www.civicfed.org](http://www.civicfed.org).

“The FY2013 CPS budget is alarmingly short-sighted,” said Laurence Msall, president of the Civic Federation. “The District’s inattention to the future consequences of its actions could inflict lasting damage on the financial and operational viability of public education in Chicago.” CPS is already projecting a \$1.0 billion deficit for FY2014 due to its ongoing structural deficit and the end of a three-year partial pension contribution holiday. Significant structural changes to the District’s expenditures and long-term obligations are urgently needed.

The Civic Federation remains concerned about the District’s failure to promote much-needed reforms to its pension system. In FY2014, following the end of a three-year partial pension contribution holiday, the District’s pension contributions will increase significantly by \$338.2 million from \$196.0 million in FY2013 to \$534.2 million in FY2014. An increase of this level is enormous even for a government of CPS’ size and its impact will be further intensified next year when the District will have no fund balance available to help close its deficit. It is readily apparent that the District may no longer be able to afford its existing pension system. The Federation is urging the Chicago Public Schools Board and administrative leadership to develop and present a pension reform plan to the Illinois General Assembly that ensures a greater balance of employee, retiree and taxpayer interests. The Federation also urges the District to institute a formal, publicly-available financial planning process to address its structural deficit, soon-to-be-depleted fund balance and looming pension crisis.

The analysis finds that CPS’ long-term debt increased by 28.3%, or \$1.1 billion, between FY2007 and FY2012. Moody’s Investors Services cited the District’s above-average debt burden, substantial reduction in reserves and increased pension obligations when downgrading the District’s credit rating on July 10. “Moody’s downgrade is likely to be just the first of many negative consequences CPS will experience if this budget is not improved,” said Msall. “The District is delaying the inevitable by failing to take on the key drivers of its financial crisis.”

The Federation offers support for several elements of the proposed budget that should be incorporated by the Board of Education as part of a more realistic financial plan. These include the implementation of \$144.3 million in expenditure reductions, the production of a prioritized, publicly-available capital improvement plan and a painful but necessary increase in the District’s property tax levy by the maximum amount allowed by the tax cap law, generating \$62.0 million in much-needed additional revenue.

*The Civic Federation is an independent, non-partisan government research organization that promotes efficient delivery of public services and sustainable tax policies in the Chicago region and State of Illinois. For more information, please visit the Federation’s website at [www.civicfed.org](http://www.civicfed.org).*



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