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## CIVIC FEDERATION CALLS FOR REJECTION OF \$5.3 BILLION CHICAGO PUBLIC SCHOOLS BUDGET

### *Lack of Long-Term Planning and Transparency Troubling Says Watchdog Group*

The Civic Federation is calling on the CPS Board of Trustees to reject the staff-proposed \$5.3 billion budget because it lacks requisite detail and fails to address the District's daunting long-term fiscal challenges. The Federation's annual analysis of the CPS budget, which was released today, criticizes the budget for its lack of detailed timetables for how nearly \$1 billion dollars in City TIF and CPS capital improvement funds will be spent. The budget also fails to provide adequate information about programs and initiatives currently underway. The CPS Board is scheduled to consider the FY07 budget at their meeting on Wednesday, June 28<sup>th</sup> at 10:30 am.

The Federation's analysis finds that the \$5.3 billion dollar budget plugs a projected \$328 million deficit through \$87.5 million in reduced expenditures, more than \$165 million in increased revenues, and \$75.5 million in transfers from reserves to the operating budget. It includes an increase in the property tax levy to the maximum amount allowed under the Illinois tax cap law, marking the tenth time since 1996 that CPS has increased its levy to the limit. The budgeted appropriations for all funds will increase by 5.0% over last year, when the District held the line on spending.

Revenue increases in FY2007 include \$99.4 million in new funding from the state of Illinois, of which \$98.5 million will be used for operations, \$0.5 million for professional development, and \$0.4 million for the Teachers' Pension Fund. This will increase per-pupil spending by \$170 to \$5,334.

"The Civic Federation is disappointed and the members of the Chicago Board of Education should also be disappointed with this budget," said Laurence Msall, president of the Civic Federation. "Although CPS administrators have made important steps toward managing its resources more efficiently by reducing personnel and trimming unnecessary spending, the budget contains too many unanswered questions about the District's growing personnel costs even as enrollment falls. In addition, the budget fails to identify a real capital plan, which will be essential to make sure the proposed \$1 billion in new capital expenditures are efficiently and effectively implemented."

The Federation remains concerned that even though the District is levying the maximum level of property taxes allowed under law, personnel costs continue to outstrip revenue growth for the District. Employee benefit expenses are set to rise by 14.1% this year and pension costs are also ballooning. This year CPS must pay \$53.6 million more into its Teachers' Pension Fund than in FY2006, an increase of 23.7%. Since FY2003, compensation costs have risen by 21.2% and benefit costs by 40.6%. While the budget's proposed reduction of staffing will help slow the rate of growth in salary and benefit costs, CPS must develop a plan to address this serious and escalating fiscal problem.

The Civic Federation's analysis included recommendations to improve the Chicago Public Schools' financial management, such as containing pension expenses by capping annual benefit increases for new hires and increasing the employee share of pension costs. "The Chicago Public Schools made a promise to the people of Chicago three years ago that they would develop a capital improvement plan and financial planning process," Msall said. "Before they ask citizens to dig deeper into their pockets, the District must be able to prove that their money will be used efficiently."

The Civic Federation's complete Chicago Public Schools budget analysis, including detailed findings and recommendations, is available today on our website at [www.civiced.org](http://www.civiced.org).

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