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CHICAGO PUBLIC SCHOOLS BUDGET RIGHT FOR TOUGH ECONOMIC CLIMATE *Civic Federation Supports District's Taxing Restraint*

The taxing restraint shown by the Chicago Public Schools \$6.2 billion FY2009 proposed budget stands in stark contrast to the enormous property and sales tax increases imposed by other Chicago-area governments in the past year. For the first time since FY1999, CPS will not raise its property tax levy to the maximum amount allowed under the tax cap law. Instead the District will balance its budget through spending reserve funds and through management savings. Civic Federation President Laurence Msall announced the Federation's position in **support** of the CPS budget at a public hearing held today at Chicago Public Schools headquarters.

Chicago's citizens are currently facing serious economic hardships, such as a City unemployment rate that stood at 8.2% in June. By freezing its property tax levy, Chicago Public Schools has shown praiseworthy responsiveness to taxpayers' concerns. CPS will spend \$100 million in reserves to balance its budget, which would still leave a total fund balance of 10.7%, well within the Government Finance Officers Association recommended levels of 5 to 15%.

The Federation's analysis found that responsible management actions also allowed CPS to give taxpayers a break. Since FY2006, CPS has reduced staffing levels by 2,820 positions, including the elimination of 489 positions planned for FY2009. This is a prudent response to the District's declining enrollment and looming financial challenges. In addition, CPS has successfully contained employee health care costs at a time when other governments across the nation are experiencing significant health care cost increases. Budgeted health care costs will fall by 1.8% in FY2009 due to a combination of more stringent auditing and review of claims and reduced staffing.

"Chicago taxpayers can look forward to a respite from the punishing tax increases of the past year," said Laurence Msall, president of the Civic Federation. "While CPS faces daunting fiscal challenges in the future—especially from exponential growth in pension expenses—the Federation commends the superior financial management that made this good news budget possible."

However, the Federation urges CPS to continue to work toward a more comprehensive and transparent capital improvement plan (CIP). The Federation's analysis commends the District for providing additional capital information in its FY2009 budget. But this data still falls short of the detailed, multi-year information citizens and public officials need to assess the District's current multi-million dollar capital program and effectively plan for the tough decisions facing the District in the coming years. The Federation urges CPS to continue to build upon its existing capital disclosures.

The Federation's full analysis and recommendations will be available on our website, www.civicfed.org, at 9:00 a.m. Wednesday, August 27, 2008.

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.