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BOARD OF EDUCATION SHOULD REJECT “RISKY” CPS BUDGET *Civic Federation Calls for Realistic Contingency Plan for Chicago Public Schools That Does Not Rely on Borrowing, Other Unsustainable Actions*

(CHICAGO) – In a report released today, the Civic Federation opposed the Chicago Public Schools proposed FY2016 operating budget of \$5.7 billion because it is not balanced and does not provide a sustainable path out of the District’s current fiscal crisis. The budget assumes the State of Illinois will provide an additional \$480 million this year and such funds have not been appropriated. The Federation urges the Board of Education to reject this deficit proposal and instead call for a budget with a detailed contingency plan. The full 92-page report is available at www.civicfed.org.

“This budget is yet another financially risky, short-sighted proposal and fails to provide any reassurance that Chicago Public Schools has a plan for emerging from its perpetual financial crisis,” said Civic Federation President Laurence Msall. “If stakeholders do not come together now to develop a multi-year plan, the Federation is deeply concerned that CPS could fail, with devastating consequences for the future of Chicago and Illinois.”

The Civic Federation believes CPS has reached a very precarious and potentially devastating short-term and long-term financial position. Chicago Public Schools has faced structural budget gaps exceeding \$500 million in each of the last five fiscal years and faces a \$1.1 billion total budget gap in FY2016. After artificially inflating and then exhausting reserve funds in the last two fiscal years, the District’s only plan for addressing nearly half of the proposed budget gap in FY2016 is the hope of \$480 million in unspecified funding from the State of Illinois that has not been appropriated. The budget also relies on \$200 million in expensive “scoop and toss” borrowing and most likely understates spending, as compensation is held at FY2015 levels because teacher contract negotiations are ongoing.

After several years of budget gimmicks, the District has run out of ways to delay the inevitable. The current fiscal uncertainty has left the District in a cash crisis with below investment grade credit ratings and has prompted discussions of municipal bankruptcy, a prospect with such severe long-term consequences that it should be a last resort for any government. The Board of Education should reject the District’s unbalanced FY2016 budget proposal and call for a detailed alternative spending plan. In the absence of new revenue sources, this plan will have to rely on significant and painful spending cuts. The Civic Federation strongly believes that all stakeholders including students, parents, employees and taxpayers, are entitled to information about what consequences will follow if gridlock continues at the State and no additional funds are appropriated.

Chicago Public Schools has played a significant role in its own crisis, but many factors impacting the District’s finances are beyond its direct control, including falling state revenue and insufficient pension funding from the State of Illinois. Whether through additional pension funding, permission to levy a larger property tax or consolidating the Chicago Teachers’ Pension Fund with the downstate and suburban Teachers’ Retirement System, or some combination of these actions, it is imperative that the State take responsibility for its role in the CPS crisis and do its part to help set the District on a more sustainable fiscal path.

The Federation’s full analysis also includes recommendations for the District to rebuild budgetary reserves to avoid further cash crises, end the employer “pick up” of employee pension contributions for all employees and reinstate the dedicated property tax levy for the Chicago Teachers’ Pension Fund in the context of a comprehensive multi-year plan.

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.



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