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# The Civic Federation

177 North State Street, Suite 400, Chicago, IL 60601 • 312.201.9066 fax 312.201.9041 • civicfed.org

## FOR IMMEDIATE RELEASE – THURSDAY, AUGUST 22

For more information, contact Laurence Msall, (312) 201-9044

### PAIN OF FY2014 CPS BUDGET REFLECTS DISTRICT'S FAILURE TO PUSH PENSION REFORM

(CHICAGO) In an analysis released today, the Civic Federation withholds support for the Chicago Public Schools (CPS) proposed \$6.6 billion budget for FY2014, which closes a \$977 million budget deficit with a complete drawdown of unrestricted reserve funds, as well as use of some restricted reserve funds. Even after the pain of layoffs and school closings, the District's long-term fiscal health remains in jeopardy absent pension reform. The full 83-page analysis is available at [www.civicfed.org](http://www.civicfed.org).

The Federation acknowledges that the District's budgetary options are severely constrained by the Illinois General Assembly's inaction on pension reform, but urges the District to proactively develop and present its own reform plan. "The District knew this budget crisis was coming and should have been aggressively advocating for their own pension reform proposal tied to a long-term financial plan to stabilize their budget," said Laurence Msall, president of the Civic Federation. "Silence on these critical issues is a grave disservice to the District's students, parents, teachers and taxpayers."

CPS cannot afford its existing pension system. The District faces a sharp \$404 million increase in its required pension contribution in FY2014 after artificially lowering the contribution between FY2011 and FY2013 with a short-sighted partial pension contribution holiday. The funded level of the Chicago Teachers' Pension Fund is continuing to drop, falling from 81.2% funded in FY2003 to 54.5% in FY2012 on a market value basis. Failure to fix this unsustainable system will result in more painful cuts to District services while robbing teachers of a viable retirement system. The Civic Federation urges the District to aggressively pursue reforms including reducing benefits, increasing employee and employer contributions and reforming governance of the Teachers' Pension Board.

As the District acknowledges, the proposed budget plan is unsustainable and leaves CPS extremely ill-equipped to deal with its escalating financial crisis. The FY2014 budget closes a \$977 million budget deficit by completely draining its unrestricted reserves. The budget also draws on some restricted reserve funds, which are traditionally considered off-limits. In FY2013 the District narrowly avoided completely exhausting its unrestricted reserve funds as proposed due to reduced expenses and early payments from the State of Illinois. CPS cannot rely on similar events in the future and budget deficits of nearly \$1 billion are already projected for FY2015 and FY2016. Significant structural changes to the District's expenditures and long-term obligations are urgently needed. "With sustainable pension reforms linked to a long-term financial plan, the District can escape this damaging cycle of reverting to crisis mode for every budget," said Msall.

The Federation offers support for several elements of the proposed budget that should be incorporated as part of a long-term plan to stabilize the District. These include the implementation of \$111.6 million in management efficiencies and cost-savings outside the classroom, a painful but necessary increase in the property tax levy to the maximum amount allowed by the tax cap law and the continued use of an interactive online budget.

*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 the State of Illinois. For more information, please visit the Federation's website at [www.civicfed.org](http://www.civicfed.org).*



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