

FY2012 Budget Overview

August 5, 2011

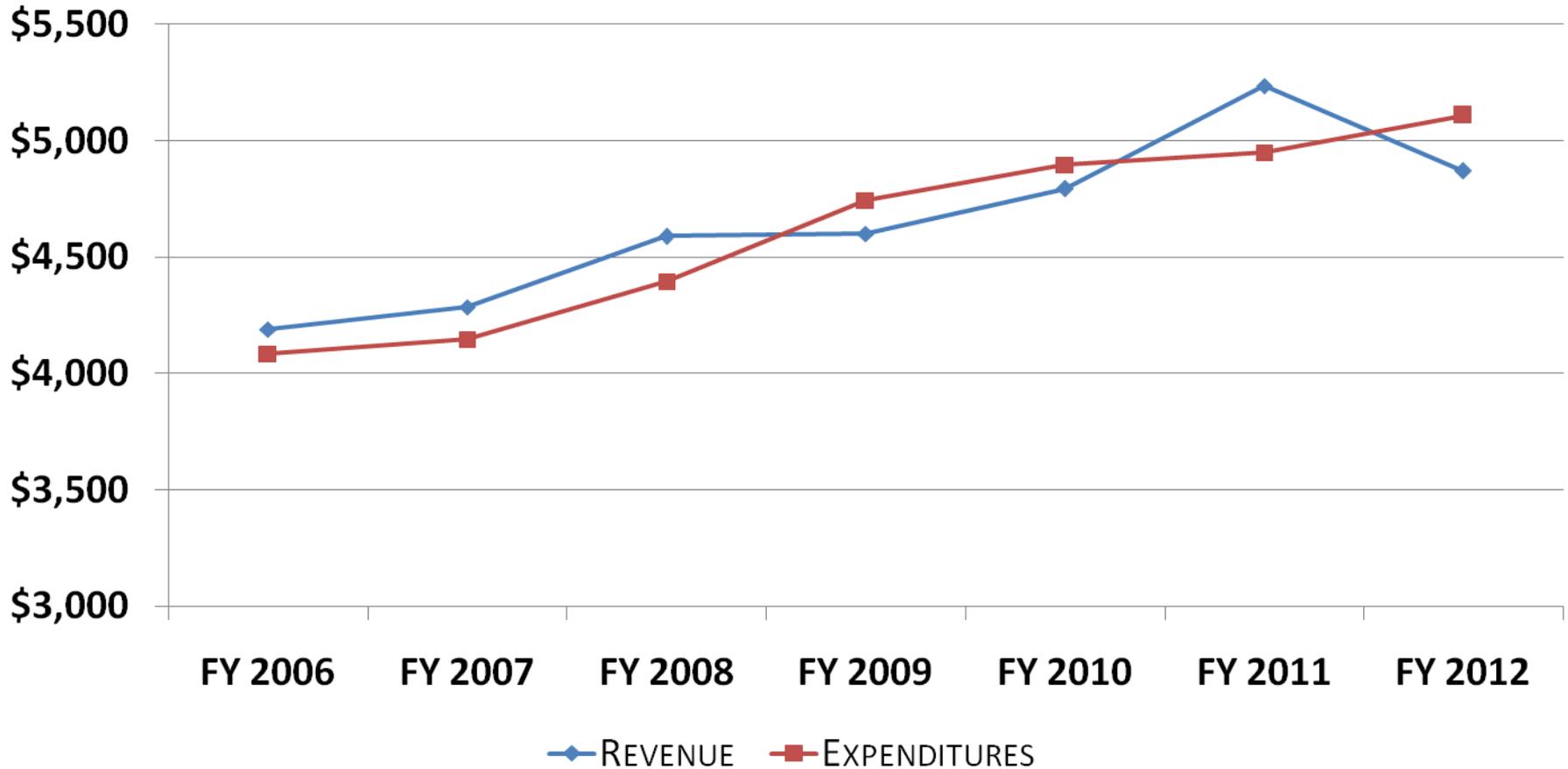
Executive Summary

- CPS faces daunting challenges and needs to improve student outcomes despite declining revenues
- We inherited a \$712 million budget deficit
 - CPS is required by law to have a balanced budget
- We were committed to keeping cuts far away from the classroom
- The FY2012 budget reflects continued and increasing investments in critical priority areas

Executive Summary

- After years of increases, revenue is down in all major categories in FY2012
- Expenses rose with revenues and are expected to increase again this fiscal year - even after we've made big cuts
- Budget reductions are broad
 - All areas feeling pressure to do more with less
 - Capital investment has been reduced until long-term facilities plan can provide guidance
- The result is a deficit in FY2012 that we can only close with reserves from prior years
- Challenges in pension and debt service burden over the next 2-3 years require structural change at the state level

General Operating Fund



Revenues are declining and cannot keep pace with expenditures

After years of increases, revenue was down in all major categories in FY12

	FY2010	FY2011	FY2012	FY12 vs FY11
Revenue (in millions)				
Local	2,247.8	2,297.7	2,272.6	(25.1)
State	1,367.8	1,684.7	1,619.5	(65.5)
Federal	1,160.4	1,142.8	977.3	(165.5)
Total	4,776.0	5,125.2	4,869.1	(256.1)

FY2012 Deficit remains and must be closed with reserves

\$/Millions	6/15 Projection	FY2012 Proposed Budget
Revenue	\$4,719	\$4,869
Expenses	\$5,431	\$5,110
Net Surplus/(Deficit)	(\$712)	(\$241)

Critical Priorities/Investments in FY2012 Budget

- Maintain Class Size
- Maintain pre-K funding
- Expand all-day kindergarten for 6,000 students
- Expanding Magnet School Programs for 2,300 students
 - Adding five magnet or SEES programs for '11-'12
- Maintain World Language Programs
 - 12 languages; serving 103,000 students
- Safety for Students
 - Continued investment in violence prevention initiatives: Culture of Calm, Safe Passage and mentoring programs; \$7 million investment upgrading security system

FY2012 Budget

Actions Taken to Close the Budget Deficit

Actions Taken to Close the Gap (\$M)

Revenue **\$150.3**

Property Tax 150.3

Expense Reductions **\$320.7**

Reorganization 107.0

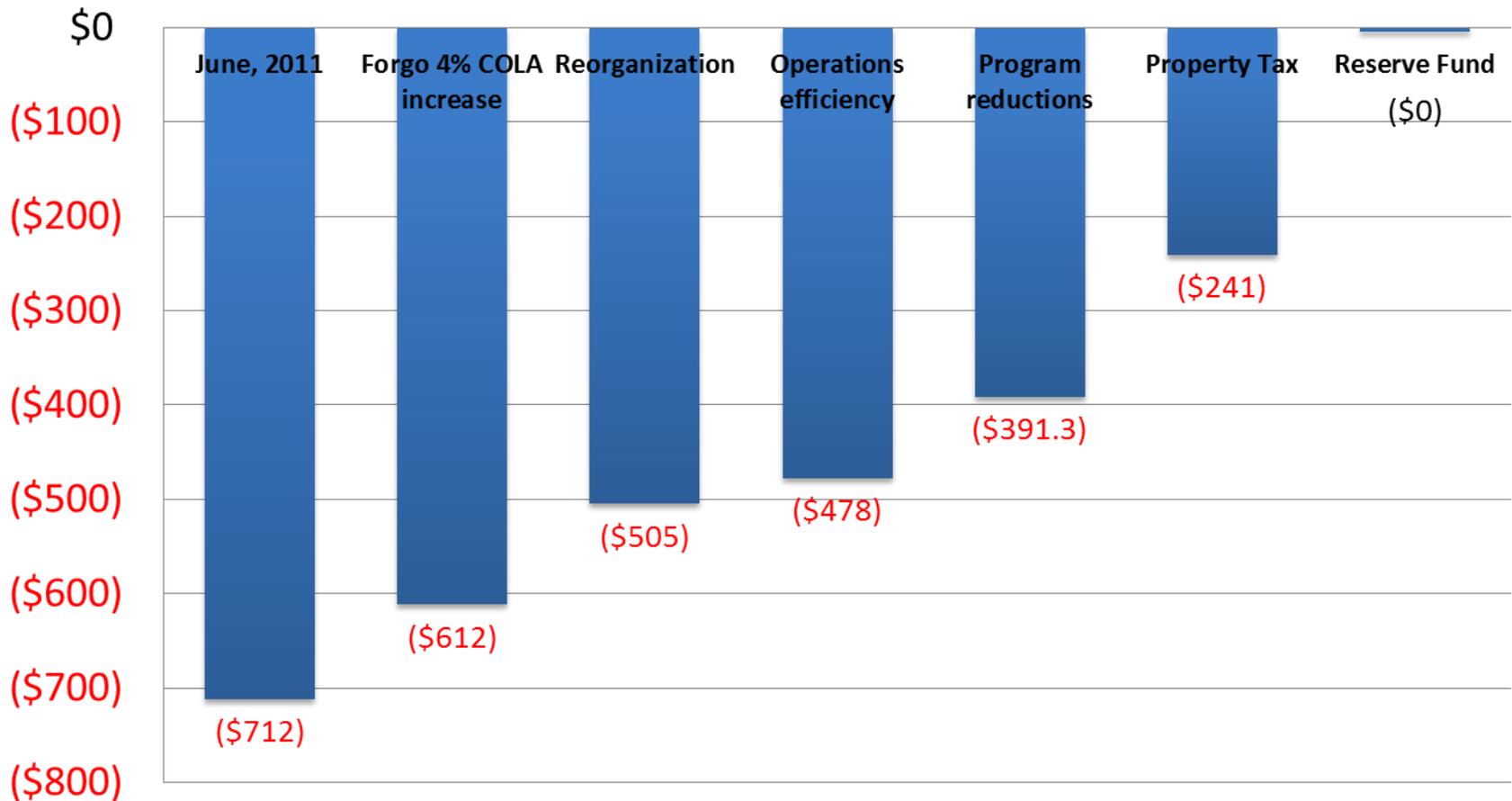
Operations efficiency 27.0

Program reductions 86.7

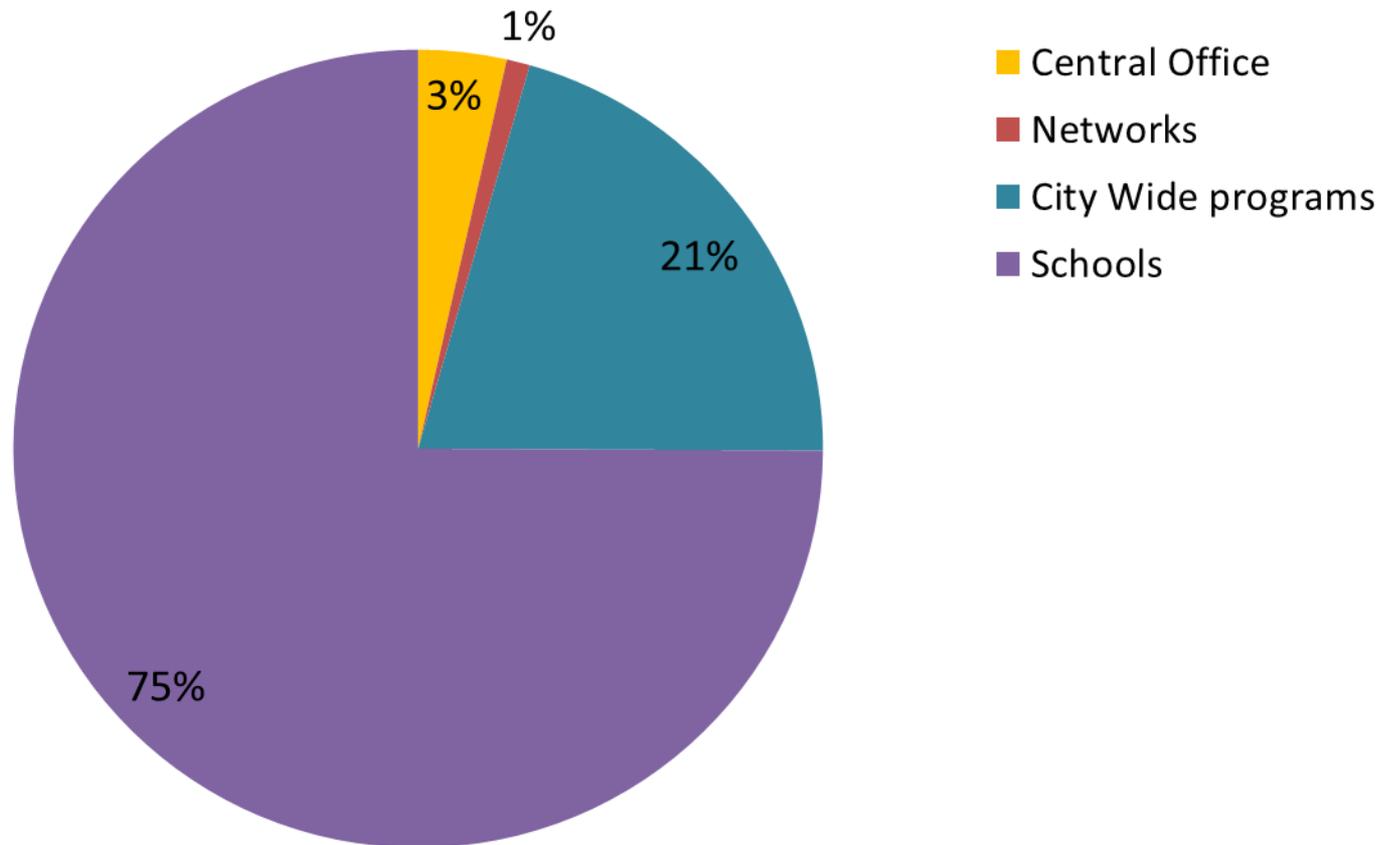
Forgo 4% COLA increase 100.0

Net Improvement to Budget Deficit **\$471.0**

Actions Taken to Close the Gap (\$M)



FY 2012 Budget: Expenditures by Major Units



Spending Cuts

Reorganization of Central Office and Area Offices

Reduction	Total Cost	Total FTE	# of Schools	# of Students	Amount
Rationalization of spending in central office administrative support areas.			N/A	N/A	\$10M
Eliminate duplicate and unnecessary functions in central instructional departments.			N/A	N/A	\$50M
Reduction in ARRA and Board-funded discretionary resources at the Network Offices.	\$83M	329	N/A	N/A	\$32M
Elimination of centrally funded, school-based performance management programs. Schools can utilize discretionary funding to maintain necessary programs.	\$14.9M	2	584	358,000	\$15M
GRAND TOTAL					\$107M

Spending Cuts

Operations Efficiencies

Reduction	Amount
Restructure bus routes	\$5.0M
Reduce privatized custodians in underutilized schools	\$9.0M
Reduce Chicago Police Department expense	\$13.0M
Grand Total	\$27.0M

Program Reductions

Reduction	Proposed Program Cost	Total FTE	# of Schools	# of Students	Amount Cut
Eliminate position “cushion” for schools that do not meet their student enrollment projections.	\$23.5M	~ 300	~300	TBD	\$23.5M
Reduce funding for mentoring programs, while serving the same number of students.	\$16.7M	5	13	2,200	\$10.7M
Eliminate supplemental Turnaround positions. Schools can utilize discretionary funds or SIPG to maintain positions.	\$4.4M	64	7	3,128	\$4.4M
Reduce funding for Additional Learning Opportunities, while still serving the same number of schools and students.	\$8.3M	7	15	5,800	\$3.3M
Supplemental positions and non-personnel funds for Non-Title I eligible schools were eliminated.	\$3.1M	40	53	27,000	\$3.1M
Reduce Community Schools funding to \$50k per program instead of \$100k .	\$11.4M	4	140	30,000	\$2.5M
Selective Enrollment High Schools provided only one supplemental position, leading to a reduction of 23 positions.	\$3.1M	32	9	12,600	\$2.1M
Reduce in funding for two-year pilot program for Bilingual Education and World Language (BEWL) will limit the program to existing school-based staff and limited professional development.	\$2.9M	6	20	12,000	\$1.9M
Reduce supplemental materials for Content Literacy Initiative.	\$1.7M	2	200	N/A	\$1.3M
Funds used for smaller class size and professional development for Achievement Academies would be eliminated.	\$1.1M	N/A	7	1,100	\$1.1M
Achievement Academy counselors eliminated in FY12 and student caseloads will need to be absorbed by staff at main school units.	\$1M	8	7	1,100	\$1M

Program Reductions (cont.)

Reduction	Proposed Program Cost	Total FTE	# of Schools	# of Students	Amount Cut
Reduce funding for supplemental Math & Science curriculum; fewer teachers having access to online curriculum support.	\$3.5M	N/A	TBD	N/A	\$1M
Approximate underspend of \$650k for Keep Kids Learning program should allow for a reduction with no impact.	\$1.8M	N/A	25	2,300	\$650k
Reduce number of schools (~ 70) offering extra-curricular math, science, and technology clubs through Extended Learning Opportunities.	\$2.1M	1	285	16,400	\$500k
Reduce various citywide programs including: Response to Intervention stipend, funding for supplemental test development, and summer job opportunities.	TBD	TBD	TBD	TBD	\$29.7M
GRAND TOTAL					\$86.7M

For the second year in a row schools have nearly \$60 million in discretionary funds (nearly \$100,000 per school) which can be used to continue funding many programs or positions listed above

If Property Taxes are Not Increased...

Program/Opportunity	Proposed Reduction	Impacted # of Students	Impacted # of FTE	Impacted # of Schools
Increase Class Size Across CPS to 31/class	\$41 million	333,000	~ 580	518
Eliminate Supplemental Full-Day KG Positions	\$19 million	11,000	205	131
Reduction of 20% in Early Childhood Programs	\$40 million	11,000 – 12,000	TBD	TBD
Reduction in Supplemental Positions at Magnet Schools that offer programming in areas such as Fine Arts, Children’s Engineering, and Montessori.	\$10 million	50,000	160	85
Reduction of 5% in Charter/Contract School base per pupil rate.	\$17 million	50,000	TBD	94
Reduction of 40% in Violence Prevention Initiatives (Programs include Safe Passage, Culture of Calm, and Mentoring)	\$13 million	40,000	TBD	38
TOTAL	\$140 million			

The property tax increase will add \$84 to the average home-owner’s bill each year

Fund Balance Summary

	Non-spendable/Restricted		Stabilization Fund	
	FY2011 Year-End Estimate	FY2012 Proposed Budget	FY2011 Year-End Estimate	FY2012 Proposed Budget
Beginning Balance	\$144.3	\$242.8	\$193.9	\$470.3
Change	\$98.5	(\$59.8)	\$276.4	(\$181.3)
Ending Balance	\$242.8	\$183.0	\$470.3	\$289.0

For the first time in two years, CPS will maintain the mandated Board of Education fund level of 5% of expenses in the stabilization fund.

FY2012 Budget

FY2012 Operating Budget

FY2011 v. FY2012 Comparison

General Operating Funds (in millions)

	FY2011 Estimate	FY2012 Budget	Change
REVENUES:			
Total Local Revenue	\$ 2,297.7	\$ 2,272.6	(25.1)
Total State Revenue	\$ 1,684.7	\$ 1,619.2	(65.5)
Total Federal Revenue	\$ 1,142.8	\$ 977.3	(165.5)
Total Revenue	\$ 5,125.3	\$ 4,869.1	(256.2)
APPROPRIATIONS:			
Total Employee Compensation	\$ 3,483.8	\$ 3,583.6	99.8
Total Non-Compensation	\$ 1,463.0	\$ 1,526.6	63.6
Total Appropriations	\$ 4,946.8	\$ 5,110.2	163.4
Bond Restructuring	\$ 110.0	\$ -	(110)
Revenues less Expenditures	\$ 288.5	\$ (241.1)	

Statement of Revenues

General Operating Funds (In Millions)

REVENUES (<i>millions</i>)	FY2011 Year-End Estimate	FY2012 Proposed Budget	Change
Property Taxes	\$ 1,904.2	\$ 2,038.0	\$ 133.8
Replacement Taxes	172.4	103.6	(68.8)
Misc. Revenue & Non-Revenue Sources	221.1	131.0	(90.1)
Total Local Revenue	2,297.7	2,272.6	(25.2)
General State Aid	940.9	955.1	14.2
State Aid Pension	43.0	10.4	(32.5)
Other State Revenue	700.9	653.7	(47.2)
Total State Revenue	1,684.7	1,619.2	(65.5)
Federal Aid: ESEA Title IA, ID, V-A	305.2	340.3	35.1
Lunchroom and Medicaid	236.7	248.2	11.5
Federal Special Education	100.5	106.2	5.7
Federal Ed Jobs Program	52.9	48.2	(4.7)
Federal Stimulus Funds (ARRA)	259.1	2.1	(257.0)
Federal Revenue - Other	188.3	232.4	44.0
Total Federal Revenue	\$ 1,142.8	\$ 977.3	\$ (165.5)
TOTAL	5,125.3	4,869.1	(256.1)

State Aid Payment FY2008 – FY 2012

(In Millions)	FY2008	FY2009	FY2010	FY2011	FY2012e
State Appropriation	\$614.3	\$659.1	\$553.2	\$626.9	\$622.6
Amounts Delayed (as of July 31 st)	0	164.8	227.9	167.1	168.5
Revenues Received:					
Current year	614.3	494.2	325.3	459.8	454.0
Prior year	0	0	164.8	227.9	167.1
Total Revenues	614.3	494.2	490.1	687.7	621.2
Impact to Fiscal Year Financial Performance	-	(164.8)	(63.1)	60.8	(1.4)

The State of Illinois has been behind in their payments to CPS for the past three fiscal years which has impacted the District's fiscal year financial performance. CPS anticipates that the State will continue to be behind in FY12, but maintaining. As of July 31st, Springfield owes the District \$167.1 million.

Expenditure Detail FY11 v. FY12
General Operating Funds (In Millions)

	FY2011 Estimate	FY2012 Budget	Change
EXPENDITURE			
Teacher Salaries	\$ 2,019.9	\$ 2,084.8	\$ 64.9
Ed Support Personnel Salaries	618.1	628.9	10.8
Teachers' Pension	342.7	339.3	(3.9)
Career Service Pension	96.9	99.8	2.9
Healthcare	323.4	348.4	25.5
Medicare/Social Security	35.57	37.6	2.1
Unemployment Compensation	21.52	16.8	(4.7)
Workers' Compensation	25.71	30.0	4.3
Total Employee Compensation	3,483.8	3,583.6	99.8
Energy	80.7	82.6	1.9
Food	96.3	112.2	15.9
Textbooks	79.3	74.1	(5.1)
Supplies	53.7	59.5	5.8
Other Commodities	0.5	0.5	(0.0)
Professional & Contractual Svc	450.6	374.8	(75.8)
Transportation	110.4	110.3	(0.2)
Tuition	436.1	477.6	41.5
Telephone	18.2	20.8	2.7
Other Services	13.1	10.4	(2.7)
Educational Equipment	49.4	33.9	(15.5)
Repairs and Replacements	39.5	37.9	(1.6)
Capital Outlay	-	-	-
Space Rental	12.12	11.7	(0.4)
Debt Service and Other	-	-	-
Other Fixed Charges	23.2	118.4	95.3
8/5/2011 Total Non-Compensation	1,463.0	1,526.6	63.6
TOTAL OPERATING FUNDS	\$ 4,946.8	\$ 5,110.2	\$ 163.4

FY2012 Budget

FY2012 Capital Budget

Capital Budget Planning

- SB 630, pending gubernatorial action, will alter the traditional capital planning process:
- **Facilities Master Plan:** A 10-year educational facility master plan is required—encompassing both community level and school-specific plans—which CPS has already begun work on.
- **Bi-Annual Assessments:** CPS has already implemented this requirement for FY2012. CPS will inspect 350 schools annually, up from the 230 schools using tri-annual assessments.
- **Capital Plan Release Date:** CPS has traditionally introduced the capital budget with the operating budget, however if signed, the district would be required to release a capital plan 60 days prior to the end of the fiscal year.
- **Annual Report:** An annual capital report detailing differences between the projected 10-year Facility Master Plan and the projects included in the one-year budget.

Capital Budget – New Projects \$391

Project Type	Amount (in millions)
Major Renovations	\$158.1
Building Interior	\$36.1
Departmental Projects	\$35.0
Contingency and Change Orders	\$30.5
Facility Additions	\$30.0
CPS Career and Technical Schools	\$30.0
Management	\$28.6
Supplemental Facility Renovation	\$12.0
Mechanical & Electrical	\$10.0
Early Childhood Construction Program	\$9.0
Facility Site Improvements	\$4.6
Energy Efficiency Program	\$4.0
Exterior Envelope	\$3.2

Multi-Year View FY2011-2014

(All Funds)

(In millions)	FY2011 Estimated	FY2012 Proposed	FY 2013 Projected	FY2014 Projected
Total Revenues	\$ 5,656.8	\$ 5,483.5	\$ 5,345	\$ 5,345
Transfer to Debt Service Fund	328.2	447.5	515.1	531.5
Transfer to Capital Fund	93.3	167.0	50.0	50.0
Total Transfers	421.5	614.5	565.1	581.5
Operating Revenues	5,235.3	4,869.0	4,777.9	4,763.5
Expenses				
Salaries	2,638.0	2,713.7	2,713.7	2,713.7
Healthcare	322.9	348.4	376.3	406.4
Employer Pension Contribution	208.5	214.7	219.3	671.7
Employee Pension 7% Pick-Up	134.2	124.6	135.6	135.6
All Other	1,643.2	1,708.8	1,708.8	1,708.8
Total Expenses	4,946.8	5,110.2	5,142.7	5,625.2
Net Surplus/(Deficit)	289.0	(241.2)	(362.5)	(861.7)

Summary

- Difficult fiscal times call for tough decisions to ensure cuts stay far from the classroom
- Investment in students to enhance their academic success is a top priority
- We will continue to move forward with identifying new efficiencies to make the system more lean and responsive to support school leaders