

# FY 15 Budget

Presentation to the Board

July 23, 2014

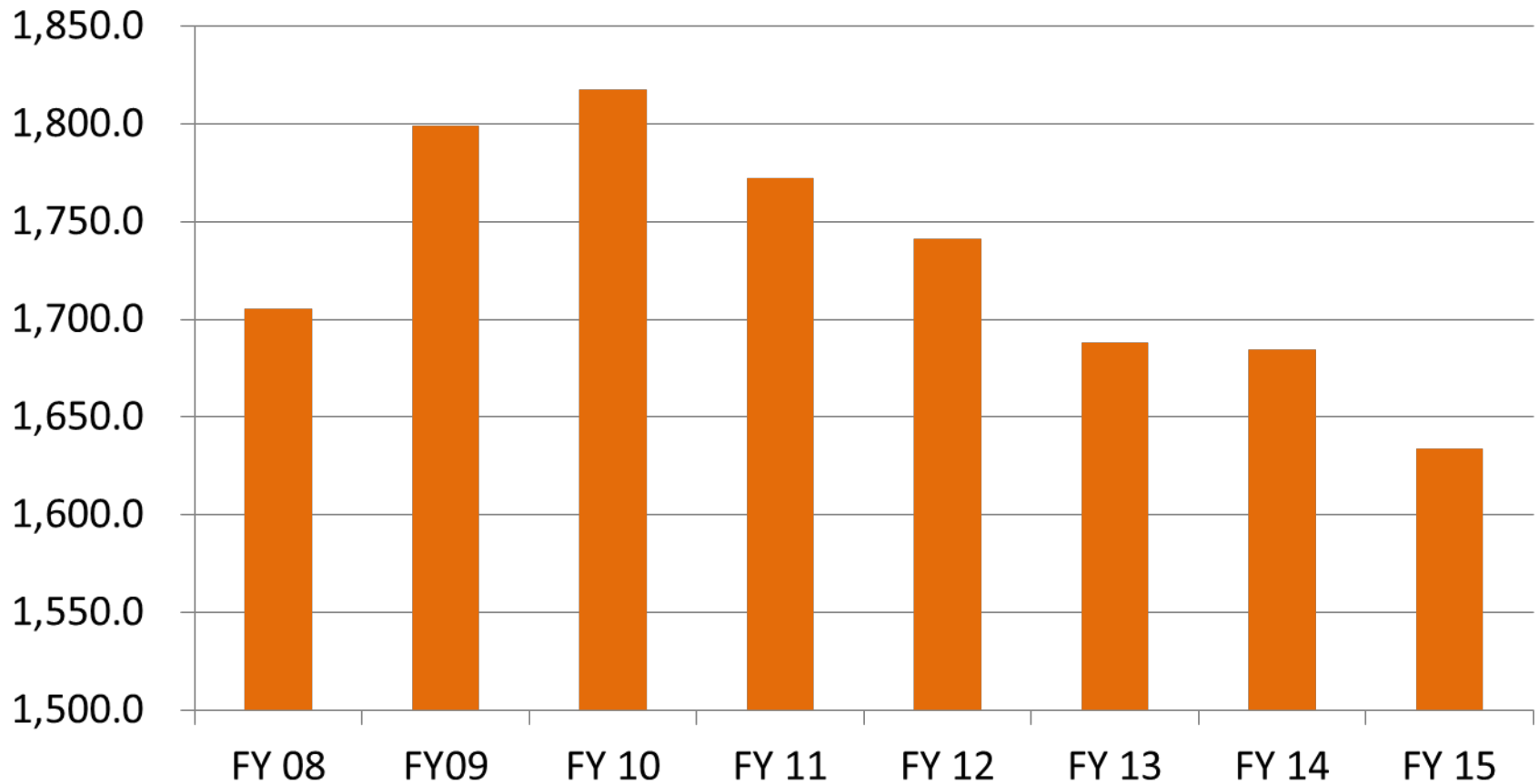
# Overview

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- CPS grapples with growing budget deficit due to declining State funding and escalating pension costs.
- We continue to make cuts away from the classroom by cutting spending from central office, administration, and operations.
- FY 15 budget reflects \$55 million in reductions, bringing total to \$740 million since 2011.
- Despite deficit, CPS continues to invest in driving student achievement
- The \$510 million capital plan also invests in the classroom
- Change in revenue recognition period enables balanced FY 15 budget, but does not address structural deficit going forward
- Pension reform remains critical to long-term financial stability
- Without pension reform and improved state funding, deficits of over \$1 billion continue

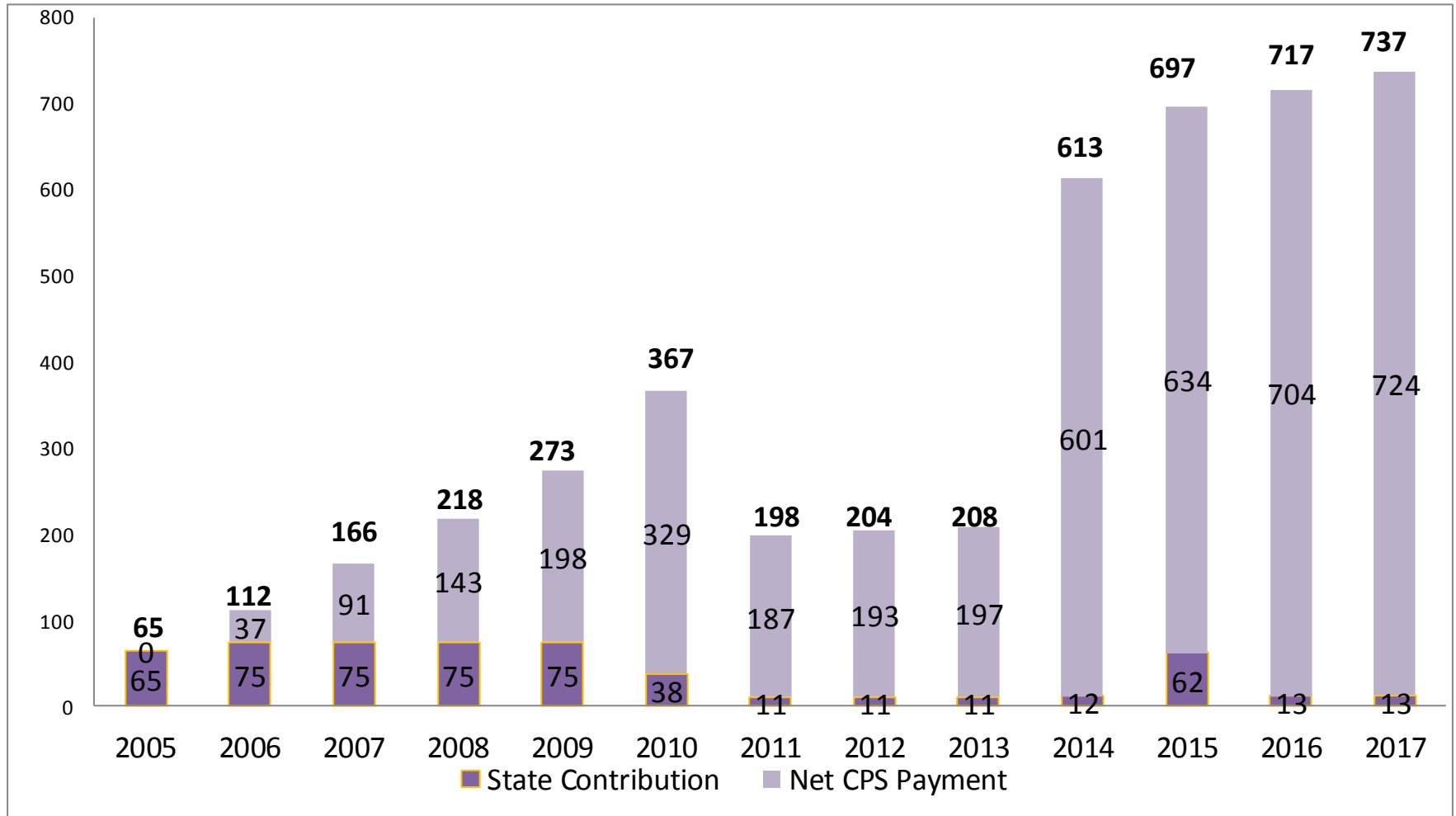
# State funding below FY 08 levels

**State Funding**  
*\$ in millions*



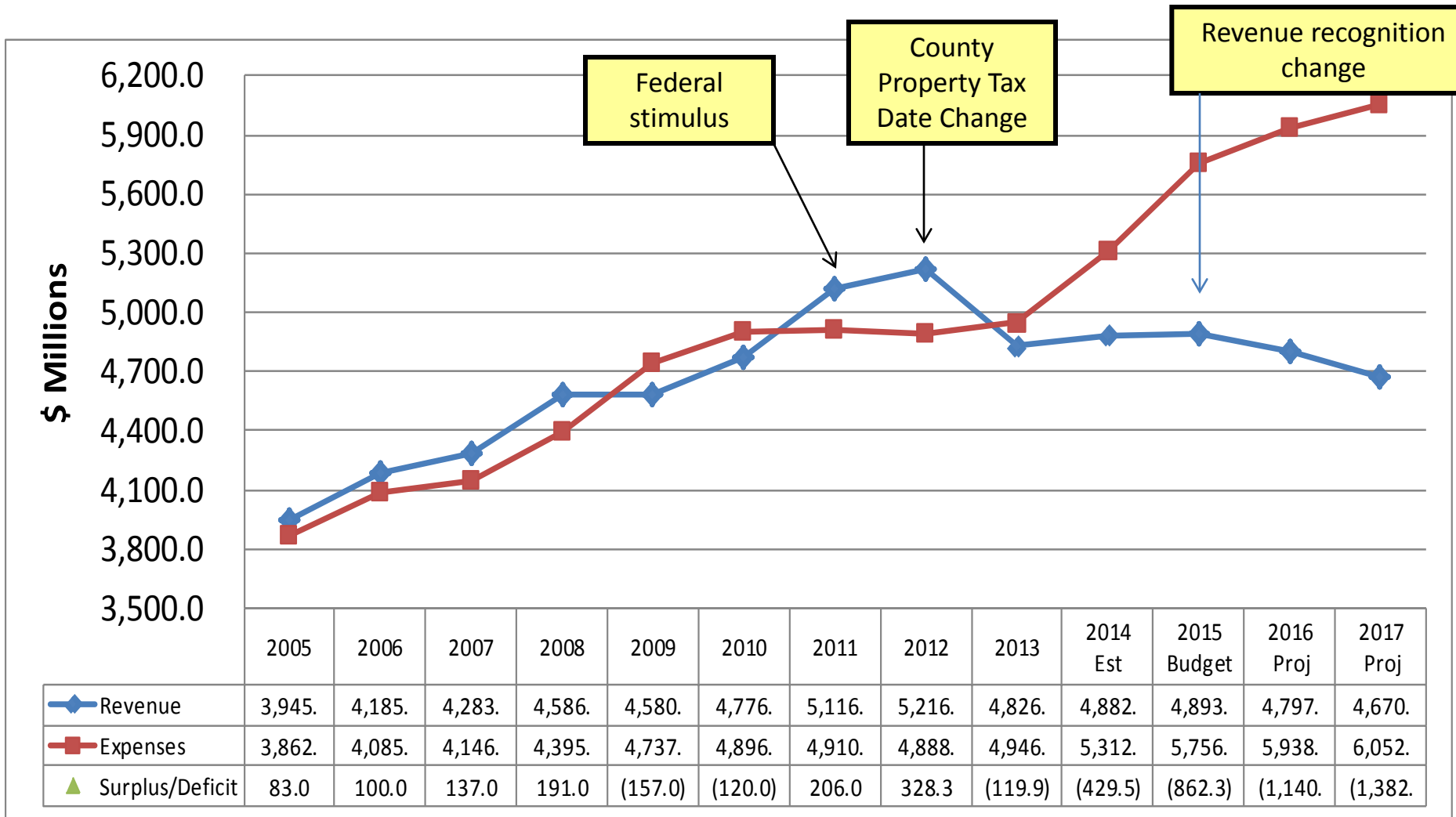
Includes GSA, Block Grants and Bilingual Funding (for consistency in comparisons)

# Pension costs grow again in FY 15; reform is best hope to protect investments in classroom and retirement security for teachers



\$ in millions

# Increasing pension costs, declining revenues drive deficit; One-time actions have filled the gap



# Cut spending in central office, administration and operations to keep cuts away from the classroom

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## \$740 million in cuts since FY 11

<i>\$ in millions</i>	FY 11	FY 12	FY 13	FY 14	FY 15	TOTAL
Administration/ Operations	31.3	234.0	128.0	93.2	39.8	526.3
Programs	0.0	87.0	49.0	18.4	15.3	169.7
Debt Obligations*	44.0	--	--	--	--	44.0
<b>TOTAL</b>	<b>75.3</b>	<b>321.0</b>	<b>177.0</b>	<b>111.6</b>	<b>55.1</b>	<b>740.0</b>

\* Initiatives to lower annual debt service expense adds to Operating Fund revenue

# \$55 million of reductions in FY 15

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- Eliminate 20 central office positions in Information Technology, Finance, Talent and Accountability; renegotiate vendor contracts (\$14 million)
- Reduce outside training vendors, administrative positions; ensure funding for programs matches demand (\$15 million)
- New facilities management contract (\$17 million)
- Eliminate vacant positions in lunchroom operations (\$3 million)
- School bus routing and central management of bus aide staff (\$6 million)

# Investments drive student achievement

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## **Pillar 1: Promote High Standards, Rigorous Curriculum, Powerful Instruction**

- ✓ Per pupil funding up by \$250, add \$70M to school budgets
- ✓ \$13M for 84 Arts and 84 PE teachers
- ✓ \$2M for 5 new IB feeder schools plus \$8M in capital
- ✓ 15 additional dual credit/dual enrollment high schools; enrollment goes from 300 (FY 11) to 4,700 (FY 15)
- ✓ \$300,000 for *Computer Science for All*, with goal to provide to every school within 5 years



## Investments drive student achievement (cont'd)

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### **Pillar 2: Build System of Supports that Meet Student Needs**

- ✓ \$1M to expand Safe Passage
- ✓ \$1.7M to support social/emotional learning
- ✓ \$500,000 to support high school graduates to prepare for college
- ✓ \$475,000 for high school freshman orientation program
- ✓ \$300,000 for CTE programming for over-age students
- ✓ \$4.5M for 7 new Options programs, increasing seats from 2,615 to 4,340
- ✓ \$1.5M for new SAFE school for 150 students expelled due to violence

## Investments drive student achievement (cont'd)

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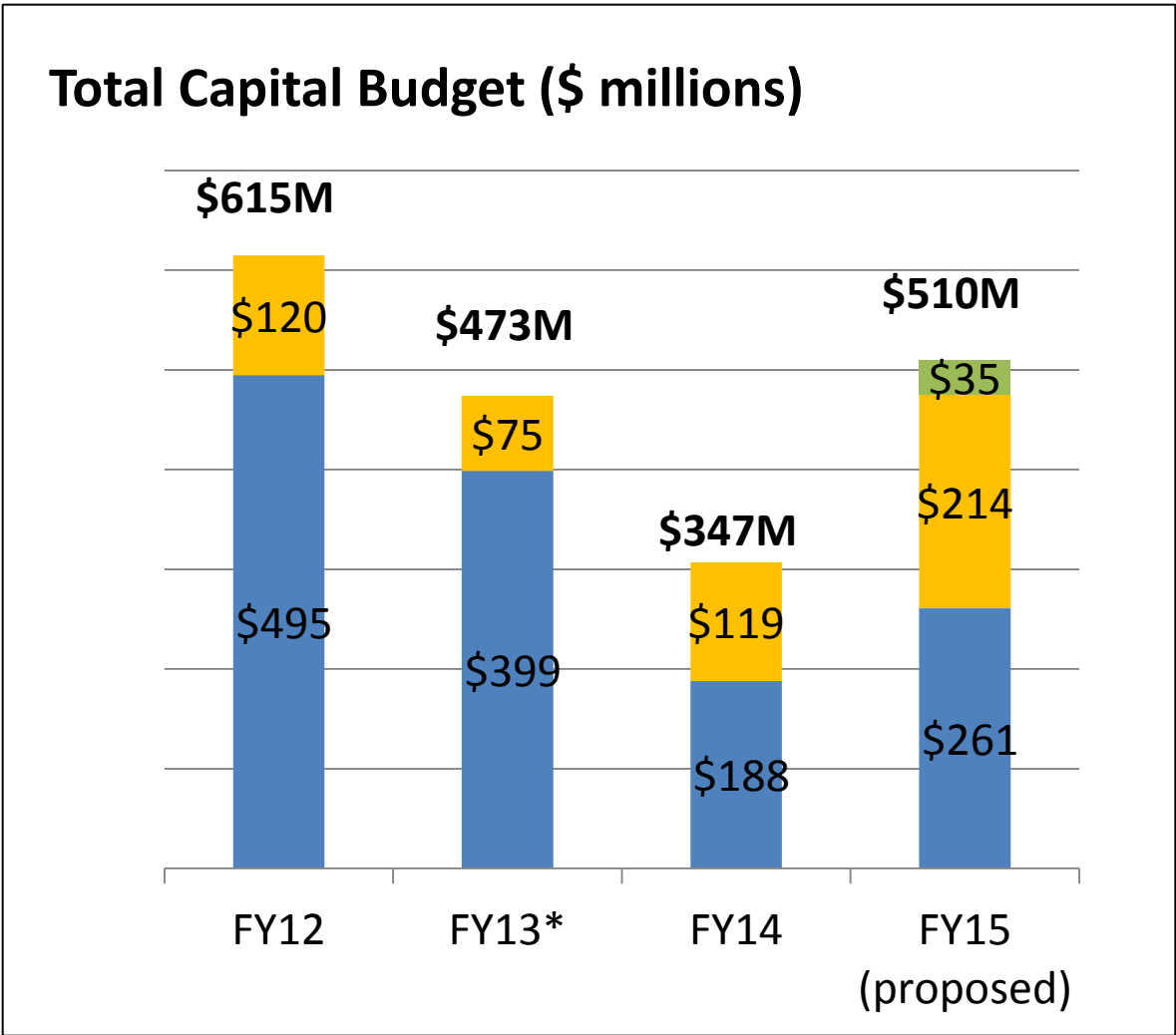
### **Pillar 3: Support Engaged and Empowered Families and Communities**

- ✓ \$750,000 for two new Parent Universities

### **Pillar 4: Support Committed and Effective Teachers, Leaders, and Staff**

- ✓ 2% salary increase for teachers, principals and AP's (\$86M)
- ✓ \$2.7M for the consulting teachers program, providing one-on-one professional development
- ✓ \$500,000 CTU Quest to increase National Board Certified Teachers
- ✓ \$1.7M in the Chicago Leadership Collaborative program to expand the principal pipeline

# Investing in buildings is investing in classrooms; Outside support expands what we can do



■ CPS Funded    ■ Outside funded    ■ Self-Funded

- FY15-19: \$1.2B
- \$500M of projects underway at 65 schools
- Balances highest priorities and fiscal prudence
  - 2<sup>nd</sup> lowest CPS-funded in 7 yrs
  - Over 40% from outside sources
- Since May 1 Draft:
  - New State Funding: \$36M
  - Funding Shifts: \$7M
  - FY 14 – FY 15 State Infrastructure Fund Revenue: \$44M

\* Includes supplemental capital plan.

# Capital budget includes three main areas of investment

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## Access to Quality Education Programs

Selective Enrollment  
IB  
Career-Focused Education  
College Counseling Suites

## Modernization and repairs

Modernizing Labs  
Air Conditioning  
Learning Technology  
Playgrounds and Fields  
Security Cameras  
Masonry, Chimneys, Roofs  
ADA Accessibility

## Overcrowding relief

Multiple Schools

# Despite more cuts to central office/operations, FY 15 budget balanced using *more* one-time resources than FY 14

**Only change in revenue recognition period provides reserves to balance this budget**

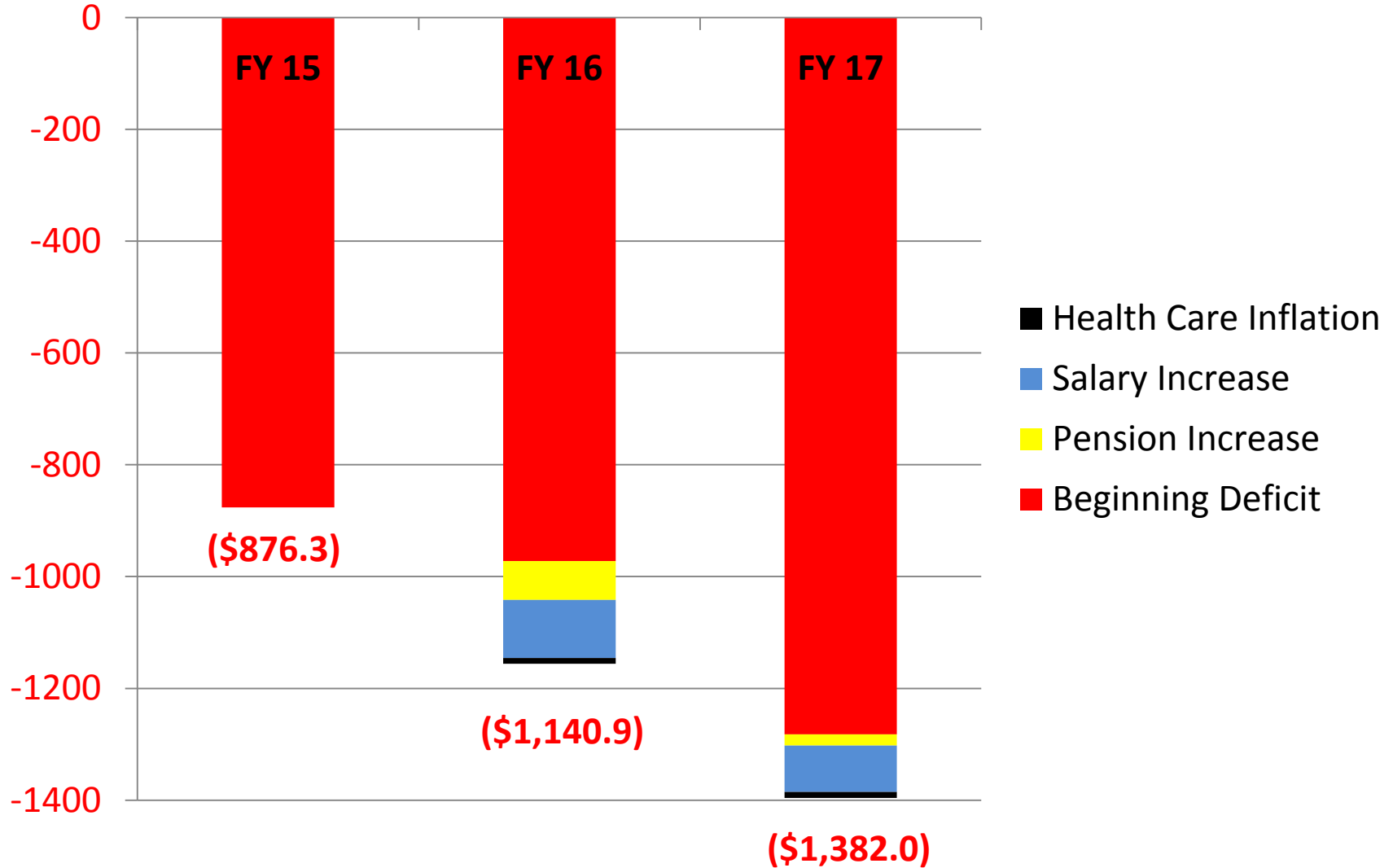
- One time fix for this year that gets us through next school year without having to initiate major cuts to the classroom.

(\$ in millions)	FY 14 Budget	FY 14 Estimate	Proposed FY15 Budget
<b>Revenue</b>	4,949.5	4,882.7	4,893.9
<b>Expenditures</b>	5,592.3	5,312.2	5,756.2
<b>Surplus/(Deficit)</b>	(642.8)	(429.5)	(862.3)
<b>Reserves Used to Close Deficit</b>	642.8	429.5	862.3
<b>Debt Service Stabilization Fund*</b>	53.8	53.8	54.0
<b>TOTAL USE OF RESERVES</b>	696.6	483.3	916.3

\*Used for debt service; effect is higher operating revenue

# Without action on pensions and revenue, deficits continue

\$ in millions



# Conclusion

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- CPS continues to grapple with growing budget deficit
- Each year we make cuts in central office/administration and improve efficiencies in operations
- We continue to invest in areas that drive student achievement—both in new programs in and in high quality classrooms, labs, and school buildings
- Revenue recognition enables us to balance the FY 15 budget, but structural changes are needed
- Pension reform and revenue is critical to long-term financial stability