

# FY2020 CPS Budget Hearings

August 20, 2019



# FY2020 Financial Overview

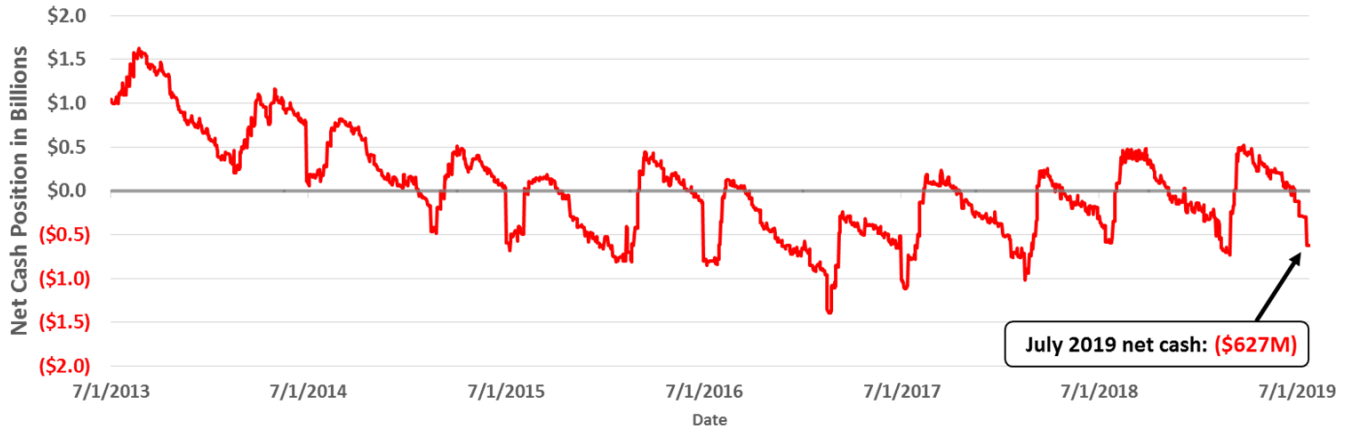
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- FY2020 budget remains balanced without major revenue risk for the third year in a row.
- FY2020 budget includes \$7.7 billion across the operating, capital, and debt service budgets.
- The shift to the Evidence Based Formula (EBF) in FY2018 provides stability to state revenue, but CPS still requires \$1.92B of additional funding from the state in order to be considered fully funded per the states adequacy targets.
- Fund balance has been restored to positive levels at an estimated \$365M at the end of FY2019, and is nearing CPS' fund balance targets.
- By lowering our borrowing costs, the market has clearly stated that CPS' financial position has improved, however, CPS is still junk bond rated.
- Cash improved in FY2019, with short-term borrowing reduced by \$250M from FY2018. It is projected to have additional improvement in FY2020.
- CPS ended FY2019 with a net negative cash balance of -\$115M, and is projected to have a net negative cash position for the majority of FY2020.



# Cash and TANs - Negative Cash Flow

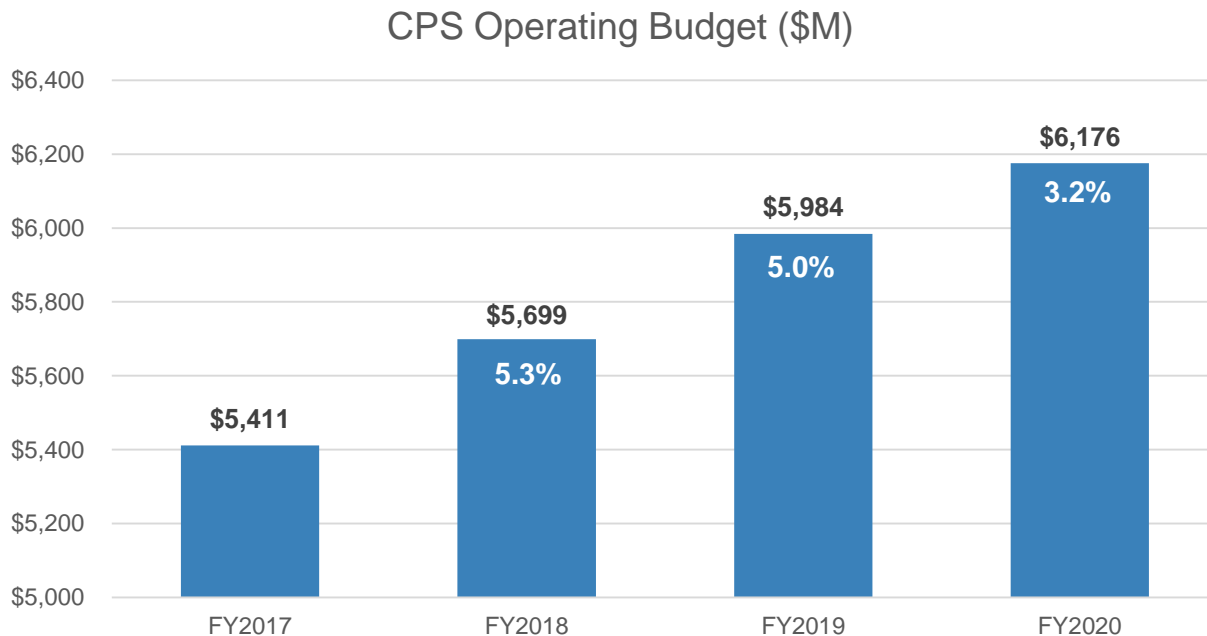
## FY14 to FY19 Net Cash Position



*Currently, we are also projecting a net negative cash position during the majority of FY20.*



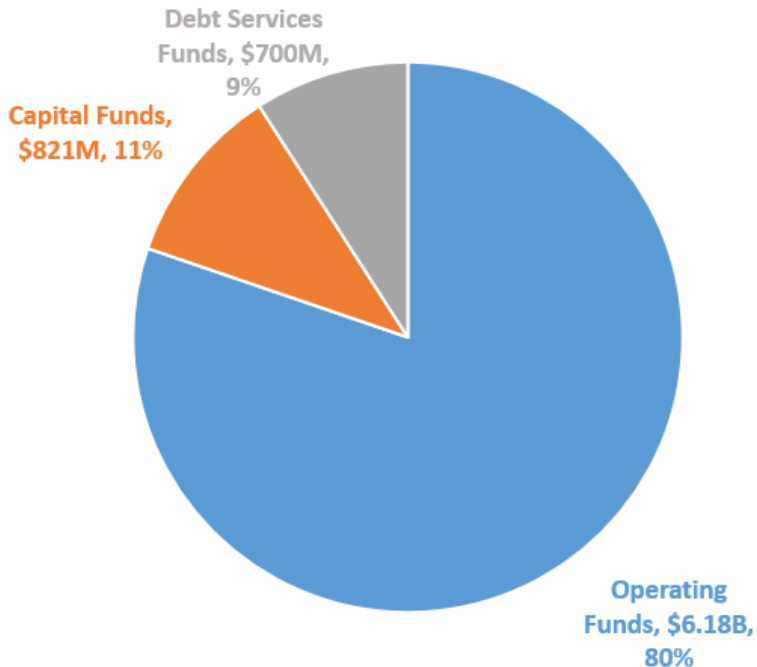
# Operating Budget Expenditures Year-Over-Year Comparison



*Percentage in bar reflects change from prior year.*



# Total CPS FY2020 Budget is \$7.7B



## Operating Budget, \$6.18B

- Pays for the day-to-day operations
- Primarily funded through local tax revenues and state and federal funding
- The operating budget includes the following non-discretionary items:
  - \$3.3B salaries and benefits, largely governed by collective bargaining
  - \$855M in teacher pension contributions, which are governed by state statute

## Capital Budget, \$821M

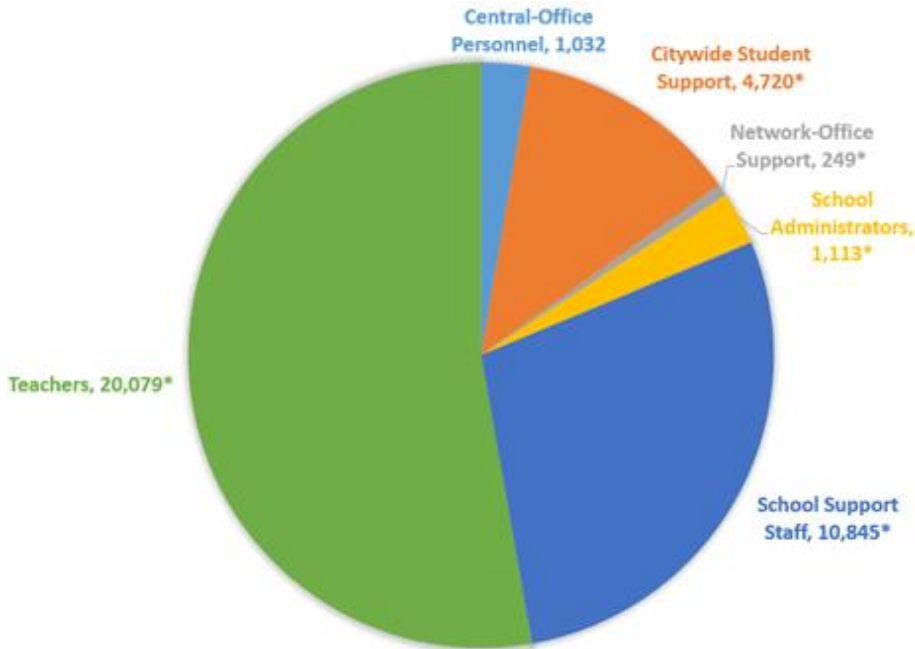
- Pays for the renovation and expansion of existing schools
- Generated largely from the issuance of bonds

## Debt Service Budget, \$700M

- Pays interest and principal on bonds
- Primarily funded through state revenues and Personal Property Replacement Tax



# 97% of FY2020 Positions Directly Support Schools

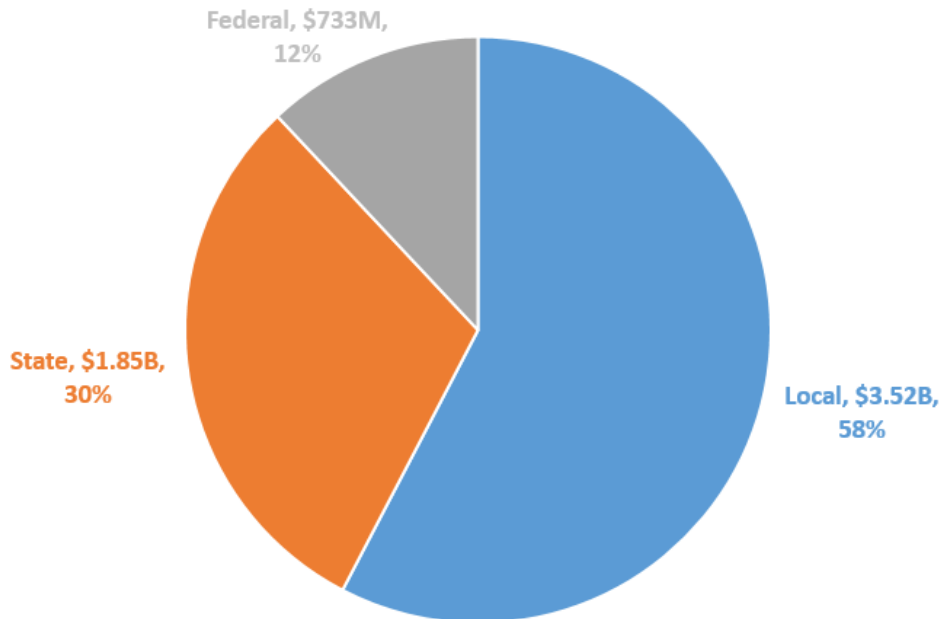


The CPS FY2020 budget includes over 38,000 FTEs, **97% of which directly support schools.**

Teachers, school support staff, and school administrators make up **85%** of CPS employees, while another **12%** provide citywide support services to schools. Less than **3%** of positions are central office administrative positions.



# State Revenues Comprise 30% of Operating Revenues



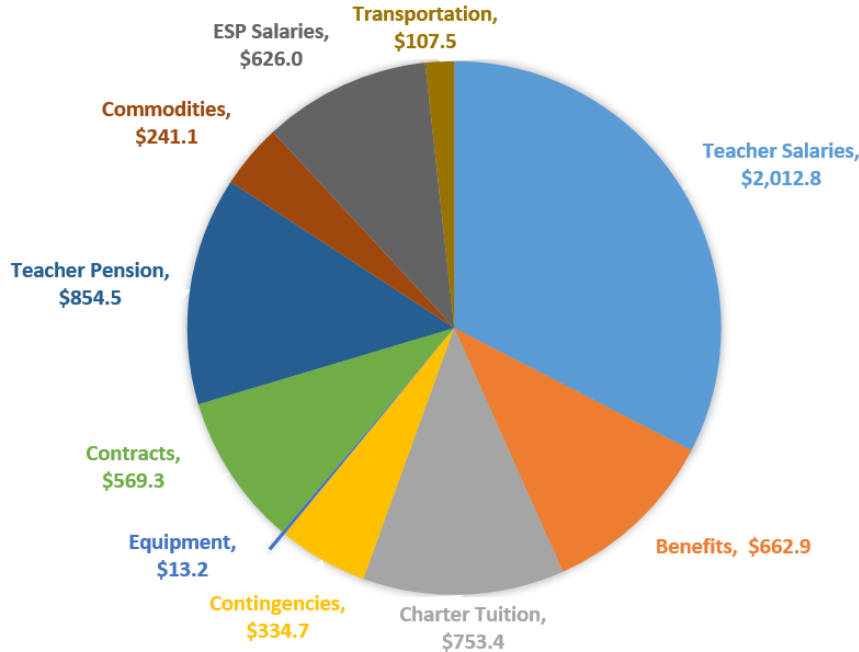
**Local:** 58% (\$3.52B) of operating revenues come from local sources - primarily property tax, personal property replacement tax, and TIF surplus

**State:** 30% (\$1.85B) of operating revenues come from the state, including EBF funding, teacher pension normal costs, and categorical grants

**Federal:** 12% (\$0.7B) of operating revenues come from federal sources; these include Title funding and lunchroom funding and primarily support low-income students



# Salaries & Benefits Comprise 80% of CPS Operating Budget



Totals in millions

The total spent on personnel salaries and benefits is 80% when funding for charter tuition - which primarily funds salaries and benefits for charter school staff - is included.

The remaining 20% of our budget is used to pay for non-personnel expenses, including:

- Commodities, such as food and utilities
- Instructional supplies, equipment, and software
- Student transportation and building repair
- Contractual services, such as facilities management and Safe Passage





# Proposed FY2020 Budget Focuses on Equity

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**CPS proposed budget for FY2020 is \$7.7 billion. Key budget investments include:**

- Critical building improvements for more than 300 schools across the city, with 93 percent of the \$619 million in guaranteed capital funding going to schools that serve majority low-income students;
- Largest-ever capital investment in pre-k classrooms (\$120 million);
- Largest-ever expansion of high quality academic programs, including STEM, IB and Fine and Performing Arts;
- \$10.5 million for ADA accessibility;
- \$10 million for nurse, social worker and case manager positions, and funds for recruitment and pipeline development; and
- \$12 million to support English Learners at more than 100 schools.



# Proposed FY2020 Budget Focuses on Equity

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## **Priority Facility Needs at Neighborhood Schools**

Every student deserves to access a neighborhood school that is warm, safe and dry and CPS is allocating \$263 million in funding for critical maintenance projects and interior improvements including roof, envelope, and mechanical repair and replacement, and critical interior repairs aligned with needs outlined in the Educational Facilities Master Plan.

## **Expansion of Free, Full Day Pre-K For 4-Year-Olds**

CPS is making the district's largest ever Pre-Kindergarten capital investment as part of its plan to provide free full-day Pre-K to all 4-year-olds in Chicago by 2021. As part of a \$120 million combined investment in Pre-K facilities, \$20 million is being allocated for classroom conversions at 106 schools to be completed in time for the 2019-20 school year, and \$100 million is being allocated for classroom expansion at schools to support additional Pre-K seats that will open in fall 2020.



# Proposed FY2020 Budget Focuses on Equity

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## **Improving Access to School Facilities**

As part of Mayor Lightfoot and CEO Jackson's commitment to equity, CPS will invest \$10.5 million to increase ADA accessibility as part of a multi-year program to ensure all CPS buildings have first-floor accessibility. While any major capital project contains significant ADA upgrades, for the first time in more than a decade, the district will set aside funds separate from existing capital upgrades or new construction to begin addressing this critically important need.

## **Programmatic and IT Investments to Build Upon School Success**

The proposed budget also prioritizes high quality educational programming in neighborhoods throughout the city. CPS is investing \$145 million in building modernization to ensure all schools are able to support 21st Century learning environments, including:

- **Science Lab Modernization:** Invest \$30 million to launch the second phase of its high school science lab modernization project to add, upgrade or renovate science labs in 29 high schools.
- **Upgrades to New Academic Programming:** As part of the district's new RFP process that empowered school communities to apply for programming through a transparent process, the district will invest an additional \$30 million in capital upgrades to align with program needs.
- **Devices and High Speed Internet Access:** To continue to expand access to modern technology in schools throughout Chicago, CPS is investing \$85 million to provide devices and infrastructure modernization at over 130 schools.

## **Site Improvements that Foster Learning**

The proposed capital budget includes an additional \$45 million in site improvements to design and build new playgrounds, play lots, and turf fields at more than 15 schools across the city so that students can benefit from a well-rounded education that promotes healthy development.



# Proposed FY2020 Budget Focuses on Equity

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## **Staffing Investments to Promote Equitable Access to High-Quality Schools**

As part of a series of commitments made by Mayor Lightfoot and CPS CEO Jackson in late July that were informed by meetings with dozens of teachers, principals, parents, and community members, the district is expanding staffing levels for key support roles over the next several years. The FY2020 budget begins this commitment by allocating \$10 million in funding and recruitment efforts for additional nurses, social workers and case managers, which will be prioritized for the district's highest-need schools to help ensure equitable access to student supports.

## **Program RFP Process**

As part of a new, equitable program application process, CPS will be providing 32 schools a total of \$5 million in FY20 to bring high-quality programs to 17,000 additional students at 32 schools. Access to the following programs will expand as a result of these investments: IB, STEAM/STEM, Fine & Performing Arts, Dual Language, World Language, Personalized Learning, and Gifted programs.

## **Additional Support for Students Who Need it Most**

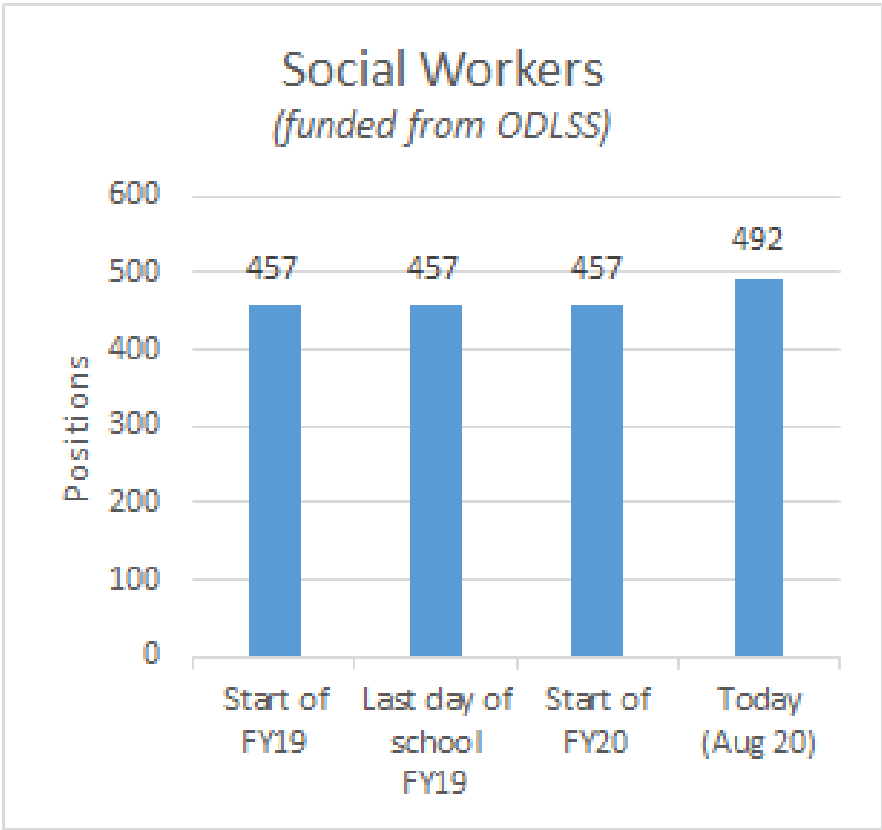
To ensure that students who attend schools with low and declining enrollment receive the benefits that students attending larger schools receive, CPS is providing \$31 million in equity grant funding to 219 elementary and high schools that need additional support. These funds will allow schools with low or declining enrollment to provide the instructional programming and supplemental resources and supports that students need to reach their potential.

## **Increased Funding for English Learners**

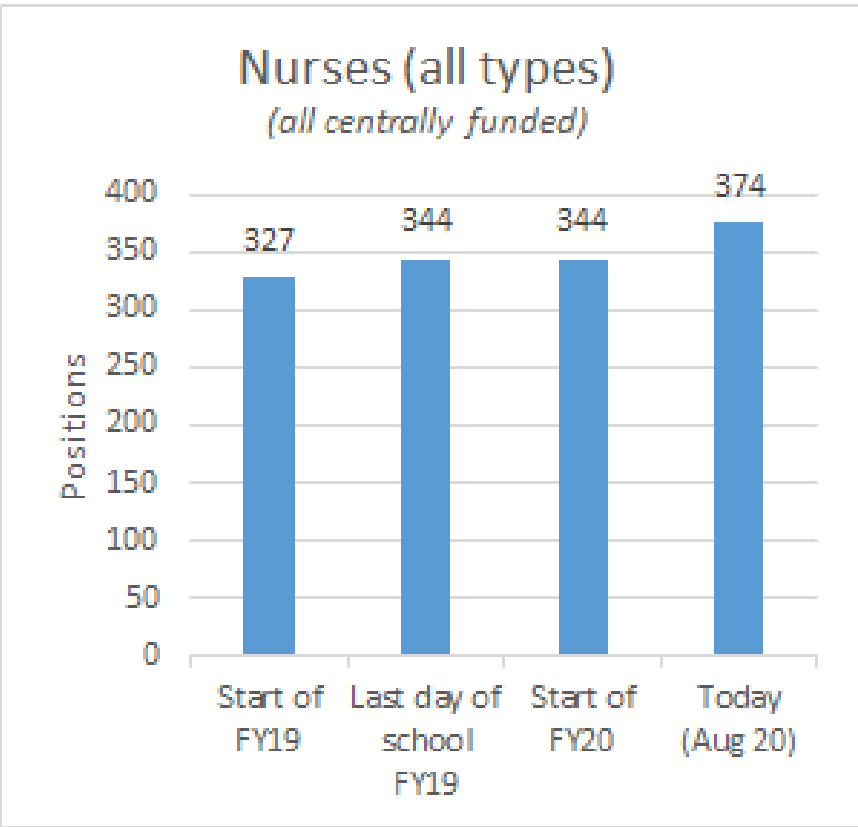
In addition to providing equity grants to high-needs schools and increasing funding to support students from low-income families, CPS is allocating \$12 million to ensure English Learners receive a high-quality education that supports their needs and celebrates their heritage. This includes additional supplemental FTE at the 112 schools with the highest concentration of English Learners, impacting 35,000 students citywide. In addition, CPS is expanding funding for after-school tutoring programs to include all schools with 20 or more EL students and providing a per-pupil allocation to support schools with fewer than 20 EL students.



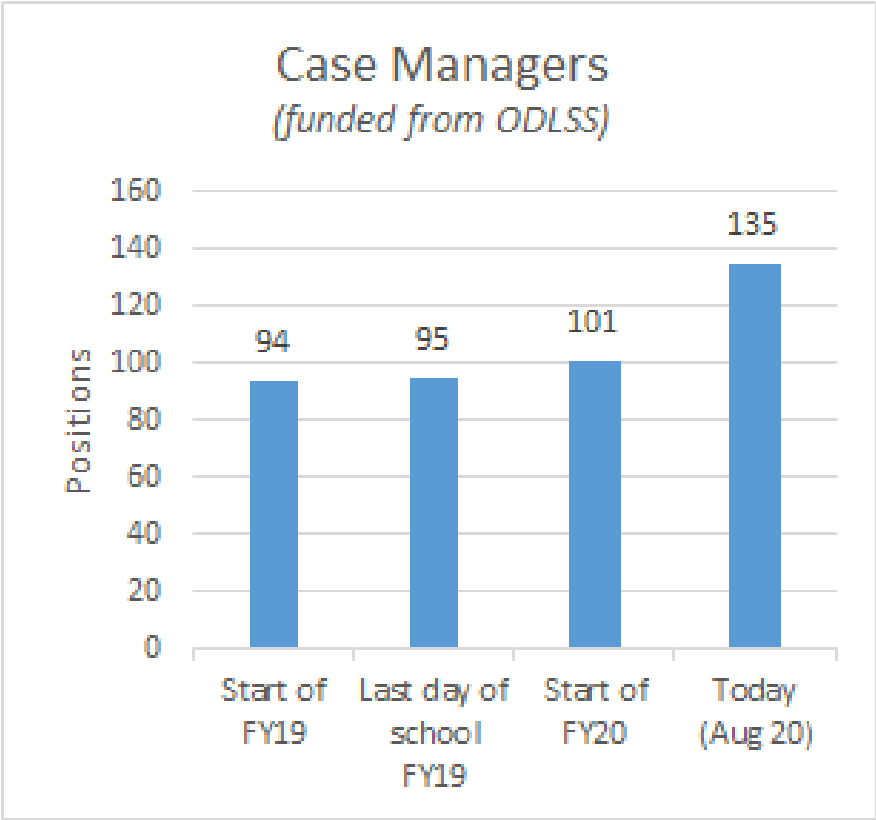
# School Social Workers



# Nurses



# Case Managers



# Stable Finances Allow March FY2020 School Budget Release

**OVERVIEW** For FY2020, CPS provided school leaders their budgets in March 2019, continuing the precedent set in FY2019 when budgets were released months earlier than years past. School budgets reflected an increase of over \$73M over prior year.

## KEY LEVERS TO SUCCESS

- Improved budget timing & strategies were informed by feedback from principals, chiefs, and other stakeholders
- Revised school funding model aligns dollars with prior year - rather than projected - enrollment, providing funding certainty and tying to state & federal funding methodologies
- New funding strategies implemented to support schools based on need

## KEY DATA

- \$31M in Equity Grant funding was provided to 219 Elementary and High Schools with low and declining enrollment to support high quality instructional programming
- Principals finalized budgets by April, providing staff and schedule certainty before summer break
- Schools will experience no budget-based layoffs in fall, due to early budget release and guaranteed minimum funding





# In FY2020, 52% of school funding comes from SBB

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Under Student Based Budgeting (SBB), schools receive a per-pupil amount for each pupil enrolled, weighted by grade level and diverse learner category

- In FY2020, the base per-pupil rate is budgeted at \$4,507, a 2.5 percent increase from FY2019

SBB funding represents the base level of funding provided to schools for their core instructional program; \$1.36 billion dollars - 52 percent of all school-based allocations - is allocated through SBB

Schools receive additional funding based on student- and school-level need (poverty, EL status, diverse learner status, etc.) and programmatic differentiation



# FY2020 School Budget – Support Strategies

## Additional support for all schools

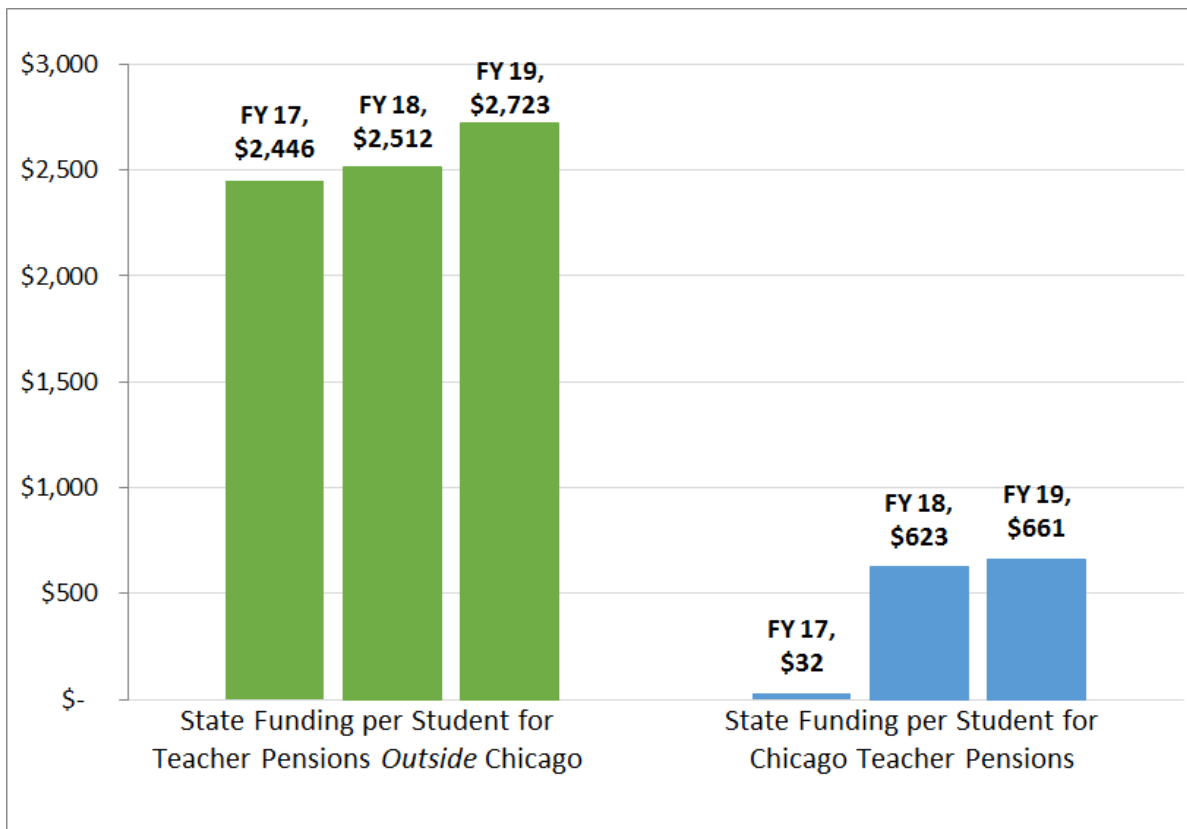
- **Increase to SBB base rate 2.5%** carrying forward the same COLA as the final year of CTU contract
- **Increase “Supplemental Aid” per pupil rate to \$920 per student** from \$910 per student in FY2019
- **All elementary schools will receive federal dollars** from either Title I and/or Title II to support high-quality instruction

## Targeted support for specific populations

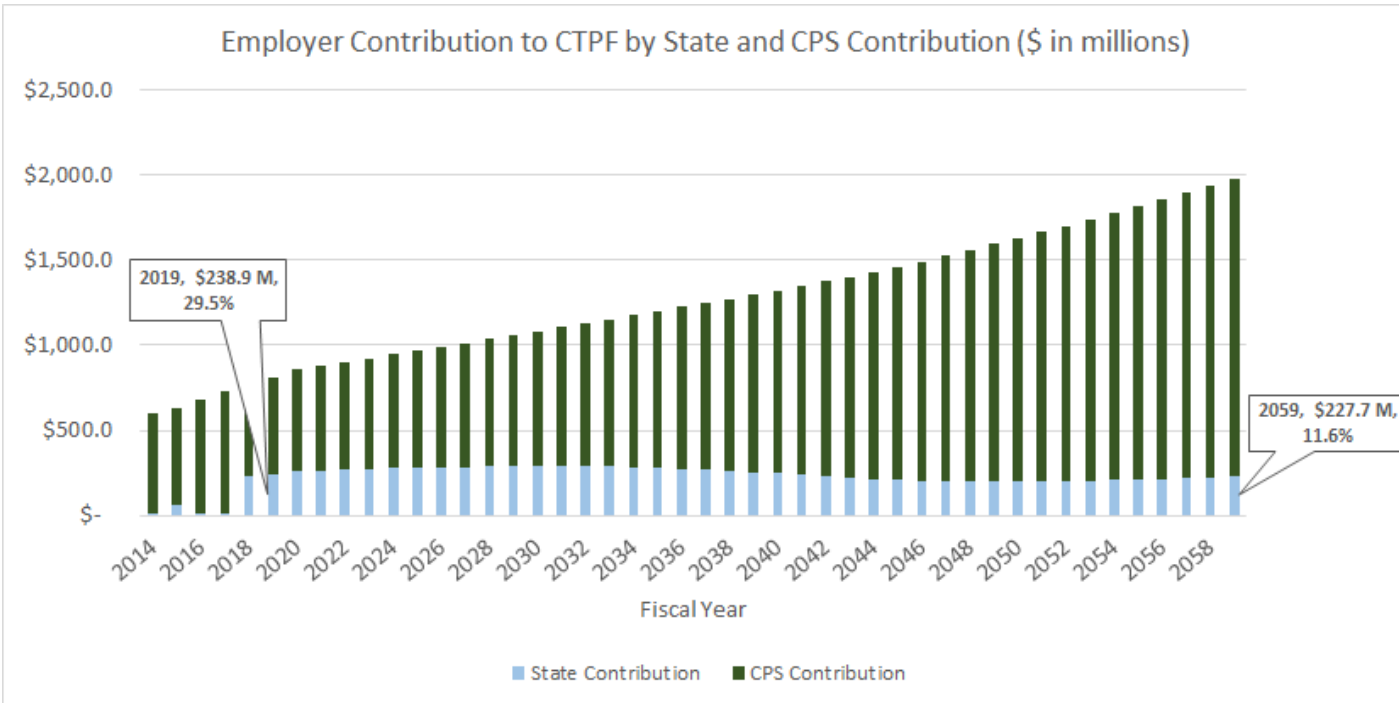
- **\$31M Equity Grant** funding for 219 small, under-enrolled schools
- **\$12M Additional EL Funding** for schools with highest concentration of ELs
- **\$27M Early Childhood Funding** to support new full-day Pre-K classrooms
- **\$5M in new Programmatic Investments**
- **\$22M in additional Diverse Learner** teachers and paraprofessionals



# Pension inequity between Chicago and other school districts in Illinois persists



# CPS's employer pension contribution will steadily grow through FY2059



# FY2020 Capital Budget

The FY2020 budget includes a capital budget totaling \$821 million of investments that will focus on priority facilities needs at neighborhood schools; the district's largest-ever Pre-K capital investment; ADA accessibility; and continued expansion of technology upgrades, modern science labs, and other academic priorities.

Critical building improvements for more than 300 schools across the city, with 93 percent of the \$619 million in guaranteed capital funding going to schools that serve majority low-income students.

Estimated Uses	
Facility Needs	\$263,150
Educational Programming	\$180,000
IT, Security, & Building System Investments	\$87,365
Site Improvements	\$44,750
Interior Improvements	\$17,340
Capital Project Support Services	\$26,000
Potential State Capital Funded Projects	\$191,000
Potential Externally Funded Projects	\$11,000
<b>Total FY2019 Capital Budget Uses</b>	<b>\$820,605</b>

Totals in thousands



# FY2020 Capital Plan Funding Strategy

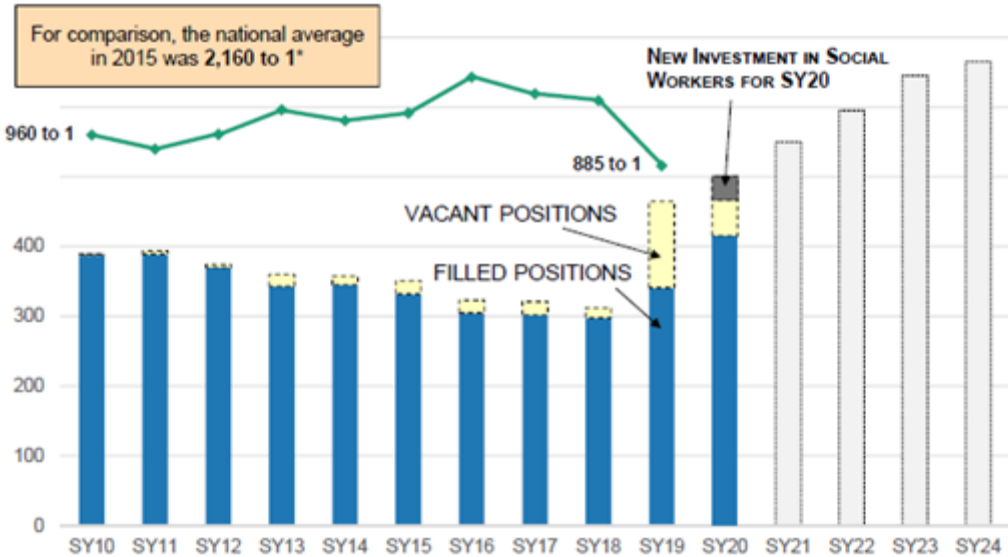
- The FY2020 capital budget includes \$619 million in guaranteed resources backed by anticipated bond offerings and other committed funding sources
- The plan also includes \$191 million in potential state funding approved this spring as part of a \$45 billion state capital bill and \$11 million in appropriation for potential external funding.

Estimated Sources	
Anticipated Bond Offerings and Other Capital Funds	\$552,750
Potential State Capital Funding	\$191,000
Federal E-Rate Funding	\$50,365
Local External Funding	\$15,490
Other Potential External Funding	\$11,000
<b>Total FY2020 Capital Budget Sources</b>	<b>\$ 820,605</b>





# FY20 Investments build on Social Worker increases



\*Source: National average from 84 FR 29180 citing Dept. of Education study.

