

CPS Budgets: Past, Present, and Future

Prepared by the Chicago Teachers Union
September 25, 2013

INTRODUCTION: TRUST, PRIORITIES, AND THE RECENT PAST

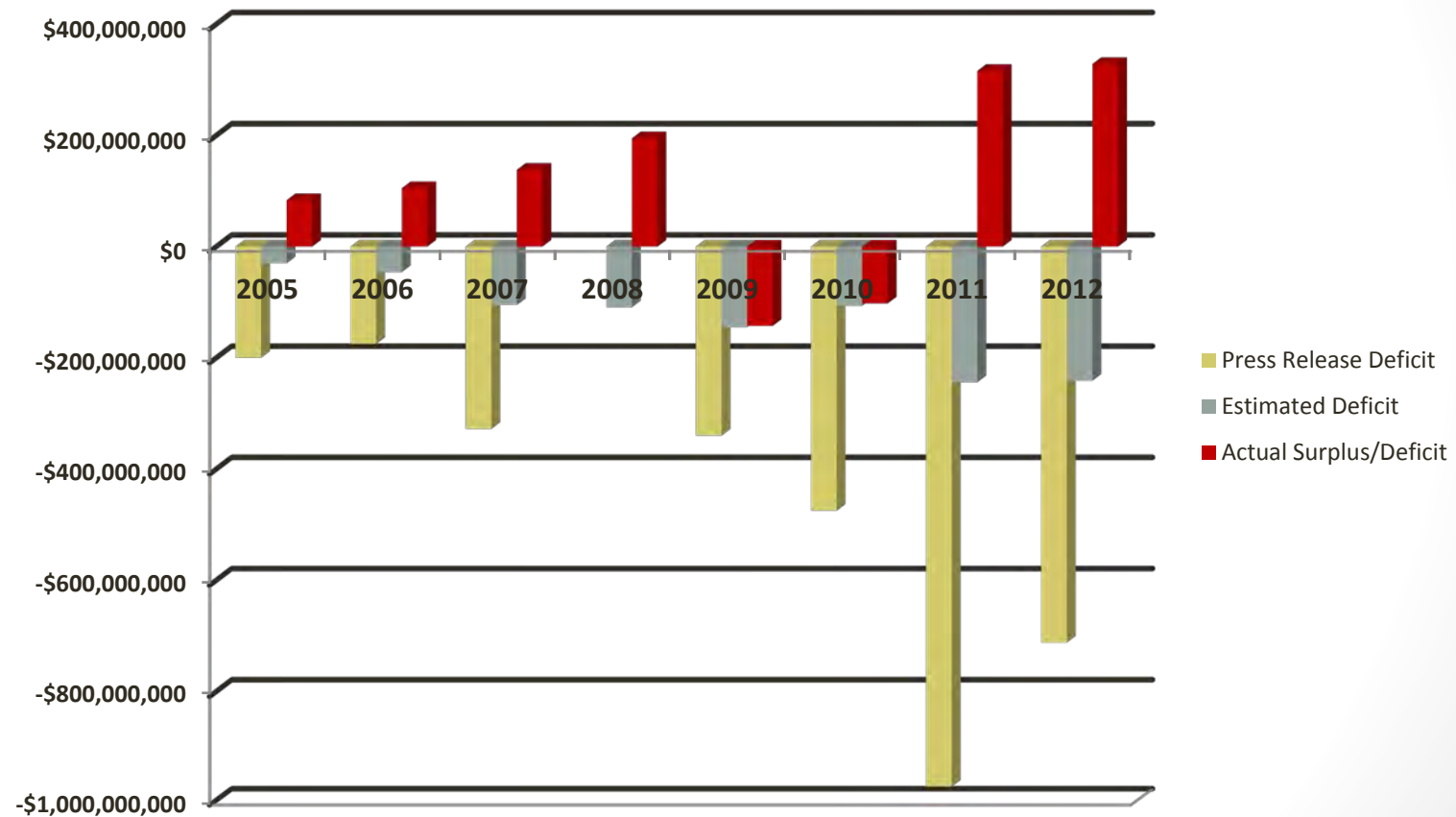
Three Key Elements Drive CPS Budget Perceptions



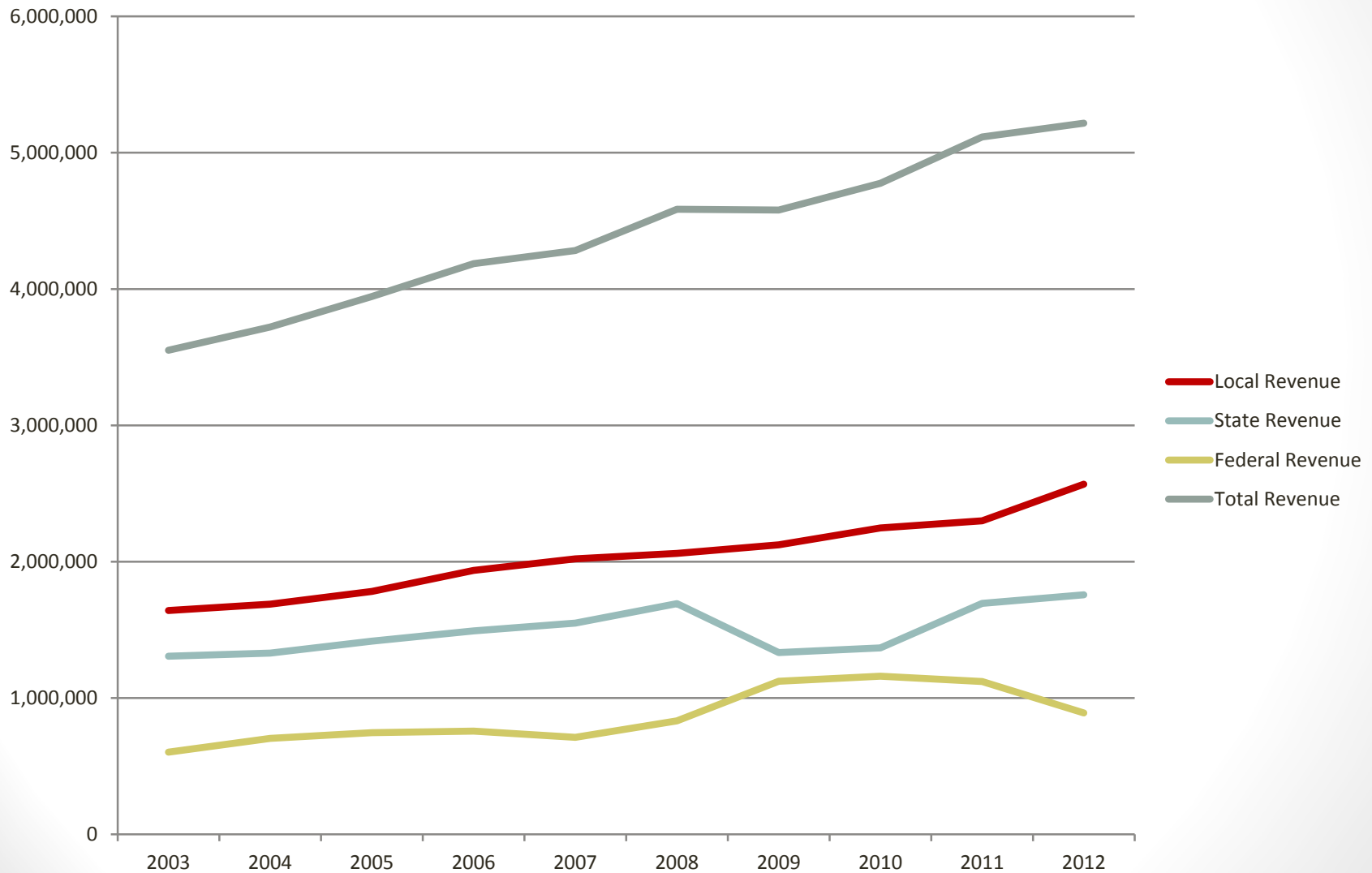
- **Trust** between the district and key constituencies is extremely low:
 1. Parents and communities
 2. School Personnel
 3. Policymakers
- This lack of trust has two primary causes:
 1. The district's lack of forthrightness on policy decisions
 2. The strongly negative impacts of many of those decisions

Budget Claims: A Case Study

CPS Budget Deficit/Surplus, 2005 – 2012 SY



CPS Revenues, 2003 – 12 SY



How did we get here?

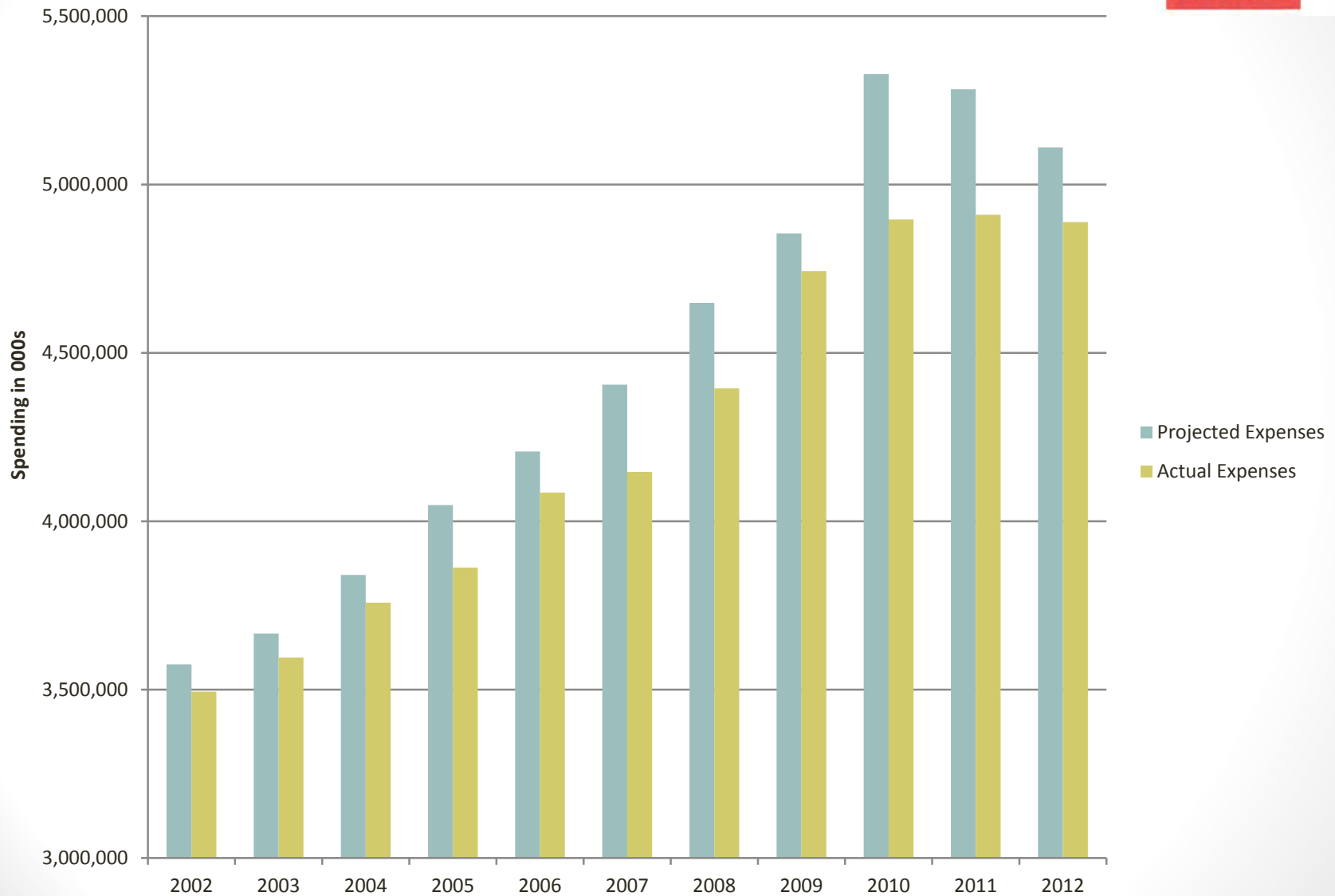


- To be clear, **surpluses stemmed from cuts directly to schools.**
- CTU has been involved. CPS has imposed 9-figure “concessions” in each of the last four years.
 - 2010: More than 1300 teachers were laid off to fix an alleged budget deficit.
 - 2011: The district rescinded a contractually-agreed raise to fix an alleged budget deficit.
 - 2012: The district attempted to impose a four-year contract with 20% more work for a one-time 2% raise.
 - 2013: CPS proposed more than \$250 million in pension benefit cuts, closed 50 schools, and laid off thousands of employees.
- The district has cut other vital priorities, too.

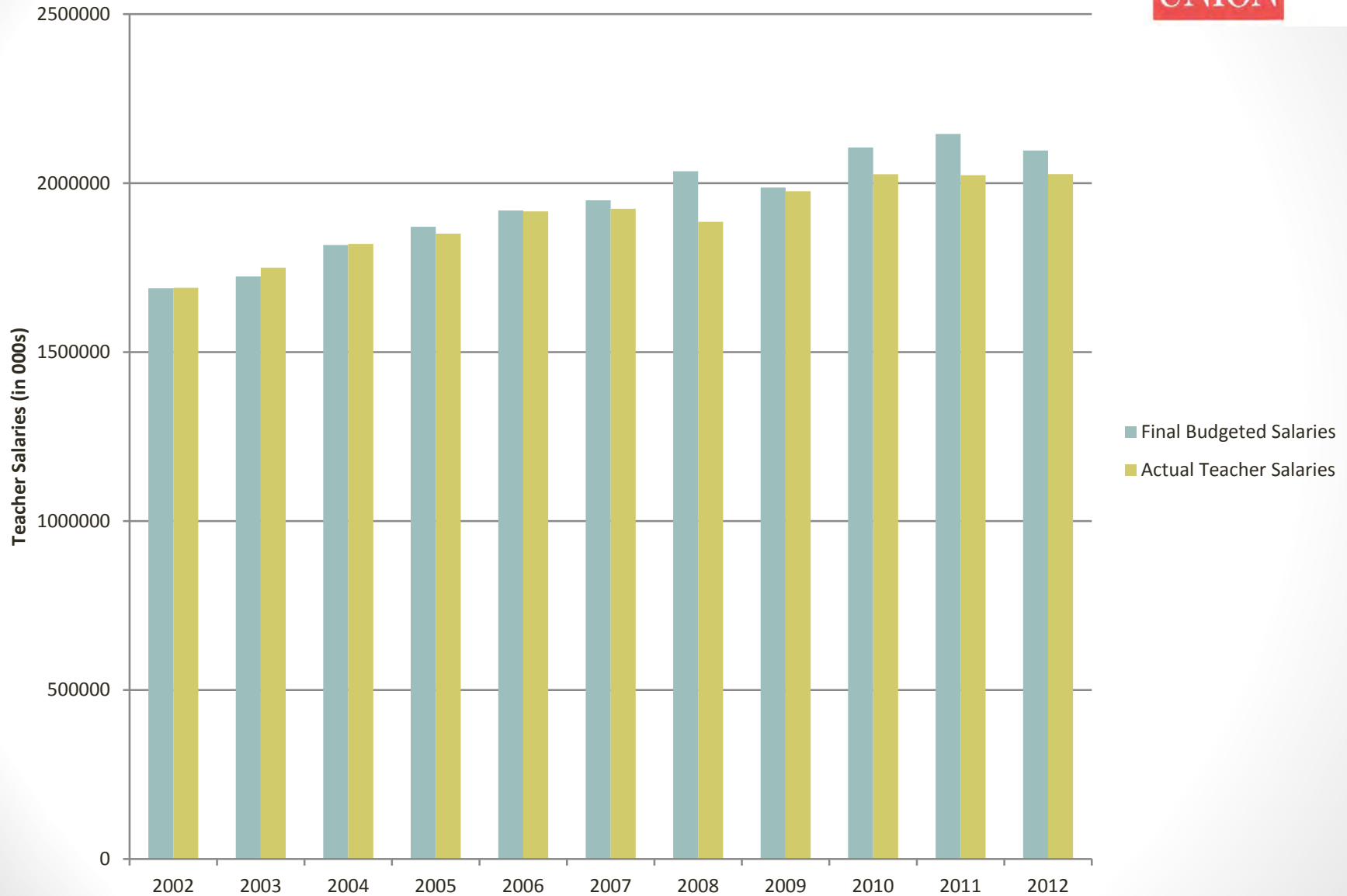
How did we get here?

- The program of cuts allowed expenses to be inflated, causing the deficit to appear larger than it really was.
- The following slides show how expense variance explains the district's surpluses.

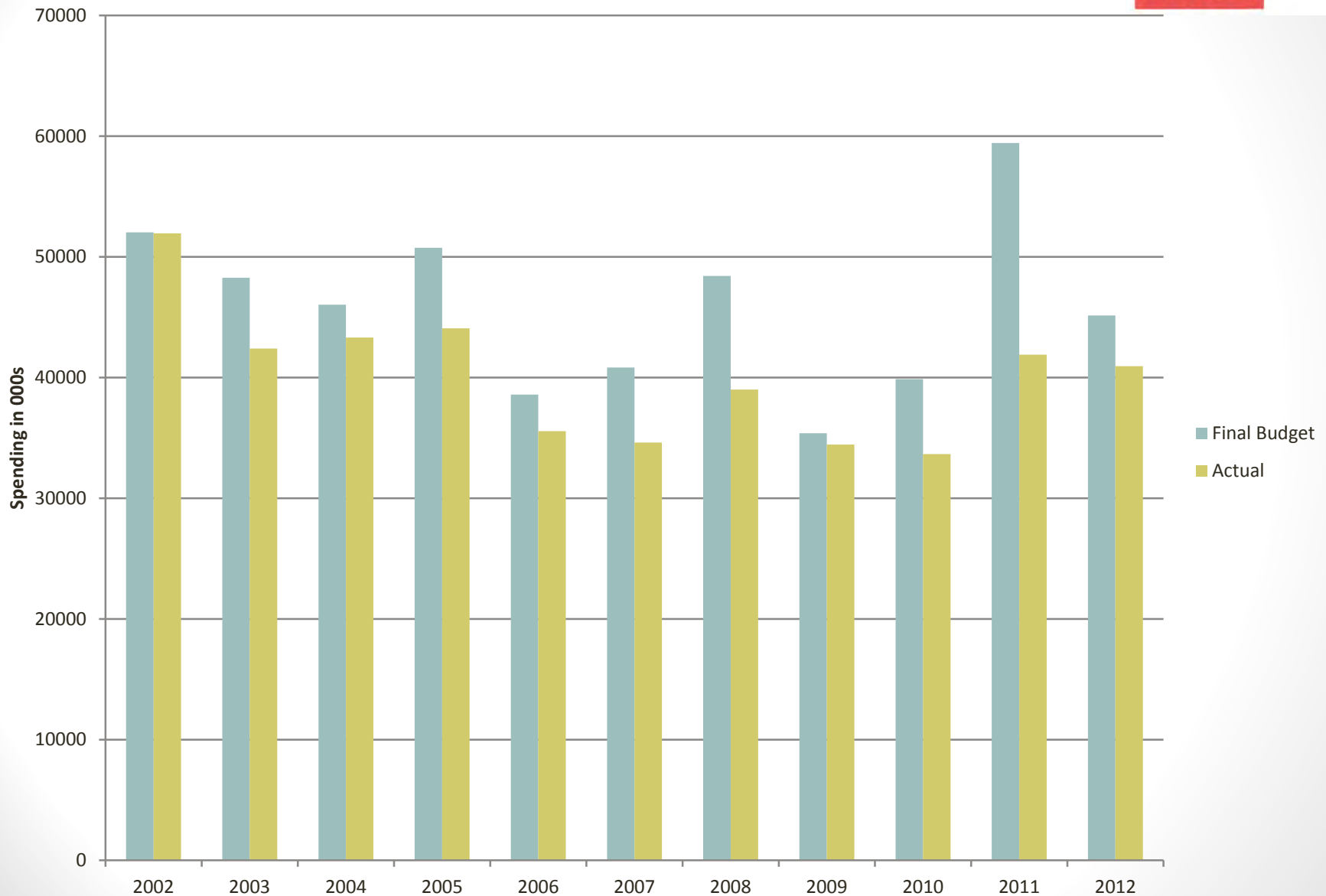
CPS Expenditures, Projected vs. Actual



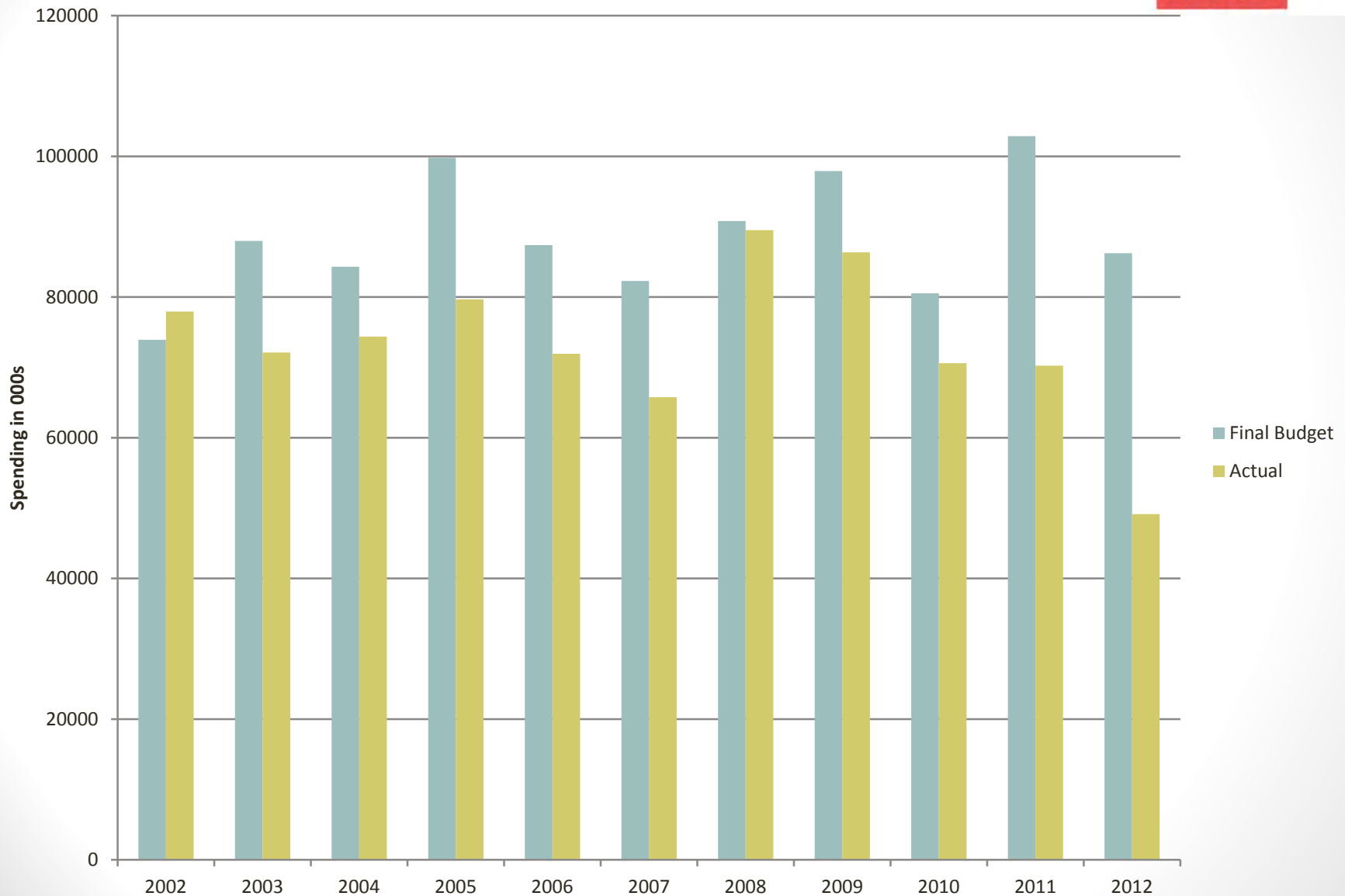
Teacher Salaries, Projected vs. Actual



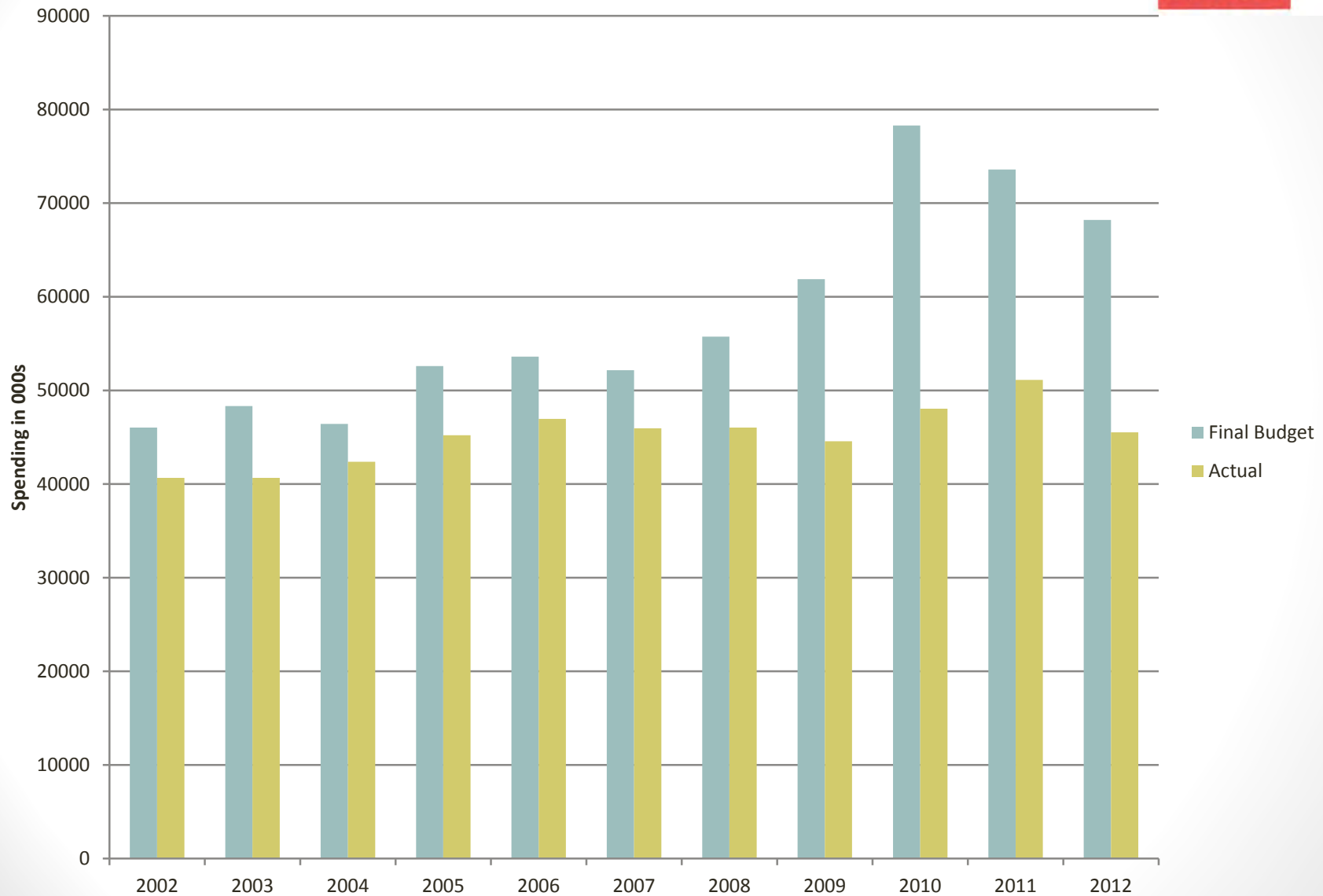
CPS Educational Equipment Spending, Projected vs. Actual



CPS Textbook Spending, Projected vs. Actual



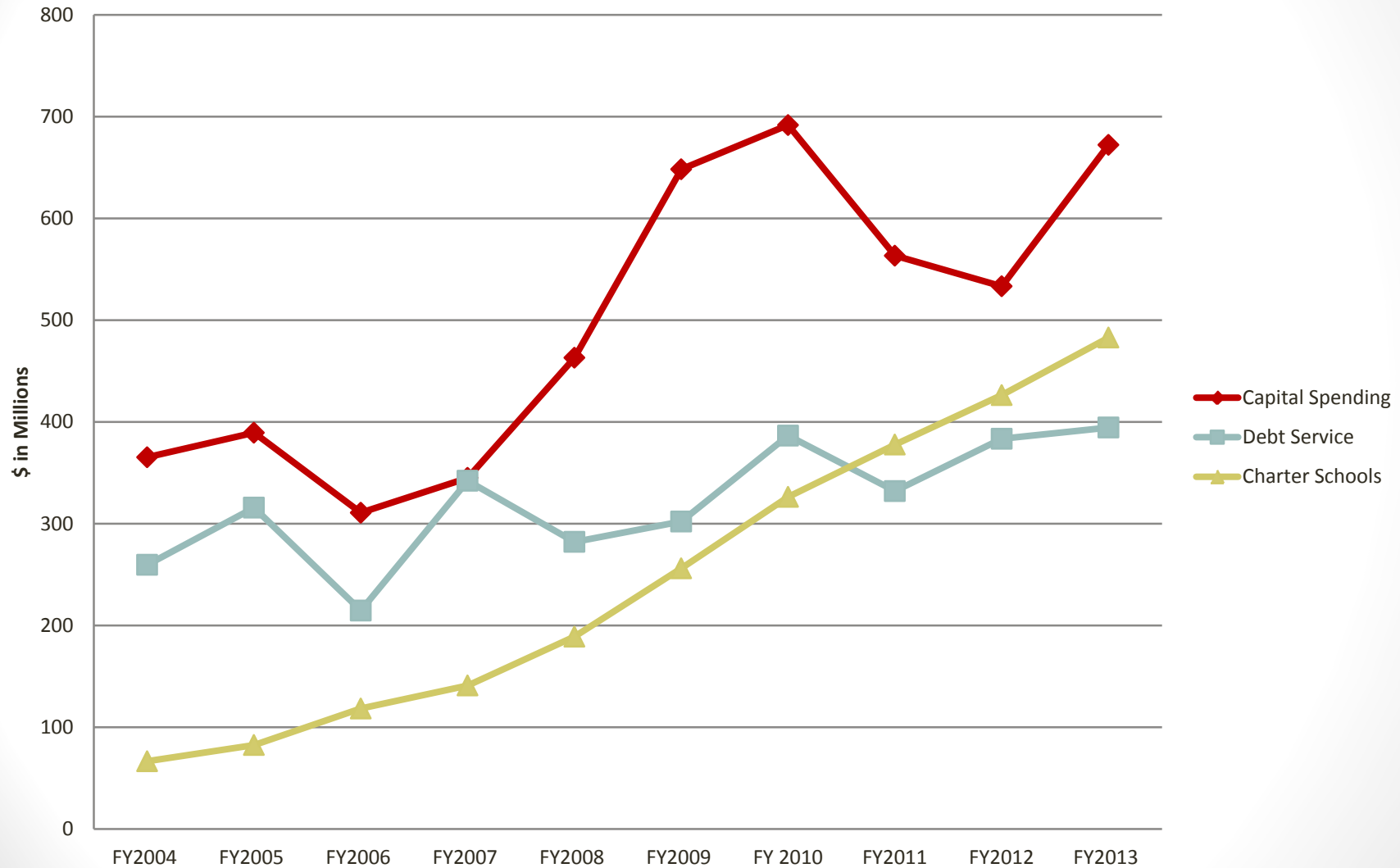
CPS Supplies Spending, Budgeted vs. Actual



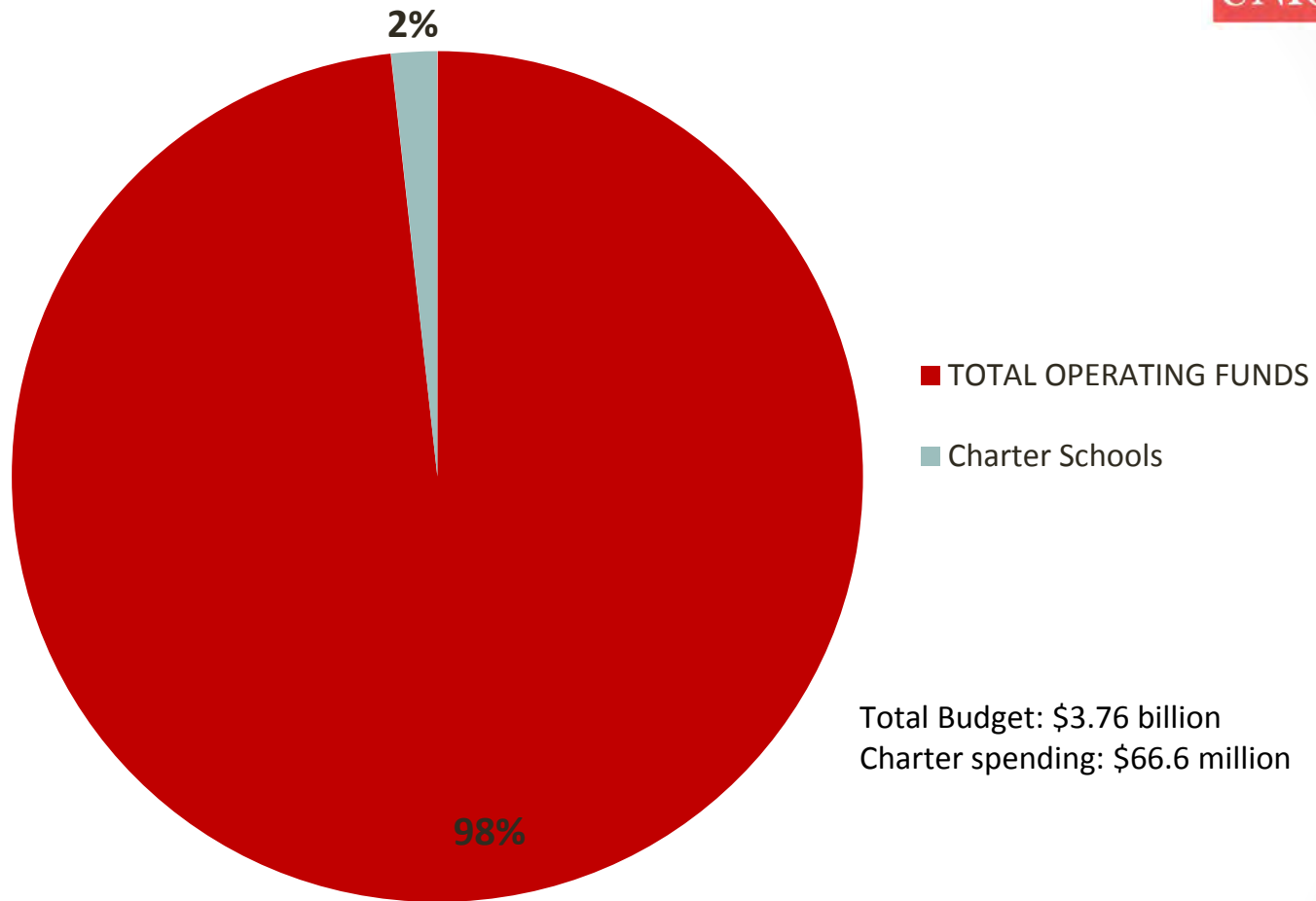
Spending Tradeoffs

- Spending cuts in some areas are more than offset by major increases in spending in other areas.
- Questions about the district's priorities are readily apparent from the following slides.

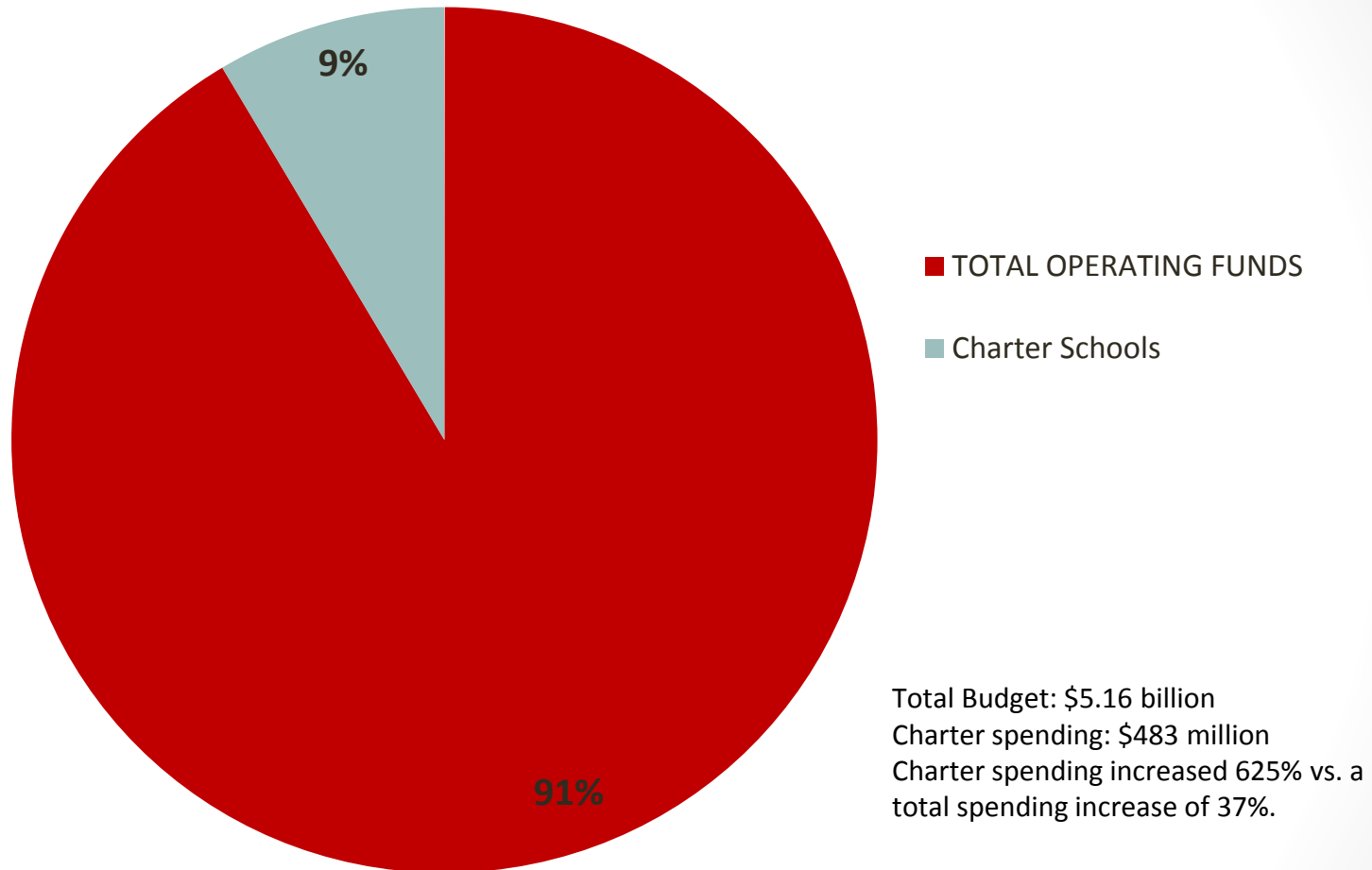
CPS Spending Trends, FY04-FY13



Charter Spending as % of Total CPS Spending, FY2004



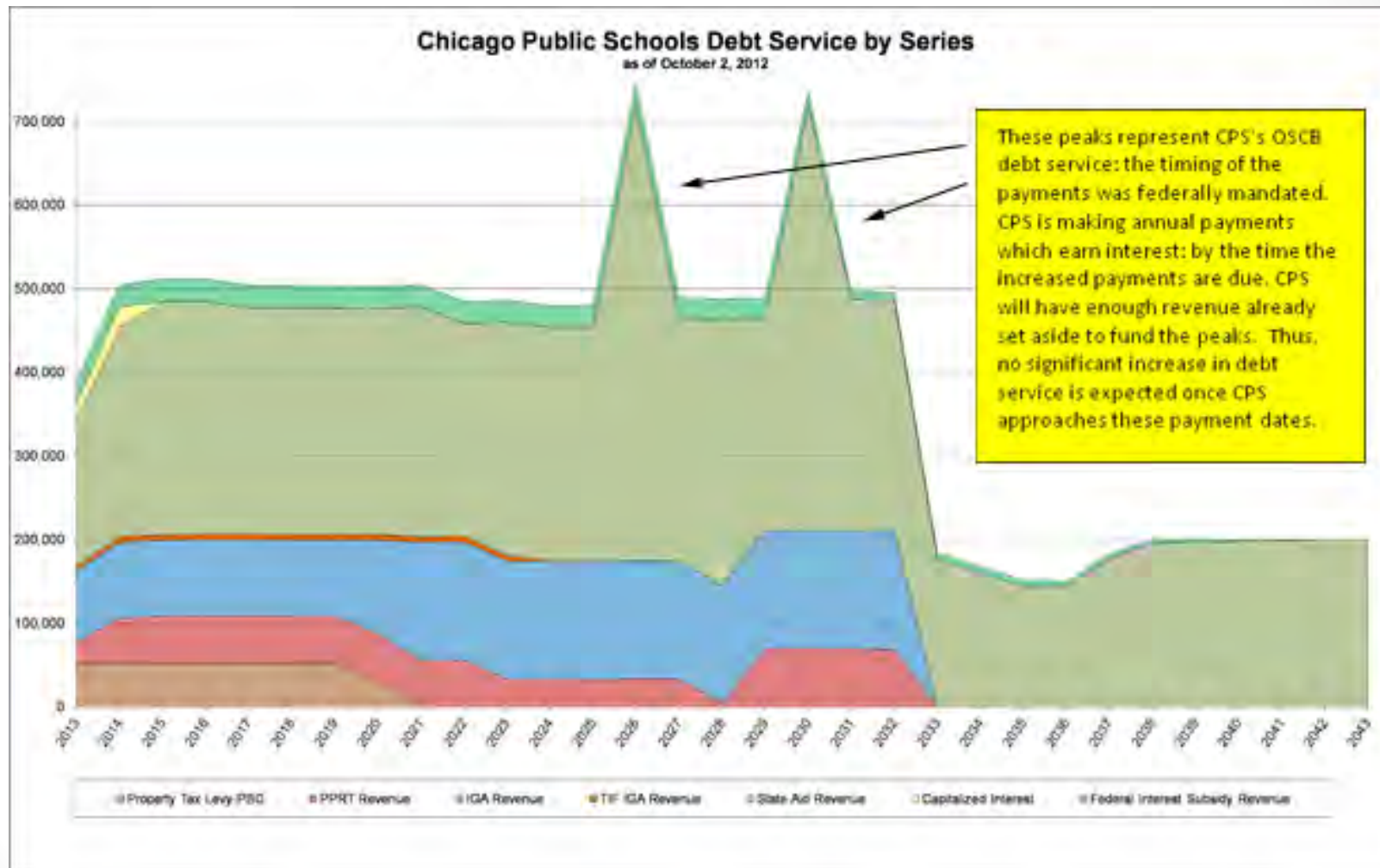
Charter Spending as % of Total CPS Spending, FY2013



School “Choice” Impact

- Total operating and capital costs associated with school closures and turnarounds since 2003: more than \$500 million.
- Capital costs for 50 closed schools in 2013 alone: more than \$150 million.
- Costs to disrupted communities: devastation
- Academic results: mixed at best for charters per CREDO study; turnarounds/closed schools worse for students per University of Chicago.

Impact of Debt Service: \$100 million



The Latest Cut: Student Based Budgeting (SBB)



- SBB was rolled out this spring as a way to “empower principals” to make decisions at the local level.
- Under SBB, about half of school money is allocated to schools on a per-pupil basis rather than on a staffing formula.
- The other half (e.g. Special Education, SGSA) is allocated under the old formula.

The Latest Cut: School Based Budgeting



- Despite rhetoric of local empowerment, the SBB rollout was accompanied by two major types of budget cuts.
 1. School budgets were categorically cut.
 2. School enrollment projections were shorted, thereby further restricting funds.
- The impact has been more than 2100 layoffs of teachers, paraprofessionals, and school support staff. Overall, CPS projects 1400 fewer teaching positions than last year.
- Raise Your Hand surveyed about 25% of schools and found nearly \$100 million in budget cuts. The district claims “only” \$68 million in cuts to schools.

The Latest Cut: School Based Budgeting



- SBB has two further impacts.
 1. SBB marks veteran teachers as too expensive.
 2. SBB provides a path to increased per pupil expenditures at charter schools.
 1. 83% of public school units received a budget cut.
 2. 72% of charter schools saw budget increases.

The Latest Cut: School Based Budgeting



- A sampling of school budget cuts from the Board's own data:
 - Curie HS: \$4 million and 60.5 positions
 - Kelly HS: \$4 million and 47 positions
 - Turnaround schools included too –
 - Fenger HS: \$3.4 million and 47 positions
 - Phillips HS: \$3.4 million and 46 positions
 - Harper HS: \$3.1 million and 24 positions
 - Marshall HS: \$3 million and 40.5 positions
- Charters receive more:
 - Noble Street HS: \$1.2 million increase
 - CICS Longwood: \$1.2 million increase
 - UNO Octavio Paz: \$1.2 million increase

The Issue of Reserves

- CPS claimed to drain all of its reserves in FY2013, but had more than \$500 million available in the FY2014 budget.
- The district is making the same claim again this year.
- More responsible approach would be to raise additional revenue and then use past surpluses to proactively pay pension obligations, thereby avoiding the major “cliff”.

THE ROLE OF ILLINOIS STATE GOVERNMENT

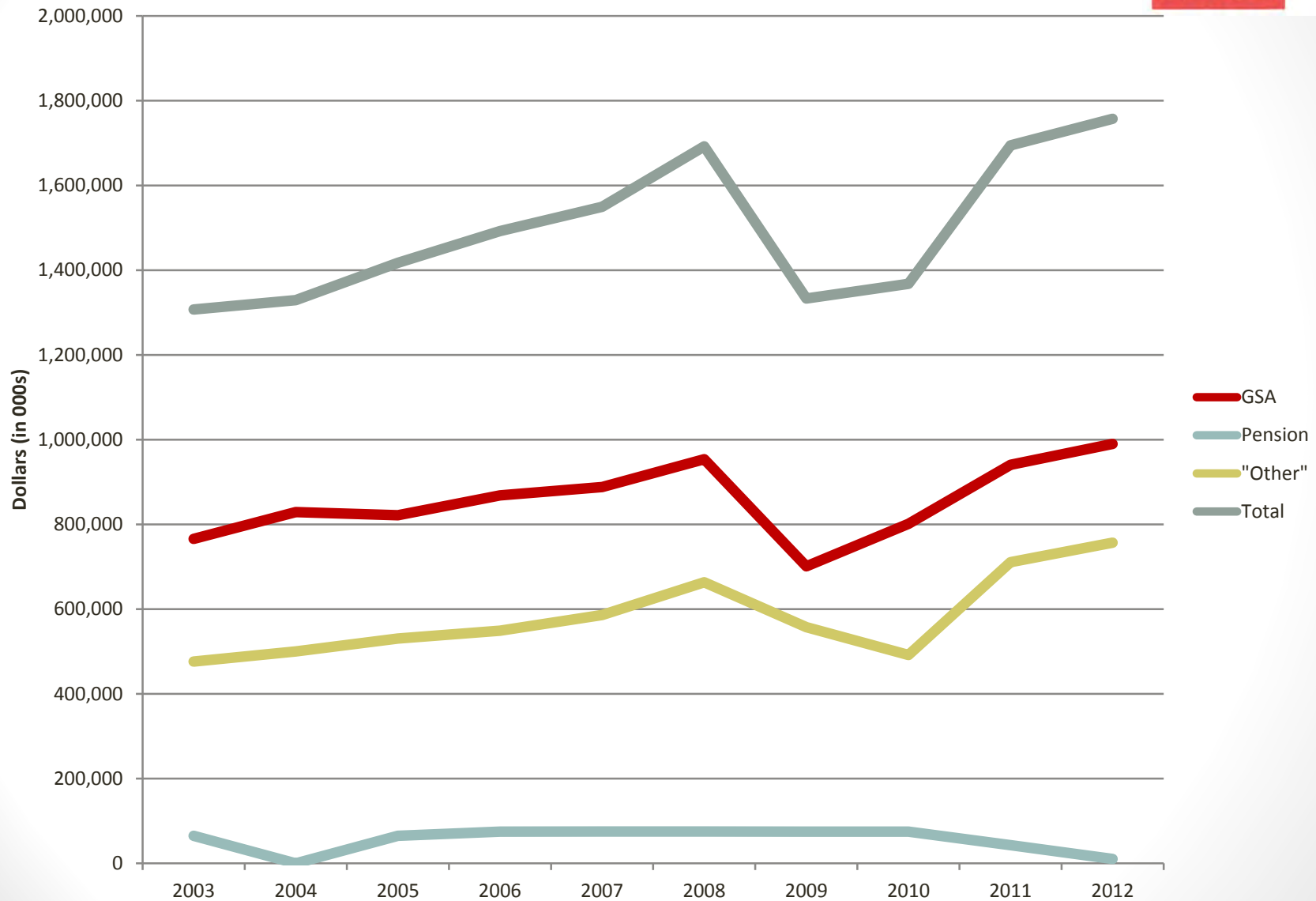
Origins: 1995 Amendatory Act

- Passed by Republican governor and Republican majorities in both chambers.
- Provided mayoral control of schools in Chicago.
- Eliminated dedicated property tax levy for Chicago Teachers' Pension Fund and folded the money into CPS operations. CPS then made zero pension contributions for the next 10 years.
- This amendatory act is the reason for contentious Springfield battles over Chicago school policy.

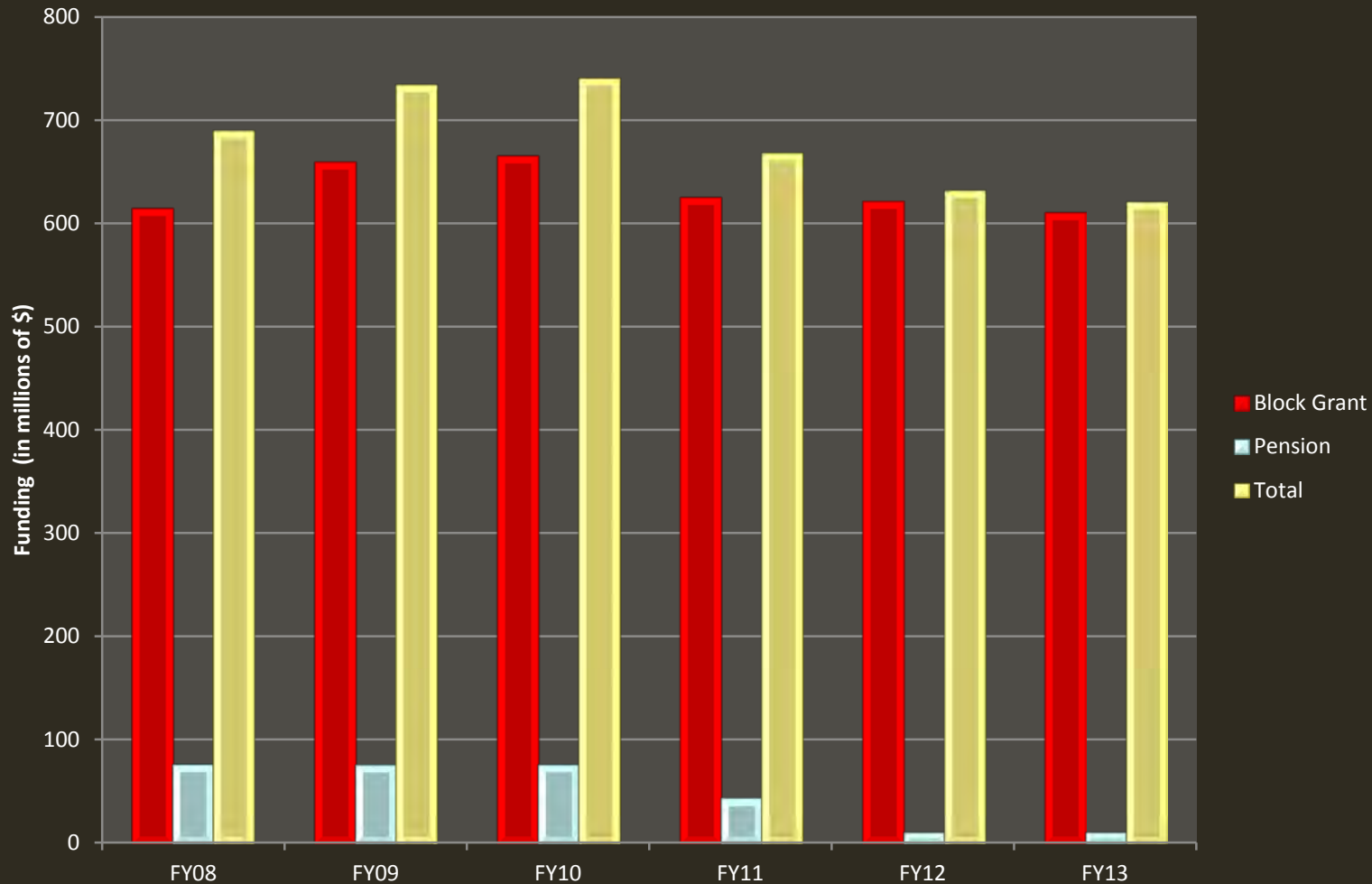
State Revenues for CPS

- Three forms
 - GSA
 - Block Grants
 - Pension contributions
- Block grants vs. pension cost shift?
- Limits to state revenues: GSA proration, block grant cuts and payment delays, much lower pension contributions

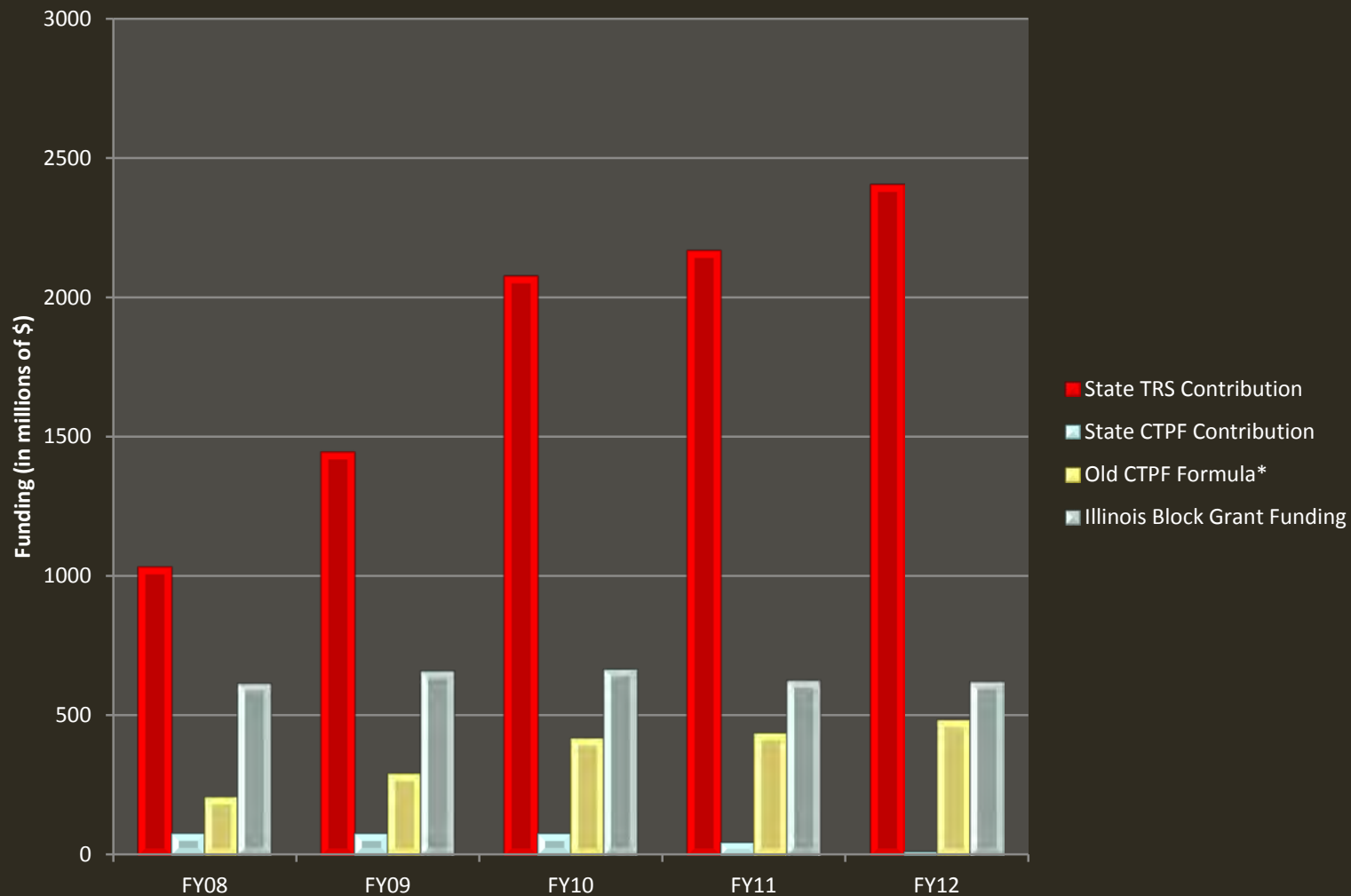
State Revenue to CPS, 2003 - 12



Illinois Block Grant and Pension Funding to CPS FY08-FY13



State Funding of TRS vs. CTPF, FY08-FY12



Way Forward?

- CTU supports Senator Manar's school finance task force (SJR 32) and eagerly awaits the outcomes of their work.
- Significant education funding inequities across the state must be addressed.

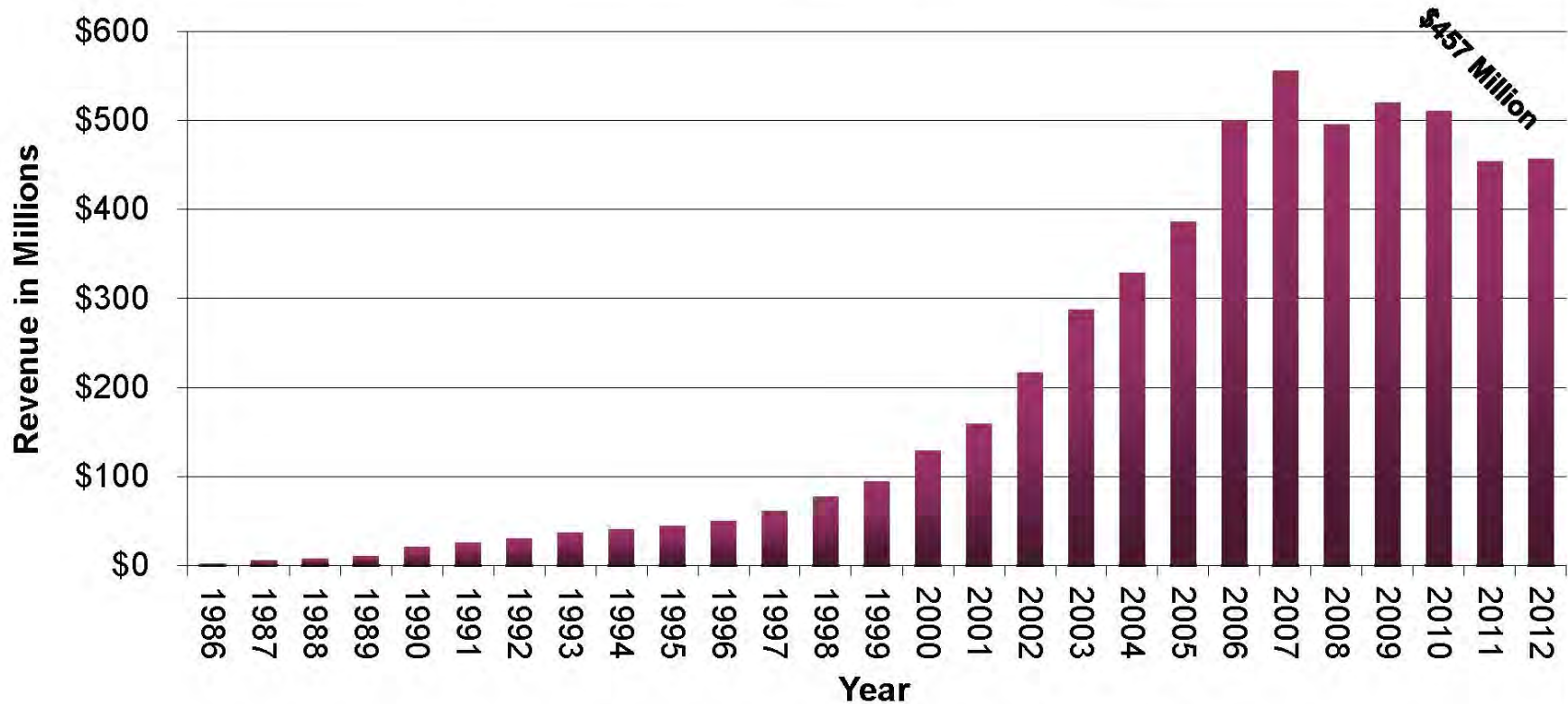
THE ROLE OF CHICAGO MUNICIPAL GOVERNMENT

Chicago Property Tax Rates



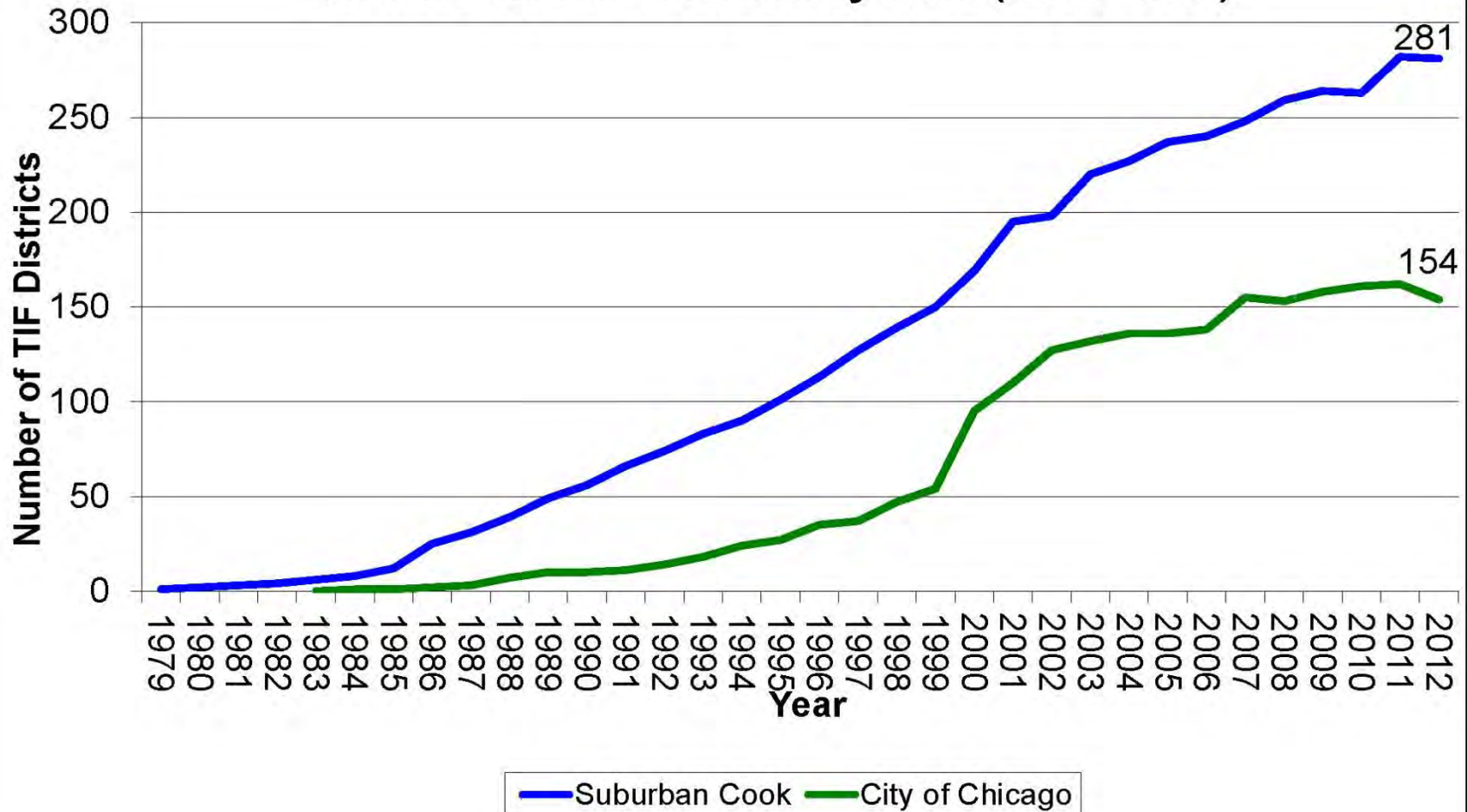
- According to a Civic Federation analysis, Chicago has the lowest effective property tax rates in Cook County and is 2nd only to Oak Brook in metro area.
- CPS cut itself by not taxing to the property tax cap in FY2009 and FY2010. Those decisions cost the district at least \$100 million per year.
- Property tax increases have been driven by property value gains and the effects of programs like TIF.

Chicago TIF Revenue by Year (1986-2012)



Source: Cook County Clerk

Number of TIF Districts by Year (1979-2012)



Source: Cook County Clerk

TIF Impact



- Development is not the problem. The problem is the way development is done.
 - Connected developers and corporations in wealthy areas benefit at the expense of truly blighted areas.
 - TIF money to CPS has been distributed more to selective schools than to neighborhood schools and concentrated in the northern half of the city.
- Declare a TIF surplus and return money to taxing bodies. There is currently more than \$1.7 billion unallocated in TIF accounts. City claims \$1.5 billion restricted. No clear projects, though.

RECOMMENDED SOLUTIONS

Legislative Action

1. Support revenue generation.
2. Change budget priorities: focus less on flavor-of-the-month education reform schemes and more on the process of teaching and learning.
3. Move beyond logic that cuts will solve our budget challenges. Austerity \neq prosperity.

The Expert's View...

- “The idea that governance changes are going to magically improve achievement or equity is unlikely to get us there. We’ve got to focus on what happens inside of schools—the quality of teaching, the quality of curriculum, the supports that are there for kids—and move beyond a governance-only conversation.”
- “We are right down there in the basement of the state rankings on educational outcomes. That happened because of tremendous disinvestment in the public system, including Proposition 13, which restricted tax revenues, and all the things that followed. The state really went into a testing-without-investing modality.”
 - Linda Darling-Hammond, Stanford University Professor and education advisor for the State of California

Sustainable and Fair Revenue Sources



1. Fair Tax
2. Sales Tax Base Expansion
3. Close corporate loopholes
4. Renegotiate interest rate swaps
5. TIF policies like HB 197 (Mayfield)
6. Financial Transaction Tax