

Understanding the Chicago Public Schools Budget

A Citizen's Guide



Our \$6.6 billion budget — and you

This guide is designed to introduce you to the Chicago Public Schools (CPS) budget and help you understand how our public schools are funded. As the nation's third-largest school district, CPS educates more than 400,000 students in nearly 700 schools and has a total 2010–11 budget of \$6.6 billion. Our budget is similar in size to the budget of the state of Rhode Island as well as to some of the largest companies in the United States—companies like Visa, Yahoo!, and Mattel.

In a district this big, the budget may seem hard to understand. But our budget is just like your budget at home. We use it for multiple purposes: to track income and spending; to help manage priorities; to plan for the future; and to measure financial performance.

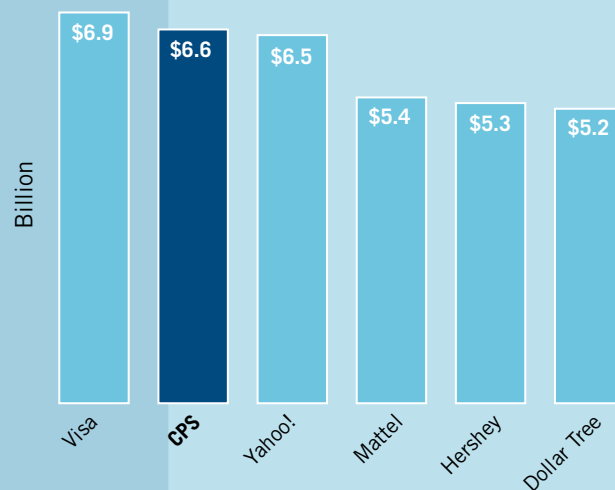
The purpose of this guide is to help you understand where the money comes from and how we spend it. Our budget has three major components: an operating budget, which guides our day-to-day activities; a capital budget, which covers our long-term school construction and repair needs; and debt service funds, which we use to pay the principal and interest on the bonds we issue to finance school construction and renovation.

There are a lot of different ways to look at spending. In this guide, we'll look at:

- Who provides our funding (taxes and grants)
- What we spend money on (salaries and expenses)
- Where the money is distributed (schools, citywide programs, and area and central offices)

For more in-depth and detailed discussion, financial information, and reports, please see our complete FY2011 Budget Book, which is available at www.cps.edu on the “About CPS: Financial Information” page.

The CPS Budget vs. the Budgets of Major Corporations



Source: http://money.cnn.com/magazines/fortune/fortune500/2010/full_list/301_400.html.

Who provides our funding?

You do. Our \$5.3 billion operating budget for the 2011 fiscal year (which covers the 2010–11 school year) is funded largely through a combination of tax sources.

LEAST RESTRICTION ON USE

Local

The largest source of revenue, 40 percent, comes from local sources. The majority of this is from local property taxes. Other local resources include personal property replacement taxes, or PPRT (a corporate tax tied to profits); interest income; lunchroom fees; rental income; and other miscellaneous items.

State

The bulk of funding we receive from the state is general state aid (GSA). The amount of GSA that each school district receives is based on a complex formula that considers the number of students, the special needs of the district, household income levels, and many other factors. The state legislature determines this formula.

Illinois contributes less toward the overall cost of K–12 public education than almost any other state in the country.

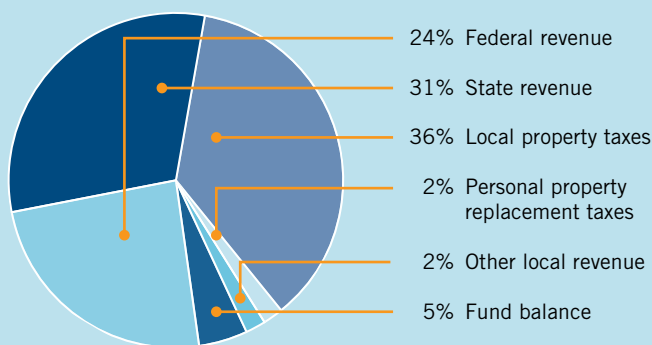
Federal

Most federal revenue is distributed through Title I of the Elementary and Secondary Education Act to provide extra support for low-income children. We have limited flexibility in how we spend federal revenue. The money can be used only for certain types of expenses, such as reading and math instruction and teacher professional development. The federal government also pays for free or reduced-price meals for children from low-income families.

In addition, the budget includes one-time funds from the federal government, such as funds from the stimulus bill passed in 2009 and an emergency jobs bill passed in August 2010.

MOST RESTRICTION ON USE

Local Sources Provide 40% of CPS Revenue
FY2011 operating budget by resource



Fund balance

CPS maintains a “rainy day fund” as part of its operating budget, which has been carefully built over a number of years. In a tough economic year such as this one, we will draw down this balance. However, we expect to replace those funds when the state of Illinois pays the district the money it owes us—about \$236 million at the time the FY2011 budget was developed.

What do we spend money on?

We spend it on people: the teachers, aides, principals, and assistant principals who educate our students, and the people who support them.

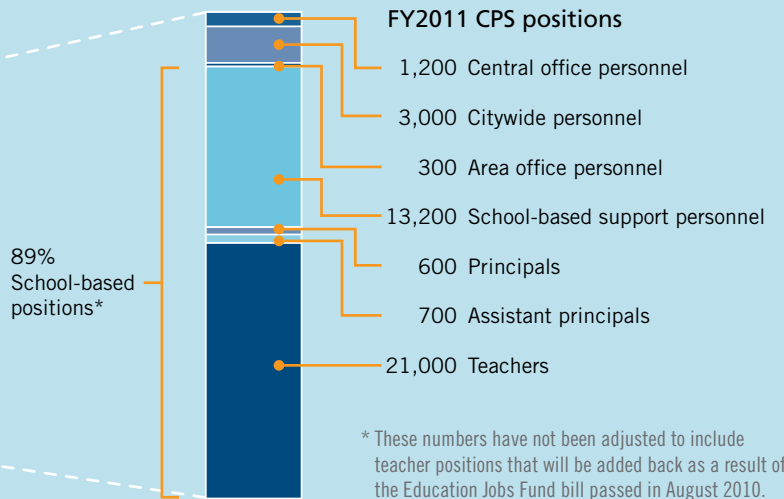
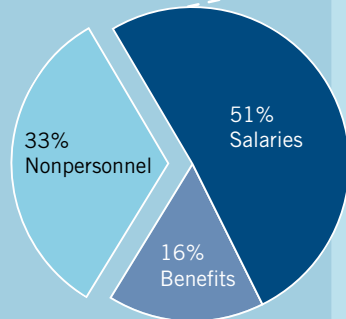
Salaries & benefits

The majority of the operating budget pays for salaries and benefits for our nearly 40,000 employees—89 percent of whom are located in the schools, serving more than 400,000 students. That includes teachers and principals, as well as school support personnel such as teacher aides, security officers, school clerks, cooks, and janitors.

Only 3 percent of our employees are in the central office, supporting administrative and programmatic functions. The remaining positions are area office staff, who support schools in their areas, and citywide staff, who provide direct services to students at multiple schools across the district. Citywide personnel include primarily teachers, coaches, and clinicians, such as nurses, social workers, and speech pathologists.

Salaries and Benefits Make Up Two-Thirds of the Budget

FY2011 operating budget by expense



THE AVERAGE CPS teacher salary for 2009–10 was \$69,000. The average salary for CPS principals and assistant principals was \$114,000.

The Chicago Teachers Union contract determines teacher salaries. Teachers earn more as they gain experience and tenure. They also earn more if they obtain advanced credentials, such as master's degrees, doctorates, or National Board Certification.

CPS also pays benefits such as Medicare and Social Security; pension; health, dental, and life insurance; and unemployment compensation. As you might expect, the cost of providing these benefits to our employees grows dramatically every year, just as it does in every other business.

Other expenses

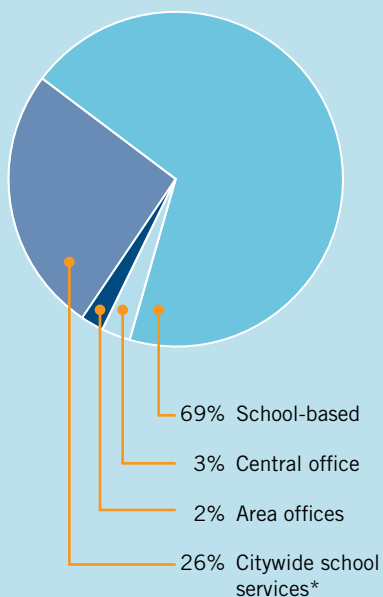
Nonpersonnel costs make up the remaining 33 percent of the budget and include the costs required to keep our school buildings running—such as utilities and custodial services—and the cost to fuel and maintain our fleet of school buses. These funds also pay for computers and technology in our schools. Finally, these funds pay charter and other non-traditional school operators, who in turn use the funds to pay their teachers and principals.

Where is the money distributed?

Two basic factors determine how much money each school receives:

- The number of students at the school, and
- The special needs of the students, such as poverty, disabilities, and limited English proficiency.

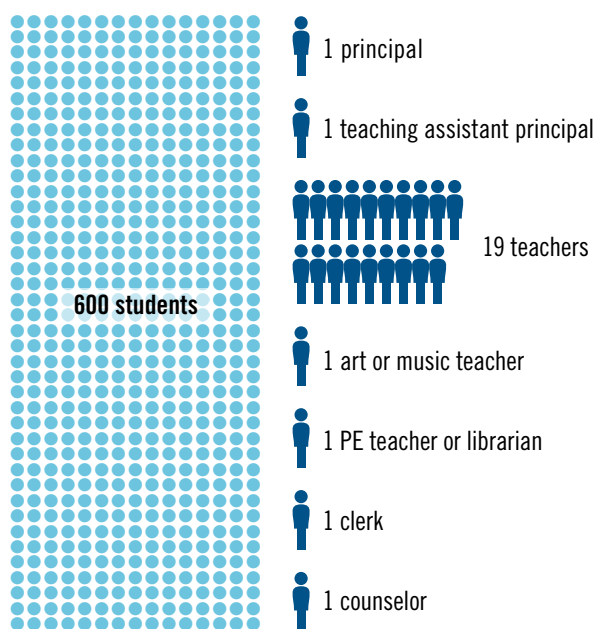
Nearly Three-Quarters of Funds Go Directly to Schools



* Citywide funds include \$106 million from the Education Jobs Fund bill passed in August 2010, which is expected to be spent at schools.

At **traditional schools**, the number of students projected to enroll in the fall determines the number of teachers and support staff each school receives. That is, enrollment translates into staff positions, which translate into salaries and benefits. Nonpersonnel items such as textbooks, supplies, repairs, and equipment are allocated on a per-pupil basis.

For instance, an elementary school with 600 students starts with the following staff:



Schools also receive additional positions and resources to serve special education students and students with limited English proficiency.

Depending on the percentage of students who receive free or reduced-price lunch—which can be substantial—schools may receive additional dollars from either the state or federal government to use at their discretion. Many schools use these funds to reduce class size by hiring more teachers, provide enrichment programming, offer professional development to teachers, or provide additional security, among other things. Every year principals, teachers, and local school councils work together to prepare budgets that reflect schools' specific needs and priorities for the upcoming year. The budgets are based on the School Improvement Plan for Advancing Academic Achievement, called the SIPAAA.

Nontraditional schools (such as charter and contract schools) also receive funds based on their enrollment, but they get a specified dollar amount per student, which pays for all of their operating expenses, including salaries and benefits. Funding is not tied to positions, which gives these schools much more flexibility in deciding how to spend their budget dollars. These schools also receive discretionary state and federal funds in the same manner as traditional schools.

How do we plan for capital improvements?

CPS is aggressively building and remodeling schools across the city. We use capital funds, provided by bond revenues, to do this.

OPERATING FUNDS pay for the day-to-day operations associated with running the school.

CAPITAL FUNDS pay for the construction of new schools and the renovation and expansion of existing schools.

DEBT SERVICE FUNDS are used to pay back loans on the bonds we issue for construction, including principal and interest.

While day-to-day expenses come from operating funds, capital funds pay for the construction of new schools and the renovation and expansion of existing schools.

Capital funds are generated by issuing bonds, which is similar to taking out a home loan today and repaying it over time. Because we specifically raise bond proceeds for the purpose of capital improvements, we cannot use capital funds on operating expenses. We reserve operating funds for these day-to-day activities.

When CPS issues a bond, it receives money now that it must pay back in the future. Our “debt service” funds are set aside for paying back these loans, including principal and interest.

The three major areas of our capital improvement plan are described below.

\$455 million

Major projects

Capital funds are spent to extend the useful life of existing CPS buildings. Examples include purchasing new boilers, replacing roofs, and installing energy-efficient windows.

\$88 million

New facility construction and additions

In some situations, a school just isn't adequate to meet the needs of its students. In those cases, we must build additions to accommodate more students or renovate the existing building. This includes the Modern Schools Across Chicago program, which addresses Chicago's highest-priority needs, including elementary and high school creation to relieve overcrowding and major high school renovations to improve existing facilities.

\$57 million

Technology, systems, and other projects

These funds pay for new wiring, computers and equipment, Internet access, security systems, and fire alarm system upgrades, as well as buying new furniture, supplies, and equipment for new schools; building career and technical education labs; and remodeling school kitchens.

What can you do?

Illinois contributes less to education than virtually any other state. That must change, and we need your help.

The state of Illinois ranks 49th in the country in the level of support provided for public schools. The only state worse? Nevada—but gambling revenues in Nevada go to schools. In effect, Illinois is dead last.

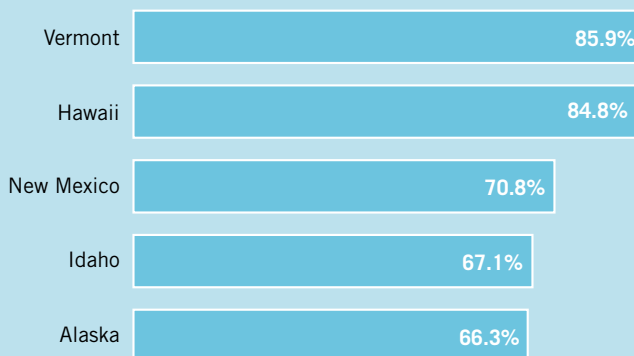
We will continue to advocate at the state level for school funding reform, and we will continue to make every dollar go as far as possible to ensure every student graduates prepared for success in college and in the global economy.

We encourage you to reach out to your legislators to tell them how you feel about education funding in the state of Illinois. You can find your legislators at:

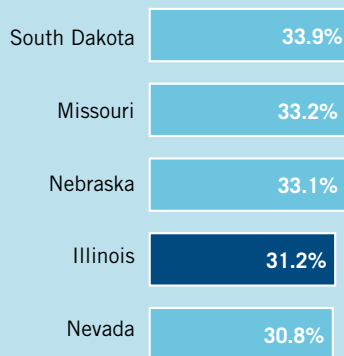
www.elections.illinois.gov/DistrictLocator/DistrictOfficialSearchByAddress.aspx

Illinois Ranks 2nd Lowest for the Level of Public School Funding the State Provides

States that contribute the **HIGHEST** percentage of school district revenues:



States that contribute the **LOWEST** percentage of school district revenues:



Source: <http://nces.ed.gov/pubs2010/2010326.pdf>

Chicago Public Schools

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