

**Ron Huberman**  
Chief Executive Officer

## Letter from the Chief Executive Officer

In April 2009, preliminary projections revealed that CPS was facing a FY2010 budget deficit of approximately \$475 million. As we began planning for the FY2010 budget, there were two objectives: first, to preserve classroom size and student-teacher ratios, and second, to gain efficiencies and savings by streamlining and consolidating Central Office and citywide functions.

The CPS FY2010 operating budget recommendation of \$5.328 billion contained in this preliminary document represents our best efforts to meet both of these objectives, despite a very challenging budget year. We have identified and eliminated \$100 million in administrative and service level inefficiencies — belt-tightening that helped offset the need to employ classroom cuts. But even as we continue to identify further administrative reductions in the coming months, these reductions alone will not be enough to address our longer-term structural budget deficit.

The FY2010 proposed budget results in a \$61 million operating shortfall. Economic conditions that are affecting school districts across the country are impacting CPS' bottom line as well. A slower economy brings sluggish revenues, while the costs associated with providing quality education continue to rise. CPS' pension costs also continue to grow exponentially: in FY2010 we will be required to pay over \$300 million towards the teachers' pension fund. This represents a 70% increase over FY2009, and this payment draws directly from the same operating budget that pays for teacher salaries and school maintenance. At the same time, the state is facing its own financial challenges and has decreased K-12 education funding statewide by \$142 million, including a reduction for CPS.

We recognize that the challenges facing government are being felt just as profoundly by taxpayers, and therefore have made the difficult decision not to raise property taxes to the allowable cap of 4.1% to close the shortfall. Rather we recommend an increase of only 1.5%, which is the equivalent of an \$18 increase to the average homeowner. We will draw down a total of \$61 million from our rainy day reserves to ensure that CPS complies with state law to have a balanced budget. This reliance on the fund balance puts the District under serious financial pressure and is an untenable long-term solution. More reductions will be required immediately so that we do not need to realize these reductions in the fund balance.

This year's imbalance is intensified by a FY2011 budget picture which is even more dismal. Based on current projections, the FY2011 deficit could be more than \$900 million, which is fueled by a \$200 million-plus increase in the pension fund contribution. Healthcare and wage expenses are also up in FY2011. Action must be taken now – in FY2010 – to set a more reasonable course for the drastic budget increases CPS faces in the coming years. Without cost containment on the pension or wage fronts, we cannot continue to protect school budgets in FY2010: the classroom **will be** affected.

We have done our best to protect CPS' key educational priorities in this proposed budget. Core investments in literacy, math and science instruction, and post-secondary supports for the 8<sup>th</sup> to 9<sup>th</sup> grade transition remain a strong focus. Technology for classrooms and successful programs that recruit and reward great teachers and principals also remain in this recommendation. Despite funding reductions from the Illinois General Assembly, funding for bilingual and early childhood education has been restored to the FY2009 levels through a reallocation of CPS operating and stimulus dollars. These programs are too critical to the most vulnerable students in our District to let lapse because of state underinvestment.

We will continue to work with Springfield to restore the cuts that CPS saw this year and to reform state pension and education funding to bring long-term solvency to CPS' financial outlook. In the meantime, further and sizeable budget reductions will be made in the coming months, reductions which will impact jobs for school-based staff and programs for students. This remains a last resort; but we are simply out of options.

Sincerely,



Ron Huberman

Chief Executive Officer  
Chicago Public Schools