

EXPENDITURE ANALYSIS

Below is a description and analysis of expenditures budgeted in the FY2010 general operating funds. This section includes summary comparisons between costs in the FY2009 final budget and the proposed FY2010 budget.

Expenditure Analysis

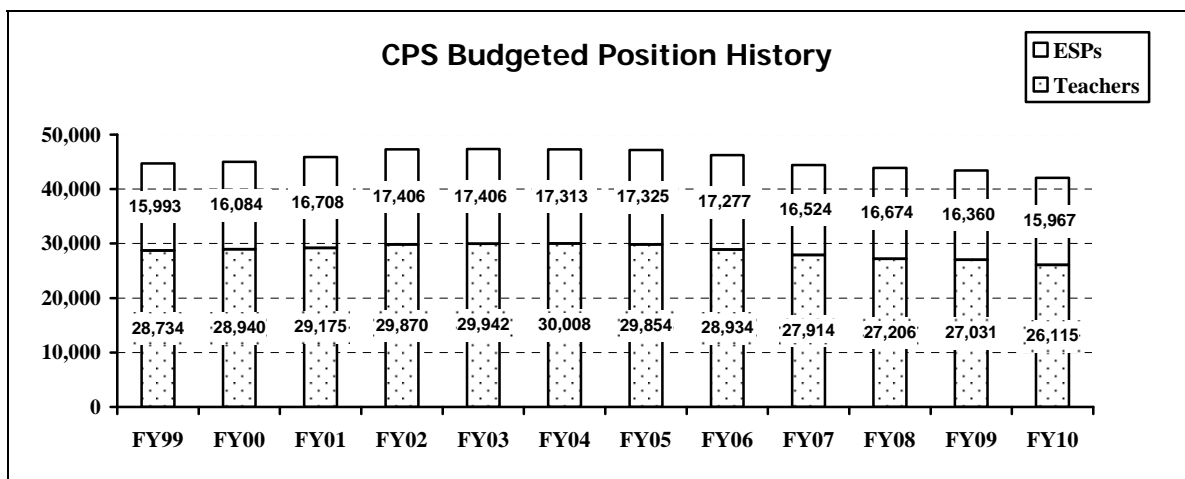
FY2010 appropriations in the general operating funds total \$5,328 million, an increase of \$473 million, or 9.8% over the final FY2009 budget. Over 35% of this budgeted increase is driven directly by higher salaries and employee benefits costs, and over 40% of the increase is due to increased contingencies, particularly for expected federal stimulus revenue. These expenditures are analyzed in more detail below.

The table below represents appropriations by expenditure type for FY2009:

FY2010 All Funds (in millions)	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total All Funds
Teacher Salaries	\$ 1,668.5	\$ 360.3	\$ -	\$ -	\$ 2,028.8
Ed Support Personnel Salaries	354.0	254.1	-	-	608.1
Employee Benefits	777.7	235.6	-	-	1,013.3
Subtotal Compensation	\$ 2,800.2	\$ 850.0	\$ -	\$ -	\$ 3,650.2
Commodities & Utilities	151.1	212.1	\$ -	\$ -	\$ 363
Contractual / Professional Svc	696.6	138.5	-	5.2	840.2
Capital Outlay / Equipment	11.7	5.3	1,035.4	-	1,052.4
Debt Service Payments	2.7	-	-	494.5	497.3
Other	3.7	456.0	-	-	459.7
Subtotal Non-Compensation	\$ 865.8	\$ 811.9	\$ 1,035.4	\$ 499.7	\$ 3,212.8
Total Appropriations	\$ 3,666.0	\$ 1,661.9	\$ 1,035.4	\$ 499.7	\$ 6,862.9

FY2009 Position Overview:

Chicago Public Schools is projected to have a total of 42,082 full time equivalent (FTE) positions in FY2010, a net decrease of 1,309 from the FY2009 total of 43,391. Teachers class positions account for 26,115 FTE, a decrease of 916 positions from the FY2009 level of 27,031. Education support personnel totals 15,967 in FY2010, decrease of 393 positions from FY2009. The overall decrease is the result of the recent trend of declining student enrollment.



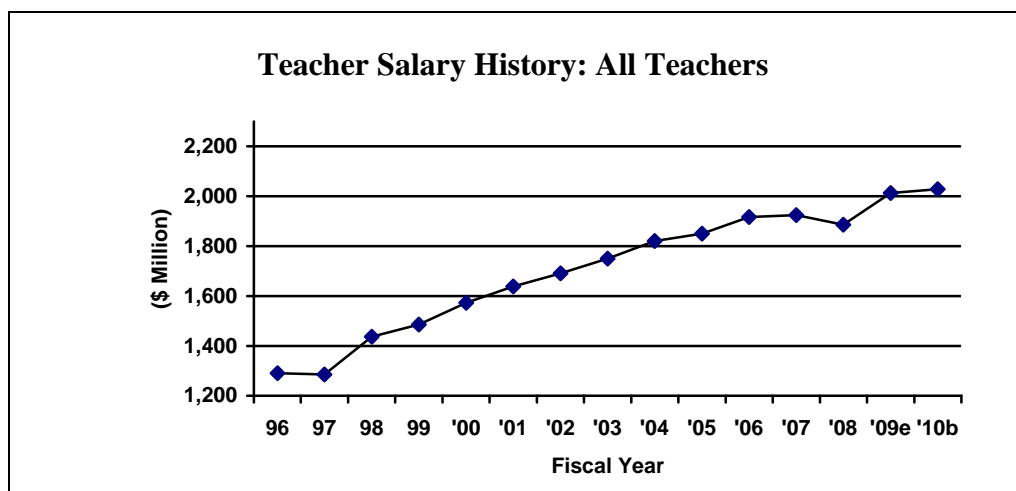
The following table shows where these positions are located. CPS has reduced 120 net FTE from administrative central office positions year-on-year. School based staff is declining due to lower student enrollment. Also notable this year, efficiencies in lunchroom operations resulted in a significant amount of food service staff reductions, which accounts for most of the school support personnel reduction. City-wide positions include mostly service providers who travel to multiple schools. These include for nurses, social workers, psychologists, speech pathologists, physical therapists, and teachers who teach temporarily homebound students. The decrease in citywide positions reflects a reduction in the number of displaced teacher positions budgeted in FY2010.

CPS All Positions by Location

Budgeted Location	FY2008	FY2009	FY2010	FY10 vs FY09
Central-Office Personnel	1,442	1,569	1462	(107)
Area-Office Personnel	199	181	168	(13)
Capital-Funded Positions	111	0	0	(0)
Administrative Positions (a)	1,752	1,750	1,630	(120)
Teachers	23,128	22,798	22,074	(724)
Assistant Principals	700	698	751	53
Principals	590	610	588	(22)
School Support Personnel	14,250	13,860	13,471	(389)
School Based Positions (b)	38,668	37,966	36,884	(1,082)
City-wide Clinicians & Teachers (c)	3,370	3,675	3,568	(107)
Total Positions (a+b+c)	43,879	43,391	42,082	(1,309)

Teacher Salaries

For FY2010, teacher salaries are budgeted at \$2,028.8 million, as compared to \$2,012.6 million in projected FY2009 expenditures, representing an increase of \$16.2 million. Over the last seven fiscal years, teacher salaries have risen steadily from \$1,749.9 in FY2003 to the FY2010 budget by \$278.9 million due to negotiated union wage increases. FY2008 expenditures reflect the impact of the final year of the PEP early retirement program in the 2002-2007 teacher's contract. This resulted in a higher than usual proportion of experienced retirees replaced with newer, lower salaried teachers. This was enough to offset contractual salary increases and resulted in an overall decline for that year. This was an anomaly that is not expected to form a trend.

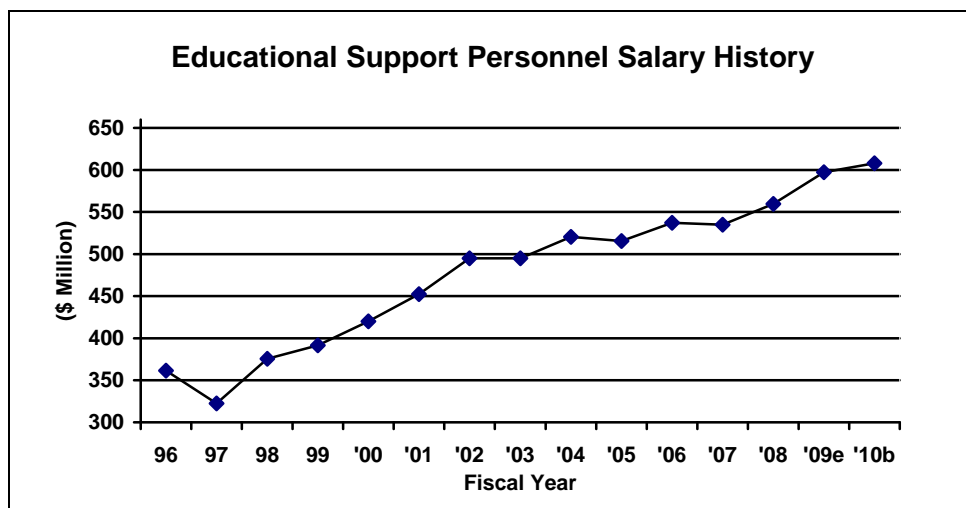


Salaries for teachers encompass employees who hold either teacher certificates or the Type 75 Illinois Administrative Certificate. This includes regular teachers, part-time teachers, substitute teachers, assistant principals, principals, and other administrators, all of whom are members of the Public School Teachers' Pension and Retirement Fund of Chicago.

The number of all teacher positions budgeted for FY2010 is 26,115, a decrease of 916 positions from the FY2009 level of 27,031. This decrease is primarily driven by declining student enrollment, which generates fewer teacher positions based on teacher formulas set forth in the Board's collective bargaining agreement with the Chicago Teacher's Union. The average teacher is entitled to salary increases of approximately 5.5% from FY2009 to FY2010 based on a 4.0% base salary increase and step/lane increases. This drives the district's total teacher salary expenditure higher despite the headcount reduction.

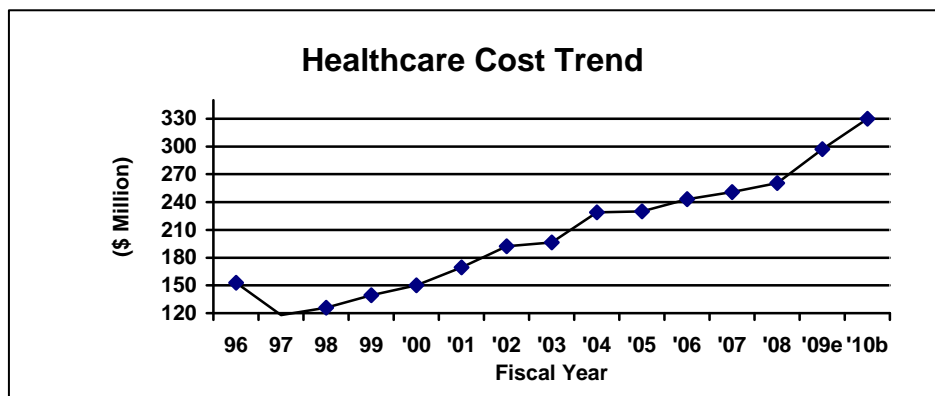
Educational Support Personnel (Non-Teachers)

For FY2010, educational support personnel (ESP) salaries are budgeted at \$608.1 million, as compared to \$597.1 million in FY2009 estimated expenditures, resulting in an increase of \$9 million. This increase is driven by projected salary increases for approximately 16,000 staff, despite a reduction in head count of 393 full time equivalents from the FY2009 budget.



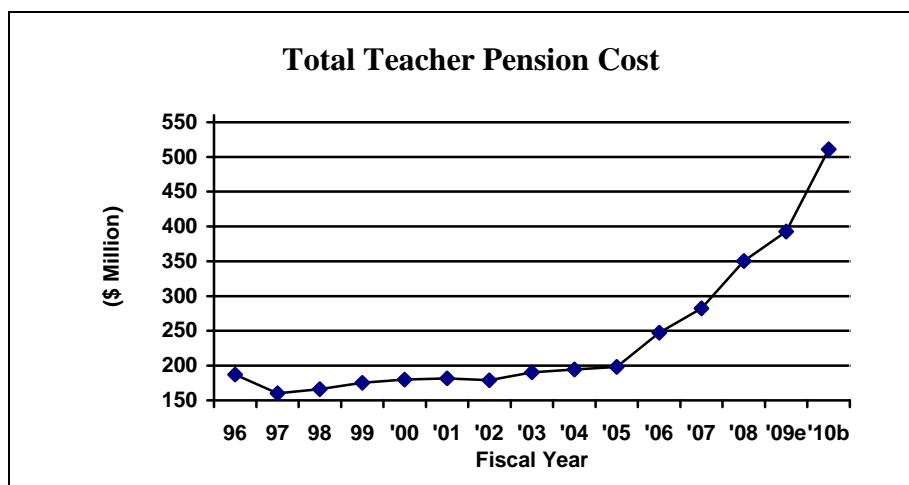
Healthcare Insurance

"Health insurance" includes costs for medical, drug, dental, vision, mental health, and life insurance. The CPS group health plan is self-insured, and the Board assumes the full risk for insuring employees. The FY2010 healthcare cost is budgeted at \$330 million, an increase of \$32.8 million over projected 2009 expenditures.



Teacher Pension

For FY2010, teacher pension costs are budgeted at \$510.9 million, as compared to \$392.5 million in projected expenditures for FY2009, for an increase of \$118.4 million. This cost includes both CPS' cost of the pension and a pension benefit that is paid on behalf of employees. Over the last five fiscal years, teacher pension costs have skyrocketed from \$198.1 in FY2005, for an average increase of over 21% per year. This is a rapidly increasing burden on the CPS budget. From FY1997 to FY2005, teacher pension costs rose less than 3% per year, on average.



Unemployment Compensation and Medicare / Social Security Tax

The Unemployment Compensation is budgeted at \$10.4 million for FY2010 flat with FY2009. The Medicare and Social Security tax budget totals \$37.3 million vs. \$30.3 million in FY2009; this is due to a projected higher number of employees being eligible for Medicare and Social Security benefits.

Commodities

The commodities category includes textbooks, supplies and postage, energy, food and telephone/telecommunications costs. Energy costs (electricity and natural gas) are budgeted at \$91 million for FY2010. This is a \$4 million increase over FY2009 projected expenditures, attributable to cost increases for oil and gas. Food budget will increase to \$106.9 million from \$88.8 million estimated for FY2009 despite enrollment declines, due primarily to the expansion of the universal breakfast program that will allow CPS to recognize greater than offsetting reimbursements from the federal government. The telecommunications budget will increase to \$5.8 million in FY2009 from \$5.8 million in FY2009. The remainder of CPS' telecom expenditures are subsidized by the federal E-rate program and are not a part of the budget. Textbooks are expected to increase from \$78.2 million in FY2009 to \$88.7 million in FY2010. Supplies and postage are expected to increase to \$77.4 million in FY2010 vs. a budget of \$71.3 million in FY2009.

Professional Services and Tuition

The professional services and tuition category includes payments for major school-support services mostly provided by outside organizations. It represents tuition payments to charter schools, colleges, and private facilities for special education students; and professional and contractual services for work done by consulting firms or general contractors. The FY2010 budget for Professional Services and Tuition is \$689.3 million, \$37.6 million higher than the FY2009 level of \$651.7 million. The major driver of this increase is an expansion in charter schools. Most of these expenditures go towards teacher and staff salaries delivering services to students and other teachers in non traditional schools or non-public schools.

Within the Capital Projects Funds, capital outlay is also increasing. The FY2010 budget proposes as capital outlay of \$1035.6 million, an increase of \$21.2 million over the FY2009 appropriation of \$1014.4 million. This increase is explained in more detail in the capital projects section.

Transportation and Equipment

Transportation costs will increase by \$6.7 million to \$101.5 million for FY2010, primarily due to higher fuel costs. The FY2010 budget for educational equipment is budgeted at \$17 million, compared to \$18.6 million for FY2009, a decrease of approximately \$1.6 million from the FY2009 level.

Other Charges

Total costs budgeted for property insurance, liability insurance, tort, non-tort, and workers' compensation amount to \$44.2 million. Rental payments are roughly flat at \$13 million. Unallocated grants and miscellaneous contingency are budgeted at \$497.3 million, an increase of \$221.7 million from the FY2009 level of \$275.6 million. Unallocated grants and contingency represent contingent appropriations for many educational programs that have not yet been allocated to schools and future grants and grant carry-overs that schools may receive in FY2010. In FY2010, this amount is also inflated due to expected federal stimulus receipts.

PER-PUPIL SPENDING INFORMATION

The standard per-pupil cost measures available for all districts in Illinois are the Operating Expenses Per-Pupil and the Per-Capita Tuition Charge. When comparing Chicago with other districts, a third measure, the Adjusted Per-Capita Tuition Charge, is also needed. Definitions and comparison of these costs are presented below:

Operating Expense Per-Pupil: Total operating cost of regular K-12 programs divided by the nine-month average daily attendance. This measure excludes expenditures related to preschool, summer school, adult education, capital expenditures, and bond principal and interest.

Per-Capita Tuition Charge: The amount a local school district charges as tuition to nonresident students. It is a reasonable measure of basic education program costs. Per-capita tuition is calculated by deducting the costs of supplemental programs from operating expenses and dividing the result by the nine-month average daily attendance.

Adjusted Per-Capita Tuition: The per-capita tuition charge is adjusted to exclude the costs of Supplemental General State Aid programs (which are not basic programs). Chicago is the only Illinois district for which this adjustment is necessary.

FY08 Illinois Public School Per Capita Cost for Actual Operating Expense by District						
Components of Operating Expenses Per Pupil	Chicago	Suburban Cook	State Average With CPS	Average Without CPS	Highest Per Capita District	Lowest Per Capita District
Operating Expense Per Pupil	\$ 11,536	\$ 12,011	\$ 10,470	\$ 10,224	\$ 22,778	\$ 5,800
Less Supplemental Programs	<u>\$ (3,579)</u>	<u>\$ (1,174)</u>	<u>\$ (1,687)</u>	<u>\$ (1,251)</u>	<u>\$ (497)</u>	<u>\$ (1,349)</u>
Per Capita Tuition Charge	\$ 7,957	\$ 10,837	\$ 8,783	\$ 8,973	\$ 22,281	\$ 4,451
Less Supplemental General State Aid	<u>\$ (740)</u>	<u>\$ -</u>	<u>\$ (139)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
=Basic Cost Per Pupil	\$ 7,217	\$ 10,837	\$ 8,644	\$ 8,973	\$ 22,281	\$ 4,451
(Adjusted Per Capita Tuition)						

Source: Illinois State Board of Education ILEARN website, July 1, 2009