

CHICAGO PUBLIC SCHOOLS BUDGET PROCESS

Annually, the Chicago Board of Education, the Chief Executive Officer, and the Budget Office prepare and distribute the annual budget. The budget reflects the labor and material resources required to fulfill the goals and objectives outlined by the Board. Additionally, the budget is essential for establishing Board policy and maintaining control over the management of public resources. The FY2007 budget preparation process began in September 2005 and will end in June 2006 with the adoption of the final budget by the Chicago Board of Education. This section outlines the legal requirements that define the budget process and the stages of budget development. The chart below provides an overview of the budget process.

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Legal Requirements

Previously, the Chicago School Finance Authority (SFA) had the mandate of ensuring that the Board operated within prescribed fiscal guidelines. The 1995 Amendatory Act (see following page) specified that the financial oversight powers and responsibilities of the School Finance Authority be suspended for the fiscal years 1996 through 1999. However, subsequent legislation permanently suspended the powers and responsibilities of the SFA. The fiscal responsibilities of the Chicago Board of Education include those previously assumed by the SFA. They include reducing the cost of

non-educational services, developing a long-term financial plan that, to the maximum extent possible, reflects a balanced budget for each financial year, and developing a responsible school-based budgeting process.

Public Act 89-15 (“1995 Amendatory Act”), approved on May 30, 1995, and effective June 30, 1995, and various additional amendments made to the School Code in 1996, 1997, and 1998 (the “Subsequent School Code Amendments”), made significant changes in the governance, financial structure, and management of the Chicago Public Schools, which include the following:

1. The then-existing 15-member Board was abolished and replaced by a five-member Reform Board that was appointed by the Mayor of the City of Chicago. The Reform Board of Trustees served as the governing board of the school district until June 30, 1999. On July 1, 1999, the Reform Board of Trustees was succeeded by a new Board of Education of the City of Chicago consisting of seven members appointed by the Mayor of Chicago. The appointments to the Board do not require approval of the City Council.
2. For fiscal years 1996 through 1999, the tax levies for Buildings, Playgrounds, Textbooks, Special Education, Agricultural Science School, and Teachers’ Pensions are consolidated in the General Operating Fund. The consolidated rate limit for the Education Fund is equal to the sum of the rate limits of the funds that were consolidated. The Subsequent School Code Amendments made these changes permanent.
3. The funding requirement for the Public School Teacher Pension and Retirement Fund changed.
4. Effective July 1, 1995, the following state grants were changed to block grants and the Subsequent School Code Amendments made these changes permanent.
 - A General Education Block Grant, which the CPS can spend for any purpose, combines grants such as Agricultural Education, Early Childhood Block Grant, Gifted Education, Hispanic Dropouts, Professional Development block grant, Reading Improvement Block Grant, Truants Alternative Optional Education, Substance Abuse, K-6 Comprehensive Arts, and Urban Education.
 - An Educational Services Block Grant, which the CPS must spend on the following programs: Special Education, Bilingual Education, Transportation, Education Service Center, Free Lunch and Breakfast, Summer School, and the Administrators’ Academy.
 - A Bridge/Classroom/Extended Day grant was added to the General Education Block Grant, effective July 1, 2001.
5. Supplemental General State Aid (formerly State Chapter 1) funding was set at a minimum of \$261 million annually.
6. Effective in fiscal year 1998, the fiscal year changed to July 1 through June 30. This new fiscal year was established in conformity with the fiscal year of the State of Illinois and most other Illinois school districts.

Additionally, The Illinois School Code requires the following procedures be adhered to by the Board:

1. The Board must adopt a budget within the first 60 days of each fiscal year.
2. A proposed budget must be prepared and made available for public review for at least 15 days prior to its finalization.
3. At least five days after copies of the proposed budget are made available for review, the Board is required to hold at least two public hearings. In compliance with this provision, the Board holds three public hearings throughout the city.
4. Notice of budget hearing dates must be published in a City of Chicago newspaper at least five days prior to the time of the hearing. To comply with this provision, the Board issues a press release to all media outlets, citizen groups, schools, and Local School Councils.
5. If the budget requires amending after the initial budget has been adopted, advance notice and public hearings must be conducted to approve a supplementary budget.

Budget Development

The Office of Management and Budget (OMB) prepares and recommends a proposed budget to the Chief Executive Officer (CEO). The CEO presents the proposed budget to the Chicago Board of Education for final approval. OMB also analyzes and monitors the budget throughout the fiscal year. A budget calendar is established each year to enable the Budget Director and staff to prepare a proposed budget that meets all the provisions of the Illinois School Code.

Budget Preparation

The budget preparation process requires intensive involvement of Central Office instructional and operational program staff. This includes meetings with program facilitators to determine school grant program allocations. The budget preparation process for FY2007 involved:

- Establishing a budget development calendar.
- Reviewing and enhancing system design changes to the CPS budget system.
- Identifying and prioritizing educational needs and developing major resources and appropriation assumptions.
- Preparing resource and appropriation estimates consistent with the assumptions.
- Revising revenue estimates based on the appropriations in the Illinois state budget and estimates of the property tax limit.

Schools and Preparation of the School Improvement Plan for Advancing Academic Achievement

Schools, in conjunction with their Local School Council and community members, develop a School Improvement Plan for Advancing Academic Achievement (SIPAAA). The SIPAAA serves as a blueprint for improving the school and enhancing student education. This plan is required by the state and is the basis for all school activities. Accordingly, schools use their SIPAAA to develop their individual school budgets. Using CPS budget system, schools enter their proposed budgets into an on-line computer system each spring. Final approved budgets are available at the beginning of each fiscal year.

Training and Distribution of Budget Materials

During the months of January through April, OMB and other CPS departments conduct computer training classes for schools, Areas, and Central Office units. The purpose of training classes is to train staff on how to utilize the computerized budget request system. Additionally, the Budget Office distributes Preparation Training Manuals and a budget calendar outlining the entire budget process to the Area Instructional Offices and Central Office units.

Budget Production

School units prepare their budgets from February through April. Schools submit budgets to the Area Instructional Offices for review along with the SIPAAAs.

Central Office units divide their budgets into administration and initiative sections, with significant guidance from leadership regarding the strategic priorities of the district. In FY 2007, the Central Office has undergone a significant position review led by the Human Resources team.

Once finalized, school and Central Office funding requirements are summarized and submitted to the Chief Executive Officer for review. Final recommendations are incorporated into a proposed budget that is forwarded to the Board for review.

The announcement of the availability of the proposed budget for review by the public, reform groups, and the press is made according to the Illinois School Code. The Chicago Public Schools holds three public hearings on the proposed budget. OMB then prepares a final school budget for adoption by the Chicago Board of Education.