

## EXPENDITURE ANALYSIS

Below is a description and analysis of expenditures budgeted in FY2007 general operating and debt service funds. This section includes summary comparisons between costs in the FY2006 final budget and FY2007, as well as a summary of expenditures by educational programs.

### Expenditure Analysis

FY2007 appropriations in the general operating and debt services funds totals \$4,669.4 million, an increase of \$222.6 million or 5% for these same funds in the final FY2006 budget. Over 65% of this increase was driven by higher teacher salaries and employee benefits costs, which is analyzed in more detail in the sections below.

The table below represents appropriations by expenditure type for FY2007:

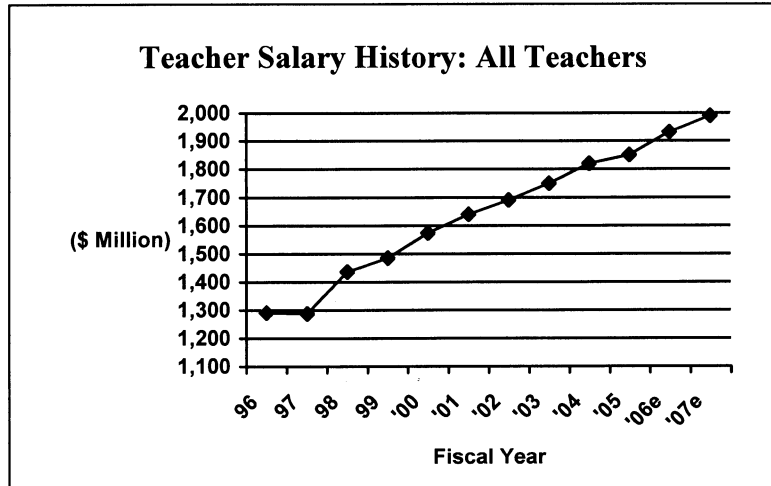
<b>FY2007 All Funds (In Millions)</b>	<b>General Fund</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>FY 07 Total*</b>	<b>FY 06 Total*</b>	<b>Variance</b>
Teacher Salaries	1,602.7	386.7		1,989.4	1,932.1	57.3
Ed Supp. Personnel Salaries	202.8	324.5		527.3	530.4	(3.1)
Employee Benefits	<u>507.1</u>	<u>231.3</u>		<u>738.4</u>	<u>643.4</u>	<u>95.0</u>
<b>Compensation Total</b>	<b>2,312.6</b>	<b>942.5</b>		<b>3,255.1</b>	<b>3,105.9</b>	<b>149.1</b>
Commodities & Utilities	50.6	222.1		272.8	251.4	21.4
Non-personnel Services	377.2	222.8	6.2	606.3	573.7	32.6
Equipment	6.5	8.8		15.2	18.4	(3.2)
Other	51.6	209.5		261.1	262.3	(1.2)
Debt Service	<u>0</u>	<u>1.4</u>	<u>257.5</u>	<u>258.9</u>	<u>235.0</u>	<u>23.9</u>
<b>Total Appropriations</b>	<b>2,798.5</b>	<b>1,607.1</b>	<b>263.7</b>	<b>4,669.4</b>	<b>4,446.7</b>	<b>222.6</b>

\*Small differences are due to rounding

### **Salaries**

#### ***Teachers***

For FY 2007, teacher salaries are budgeted at \$1,989.4 million, as compared to \$1,932.1 million in FY 2006, representing an increase of \$57.3 million. Over the last five fiscal years, teacher salaries have risen steadily from \$1,749.9 in FY 2003 for an increase of \$239.5 million due to negotiated union wage increases.

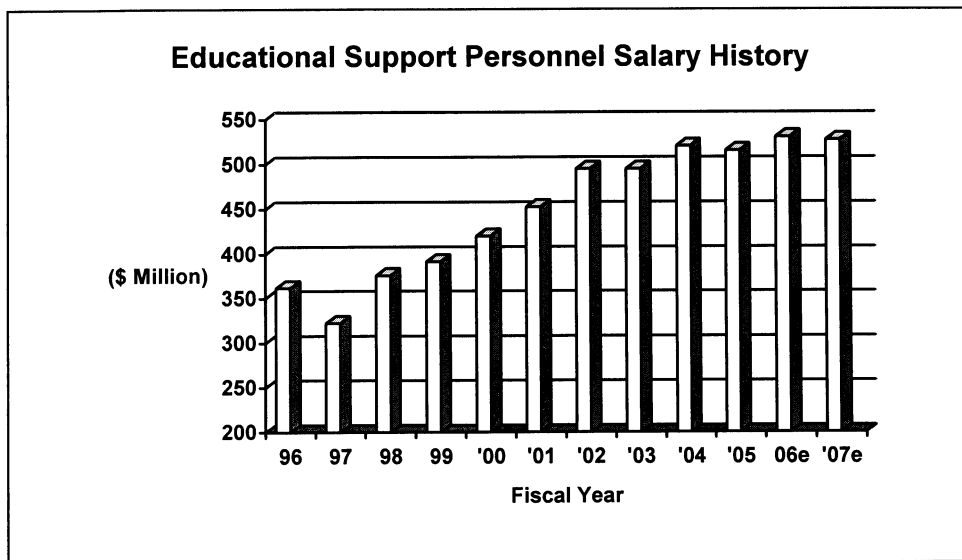


The “teacher salaries” category encompasses all employees who hold teacher certificates. This includes regular teachers, full-time basis teachers, substitute teachers, assistant principals, principals, and other administrators, all of whom are members of the Public School Teachers’ Pension and Retirement Fund of Chicago.

The number of all teacher positions budgeted for FY2007 is 27,868 a decrease of 1,062 from the 28,930 budgeted for FY2006. 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. Despite the decrease in the number of teachers, the average teacher salary increased by approximately 5.5% from FY2006 to FY2007 based on a 4% cost of living salary increase and step increases that are required by the union contract.

#### ***Educational Support Personnel (Non-Teachers)***

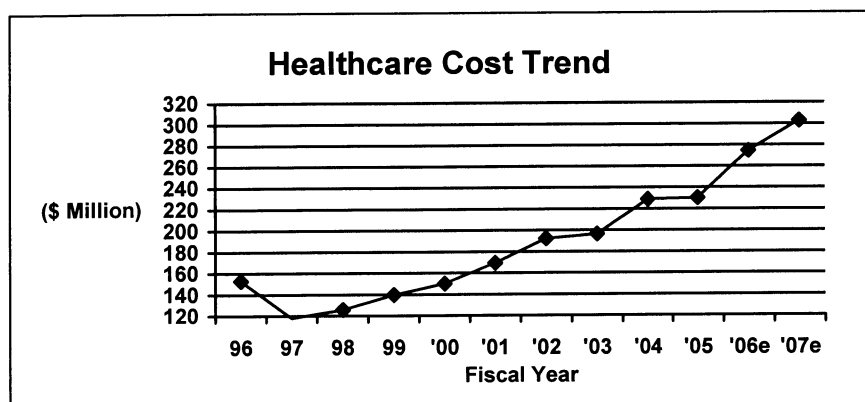
For FY 2007, educational support personnel (ESP) salaries are budgeted at \$527.3 million, as compared to \$530.4 million in FY 2006, resulting in a decrease of \$3.1 million. This decrease is largely attributable to enrollment declines and reductions in central office administrative salary costs. The total FY2007 salaries for school based and unionized ESP are budgeted to include a 4% salary increases and step increases, thereby increasing the average salary by approximately 5% from FY2006 to FY2007. For FY2007, administrative ESP working at the central office and within certain programmatic functions were excluded from receiving the traditional cost of living and step increases. The net decrease due to reductions in central office personnel costs has helped to maintain ESP salary costs level over the past few years relative to the increase in teacher salary cost.



## Benefits

### *Healthcare Insurance*

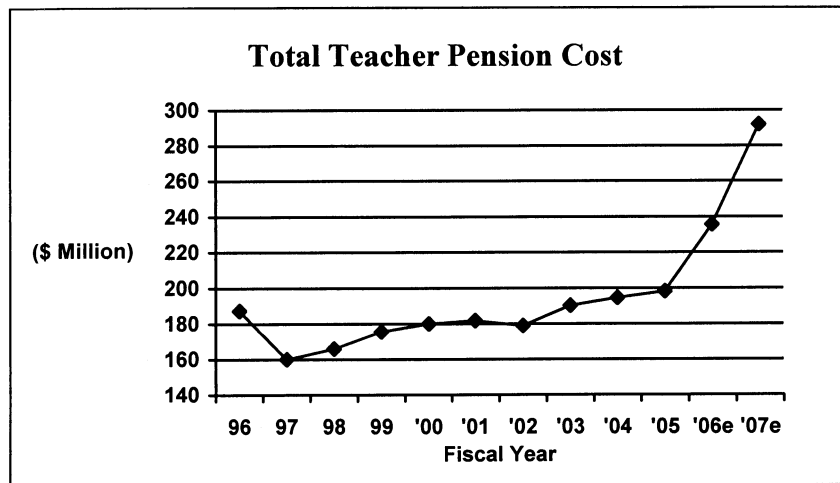
The FY2007 healthcare cost is budgeted at \$302.9 million, an increase of \$28.3 million or 9.1% over FY2006 appropriations. The CPS group health plan is self-insured, and the Board assumes the full risk for insuring employees. Since FY 2003, healthcare costs have risen significantly from \$196.5 for an average increase of approximately 11% per year. Nationwide, healthcare costs have seen similar increases with an inflation trend of approximately 12% expected for 2007.



### *Teacher Pension*

For FY 2007, teacher pension costs are budgeted at \$291.9 million, as compared to \$235.6 million in FY 2006 for an increase of \$56 million. This cost includes both CPS' cost of the pension, and a pension benefit that is paid on behalf of employees. State statutes govern how the

Chicago Teachers' Pension Fund must be funded. This year, the funding ratios for the Chicago Teachers' Pension Fund require that CPS must allocate additional employer contributions totaling approximately \$69.4 million versus \$15.8 million in FY 2006, representing an increase of \$53.6 million, and thus the majority of the \$56 million increase. Over the last five fiscal years, teacher pension costs have risen steadily from \$190.3 in FY 2003, for an average increase of almost 11% per year.



### ***Workers' and Unemployment Compensation and Medicare / Social Security Tax***

The Unemployment Compensation is budgeted at \$10.9 million for FY2007, an increase of \$2.0 million due from FY2006. The increase is largely related to the continued reductions in staff. The Medicare and Social Security tax budget totals \$24.8 million, to pay for employees hired after March 30, 1986, and part-time employees who receive hourly wages.

The FY2007 Workers' Compensation expenditure is estimated at \$23.1 million, a \$5.1 million increase over the FY2006 budget due to an increase in claims. Workers' Compensation is a system of benefits provided by law to most workers who have job-related injuries or diseases; these benefits are paid regardless of fault.

### **Commodities**

The commodities category includes textbooks, supplies and postage, energy, food and telephone/telecommunications costs. Energy costs (electricity and natural gas) are budgeted at \$83.3 million for FY2007. This is a \$15.7 million or 23.2% increase over the FY2006 budgeted amount, which is attributable to record nationwide cost increases for oil and gas. Food costs will increase to \$92.4 million from \$91.6 million budgeted for FY2006. The telecommunications budget will increase from \$3.8 million in FY2006 to \$4.5 million in FY2007. The total budget for textbooks, supplies, and software and postage amounts to \$92.6 million for FY2007 compared to \$88.4 million for FY 2006, an increase of \$4.2 million.

## Non-Personnel

The FY2007 budget for Non-Personnel Services is \$606.3 million, or \$32.6 million higher than the FY2006 Non-Personnel Services. The increase is largely due to an increase in contractual services of \$36.6 million (detailed below), offset slightly by a \$4.2 million decrease in transportation, equipment rental, repair contract and printing costs.

This year, tuition, professional services and contractual services costs were consolidated in certain reports. For FY 2007, these costs are estimated at \$474.5 million compared to \$437.9 million in FY 2006 for an increase of approximately \$36.6 million. The table below shows the net change in the cost for contractual services between FY 2006 and FY 2007. The increase in contractual services is largely due to an increase in charter and alternative school capacity as approximately 5,400 additional charter and contract school students slots were made available in FY2007 from FY2006, amounting to an increase of almost \$33 million. The \$6.3 million increase associated with supplementary programs represents the net of an increase in early childhood subcontractors and a decrease in costs for SES private providers, as more of the SES services will be provided directly by CPS. The \$2.7 million reduction in facilities, food services and administration is a net reduction due to a decrease in central office administrative and property advisor subcontracting and an increase in costs for private custodians.

### Contractual Services Appropriations

	<b>FY07 Appropriation</b>	<b>Change from FY06</b>
General and Special Education (i.e. charter, contract and private special ed schools)	\$226.9	\$33
Supplementary Education Programs (i.e. SES tutors, early childhood subcontractors)	108.3	6.3
Facilities, Food Services and Administration (i.e. private custodians and engineers, telecom/network providers)	139.4	(2.7)
	<b>\$474.5</b>	<b>\$36.6</b>

## Equipment

The FY2007 budget for this category is proposed at \$15.2 million compared to \$18.4 million for FY 2006, a decrease of approximately \$3.2 million from the FY2006 level. Educational equipment includes expenditures on computers, printers, projectors, copiers, and fax machines.

## Other Charges

The FY2007 cost for Other Charges totals \$261.1 million. Other charges include unallocated educational program costs, miscellaneous charges, unallocated appropriations for future grants that the Board may receive, inter-fund allocations, rental fees, and insurance and legal claims.

The FY2007 budget allocates inter-fund charges of \$4.9 million in Special Revenue Funds. Certain Central Office operating costs in the General Fund are allocated to special revenue funds using cost accounting methods. The Board reduces General Fund appropriations by the amount of the inter-fund costs incurred for the benefit of other funds, and increases appropriations in the other funds by an equal amount.

Total costs budgeted for property, liability insurance, tort, and non-tort claims amount to \$17.7 million compared to \$14.0 million for FY 2006 an increase of \$3.6 million due to increasing insurance premiums.

For FY 2007, miscellaneous costs are estimated at \$235.9 million compared to \$240.2 million for FY 2006, for a decrease of \$4.3 million. Many schools often keep their non-compensation allocations in miscellaneous appropriation lines at the beginning of a fiscal year. During the school year, schools transfer these funds to various expenditure types, reflecting Local School Council decisions. Also budgeted in contingent expenditure lines are spending plans awaiting Board approval, prior-year fund balance, and anticipated grants from federal, state, and private foundations.

The Board appropriates funds for many educational programs, such as after-school and high school improvement programs, as miscellaneous charges at the beginning of a fiscal year. As spending plans are finalized, funds are reallocated to appropriate expenditure codes at the school units.

### **Debt Services**

Debt service costs increased by \$23.9 million from FY2006 to FY2007 to issue a new bond to finance the 2007 capital program. More details are included in the Debt Services section of the budget book.