<table>
<thead>
<tr>
<th>1. President’s Remarks</th>
<th>President Mary Richardson-Lowry</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Overview of the Problem</td>
<td>Dr. Barbara Eason-Watkins, CEdO</td>
</tr>
<tr>
<td>3. The Budget Impact</td>
<td>Ron Huberman, CEO</td>
</tr>
<tr>
<td>4. The School-Based Budget</td>
<td>Diana Ferguson, CFO</td>
</tr>
<tr>
<td>5. A Note on Hiring</td>
<td>Alicia Winckler, CHCO</td>
</tr>
<tr>
<td>6. What Action You Can Take</td>
<td>Ron Huberman, CEO</td>
</tr>
<tr>
<td>7. Conclusion and Q &amp; A</td>
<td></td>
</tr>
</tbody>
</table>
FY2011 Budget Picture

- CPS closed a $475 M. deficit for FY2010 with efficiency improvements and 1-time revenue opportunities
- These opportunities are no longer available

Projected Operating Deficit: 2010 – 2014

Source: CPS FY2011 budget projections, OMB
2 Options For Planning

1. Hope for the best... Plan for what we have now!
   - Plan for $700 M. Deficit
   - Build Back Quickly

   Now ➔ School Starts

2. Head in the sand... React without a strategy!
   - Plan for No Deficit
   - Reduce at Last Second

   Now ➔ School Starts
What Are Other Districts Doing?
School Districts Across the Nation

Detroit
- $317 M shortfall (26% of budget)
- 2,100 proposed layoffs
- 41 schools proposed for closure

Cleveland
- Closing 10% of schools
- Layoffs proposed

Los Angeles
- $640 M. deficit
- 5,200 layoff notices
- Administrators taking unpaid days and pay reductions

Kansas City
- Board approved plan to close nearly 50% of the district’s schools
- Laying off 25% of workforce
- $55 M. deficit (17% of budget)

Orange Co.
- $353 M. deficit
- 2,609 layoffs proposed
- Increased class size
- Up to 11 furlough days
- Shortened calendar

Hawaii
- Friday shutdown days
- Increased class sizes
- Additional layoffs projected
Rockford
- District has proposed wage freezes for all union employees
- Drawing on $30 M. of reserves

Peoria
- $6 - $8 M. budget shortfall
- Additional layoffs planned
- 121 layoffs last year

Elgin
- $48.6 M. deficit (12% of budget)
- Potential layoffs

Pontiac
- $1 M. deficit
- Laying off 39 positions
- Proposed elimination of all sports

Quincy
- Proposed layoff of 319 positions across the 9 county district

Decatur
- Budget reserve has declined 88% since 2007-2008
- Collecting fees for sports and activities

Du Quoin
- $1.9m deficit (19% of budget) due to reduced state funding
What We’ve Done So Far
Before Touching Schools: Deep Cuts to CO/CW

- 3 rounds of major cuts to Central Office and Citywide Services

$100 Million

$ 65 Million

$ 45+ Million
FY 2010 Central Office/Citywide Services Cuts

- Department/Program Inefficiencies: $48 M.
- Ineffective Programs: $12 M.
- Program Overlap/Alignment: $33 M.

Total: $100 M.

536 Staff Reductions
2nd 2010 Mid-year Cuts: $65 M.

- Administrative Personnel and Services: $27 M.
- Programmatic & Supplemental Efficiencies: $23 M.
- Utilities & Service Contract Negotiations: $15 M.

Total: $65 M.
Further Cuts to Address FY11 Lack of Funds:

- Additional reductions in Central Office/Citywide Services – **500+ Staff Reductions**

- Additional 3 weeks unpaid holiday/regularly scheduled work days and Central Office shut down days for all non-union Central Office and Citywide staff - **$8 M**

- Additional Central Office/ Citywide programs and services - **$45 M.**
What Makes Up The Deficit?
Why is Deficit So Large?

1. Decreased State Funding
   - Bilingual Education: $21 M.
   - Early Childhood Education: $14 M.
   - Teacher Pension Contribution: $33 M.

2. Decreased Local Revenue
   - $138 M.
Why is Deficit So Large?

3. Increased Teacher Pension Contribution
   - $279 M.

4. Increased Teacher Compensation
   - $169 M.
   - 4% COLA
   - Healthcare
   - “Step/Lane” Increases for union members

5. Increased Operational/Construction Expenses
   - $133 M.
More State Cuts!

CPS Deficit

$700 M.

FY2011

$300 M.

$1 B.

Additional State Cuts

$300 M.
Increases in Pension Costs Drive the Deficit

FY 2011 CPS Teacher Pension contribution is more than triple 2009 level

Source: CPS FY2011 budget projections, OMB
Illinois’ total teacher pension contributions have increased significantly.

CPS’ share decreased from 19% in FY1996 to 1.5% in FY2010.

State Teacher Pension Fund: CTPF vs. TRS

Dollars in Millions


62 62 65 65 65 65 65 65 65 65 65 65 65 65 33

330 385 466 573 639 724 814 929 1,032 1,200 1,365 1,519 2,411

Source: CPS FY2011 budget projections, OMB
State Cuts in Bilingual/Early Childhood

- CPS has used Stimulus funding to offset 50% state cut to maintain Bilingual Education program at FY2009 level
- District will feel effects of stimulus-related funding cliff in FY2012

CPS Bilingual Education State Funding: 2004 – 2010 ($M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2004</td>
<td>35</td>
</tr>
<tr>
<td>FY2005</td>
<td>36</td>
</tr>
<tr>
<td>FY2006</td>
<td>35</td>
</tr>
<tr>
<td>FY2007</td>
<td>37</td>
</tr>
<tr>
<td>FY2008</td>
<td>41</td>
</tr>
<tr>
<td>FY2009</td>
<td>42</td>
</tr>
<tr>
<td>FY2010</td>
<td>21</td>
</tr>
</tbody>
</table>

CPS Early Childhood State Funding: 2004 – 2010 ($M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2004</td>
<td>79</td>
</tr>
<tr>
<td>FY2005</td>
<td>90</td>
</tr>
<tr>
<td>FY2006</td>
<td>101</td>
</tr>
<tr>
<td>FY2007</td>
<td>118</td>
</tr>
<tr>
<td>FY2008</td>
<td>129</td>
</tr>
<tr>
<td>FY2009</td>
<td>141</td>
</tr>
<tr>
<td>FY2010</td>
<td>127</td>
</tr>
</tbody>
</table>

Source: CPS FY2011 budget projections, OMB
Key Elements for Reducing Deficit

$700 – 1 B.

Action from Springfield (Pension Relief and Increased Revenue)

Union Concessions

Central Office/Citywide

Remaining Deficit

Source: CPS FY2011 budget projections, OMB
Springfield, Act Now!

- $400+ Million in Pension Relief
- Increased Revenues
School-Based Budget Impact
Assumptions

✓ Level State Funding (Doesn’t include additional $300M cut from State)

✓ Keep as many schools open as possible; abide by all laws & requirements

✓ Includes only those things we can control

✓ Represents a work in progress -- may not be able to realize full programmatic value when making cuts
School-based Budget Items: $ 301 M.
Central Office/ Citywide Services: $ 398 M.

3,200 Teachers

Non-Teaching Staff 600+

$700 Million Reduction
### Lack of Funds: $700 Million

**SCHOOL-BASED ITEMS**

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase class size to 37 students per class (HS &amp; Elem.)</td>
<td>$160 M.</td>
</tr>
<tr>
<td>Cut in half supplemental resources for magnet, magnet cluster,</td>
<td>$22 M.</td>
</tr>
<tr>
<td>Montessori, gifted and IB programs</td>
<td></td>
</tr>
<tr>
<td>Reduce Early Childhood Education programs</td>
<td>$34 M.</td>
</tr>
<tr>
<td>Reduce Bilingual Education programs</td>
<td>$27 M.</td>
</tr>
<tr>
<td>Reduce District funded resources supporting full day kindergarten programs</td>
<td>$16 M.</td>
</tr>
<tr>
<td>Reduce discretionary funding at schools not eligible to receive</td>
<td>$3 M.</td>
</tr>
<tr>
<td>Title I funding</td>
<td></td>
</tr>
<tr>
<td>Reduce positions not supported by student enrollment and formulas,</td>
<td>$27 M.</td>
</tr>
<tr>
<td>including:</td>
<td></td>
</tr>
<tr>
<td>ESP positions, quota positions, over-formula positions at small</td>
<td></td>
</tr>
<tr>
<td>schools, clerks, assistant principals</td>
<td></td>
</tr>
<tr>
<td>Cancel plans to expand Academic Enhancement programs</td>
<td>$2 M.</td>
</tr>
<tr>
<td>Reduce operational support including: security, maintenance</td>
<td>$10 M.</td>
</tr>
</tbody>
</table>
| **TOTAL**                                                           | $301 M.
### Lack of Funds: $700 Million

<table>
<thead>
<tr>
<th>CENTRAL OFFICE-CITYWIDE SERVICES ITEMS</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce enrichment and after school programs including:</td>
<td>$17 M.</td>
</tr>
<tr>
<td><em>Freshman Connection, High School Orientation activities, AVID</em></td>
<td></td>
</tr>
<tr>
<td>Eliminate all District supported Non-Varsity sports programming</td>
<td>$7 M.</td>
</tr>
<tr>
<td>Eliminate non-mandatory transportation to magnet and other options for knowledge schools and summer school</td>
<td>$27 M.</td>
</tr>
<tr>
<td>Reduce all centrally managed programs and resources to gifted and IB programs.</td>
<td>$3 M.</td>
</tr>
<tr>
<td>Eliminate District funded coach positions that support teacher, counselor and principal development</td>
<td>$4 M.</td>
</tr>
<tr>
<td>Reduce alternative school options for at risk students (credit recovery)</td>
<td>$5 M.</td>
</tr>
<tr>
<td>Reduce funding rate for per pupil-based schools by 18%, including charter and contract schools</td>
<td>$50 M.</td>
</tr>
<tr>
<td>Additional Central Office/Citywide reductions including:</td>
<td>$45 M.</td>
</tr>
<tr>
<td><em>reduce/eliminate administrative departments, CAO programs</em></td>
<td></td>
</tr>
<tr>
<td>Draw down from reserves and reduce Capital program</td>
<td>$240 M.</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$398 M.</strong></td>
</tr>
</tbody>
</table>

**Under Construction**
School-Based Budget Timeline
High-Level Budget Timeline / Key Activities

- March 29th: BSC Training To Schools Starts
- April 30th: SIPAAA Completion Deadline
- May 7th: Budget & SIPAAA Review Completed By Areas
- 1st Week of July: FY11 Loaded Budget File Available For Spend
- Early August: Budget Hearings
- August Board Meeting: FY11 Proposed Budget To The Board For Approval

On-line Budget Available To Schools
Budget And SIPAAA On-line Tools Close
Take a Breather!

Write your Questions
Hiring Needs May Still Exist
Demand for teachers will still exist

- Known Teacher Turnover Over Next 5 Mos.: 1,914

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Known Retirements</td>
<td>429</td>
</tr>
<tr>
<td>Historical Resignations</td>
<td>600</td>
</tr>
<tr>
<td>Submitted PAT Non-renewals</td>
<td>585</td>
</tr>
<tr>
<td>Est. H.C. Audit Releases</td>
<td>300</td>
</tr>
</tbody>
</table>

You will receive school-specific staffing guidance when you receive your school budget.
Finding Quality Talent: Still a Priority

- Qualifications of people leaving CPS will not necessarily be matched by people remaining; therefore, hiring will still be necessary

**Our Pledge:** Human Capital will provide projected needs by school with school-based budget

**Your Part:** Help us validate the projections so that we identify the right recruiting strategies to meet your needs
We Must Take Action!
CALL TO ACTION!

- Talk to your Teachers
- Talk to your LSC
- Distribute Letter to Parents
- Talk to the Community
- All: Contact your elected officials
Keeping Informed!

- Special mailbox
  savemoneyforstudents@cps.k12.il.us
    - Your suggestions and comments
- Budget website under construction and will include:
  - Updated information
  - FAQs
  - Sample letters
CALL TO ACTION!

- Talk to your Teachers
- Talk to your LSC
- Distribute Letter to Parents
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- All: Contact your elected officials