Popular Annual Financial Report

For the fiscal year ended
June 30, 2019

Lori Lightfoot, Mayor
City of Chicago, Illinois

Chicago Board of Education
Miguel del Valle, Board President
Sendhil Revuluri, Board Vice President
Board Members: Luisiana Melendez, Amy Rome, Lucino Sotelo, Elizabeth Todd-Breland, Dwayne Truss

Chicago Public Schools
Janice K. Jackson, EdD, Chief Executive Officer
Lenny Moore, CPA, MBA, CGFM, Controller
### CSPS at a Glance

#### STUDENTS
**TOTAL**: 361,314

<table>
<thead>
<tr>
<th>Enrollment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-kindergarten</td>
<td>17,668</td>
</tr>
<tr>
<td>Kindergarten</td>
<td>24,128</td>
</tr>
<tr>
<td>Elementary (1-8)</td>
<td>213,651</td>
</tr>
<tr>
<td>Secondary (9-12)</td>
<td>105,867</td>
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#### Racial Makeup

<table>
<thead>
<tr>
<th>Race</th>
<th></th>
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<tbody>
<tr>
<td>Hispanic</td>
<td>46.7%</td>
</tr>
<tr>
<td>African American</td>
<td>36.6%</td>
</tr>
<tr>
<td>White</td>
<td>10.5%</td>
</tr>
<tr>
<td>Asian</td>
<td>4.1%</td>
</tr>
<tr>
<td>Multi-Racial</td>
<td>1.2%</td>
</tr>
<tr>
<td>Native American/Alaskan</td>
<td>.3%</td>
</tr>
<tr>
<td>Hawaiian/Pacific Islander</td>
<td>.2%</td>
</tr>
<tr>
<td>Not Available</td>
<td>.4%</td>
</tr>
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</table>

#### Additional Information

| Economically Disadvantaged | 76.6% |
| English Language Learners (ELL) | 18.7% |
| Individualized Education Program (IEP) | 14.1% |

#### Schools
**TOTAL**: 642

<table>
<thead>
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<th>Schools</th>
<th></th>
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<tr>
<td>Traditional</td>
<td>415</td>
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<tr>
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<tr>
<td>Early Childhood</td>
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<tr>
<td>Charter</td>
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<tr>
<td>Contract</td>
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<table>
<thead>
<tr>
<th>High School</th>
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<td>Contract</td>
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<tr>
<td>SAFE</td>
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#### Local School Councils

**Each Council Consists Of:**
- 6 Parent Representatives
- 2 Community Representatives
- 2 Teachers
- 1 Non-teaching Staff
- 1 Principal

#### Operating Budget
**FFY19 Budget**: $5.984 Billion

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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<tr>
<td>Local Sources</td>
<td>$3.267 billion</td>
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<td>State Sources</td>
<td>$1.849 billion</td>
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<tr>
<td>Federal Sources</td>
<td>$0.805 billion</td>
</tr>
<tr>
<td>Total Reserves</td>
<td>$0.063 billion</td>
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</table>

#### Employees By Function

<table>
<thead>
<tr>
<th>Function</th>
<th>Number</th>
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</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>24,509</td>
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<tr>
<td>Support Services</td>
<td>11,945</td>
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<td>Pupil support Services</td>
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<tr>
<td>Administrative Support Services</td>
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<td>Facilities Support Services</td>
<td>910</td>
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<tr>
<td>Instructional Support Services</td>
<td>2,616</td>
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<td>Food Services</td>
<td>2,718</td>
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<tr>
<td>Community Services</td>
<td>184</td>
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</tbody>
</table>

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Dear Friends and Colleagues,

We are pleased to present you with the Chicago Public Schools (CPS) Fiscal Year 2019 financial results.

Once again these results demonstrate CPS’ commitment to financial stability. CPS’ strong financial controls resulted in general operating revenues slightly exceeding expenditures, and demonstrates our commitment to being good stewards of public funds.

Further, the financial stability achieved through historic state funding reform has allowed CPS to continue investing in the programs and resources that drive student success and align with the equity focus at the heart of our Five-year Vision. We experienced our largest-ever programmatic expansion in 2019, adding programs like Science, Technology, Engineering, and Math (STEM); International Baccalaureate (IB), world language; and fine and performing arts to the schools that need them most, particularly those on Chicago’s South and West sides. We also took significant steps toward our goal of providing every four-year-old in Chicago with access to free, full-day pre-k by 2021; and we grew our Opportunity Schools program, which provides support for schools with the greatest staffing needs to help ensure they have equitable access to highly-qualified educators.

These initiatives align with the Five-Year Vision we released in spring 2019, building on our commitments to academic progress, financial stability, and integrity while ensuring that every decision, investment, and policy has equity at its core. Building on the success of our Equity Office, CPS has created a Curriculum Equity Initiative to provide a high-quality, culturally-sensitive curriculum for every school, and we are currently developing an Equity Framework to help focus our work to support students who need it most.

Our vision, along with the district’s improved financial stability, has contributed to historic growth among CPS students. Our graduation rate has jumped over 20 points in the past decade, and our elementary school students achieved their highest-ever elementary math and reading test scores, with more than half of students now meeting or exceeding their peers nationwide for academic growth. In addition, nearly half of all CPS seniors are graduating with college and career credentials, and last year’s graduating class earned nearly $1.5 billion in scholarship offers to help them continue their education. Our district also achieved the lowest-ever single-year dropout rate in CPS history, and a study recently released by the University of Chicago shows that nearly 80 percent of our district’s English Learners are achieving English proficiency by the time they enter high school.

CPS is committed to working with the Board of Education and Chicago’s new mayor, the Honorable Lori E. Lightfoot, to continue along this historic path. Our focus moving forward will be on maintaining our financial stability and on improving the equity and transparency that is needed if every child from every community in Chicago is to receive the high-quality education that will prepare them for success in college, career, and civic life.

Respectfully submitted,

Miguel del Valle
President
Chicago Board of Education

Janice K. Jackson, EdD
Chief Executive Officer
Chicago Public Schools

Chicago Board of Education

Miguel del Valle
President

Sendhil Revuluri
Vice President

Luisiana Melendez
Board Member

Amy Rome
Board Member

Lucino Sotelo
Board Member

Elizabeth Todd-Breland
Board Member

Dwayne Truss
Board Member
Chicago Public Schools (CPS) is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the City of Chicago. The Board of Education of the City of Chicago is established under and governed by Illinois School Code and is not a home-rule unit of government. The Board of Education of the City of Chicago operates a system of schools primarily for grades prekindergarten through twelve. As the third largest school district in the nation, our schools and students reflect the broad diversity of our city. In fiscal year 2019, CPS had 642 schools, including district-run traditional and options schools, charter and contract schools.

Student enrollment as of September 2018 was 361,314. CPS employs 36,287 workers, including 22,168 teaching positions.

CPS is governed by a seven-member Board of Education appointed by the Mayor of the City of Chicago. Board members elect one member to serve as President of the Board. In addition, pursuant to amendments to the Illinois School Code initially enacted in 1988, elected Local School Councils, composed of parents, teachers, principals and community representatives, exercise certain powers relating to the operation of individual schools, most notably the selection of principals.
Introduction

This popular version of our annual financial report is designed to give our readers a snapshot of Chicago Public Schools' financial condition and to highlight information that our parents, teachers, supporters, and community and state leaders should find helpful for improving their understanding of our operations.

This report does not provide all the detailed financial information that is contained in our Comprehensive Annual Financial Report (CAFR). The CAFR includes all of the audited financial statements and disclosures.

For a detailed report, please visit our website at http://www.cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx.

The primary function of the Department of Finance is to ensure the financial integrity of the organization and to accurately report on the Board’s financial condition in accordance with all state and federal legislation, governmental regulations and Board policies. While the auditors focus primarily on verifying the accuracy of the information presented, they also assess the financial risks to the organization and review the processes that CPS has in place to reduce these risks. As highlighted throughout this report, CPS has focused on improving its financial foundation and funding those activities that will improve the educational achievement of our students.

How We Did Last Year

The General Operating Fund ended fiscal year 2019 with a fund balance of $472 million, which is a $148 million increase from the fiscal year 2018 balance of $324 million. The increase in General Operating fund balance represented CPS’ continuous commitment to financial stability.

CPS ended the fiscal year with an unrestricted General Operating Fund cash balance of $246 million, an increase of $82 million from fiscal year 2018. The current unassigned fund balance of $346 million increased by $102 million from fiscal year 2018 and represents 6% of General Operating Fund expenditures.

Other fiscal year 2019 highlights include:

- Fiscal year 2019 budget totaled $7.5 billion with the operating fund totaling $5.9 billion. The capital projects fund budget was $1.0 billion and $0.6 billion was appropriated for the debt service fund.
- CPS’ operating revenues increased by $180.3 million or 3.1% from the prior year primarily due to an increase in property and replacement taxes of $144 million.
- Capital outlay expenditures increased by $273 million over the prior year for on-going construction and renovation projects.
- CPS issued over $849 million of bonds to provide funds for capital program financing and refunding.
- Total fund balance for all funds decreased by $42 million to $2 billion in fiscal year 2019 due to increased capital spending and decreased net proceeds received from debt issuance.
- Looking forward, CPS’ fiscal year 2020 General Operating Fund budget of $6 billion represents a 3% increase or $198 million from the prior year.
Finance Initiatives and Accomplishments

Five-Year Budget Vision

In March 2019, we launched a new Five-Year Vision that is focused on addressing these opportunity gaps, promoting equity, and building on the core commitments that remain at the heart of who we are: academic progress, financial stability, and integrity.

To achieve this vision, CPS’ FY2020 operating budget invests $3.8 billion in school-level funding for FY2020, allocating $619 million to capital projects such as state-of-the-art science labs, high speed internet, cutting edge technology, and the expansion of free, full-day Pre-K and high-quality academic programming. Schools will receive nearly $73 million in academic investments this year because we know rigorous, dynamic curriculum allows our students to reach their full potential. Above all, we are prioritizing equitable funding for our schools on the South and West sides to ensure every student in the district has access to the world-class education they deserve.

Capital Improvement Program

In fiscal year 2019, CPS continued to fund an ambitious Capital Improvement Program. Over $1 billion was budgeted for the program. CPS funded capital projects through a mixture of funding sources, including Intergovernmental agreements with the City of Chicago, Tax Increment Financing (TIF) and Capital Improvement Tax Bonds.

New Accounting Standards

Chicago Public Schools is required to comply with governmental accounting standards for financial reporting. These are the new accounting standards adopted by CPS in fiscal year 2019:

- GASB 83 Certain Asset Retirement Obligations addresses accounting and financial reporting for certain asset retirement obligations. This statement had no effect on CPS.
- GASB 88 Certain Disclosures Reacted to Debt, including Direct Borrowings and Direct Placements, improves note disclosures related to debt. This statement had no effect on CPS.

Finance Major Accomplishments

- In fiscal year 2019, CPS integrated the State of Illinois ePay program with the ASPEN student information system to a comprehensive system for data and payment collection.
- In fiscal year 2019, CPS developed and published a “Residents’ Guide” to the FY2019 budget.
- In fiscal year 2019, CPS reduced the maximum amount of short-term borrowing outstanding at one time by $250 million, from $1.1 billion in FY2018 to $844 million in FY2019. Reduced short-term borrowing interest expenses by $10 million, which is a structural budgetary savings. This was due to the district’s improved liquidity position, active cash flow forecasting, and the timing of draws.

Professional Financial Awards

The Government Finance Officers Association (GFOA) has awarded CPS with the Certificate of Achievement for Excellence in Financial Reporting each year since 1996 for its CAFR. Since 1998, CPS has also received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting.
Long-Term Financial Planning

As a result of CPS’s improved revenue structure, due primarily to new funding from the state and dedicated revenue sources for teacher pensions, the district’s reliance on one-time budget balancing measures has declined and performance in fiscal year 2019 indicates a structural balance that the district will seek to maintain going forward. CPS will, however, continue to face challenges in maintaining structural balance, with declining federal revenues, caps on local property taxes, and legacy debt service and pension costs.

The structural budget deficit that persisted through fiscal year 2017 was due primarily to inequitable state education funding, and the new state funding formula both guarantees a minimum funding level for CPS and sets a path to equitable funding. Full equity in funding, however, will not be achieved until the state is able to fully fund its Evidence-Based Funding formula, and, despite the state’s coverage of teacher pension normal cost, CPS remains the only school district in the state that funds the vast majority of its teacher pension costs.

The passage of the new Evidence-Based funding formula (EBF) in 2017 structurally increased the total level of state aid that CPS received. Before then, CPS experienced years of steady state revenue decline, making CPS increasingly reliant on property tax revenue. Since 2007, the percentage of property tax revenue comprising the total budget thus steadily increased from 36.7% in fiscal year 2007 to 41.5% in 2017. In fiscal year 2019, with inflation at 2.1%, the base property tax levy increased by $50 million, putting the total budget’s percentage of property tax revenue at 45%. Though CPS is able to take advantage of new property that is added to the base property values, the annual increase in non-pension dedicated revenues remains modest.
What is the Management’s Discussion and Analysis (MD&A)?

In the MD&A section of CPS’ annual report, management discusses numerous aspects of the organization, both past and present. Among other details, the MD&A provides an overview of the previous year of operations and how CPS fared in that time period. Management also touches on the upcoming year, outlining future goals and approaches to new projects.

Highlights from the Government-Wide Financial Statements

- Total assets of $9.8 billion increased $188 million or 2% primarily due to an increase in current cash balance and capital spending in FY19. Non-current assets decreased $295.38 million primarily due to the decrease of bond proceeds held with a trustee and other long term investments. Capital assets, net of depreciation, for fiscal year 2019 totaled $5.99 billion and $5.96 billion in fiscal year 2018.
- In fiscal year 2019, CPS issued $849 million of new bonds, consisting of $763 million of General Obligation Bonds and $86 million of Capital Improvement Tax Bonds to fund the Capital Improvement Program. Long-term liabilities increased $1.253 billion or 5.3% due to the issuance of new bonds and an increase in the pension liability. The total long-term portion of debt outstanding and capitalized leases was $8.8 billion in fiscal year 2019 and $8.7 billion in fiscal year 2018.
- Accrued pension increased to $13.4 billion in fiscal year 2019 from $12.4 billion in fiscal year 2018, an increase of $1.0 billion or 8%. The year-end balance reflects the increase in the net pension liability related to CTPF.
- Other post-employment benefit (OPEB) liabilities increased to $2.272 billion in fiscal year 2019 from $2.270 billion in fiscal year 2018, an increase of $1 million, or 0.1%. The year-end balance reflects the increase in net OPEB related to healthcare costs associated with CTPF.
- CPS’ net position decreased $739 million to a deficit of $14,796 million. Of this amount, CPS recorded a negative $1.426 billion net investment in capital assets, net of depreciation, and related debt. Restricted net position of $853 million are reported separately to present legal constraints from debt covenants and enabling legislation. The deficit of $14,223 million of unrestricted net assets represents the shortfall CPS would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2019.
Statement of Net Position

As Reported in Government-Wide Financial Statements

This Statement of Net Position is aimed at citizens who are interested in a government's finance, but do not have direct access to the detailed accounting data. The government-wide financial statements are designed to provide readers with a broad overview of the school district's finances in a manner similar to a private sector business. Government-Wide Financial Statements are available in CPS’ Comprehensive Annual Financial Report (CAFR).

The Statement of Net Position presents information on all of CPS’ assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

All of CPS’ services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility support services and food services. Property taxes, replacement taxes, state aid, interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.
How Are Chicago Public Schools Funded?

The Chicago Public Schools are financed through a combination of local, state and federal sources. CPS uses fund accounting to ensure and to demonstrate compliance with government accounting and legal requirements.

Resources from all sources totaled $7.5 billion for fiscal year 2019. The Federal government contributed 9% of all revenues for CPS in fiscal year 2019, while State Aid was 29%. The remaining 62% of resources are raised locally and include property and replacement taxes.

*Governmental Fund Financial Statements are available in CPS’ Comprehensive Annual Financial Report (CAFR).*
Resources by Type

The following chart presents a summary of revenues and other financing sources by type for the general operating fund, capital projects fund and debt service fund for the fiscal years ended June 30, 2019 and June 30, 2018.

Local property taxes provide approximately 39.6% of all revenues. The other local revenues come from personal property replacement taxes, interest income, and other miscellaneous items.

- Property Taxes increased by $86 million from fiscal year 2018 mainly as collections form the existing levies were higher due to growth in the Consumer Price Index for all Urban Consumers and new property added to the tax base.
- Replacement Taxes (Personal Property) increased $19 million from fiscal year 2018 mainly due to stronger statewide corporate tax receipts, and a lower refund rate declared by the Illinois Department of Revenue.
- State Aid decreased by $14 million from the prior year mainly due to a smaller amount of debt service expenditures that were funded by Evidence Based Funding revenues.
- Federal Aid decreased $63 million primarily due to payments received for Federal aid outside CPS’ 60-day revenue recognition policy and are thus counted towards Fiscal year 2020 revenue.
- Interest and Investment Earnings increased $28 million from fiscal year 2018 due to moderate increases in the short-term interest rates and higher available cash on hand.
- Other Revenue increased $75 million, which is mainly due to the increase in City of Chicago pension contributions made on behalf of administrative CPS personnel in fiscal year 2019.
- Other Financing Sources decreased $1,344 million primarily due to net proceeds received from debt issuances of $487.8 million in FY19 versus $1.859 billion in the prior year.
Where Does the Money Go?

These graphs display fiscal year 2019 expenditures across specific program areas. Detailed fund financial statements are available in CPS’ Comprehensive Annual Financial Report (CAFR).

**Instruction** includes basic education and special education for students with physical, mental, emotional and/or learning disabilities. Also included are vocational education, summer school, supplementary bilingual education and education for economically deprived students.

**Pupil Support Services** includes guidance counseling, social work, speech pathology, nursing, psychology, occupational and physical therapy services.
General Support includes:
- Instructional Support includes programs designed to enhance curriculum development, educational staff training and library services.
- Facilities Services includes operation and maintenance of plant and student transportation.
- Administrative Support includes school administration such as school principal and assistant principal compensation as well as central and area office administration.

Food Services includes student lunches and breakfasts.

Community Services includes after school programs and programs provided for non-public schools.

Teachers’ Pension includes CPS employer share of teacher pension funding.

Capital Outlay includes major new construction and renovation costs.

Debt Service includes the payment of general long-term principal and interest.

Expenditures by Function

The following chart represents a summary of the general operating fund, capital projects fund and debt service fund expenditures for the fiscal years ended June 30, 2019 and June 30, 2018.

Instruction has increased 5% or $155 million driven by increases to school budgets. General Support services increased $137 million mainly due to the increase in Integrated Facilities Management and the payments to charter schools. Teacher Pension increased 3% or $24 million due to higher required contributions to the Chicago Teachers Pension Fund. Capital Outlay increased 77%, or $273 million, due to an increase in approved capital projects underway to renovate and build new facilities. Other Financing Uses decreased by $889 million or 66% from fiscal year 2018 as fewer bonds were refunded.
The Capital Improvement Program (CIP) is designed to relieve overcrowding and renovate school buildings to enhance the educational environment. Chicago Public Schools’ CIP uses a phased prototype renovation process that allows us to restore buildings while minimizing the impact on students and maximizing the benefit to the community. Since the inception of the CIP in 1995, the CIP has made a significant impact on the physical quality of our schools, which in turn has made a substantial impact on our students’ learning environment.

Since 2012, CPS and the Board of Education have provided over $4 billion to build new schools, provide playgrounds and air conditioning, improve access to technology with new computers and expanded bandwidth, expand academic programs (career and technical education programs, for example), and make core investments in our facilities to maintain roofs, fix chimneys, and replace or fix boilers and other mechanical systems. This has been done to ensure students have a high quality-learning environment to support their education.

Continued New Construction and Renovations

Below are projects in various phases and a quick status snapshot of the fiscal year 2019 projects that will take two to three years to complete.

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<thead>
<tr>
<th>PROJECT SCOPE</th>
<th>TOTAL # OF PROJECTS</th>
<th>NOT STARTED</th>
<th>PRE-DESIGN</th>
<th>DESIGN</th>
<th>PROCUREMENT / BIDDING</th>
<th>CONSTRUCTION</th>
<th>SUBSTANTIAL COMPLETION</th>
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<td>Chimney Stabilization Program</td>
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<td>Emergency / Unanticipated Repairs</td>
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<td>STEM/IB/Magnet &amp; Science Programs</td>
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<td>Site Improvements</td>
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<td>A/C Replacement and BAS</td>
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<td>Land Acquisition and others</td>
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<td>67</td>
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<td>72</td>
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Excludes Maintenance Priorities, ITS, Capital support, Potential external funding budget categories.

The FY2019 budget for Chicago Public Schools includes a capital budget totaling $989 million in investments in long-term district priorities, improvements to make sure every high school in the city offers state-of-the-art access to science labs and district-wide access to digital learning tools. Building significantly onto the $136 million in investments made in the FY2018 capital budget, this proposed plan is the largest single-year plan since the Mayor of Chicago became responsible for the performance of CPS in 1995. To support schools throughout the city, the FY2019 capital plan provides funding in five main areas: critical facility needs, overcrowding relief, educational programs, site improvements, and IT and security upgrades. CPS’ five-year capital plan will include further investments in overcrowding, deferred maintenance, targeted site improvements and emergency projects.

Highlights of the plan include:

- To improve access to modern technology in schools throughout Chicago, the district is beginning a four-year, $125 million investment that will ensure all schools have the devices and internet connectivity needed for students to engage with the modern educational resources that teachers are choosing to utilize throughout the city.

- The FY2019 capital budget provides $336 million to address the district’s priority renovation projects and most urgent facility needs, including major roof, envelope, and mechanical repair and replacement. The district’s preliminary capital plan included $189 million for these investments, and the final capital budget includes an additional $147 million.

- The FY2019 capital budget includes $339 million for critical infrastructure investments that support the district’s high-quality educational programs. $117 million has been identified for building renovations to expand programming at nine schools (Decatur, McCutcheon, McDade, and Poe elementary schools, and Hyde Park, Phillips, Prosser, Rickover, and Senn high schools).
• This budget also includes providing $43 million to expand STEM, IB, and Magnet programming and high school science lab upgrades, and $18 million for new Pre-K centers. Finally this investment includes $46 million in site improvements to design and build new playgrounds, play lots, and turf fields at schools across the city.

• $145 million has been reserved for two new high schools: a new school for Hancock HS, and a new high school on the near west side.

• The FY2019 capital budget includes $138 million to alleviate overcrowding at several schools across the district. CPS considers multiple factors when prioritizing schools for overcrowding relief. Generally, schools with boundaries receive priority for overcrowding investments, especially when long-term enrollment projections suggest that capacity issues will worsen.

• In FY2019, CPS is also allocating $31 million to support the district’s critical IT systems throughout the city.

• Finally, to ensure student safety at every school, $4 million will fund new security equipment including state-of-the-art cameras, intercom phones, alarms, and screening equipment.

The FY2019 capital budget is funded by proceeds from remaining prior year bond issuances backed by the Capital Improvement Tax (CIT) and state revenues, upcoming bond issuances, and potential outside resources as they become identified. The FY2018 capital budget was funded primarily through bonds issued in November 2017.

New School - Englewood STEM High School

The New Englewood STEM High School opened in the fall of 2019 starting with an inaugural freshman class, and will add one grade each subsequent year until it serves grades 9-12 beginning in school year 2022-23. There are no minimum eligibility requirements for this school, so all Chicago students are eligible to apply. Student’s whose primary address are within the attendance boundary of the school, will be guaranteed a seat in the high school's general education program.

Englewood STEM High School will focus on a science, technology, engineering and math curriculum, and will be housed in a brand new, state-of-the-art facility, which will include world-class multipurpose educational spaces, a modern outdoor sports facility, and a school-based medical center for use by both students as well as community residents. In addition to the stem curriculum, Englewood students will have an opportunity to participate in an array of student clubs, extracurricular activities, and a host of competitive sports programs.

Through a unique collaboration that connects high school, college, and career, the New Englewood STEM High School will be paired with a City College and an industry leader, who will provide real-world experience and prepare students for high-demand careers in science and technology.
Long-Term Debt

As of June 30, 2019, CPS had $9.0 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus $8.8 billion for fiscal year 2018 - an increase of 0.2 billion. The increase in outstanding debt represents the combined effects of new debt issued in fiscal year 2019 and low principal retirements.

Bond Issuances

In fiscal year 2019, CPS issued its Unlimited Tax General Obligation (GO) Series 2018C (December) and Series 2018D (December) bonds. CPS also issued its Series 2018 Capital Improvement Tax bonds. The various series of bonds were primarily issued for a combination of refunding and capital improvement program financing.

Debt Ratings

Investors who purchase municipal bonds use debt ratings as an indicator of the financial stability of an organization and consequently the safety and security of the debt sold by that organization. In general, higher credit ratings often result in lower borrowing costs via reduced interest rates paid on municipal bonds. Strong ratings also promote a wider market by attracting more buyers of municipal bonds. CPS currently has bonds outstanding with credit ratings from Fitch Ratings, Kroll Bond Rating Agency, Moody’s Investor Service and Standard and Poor’s.

In Fiscal year 2019, CPS secured rating upgrades from S&P and Moody’s general obligation bonds (see chart above). CPS also secured outlook upgrades from Fitch for general obligation bonds. All outlooks were stable or positive. Subsequent to the end of fiscal year 2019, Moody’s Investor Service general obligation (GO) rating of the Board was upgraded from B2 to B1 and the outlook was positive. Additionally, the Standard & Poor’s general obligation (GO) rating was upgraded from B+ to BB- with positive outlook. Fitch Ratings’ General Obligation (GO) rating of the Board was upgraded from BB- to BB and the outlook was revised to stable.

CPS DEBT RATINGS

<table>
<thead>
<tr>
<th>General Obligation Bonds (GO)</th>
<th>JUN. 2019</th>
<th>OCT. 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch Ratings</td>
<td>BB-</td>
<td>BB-</td>
</tr>
<tr>
<td>Kroll Bond Ratings</td>
<td>BBB-</td>
<td>BBB-</td>
</tr>
<tr>
<td>Moody’s Investor Service</td>
<td>B2</td>
<td>B3</td>
</tr>
<tr>
<td>Standard and Poor’s</td>
<td>B+</td>
<td>B</td>
</tr>
</tbody>
</table>

*The rating provided by Kroll for CPS Bond Series 2017CDEFGH and 2018AB have been BBB rated since November 2017 and May 2018 respectively. All other issues were BBB.*

<table>
<thead>
<tr>
<th>Capital Improvement Bonds (GO)</th>
<th>JUN. 2019</th>
<th>JUN. 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch Ratings</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Kroll Bond Ratings</td>
<td>BBB</td>
<td>BBB</td>
</tr>
</tbody>
</table>

Highest rating is ‘AAA’; lowest is ‘D’

BOND ISSUANCES

<table>
<thead>
<tr>
<th>DATE</th>
<th>PURPOSE</th>
<th>(IN THOUSANDS)</th>
<th>SERVICES</th>
<th>TYPE OF BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 2018</td>
<td>Refunding</td>
<td>$450,115</td>
<td>2018C</td>
<td>United Tax General Obligation Refunding (GO)</td>
</tr>
<tr>
<td>Dec. 2018</td>
<td>Capital Improvement</td>
<td>$313,280</td>
<td>2018D</td>
<td>United Tax General Obligation Refunding (GO)</td>
</tr>
<tr>
<td>Dec. 2018</td>
<td>Capital Improvement</td>
<td>$86,000</td>
<td>2018CIT</td>
<td>Dedicated Capital Improvement Tax (CIT)</td>
</tr>
</tbody>
</table>
As a district, Chicago Public Schools continue to invest in proven programs that expand access to high-quality educational opportunities to our youngest learners; promote civic engagement; expand Advanced Placement, International Baccalaureate, STEM, and STEAM programming; and support the whole child through comprehensive social and emotional services and trauma informed care. The School year 2018-2019 Programmatic Request for Proposal process resulted in the largest-ever program expansion in district schools.

**Computer Science**

CPS has become a model district for those interested in incorporating computer science, first launching the CS4All Initiative in 2013, and now being the first district in the nation to elevate computer science to a core graduation requirement, separate from math and science. In school year 2019, 80% of high schools now offer an approved computer science course. Enrollment in AP computer science Principles doubled to approximately 1,200 students. Approximately 200 elementary schools implemented computer science in at least one grade.

**Social Science and Civic Engagement**

In school year 2019, the Department of Social Science and Civic Engagement implemented a number of educational initiatives to expand access for all students to high quality social science curriculum, financial literacy and civic learning and student leadership opportunities. During the past year, over 1,000 educators were trained in the new Facing History and Ourselves curriculum for 8th, 9th, and 10th grades. CPS also launched our Participate Civics curriculum which involved training over 400 teachers and engaging more than 200 teachers in in-depth professional learning and piloted new materials and approaches to social science instruction. Over 70 new civics teachers and 30 new Student Voice Committee facilitators have been trained.

**Social and Emotional Learning**

Through the district’s commitment to Social and Emotional Learning (SEL), we are keeping more of our students in school and engaged. SEL continues to be a central focus of our district’s long-term vision and goals and CPS has achieved significant advancements towards fulfilling our vision for systemic, district-wide SEL. Over 1000 teachers and staff received trauma training, 104 teachers became newly certified (3 year certification) in Youth Mental Health First Aid, and over 200 clinicians were trained to provide small group interventions on anxiety/depression, trauma, and anger management.

**STEM and International Baccalaureate**

In fiscal year 2019, new investments in neighborhood schools provided more than 5,000 additional students with new opportunities to learn in high-quality academic settings, including IB, STEM, magnet and classical schools. Specifically:

- More than 1,800 additional students with access to International Baccalaureate programs in the nation’s largest IB network with 17800 students.
- Nearly 2,100 additional students engaged with the advanced coursework and professional exposure provided through new Early College STEM programs;
- With a total of 37 STEM and STEAM schools, including 10 Early College STEM Schools, CPS is serving close to 19,000 students.
Thanks to our students, families, educators, partners, and city leaders who have given their all to lift CPS to new heights, we have so much to be proud of as a district. Our graduation and Freshman OnTrack rates are at an all-time high, and more CPS students than ever are enrolling in college, with nearly half of them earning college and career credentials before they even finish high school.

**Record-High Graduation Rate**
CPS students have set a new record high 5-year graduation rate of 78.9 percent, which was propelled by the academic progress of African American students. This year’s graduation rate marks an increase of 22 percentage points from 2011, when only 56.9 percent of CPS students earned a high school diploma.

**Freshman On Track**
In 2019, the percentage of freshmen considered on-track to graduate was at 88.5 percent, more than 28 percent improvement since 2011. The Freshman OnTrack rate is a research-based measurement that is the single best indicator of whether or not a student will graduate, and it has risen for the seventh year in a row – signaling that more CPS students are likely to graduate than ever before.

**Record High Math Scores and Strong Reading Gains**
More Chicago elementary students than ever before are meeting or exceeding national attainment standards for math, and reading scores have held steady at their previous record high. In 2019, a record 61.8 percent of students met or exceeded the national average in reading scores, and a record 56.7 percent met or exceeded the national average in math on the 2018-19 NWEA MAP assessment.

**Record High College and Career Credentials Earned**
This year, more CPS graduates earned college and career credentials than ever before. Credential attainment jumped a two-percentage points this year, with 48.6 percent of 2019 graduates earning at least one early college and career credential, which helps make college more accessible and affordable for students and their families.

**Scholarship Dollars Earned**
The class of 2019 earned more than $1.47 billion in scholarship offers – $100 million more than last year and nearly four times more than 2013, when CPS students earned $400 million in scholarship dollars. This dramatic increase is consistent with the district’s strategic expansion of postsecondary initiatives and college-level programming such as IB, STEM, AP and dual credit and dual enrollment in schools across the city.

**Keeping Students Safe**
The district continues to expand its successful Safe Passage program, the city’s collaborative effort that has proven to reduce crime and keep students safe during their daily commutes to and from school. Starting school year 2019-2020, Safe Passage will serve 75,000 students at 162 schools throughout the city. The program began with 35 schools in 2009.

**Meeting Students’ Social and Emotional Needs**
CPS has made major investments in social and emotional learning programming, training and initiatives in recent years to better support the needs of our students. As part of these efforts, CPS created the supportive schools certification to recognize schools have prioritized supportive school environments. These are among the many SEL strategies and supports that benefit school communities, enabling dozens of new schools to earn the Supportive School Certification in school year 2019 (the number of certified supportive schools increased from 422 to 520), and have contributed to the continued decrease in out of school suspensions and expulsions.
Chicago Public Schools has gained national recognition for its notable gains and leadership in urban education. Chicago Public Schools’ highlights can be found below:


The top five spots and 20 of the top 100 high schools in Illinois were CPS schools, with nine CPS Schools ranking among the top 350 schools in the United States.

**Chicago Sun-Times: Chicago Public Schools CEO Janice Jackson unveils 5-year vision**

“Chicago Public Schools CEO Janice Jackson on March 26, 2019 laid out an ambitious long-term strategic road map for the district, with an emphasis on “academic progress, financial stability and integrity.”

Presenting the five-year vision to teachers and administrators at Bronzeville Classical Elementary School, Jackson outlined a series of goals for the district to reach by 2024, including:

- having 90 percent of CPS students graduate within five years, with 60 percent leaving with an early college or career credential;
- having 70 percent of students meet or exceed national averages on standardized reading and math tests; and
- increasing the number of kindergarteners meeting readiness benchmarks by 50 percent.”

**Chicago Sun-Times: Bill Gates lauds academic gains at Chicago high school**

March 5, 2019

“In a Tuesday blog post, the billionaire Microsoft co-founder recounted his September visit to North-Grand High School to learn more about their freshman intervention program designed to keep students on track for graduation.”

“I heard many theories to explain Chicago’s progress, including teacher training, better accountability, a longer school day, and demographic changes,” Gates wrote. “What impressed me most is how the city’s schools have worked together to use evidence based research to measure and improve their performance.”

**Chicago Sun-Times: $32M awarded to schools across CPS in ‘largest-ever’ academic program expansion**

March 19, 2019

“Chicago Public Schools officials on Tuesday announced receiving a total of $32 million for new high-quality programs at 32 schools across the city. “The investment will give 17,000 students access to bolstered curriculum, including new International Baccalaureate programs at seven schools and STEM programs at 11 schools, according to CPS.”

**WBEZ: CPS Pledges To Offer ‘High-Quality’ Curricula For All Grades, All Schools**

May 17, 2019

“Chicago Public Schools is planning to spend as much as $135 million over the next three years to make sure all students preschool through 12th grade have access to high-quality learning material.”

**Chicago Sun-Times: $619M for renovations at 300 schools shows new priority on neighborhood schools, CPS says**

August 8, 2019

“Chicago Public Schools says it plans to invest hundreds of millions of dollars in neighborhood schools and make the largest investments ever in pre-K classrooms and “high quality academic programs,” including STEM, International Baccalaureate, and fine and performing arts.

The budget released Thursday invests $619 million in “critical building improvements” at more than 300 schools, the district said. The schools are attended by 161,000 students citywide.”

**Chicago Sun-Times: Chicago high school dropout rate hits all-time low, CPS says**

August 22, 2019

“The 6% dropout rate during the 2018-19 school year was half the rate from 2011.”
Glossary

BUDGET Allocation of available revenue in accordance with the spending guidelines and policies of the revenue sources to carry out educational goals of the school district.

BOND A written promise to pay a specified sum of money, called the face value or principal amount, at a specified date in the future (the maturity date), together with periodic interest at a specified rate.

CAPITAL ASSETS All tangible property which cannot easily be converted into cash and which is usually held for a long period, including real estate, equipment, etc.

CAPITAL IMPROVEMENT Any permanent structure or other asset in real estate added to a property that adds to its value, whether through new construction or renovation.

DEBT RATINGS A grade assigned by credit rating agencies that evaluate the credit worthiness of a corporation’s debt issues. A rating is specified by a letter classification, such as AAA, B, or CC. This rating is a financial indicator to potential investors of debt securities (i.e. bonds).

DEBT SERVICE FUND Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

EXPENDITURE The payment of obligation (liability).

FUNCTION A group of activities directed toward a specific service of the school district.

FUND ACCOUNTING Accounting whereby nonprofit organizations and organizations in the public sector are measured by accountability instead of profitability. These organizations have a need for special reporting to financial statements users that show how money is spent, rather than how much profit was earned.

GOVERNMENT-WIDE FINANCIAL STATEMENTS Financial statements that incorporate all of the school district’s financial activities into two statements: the statement of net assets and the statement of activities.

LONG-TERM DEBT Loans and obligations with a maturity of longer than one year; usually accompanied by interest payments.

NET ASSETS Resources remaining when the school district deducts all of their financial obligations from the assets they own.

OPERATING FUND The primary fund used to account for all financial transactions relating to current operations.

RESOURCES Funds recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period.

UNRESTRICTED The portion of net assets available to be used or spent in the future.