

**AMEND BOARD REPORT 02-1218-RS24 AMEND BOARD REPORT 02-0626-RS28**  
**RESOLUTION ADOPTING THE ANNUAL SCHOOL BUDGET FOR FISCAL YEAR 2003**

**WHEREAS**, pursuant to Section 34-43 of The Illinois School Code (the "Code"), the Board of Education of the City of Chicago (the "Board") is required to adopt an annual school budget for each fiscal year of the Board no later than 60 days after the beginning of the fiscal year of the Board to which such budget relates; and

**WHEREAS**, the Board, as successor to the Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago, is to bring educational stability to the system and is empowered and directed by the General Assembly pursuant to the provisions of Section 34-3.3 of the Code to: (i) increase the quality of educational services in the Chicago Public Schools; (ii) reduce the cost of non-educational services and implement cost-saving measures including the privatization of services where deemed appropriate; and (iii) streamline and strengthen the management of the system, including a responsible school-based budgeting process, in order to focus resources on student achievement; and

**WHEREAS**, the Board is also to bring financial stability to the system and is empowered and directed by the General Assembly pursuant to the provisions of Section 34-3.3 of the Code to develop a long-term financial plan that, to the maximum extent possible, reflects a balanced budget for each fiscal year; and

**WHEREAS**, the Board is not required to balance its budget in accordance with an accounting system and procedure prescribed by the Chicago School Finance Authority because the financial oversight powers and responsibilities of the Chicago School Finance Authority have been suspended by Section 34A-411(c) of the Code until July 1, 2004; and

**WHEREAS**, the Board is directed by the provisions of Section 34-43 of the Code to balance its budget in each year within standards established by the Board; and

**WHEREAS**, Section 34-43 of the Code authorizes the Board's budget for any fiscal year to (i) provide for the accumulation of funds in the educational fund in order to achieve a balanced budget in a future year within the four-year period of the Board's financial plan to begin in that budget year or for capital improvements; and (ii) to provide for a reserve in the educational fund to ensure uninterrupted services in the event of unfavorable budget variances; and

**WHEREAS**, it is now appropriate for the Board to adopt its annual school budget for its Fiscal Year 2003 and related standards and policies.

**NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF EDUCATION OF THE CITY OF CHICAGO as follows:**

**Section 1. Findings.** It is found, declared and determined as follows.

(a) Pursuant to section 34-43 of the Code, the Board has previously established standards by which its budgets shall be balanced in each fiscal year, consistent with the requirements of the Code. These standards provide that each budget of the Board shall cover a fiscal year of the Board and shall be developed and adopted in accordance with the requirements of the Code, including, but not limited to, Sections 34-42 through 34-51 thereof. These standards also provide that each budget shall be prepared in accordance with generally accepted accounting principles and shall be balanced such that, for each fund, the estimated sum of all revenues for the fiscal year from all sources and the amount of Fund Balance Available for appropriation in the fiscal year is greater than or equal to the estimated sum of all appropriations required to defray the amount of all expenditures and charges to be made or incurred

during the fiscal year and the amount of all unpaid liabilities at the beginning of the fiscal year. The standards further provide that in determining the amount of the Fund Balance Available for appropriation in the Educational Fund, there shall be deducted (i) the amount, if any, which the Board directs to be accumulated to achieve a balanced budget in a future year within the four year period of the financial plan to begin in the budget year or for capital improvements, and (ii) any reserve to insure uninterrupted services in the event of unfavorable budget variances. The Board's goal is to have a balanced budget over the period of the four-year financial plan that is to be developed.

(b) In order to achieve a balanced budget in one or more future years within the four-year period of the Board's financial plan, beginning in Fiscal Year 2003, it is necessary that amounts be accumulated in the Educational Fund. To ensure uninterrupted services during Fiscal Year 2003 in the event of unfavorable budget variances, it is necessary to establish a reserves in the Educational Fund. The total amount of this accumulation and reserve is \$201,520,000 for Fiscal Year 2002. An amount of \$25,000,000 shall be accumulated and reserved in the Educational Fund for the purpose of paying extraordinary legal judgments, defined as those in excess of \$3,000,000, entered against the Board in Fiscal Year 2003, and an amount of \$50,000,000 shall be accumulated and reserved in the Educational Fund for the purpose of paying for the design, development, installation and testing of a new Student Information System, other expenses related thereto and other technology-based projects. ~~The~~ the total amount of the remainder (\$126,520,000 ~~176,520,000~~) shall be treated as a reserved fund balance not available for appropriation in Fiscal Year 2003. Funds accumulated and reserved in the Educational Fund for the purpose of paying extraordinary legal judgments entered against the Board in Fiscal Year 2003 shall be appropriated by the Board as needed.

(c) The annual school budget for Fiscal Year 2003 was prepared in tentative form by the Board and was available for public inspection for at least fifteen days prior to adoption (to wit, since June 11, 2002) by having at least five copies of the tentative budget on file in the Office of the Board.

(d) On June 19, 2002, June 20, 2002 and June 21, 2002, public hearings were held concerning the adoption of the annual school budget for Fiscal Year 2003, notice of such hearings having been given by publication on June 11, 2002 in a newspaper of general circulation in the City of Chicago.

**Section 2. Budget Approval.** The Annual School Budget for Fiscal Year 2003 is adopted.

**Section 3. Transfers Between Appropriations.** There shall be no transfers between funds. The Office of Management and Budget must approve transfers within a fund and within an object group and purpose. Transfers within a fund and between object groups and purposes must be recommended by the Office of Management and Budget and approved by the Board by a vote of two-thirds of the members, provided that such transfers shall not exceed 10% of the fund during the first half of the fiscal year, and no appropriation shall be reduced below an amount sufficient to cover all obligations that will be incurred against the appropriation. The Chief Executive Officer shall define object groups and purposes that are subject to these requirements.

**Section 4. Capital Budgeting Process.** Annually, the Board will prepare and approve a multi-year Capital Improvement Plan (the "CIP") consistent with the annual budget. Public hearings will be held to receive public comment on the proposed CIP each year.

**Section 5. Grants.** The Office of Management and Budget shall be responsible for the structure and accountability of the school district's grants management process and is designated as the managing fiscal agent for the Board for all grant applications received from governmental funding agencies. The Office of Management and Budget shall establish rules and procedures for all grant applications and for the acceptance of school-based grants and gifts.

The principal of a local school or unit head, serving as an agent of the Board, is responsible for the implementation and management of all school-based or unit-based grants from governmental and non-governmental agencies. The principal or unit head is responsible for implementing the program in a timely

fashion, as approved by the funding agency, and for expending funds in accordance with the terms, budget, and liquidation requirements of the approved proposal.

**Section 6. Personnel Policies.** The appropriations herein made for personnel services shall be regarded as maximum amounts to be expended from such appropriations. Such expenditures shall be limited to personnel only as needed, or as may be required by law, not to exceed the maximum that may be employed for any position by title. Notwithstanding any item in the budget, one person may be employed or more than one person may be employed, upon recommendation of the Budget Director and the Chief Executive Officer, whether such title is printed in the singular or plural. The salary or wage rate fixed shall be regarded as the maximum salary or wage rate for the respective positions, provided that salaries or wage rates are subject to change by the Board during the fiscal year in accordance with collective bargaining agreements approved by the Board. The salary or wage rates are expressed on a monthly basis and extended to annual amounts unless otherwise indicated.

Initial appointments to any positions shall be made at the entrance rate of the salary range prescribed for the class grade. Notwithstanding any item in the budget, in exceptional cases, upon recommendation by the hiring unit head, the Human Resources Director, the Budget Director and the Chief Executive Officer, initial appointments may be made at a rate above the normal entrance rate. Entrance above the normal entrance rate shall be based upon the outstanding and unusual character of the candidate's education, experience and training over and above the minimum qualifications specified for the class. An employee may be assigned to a title not appearing within the budget of the employee's organization unit, in lieu of a specific title appearing in the budget, upon the written recommendation of the hiring organization unit head, the Human Resources Director, the Budget Director and the Chief Executive Officer. Such assignment may be requested and approved when the title requested is appropriate to the function of the organization unit and reflects the skills, training, and experience of the employee. In no event shall the authority conferred herein be exercised in the violation of Section 34-18(32) of the Code.

All appointments of management level personnel, including chiefs, directors, officers, and principals, and their respective salaries, shall be subject to approval by Board action prior to the appointment. For all other personnel, the Chief Executive Officer is required to submit to the Board a quarterly report (which shall be made public) that summarizes all personnel actions, including new hires, promotions, transfers, leaves of absence, resignations, retirements and separations for the previous quarter. All such salaries will be approved through the annual budget. Resignations shall be deemed irrevocable upon receipt by the Department of Human Resources.

The basic salary of a newly appointed administrator shall be established in the appropriate grade in the Administrative Compensation Plan either at the first salary step or on the next higher salary step that will provide a basic salary increase. No such placement shall exceed the maximum salary step provided for the grade to which the position has been assigned. The salary of an administrator shall only advance to the next step of the salary schedule if the administrator's last recorded efficiency rating or equivalent evaluation is satisfactory or better. The salary of any principal new to a public school operated by the Board (not previously employed as a principal or teacher by the Board) shall be recommended by the Local School Council to the Director of Human Resources on the salary schedule step deemed to be most appropriate to reflect the candidate's experience, skills, and knowledge, and which provides a salary increase, subject to prior approval by the Board. No such placement shall exceed the maximum salary step provided for the administrative grade to which the position has been assigned.

The unit head, the Director of Human Resources and the Budget Director, pursuant to procedures established by the Chief Executive Officer, must approve all salary increases of 10% or less. After approval of position salaries in the annual budget, salary increases in excess of 10% for an employee in their current position must be approved by Board action prior to the salary increase.

No employee shall have the right to demand continuous employment or compensation by reason of any appropriation if, upon the determination of the organization unit head, such employee's services are not needed or it becomes necessary to lay off the employee on account of lack of work or lack of funds. In

case of a vacancy in any position, the head of the organization unit in which the vacancy occurs shall not be required to fill such vacant position, if, in the organization unit head's judgment and discretion, there is no necessity therefor.

**Section 7. Settlement Agreements and Judgments.** No expenditure may be made from any fund or line item account herein for the purpose of executing settlement agreements, entering into consent orders or paying judgments except upon the approval of the Board; provided, however, that this section shall not apply to judgments, settlement agreements or consent orders involving an amount up to \$50,000 or to labor arbitrations. In those cases, the General Counsel is authorized to approve such documents and expend such funds without approval of the Board.

**Section 8. Severability.** To the extent that any prior resolution or policy of the Board (excluding Board Rules) is in conflict with the provisions of this Resolution, the provisions of this Resolution shall be controlling. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause, or provision shall not affect any of the other provisions of this Resolution.

**Section 9. Effectiveness.** This Resolution is effective immediately upon its adoption.