

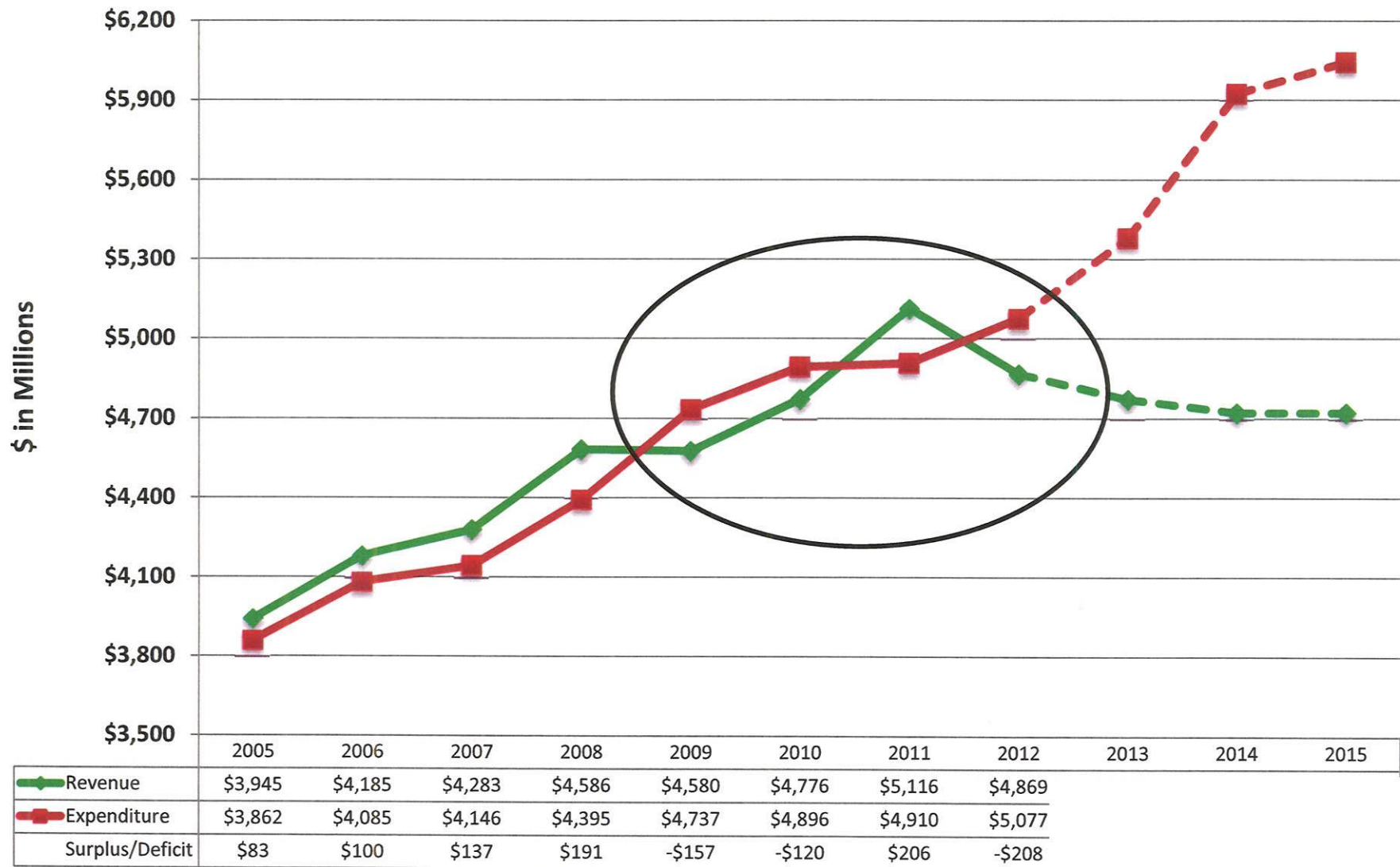
Chicago Public Schools Budget Overview Board of Education

March 28, 2012

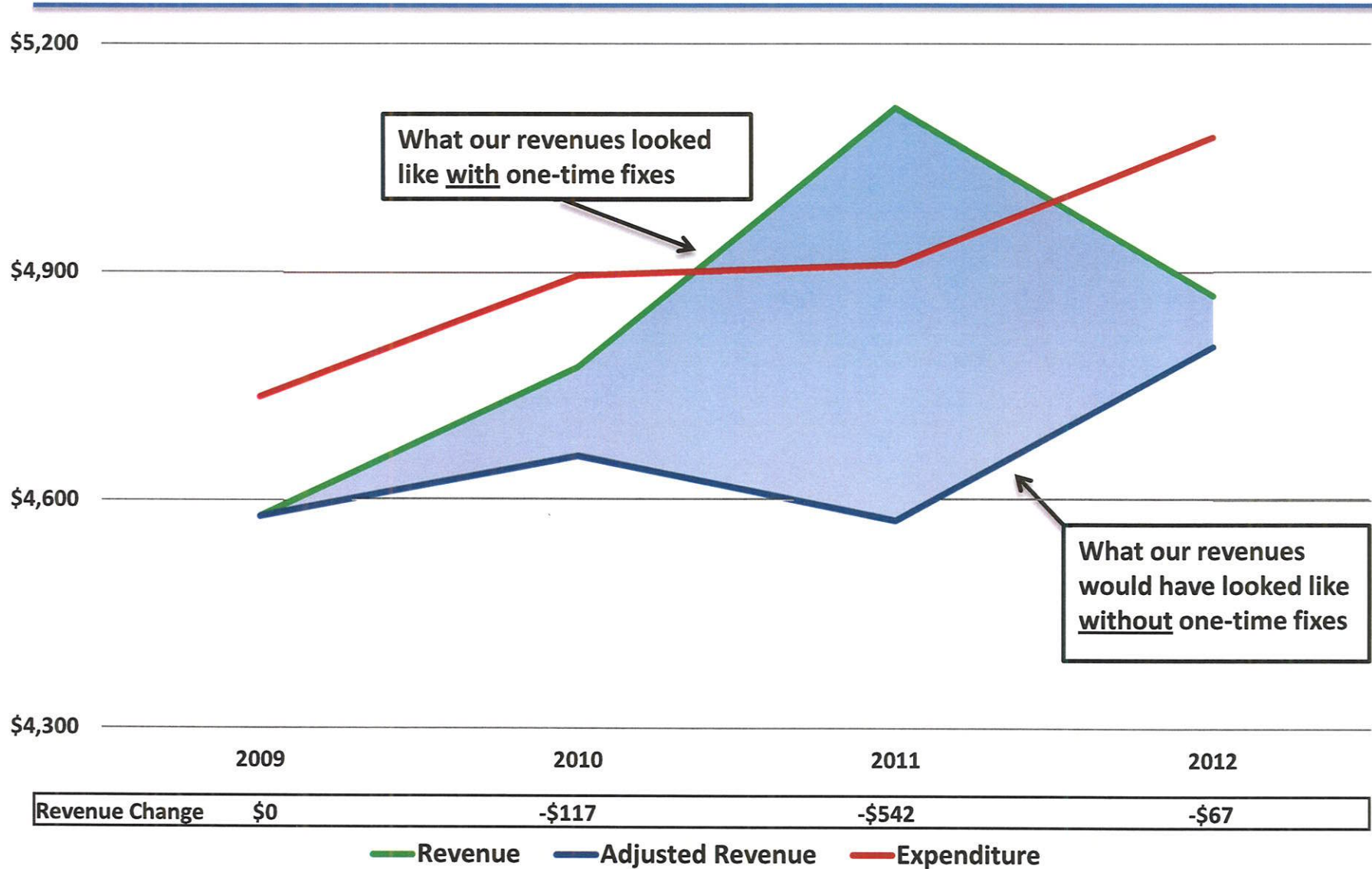
Summary

- CPS faces a daunting financial challenge in the next three years - staggering deficits which threaten our ability to drive student learning
- Historical increases in revenue, which fueled spending and hid structural deficits, have reversed
- Increased spending on pensions and debt service will siphon hundreds of millions of dollars from classrooms
- Structural changes are needed to achieve long-term sustainability, and this will be challenging
- FY13 budget process focuses on maximizing funds to schools, and engages and empowers principals more than ever

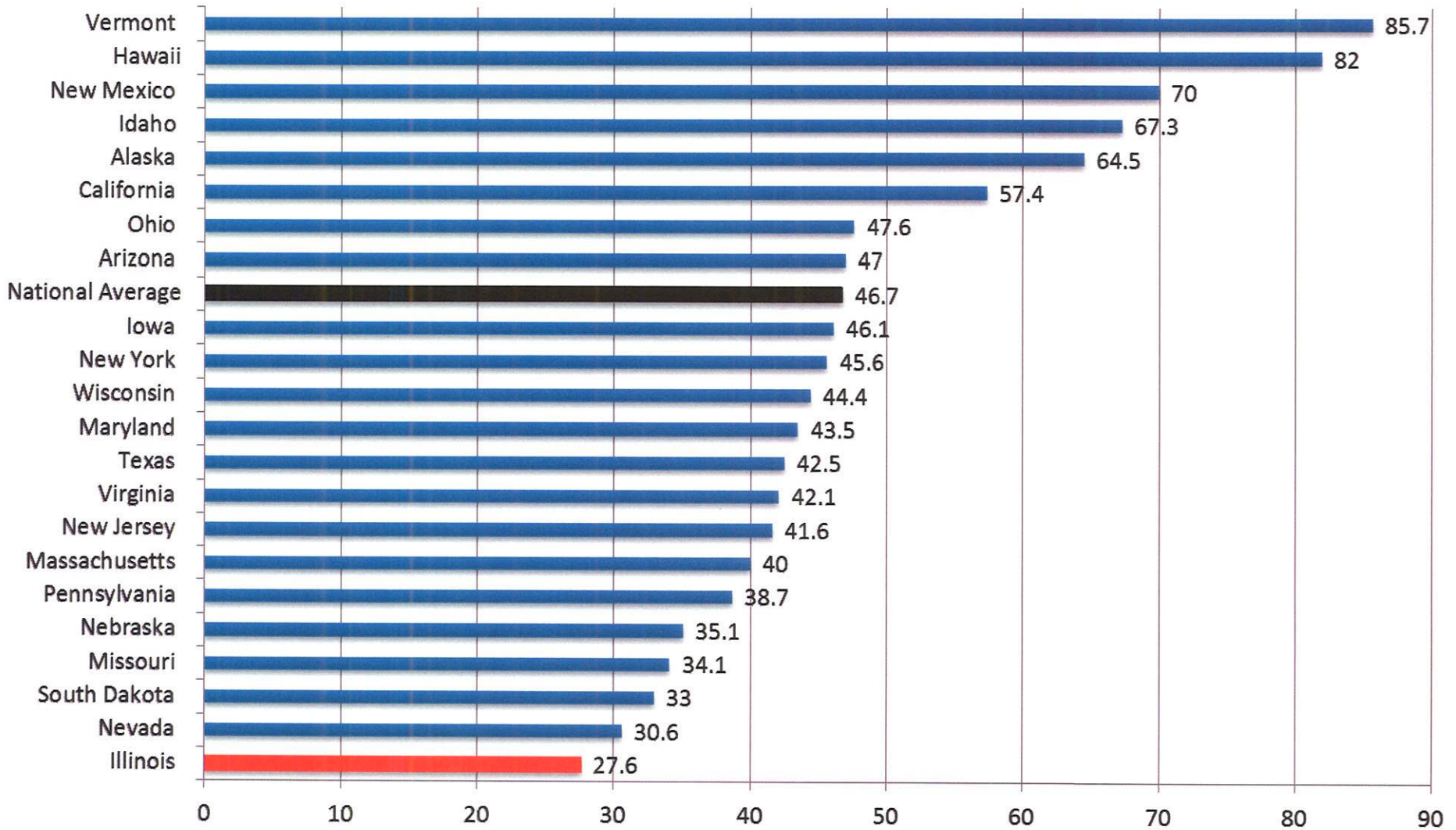
Lower revenues and accelerating expenses lead to significant deficits in FY13 and beyond



One-time fixes off set \$726 million deficit from FY10 - FY12

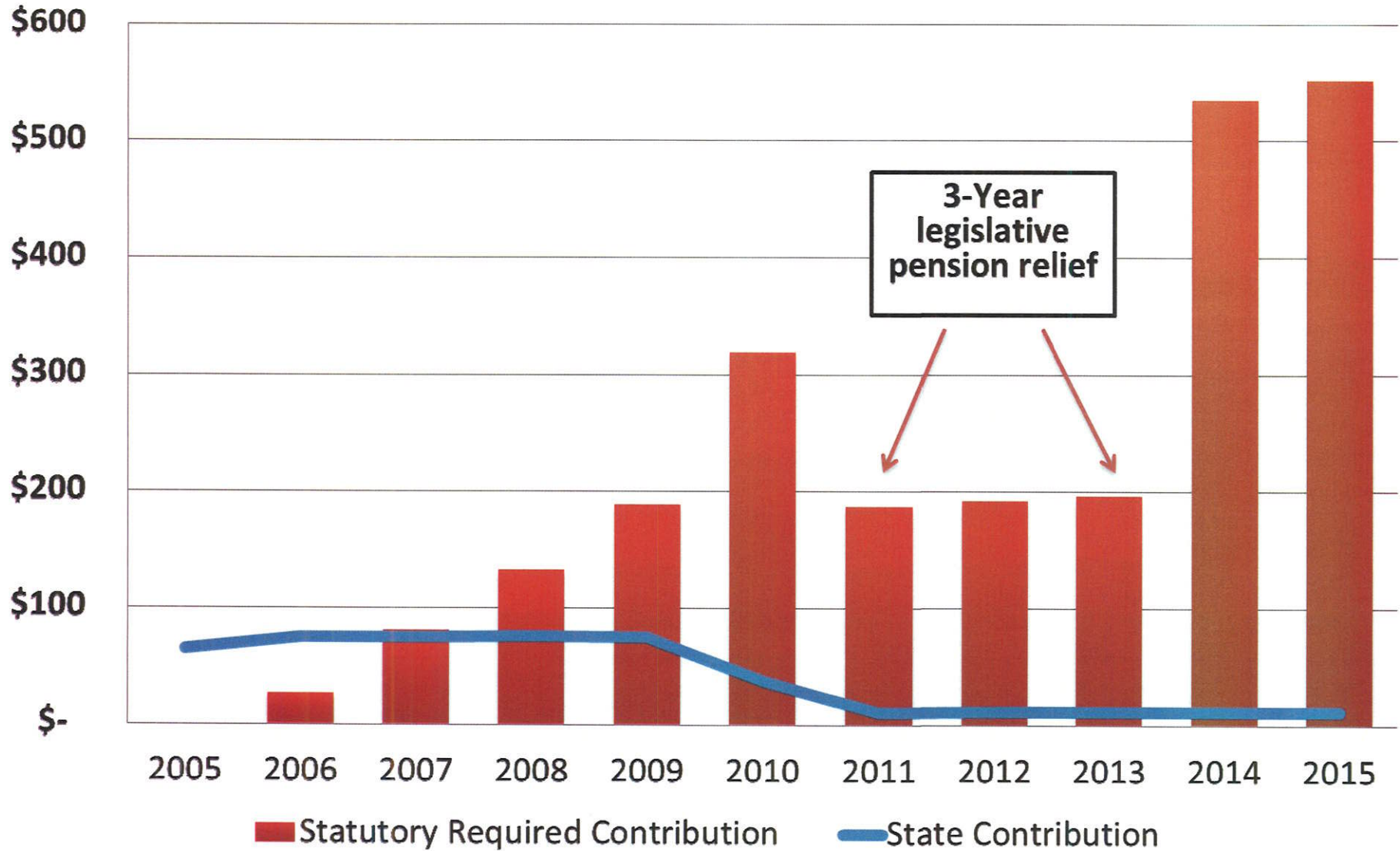


Illinois ranks last in the nation for funding education

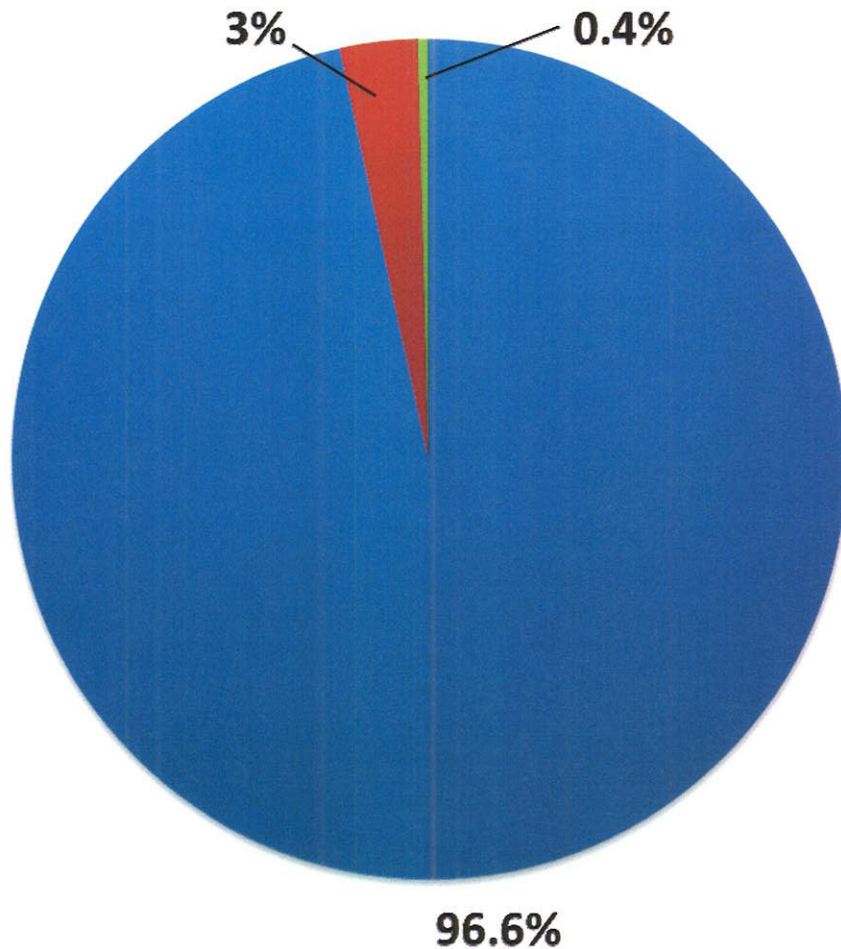


Source: U.S. Department of Education, National Center for Education Statistics, "National Public Education Financial Survey (NPEFS) , 2009
<http://nces.ed.gov/pubs2011/2011329.pdf>

Growing pension expense is challenging now, devastating in 2014 and beyond



Nationally, most pension systems are state supported for unfunded liability

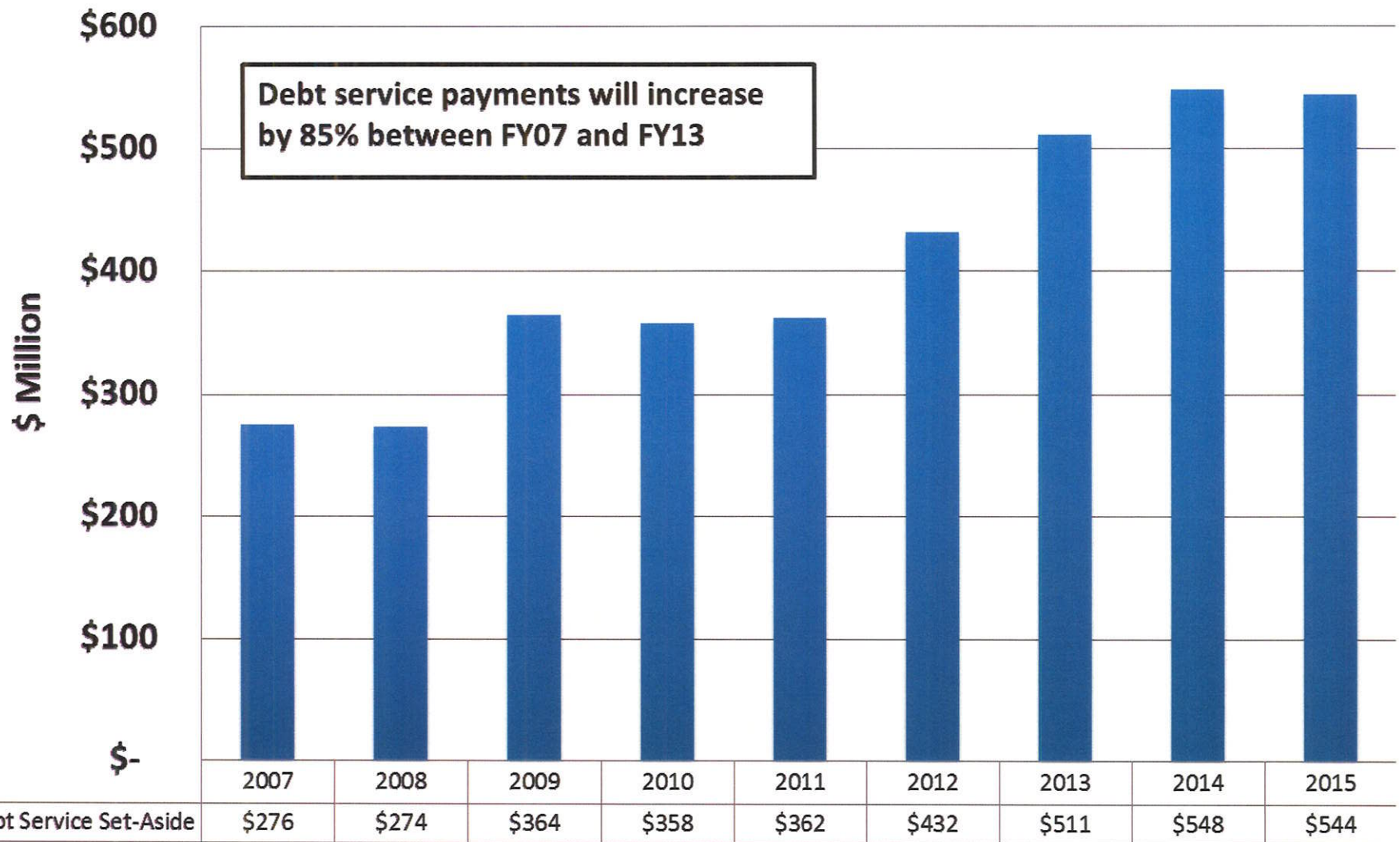


Percent of All Teachers in:

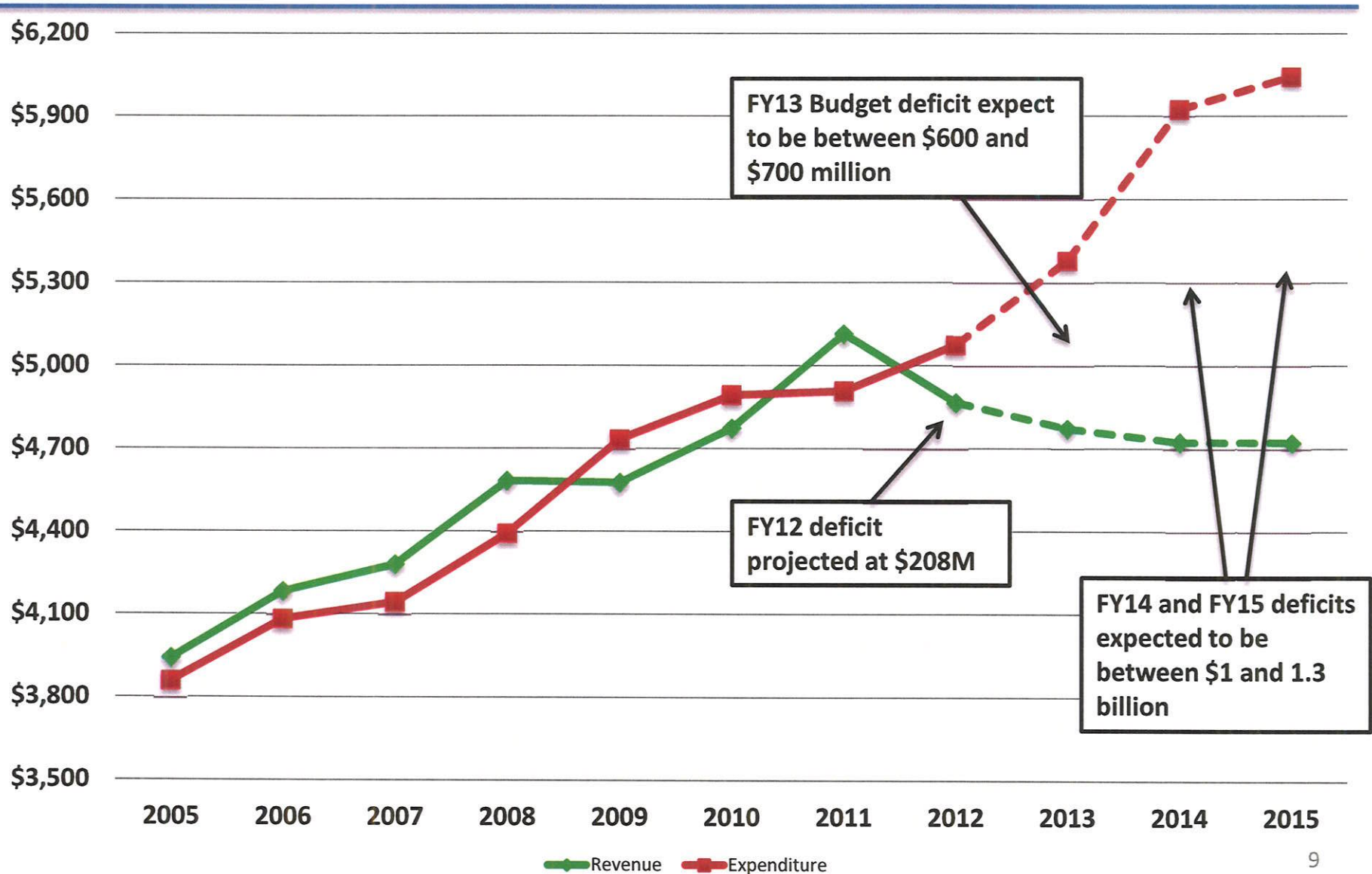
- Districts with State-Supported Pension Plans
- New York & CPS
- Other districts with Locally Funded Plans

Sources: NCEC CCD 2010 School District Data and National Council on Teacher Retirement 2011 Member list

Debt service payments will continue to rise, even with reduced borrowing in the future



Cost savings result in lower FY12 deficit, but FY13 gap is daunting



Clear principles guide our FY13 process



- Protect what's working, invest in key priorities to drive student learning
- Maximize funding allocated directly to schools to empower principals
- Continue to drive lower costs in operations, procurement and Central Office functions
- Reduce capital spending to necessities
- Use reserves judiciously where necessary

Investments in Student Learning

- Invest in key priorities to drive student learning
 - **Time Needed to Teach:** A Full School Day that provides students with the instructional time needed to boost achievement
 - **How We Teach:** A new teaching framework to improve the quality of teaching and learning in our schools
 - **What We Teach:** Curriculum aligned to Common Core State Standards
 - **Creating Additional High Quality School Choices:** Invest in high-performing schools in each neighborhood—magnet, selective enrollment, IB, Early College STEM, military schools and high-performing neighborhood schools
- Protect what's working

The path forward for FY13 budget

- Continue detailed review of all expense areas
- Seek input from principal/chief advisory team
- Release budgets to schools (Mid April)
 - Two months earlier than last year
 - Engage principals to ensure understanding of new approach
- Present detailed capital plan (May 1)
- Complete full budget and present to public (late spring)

Plan actions to address future structural problems, especially pension

- Deficits of \$1 billion or more are only a year away
- Expense reductions to close gap would be devastating, revenue opportunities very limited
- We must consider bold actions to ensure we can continue our mission
- Parents, teachers, principals, community leaders and legislators will be key partners in finding solutions

Conclusion

- The status quo for funding schools is not working for our students and district
- Leading the district to financial sustainability will require difficult decisions
- Primary focus must be on improving student learning
- Resource limitations increase this challenge
- CPS can't solve this crisis on our own, we need input and assistance from all stakeholders
- The students of CPS need all of us to unite for success