Chicago Public Schools Budget Review  FY 2018

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Executive Summary

The proposed Chicago Public Schools (CPS) FY 18 budget is $5.75 billion and it continues the radical change in the way special education funds were depicted and categorized in the budget last year. This report presented for Access Living a continuing analytical challenge due to these changes. We found it difficult to draw districtwide conclusions on special education funding because of all the changes made and merging of fund lines. As was the case last year this represents a problem in determining whether on a larger scale students with disabilities services were being funded sufficiently to provide them with a free appropriate public education. This report was originally to be issued on August 25, but it was delayed because of the continuing funding debate in the Illinois General Assembly.

There is an extensive discussion in this report of the overall fiscal situation of CPS relating to debt and the history of funding proposals for CPS in the Illinois General Assembly over the last school year. There is a discussion of the major school funding proposal based on the evidence
based model, originally Senate Bill 1 and its final successor PA 100-0465. We remain highly skeptical that there is sufficient revenue in the State budget to fully fund the evidence based model on an ongoing basis, or CPS will receive all the State revenue it is assuming it will in the FY 18 budget. We are also not clear where and how the City of Chicago will find the funds CPS assumes in its FY 18 budget will be transferred to the school district for FY 18. For these reasons Access Living believes CPS needs to amend its FY 18 budget and does not support the budget CPS passed at its August 2017 Board meeting.

We have included in this review a section on the new addition to the state school funding proposal of a scholarship program as it relates to students with disabilities for private schools which allows donors to the program to receive tax deductions for their gifts called the Invest in Kids Act. Access Living does not support the Invest in Kids Act approved by the Illinois General Assembly because students with disabilities and their families will not be provided with the rights they currently have under the federal Individuals with Disabilities Education Act.

We conclude the report with the following recommendations:

1. The Chicago Board of Education Finance and Audit Committee should hold numerous public sessions starting in May of each year. These sessions should establish expected revenue estimates for the next school year’s budget, expected expenditures, and potential savings for the school district. If revenue estimates are unclear CPS needs to put forward multiple analyses using different revenue estimates and not utilize just the most favorable estimate available. Cash flow projections and required short term borrowing on the part of CPS should be publicly revealed using multiple revenue estimates. These subcommittee meetings should result in a budget proposal that would go before the Board. Any proposed cost savings involving layoffs of school or administrative staff should be discussed prior to the release of the budget in committee meetings. There should be an impact analysis done of all position reductions and that analysis should be made public.

2. Because of the overall very difficult fiscal situation of CPS it needs to seriously consider containment of overall capital expenditures and largely limit those expenditures to repair and maintenance in the future. Life safety, environmental, ADA compliance and accommodations need to also play a role when the district considers expenditures. Expansions of programs like selective schools, new buildings for consolidated schools, and unfortunately also for overcrowding in certain parts of the City need to be frozen until the district is stabilized fiscally. The public should not be reading reports of construction booms relating to CPS given its fiscal situation.

3. CPS is in danger of facing a critical shortage of highly qualified staff due to the fiscal instability of the school district. This impact on teacher and staff retention will also likely impact charter schools and play a role for charter school providers considering entering into the Chicago market place. Charter schools had to replace an average of more than half of their teachers between 2008 and 2010, a turnover rate on par with some of the most troubled district-run schools. CPS needs to address this growing problem and inform the public of vacant teaching positions along with a strategy to eliminate in particular special education teaching vacancies.
4. CPS should completely abandon student based budgeting for special education and return to direct funding for special education positions. CPS should have funding accountability in its budget for special education programs. As an example parents of children with autism in CPS should be able to figure out from year to year about what CPS is spending on specialized programs for those students and for students with many other types of disabilities.

5. CPS should begin to create an approach to funding positions in schools that will be compatible with the evidence based ratios in SB 1 or any future statewide funding proposal. The public should be able to examine CPS utilization of local funds coming largely from property taxes in addition to state funds for each and every school easily. That is now not the case.

6. The CPS FY 18 budget should be amended by the Board. The budget team assembled by CPS CEO and the CPS Senior Vice President for Finance should revise it with direct input from Board members after public hearings.

Introduction

The proposed Chicago Public Schools (CPS) FY 18 budget totals $5.75 billion. This is an increase of about $289.1 million from the proposed and an initially approved FY 17 budget of $5.56 billion. CPS later amended its FY 17 budget to reflect incorrect revenue assumptions and the FY 18 budget represents an increase of $338 million compared to the FY 17 amended budget. Access Living does not support the proposed budget CPS presented to the public in August and approved at its August Board meeting. We recommend that the Chicago Board of Education submit an amended budget for public review as soon as possible.

As has been the case since at least 2007, there is nothing normal about the CPS budget process and the special education aspects of it. Similar to years in the past CPS pleaded their case for more funds from the State of Illinois and indicated that CPS had lost virtually all possibility of borrowing more money. CPS CEO Forrest Claypool was quoted in the Chicago Tribune as telling CPS Board members: “That short-term credit card for cash is maxed out. It's maxed out in terms of the maximum collateral that can be loaned against it, it's bumping up against state law. So the criticality of continuing to balance the budget for that reason is, you know, fundamental.” That was in February of 2017, so we were surprised to learn that in May of 2017, CPS and the Office of Mayor miraculously announced it could take out a $389 million short term loan and keep the school doors of CPS open through June of 2017 without an early shutdown.

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1 All three versions of CPS FY 2017 budgets can be found at [http://www.cps.edu/finance/Pages/financialinfo.aspx](http://www.cps.edu/finance/Pages/financialinfo.aspx)

2 Estvan, R. D. (August, 2007) “Chicago Public Schools FY 08 budget review” Access Living of Chicago. CPS was forced to create estimates of funding from the State of Illinois the assumptions of receipts from Educational Services Block Grant provided by the State of Illinois were built into that budget because by the the Illinois State Legislature completed a budget and sent it to later indicted and convicted Governor Blagojevich for his approval so late that CPS was forced to vote on a budget without a state k-12 budget being in place. A situation that was in one way or another was to repeat itself in the years to come.

3 Perez, J. (Feb 7, 2017). “CPS shortfall of $500 million from last year hangs over current budget woes.” Chicago Tribune.

4 It turned out to actually be more money than was announced at the City Press Conference see Board of Education City of Chicago (May 22, 2017) “RESOLUTION AUTHORIZING THE ISSUANCE OF GRANT ANTICIPATION
In the FY 18 budget, yet another miraculous infusion of money from the City of Chicago was announced. The budget states that it “assumes that CPS will receive additional local resources to address its remaining budget gap. CPS is in discussions with the City of Chicago on the balance of local resources.” On page 31 of the FY 18 budget, CPS states that it assumes the City of Chicago will provide it with “at least $269 million in additional local resources.” But at least one news report indicated that the City Council Education Committee Chairman was not clearly informed of this prior to the release of the budget. Furthermore he indicated that he did not know where the City would get the money from. Matt McGrath, a spokesman for Mayor Emanuel, also did not know where the City money was coming from and was quoted by the Tribune as saying: "I can't give you an answer today." A few days later Mayor Emanuel was asked directly by a reporter where the City of Chicago would find this money and he declined to answer the question. As we shall see later on in this process the City of Chicago changed its commitment to CPS to providing only $80 million in free security services.

There has been a significant amount of discussion relating to the enrollment declines CPS has experienced over recent years. Only limited attention has been paid to the reality that the decline has been ongoing. From 2009 to 2016 the general enrollment of CPS has declined by 6.82%, but the district’s number of students with disabilities has grown over the same period by 5.91%.

The FY 18 CPS budget projects a further net overall decline in enrollment of 8,485 students, or 2.2 percent for the school year 2017-18. The FY 18 budget does not project the expected CPS special education enrollment.

Access Living has previously discussed the issue of special education identification in CPS and found in general that the primary reason CPS is showing higher number of students with disabilities is not due to over identification, but in part due to the reality that families of lower income students with disabilities are less mobile than families of children without disabilities.

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6 Perez J. and Dardick, H (August 11, 2017) “Chicago Public Schools budget will plan on more than $265 million in city help” Chicago Tribune.
7 Ibid.
9See page 27 of this report.
10 FitzPatrick, L (October 21, 2016) “20th day CPS has lost nearly 11,000 students since last fall” Chicago Sun Times
11 This data is based on CPS 20th day enrollment numbers at http://www.cps.edu/SchoolData/Pages/SchoolData.aspx
12 CPS FY 18 budget at page 47.
13 It is not completely clear why this is the case. We do know that based on census data the largest population losses for the City and County were for middle class and somewhat more affluent African-Americans. See Eltagouri, M (June 24, 2016) “Chicago area black population drops as residents leave for south, suburbs” Chicago Tribune. We also know that the prevalence of disabilities increases with lower income groups in the USA regardless of race. For example see https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3277376/, http://www.apa.org/pi/ses/resources/publications/disability.aspx,
CPS issued a report in July of 2016 titled “Closing the Achievement Gap and Improving Outcomes for Students with Disabilities,” where it made an argument that significant overidentification of minority students was taking place in CPS. It was an argument Access Living and others did not accept in 2016.14

CPS has been experiencing a small annual revenue decline from the State based on the drop in its total number of students, but an increase in the numbers of its most expensive students who have disabilities, for which CPS, like all school districts is only partially compensated for by federal and state special education funding. Students with disabilities are a fiscal factor for CPS. The education reform bill SB 1 and its final version PA 100-0465 would hold CPS harmless to a degree for declines in enrollment as they relate to State funding, which will be discussed below. But declines in lower income student enrollments will continue to impact federal funding for CPS. In the CPS FY 18 budget funds are projected to decline by $57 million.15

State funding for special education under education reform bill SB 1 and final version of it, PA 100-0465, lifts the CPS exemption from the state wide system for special education funding which has been an educational block grant. It replaces that system with a funding system that is based on ratios of students to teachers, aides, psychologists, and other staff.16 CPS will now have to file claims for special education funding with the State.17

One aspect of special education funding for CPS will not be settled until the 2021-2022 school year, when a panel of experts will make recommendations for funding for more significantly disabled students.18 Until that determination is made the old system of funding for more expensive students with significant disabilities remains in place. Annually, the State Superintendent of schools will calculate and report to CPS the amount it must expend on special education over and above what is provided by the State and Federal government.19 How this will work out for CPS is yet to be determined.

http://www.disabilitystatistics.org/reports/cps.cfm?statistic=poverty there are a wide number of studies discussing this. One exception to an increase prevalence rate for lower income families and disability is for Autism. Anecdotally white higher income families who have children with disabilities have been leaving the City for many years as have those without disabled children. There are also private school options for some of those higher income families.

15 CPS FY 18 budget at page 17.
17 CPS FY 18 budget at page 34.
19 Ibid page 373 in SB 1 and page 442 of PA 100-0465.
There are many Chicago community activists, and unionized teachers, who believe CPS has repeatedly manufactured fiscal crises for years and cried wolf.\(^{20}\) Accompanying those voices was Governor Rauner’s Office where Education Secretary Beth Purvis placed the blame for the financial mess CPS found itself in on “continued mismanagement.”\(^{21}\) The situation can’t be simply reduced to mismanagement in our opinion, but a $682 million loss CPS incurred for a failed SWAP agreement discussed in this report does have to be considered mismanagement by any standard.\(^{22}\)

**Funding for Special Education Services in FY 18**

Special education has had the most complex state program code funding system in CPS’s interactive online budget. Not counting administrative lines or city wide program lines there have been as many as 50 different defined instructional program codes for special education in the budget. Many of these program codes for FY 17 read zero. So for example, CPS program code P121302 for Autism programs that contained funding and positions for 162 schools read zero in the FY 17 budget. Numerous cluster programs were consolidated into two larger program lines, making comparisons close to impossible.

In FY 18 this situation changed yet again. CPS program code P121302 for Autism programs now reappears in the interactive online budget. It now lists FY 2018 funding for that program as $615,281. It lists a “0” funding line for the FY 17 “adopted budget,” but an ending budget line with of $819,296 with an estimated expenditure of $849,483 for FY 17.

How it was possible that CPS could have expenditures without an adopted program budget is not explained anywhere in the CPS FY 18 budget. Moreover, the proposed FY 18 budget for Autism programs is listed as being $234,202 less than the projected expenditures for FY 17, a reduction of about 28%. When the school by school budgets are examined, one realizes that for FY 18 there are only 7 positions assigned to this program code for the entire school system and five of those positions are listed as being at Beard School, a separate CPS special education school for young children. CPS appears to have utilized this program code again to add positions to certain schools, but there is still no ability to use this Autism program code to look at the level of CPS funding for students with Autism in any comprehensive manner.

As discussed above, CPS in its FY 17 budget moved most school based funding for special education into what it calls Core Instructional Funding, specifically CPS program code P127725 “Special Ed Instruction K-12.” So this one program in the FY 17 proposed budget had special education funding in it for 653 schools totaling $455.4 million. There were 5,935.5 positions assigned to this one program code.

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\(^{21}\) Sfondeles, T (Feb 7, 2017) “Rauner’s schools chief tells parents CPS created its own mess.” *Chicago Sun Times*.

\(^{22}\) See page 18 of this report.
In FY 18 this program code now is listed at $413.8 million with 5,178.7 positions at schools. That would be an elimination of 756.8 positions or a massive reduction of 12.7%. Where did these positions go now? Well it’s very confusing, because the FY 2018 budget tells its readers at the end of 2017 CPS had 3,212.4 total special education positions, but in 2018 CPS proposes to have 3,722.9 positions an increase of 510.5 positions funded by the Office of Diverse leaners. Special education positions funded at the school level were not part of that total. Many special education aide positions were reallocated to the central administration and will then be allocated out to schools. What has evolved is a hodgepodge of CPS special education funding, SBB based and the Office of Diverse Learners based. This makes no sense because CPS is legally held to an IDEA mandated maintenance of effort (MOE) funding level that encompasses all sources of special education funding.

Some positions were also switched to other program lines in 2018. For example program P120206 “severe and profound intellectual disabilities” grew by 99 positions from last school year’s ending total about a 59.3% increase. Did the population of students with severe intellectual disabilities grow dramatically in one year? That is unlikely. What is likely is that CPS is moving positions from one program code to another and it also reflects a decision by CPS to fund 34 new teaching positions and 68 aide positions at cluster sites in the district.

Another program code, P120304 “Cognitive developmental delay disabilities,” grew massively in FY 18, from 552 positions at the end of FY 17 to 1,078.5 positions a growth of 95.3% in one school year. Again it’s highly unlikely that CPS has seen this level of growth in students with cognitive developmental delays.

The CPS FY 17 budget did not provide an actual special education funding formula for students who are not spending the majority of their school day outside of a general education classroom, which is the vast majority of CPS students with IEPs. It instead stated that students with disabilities would be funded “based on IEP needs.” In FY 18 the statement changed somewhat to read: “In FY 18, schools received a diverse learner allocation for special education teachers and parapersonals needed to serve diverse learners outside of cluster programs. The allocation was based on the number of special education teachers and parapersonals needed to meet the IEP needs of students at the school (excluding students in cluster programs), as determined by a school-by-school review by the Office of Diverse Learners Supports and Services.”

These students are discussed in the FY 18 budget as LRE 1 and 2 students with disabilities. The budget states: “In elementary schools, LRE 1 and 2 students receive the same per pupil SBB funding as general education students because they occupy a seat in the general education classroom, even though they may spend a substantial part of the day outside of it and receive

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23 CPS FY 18 budget at page 86.
24 The concept of MOE is explained here http://www.idealmoneywatch.com/main/index.php?option=com_content&view=article&id=59&Itemid=71
25 CPS FY 18 budget at page 6.
26 CPS FY 17 budget at page 42.
27 CPS FY 18 budget at page 198.
additional fund to compensate for that time outside of the classroom.”\textsuperscript{28} The question remains how much more do schools get for these students?

This non-formula “formula” will become a problem for CPS because the evidence based funding model will become base funding by the state for special education positions using a student to teacher ratio and total students to aide ratio, with similar ratios for some other service providers.

What becomes obvious when looking at the current use of special education program codes by CPS is that the title of the code may not have a direct relationship to the disabilities of students serviced by employees paid for under those codes. This becomes a problem for accountability to say the least.

In FY 17 we looked at data in a table presented in that year’s budget for the Office of Diverse Learners. It is reproduced again below:

<table>
<thead>
<tr>
<th>ODLSS Budget</th>
<th>2015 Actual Expenses</th>
<th>2016 Approved Budget</th>
<th>2016 Ending Budget</th>
<th>2016 Expenditures</th>
<th>2017 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>219,776,419</td>
<td>214,756,013</td>
<td>223,508,152</td>
<td>215,185,474</td>
<td>223,921,218</td>
</tr>
<tr>
<td>Other Funds</td>
<td>21,703,224</td>
<td>23,165,400</td>
<td>21,869,510</td>
<td>20,604,171</td>
<td>16,407,925</td>
</tr>
<tr>
<td>Total</td>
<td>241,479,643</td>
<td>237,921,413</td>
<td>245,377,662</td>
<td>235,789,645</td>
<td>240,329,143</td>
</tr>
<tr>
<td>Budgeted at Schools</td>
<td>621,328,188</td>
<td>578,184,454</td>
<td>607,402,907</td>
<td>607,402,907</td>
<td><strong>135,760,997</strong></td>
</tr>
<tr>
<td>Grand Total</td>
<td>862,807,831</td>
<td>816,105,867</td>
<td>852,780,569</td>
<td>843,192,552</td>
<td>376,090,140</td>
</tr>
</tbody>
</table>

The massive reduction in funds budgeted at schools was explained in the following note:

2017 Budgeted at Schools: Schools received Student Based Budgeting (SBB) and Diverse Learner funding as one combined allocation in FY17. Diverse Learner allocations were determined separately as a dollar amount based on actual FY16 (non-cluster) spend, and were added to SBB funds. For FY17, this meant that an additional $474,900,626 was provided directly to schools in Diverse Learner funding. An apples-to-apples comparison between the FY16 “Budgeted at Schools” amount to FY17, would be $578,184,454 (FY16 Approved Budget) to $610,661,623 (FY17 Proposed Budget + Amount Budgeted Provided Directly to Schools).\textsuperscript{29}

\textsuperscript{28} Ibid at pages 198-199.

\textsuperscript{29} CPS FY 17 budget at page 69.
Elsewhere in the FY 17 budget book we read:

In FY17, diverse learner funding for teachers and paraprofessionals (except for cluster programs) was included with SBB funding. District-run schools received almost $397 million of diverse learner funding for a combined SBB/diverse learner pot exceeding $1.74 billion. This significant change in funding makes year-over-year comparisons difficult for district-run elementary and high schools. The FY17 budget for Core Instruction is much larger than in past years for district-run schools because it includes funding for diverse learners. Supplemental funding for diverse learners, similarly, is much smaller than in past years for district-run schools because it includes only the funding for teachers and paraprofessional in cluster programs.

CPS stated in the FY 17 budget book: “This significant change in funding makes year-over-year comparisons difficult for district-run elementary and high schools.”

In FY 18 there is a new table for budget for the Office of Diverse Learners. It is actually interesting to compare the FY 17 and 18 tables. Below is the table as it appears in the current proposed FY 18 budget.

<table>
<thead>
<tr>
<th>Office of Diverse Learners FY 18 budget departmental budget(^{30})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ODLSS budget</strong></td>
</tr>
<tr>
<td><strong>General Fund</strong></td>
</tr>
<tr>
<td><strong>Other Grants</strong></td>
</tr>
<tr>
<td><strong>Total Department Budgeted at Schools</strong></td>
</tr>
<tr>
<td><strong>585,670,998</strong></td>
</tr>
<tr>
<td><strong>806,879,135</strong></td>
</tr>
</tbody>
</table>

The following note appears below the table:

Beginning in 2017, the “Budgeted at Schools” amounts exclude funding for special education teachers and paraprofessionals for non-cluster students at district-run schools because those funds are allocated through SBB. The 2017 approved budget includes $397,297,253 of diverse learner funding added to SBB funds. The 2018 proposed budget includes $375,366,000 of diverse learner funding added to SBB funds. The amount is lower in 2018 because the district has allocated more centrally-funded paraprofessional positions to schools with cluster programs.\(^{31}\)

\(^{30}\) CPS FY 18 budget at page 86.

\(^{31}\) CPS FY 18 Budget at page 51 indicates that there will be 2,687 special education teachers funded at schools using SBB funds and 1,866.3 aides. This compares to FY 17 when 2,842.8 special education teachers funded at schools using SBB funds and 2,321.8 aides.
The reader will notice that the highlighted number for the approved budget at schools in 2017 is different in the two tables, even though they are both listed as the approved FY 17 ODLS budget. That is possible because CPS actually had three different approved budgets within one school year, the first in August 2016 that we reproduced the table above from, the second from December 2016, and the third and final budget in February 2017. Over those five months CPS was forced to increase special education funding to schools by $65.3 million because the district had effectively underestimated the costs to help keep the budget in balance.

The added on statement following the table indicates that CPS is still using SBB funding for special education services to schools, only it has transferred up to $21.9 million to some type of centrally funded unit or program to pay for cluster aides. It is difficult to tell exactly where these positions are now located at and it is equally unclear why they are not in the ODLS budget.

The cluster programs for deaf and hard of hearing students for FY18 is $10.7 million, slightly higher than the approved FY 17 budget of $10.5 million.

CPS funding for out-placed students in the form of Tuition for Special Education Private Programs (P124904) was projected to have cost CPS, $60.8 million in FY 16, but was allocated only $57.5 million for FY 17. The budget for this program did not increase in 2018; it remained flat.

Funding for assistive technology for students with disabilities was increased for FY 17 by $38,000. Its funding remained flat for FY 18.\(^{32}\) CPS unit U11675 “Diverse learner related service providers-city wide” which funds many social workers, school psychologists, nurses, and other iteart staff in the FY 18 budget had a nearly flat budget of $142.3 million. But there is an ominous caveat to that. The budget for the unit also contains a vacancy factor of $8.5 million, about 85 positions.

The CPS budget for FY 18 city wide positions lists a total of 156.5 school nurses, 234 school psychologists, and 308 school social workers. In FY 17 there were listed 161.5 school nurses, 234 school psychologists, and 309 school social workers. CPS has also contracted out for related services providers, among the contracts are one with RCM Health Care Services for $30 million to “manage hiring, staffing and training of nurses for CPS as its exclusive vendor for nursing services.”\(^{33}\) Vendor reports indicate that CPS will be spending on top of that $1.7 million for contracted related service providers in FY 18.\(^{34}\)

CPS is currently paying its vendor Maximus k-12 Education Inc. $389,717 a year for software and support for the district’s electronic IEP platform. In 2009, CPS signed a contract with Maximus for a period running from November 2009 to October 2011 for $540,000, then $300,000 for services from November 2011 to October 2012, then it revised the contract up to $321,000 due to cost increases, it went up again to $325,000 for the period of time running from

\(^{32}\) CPS FY 17 and FY 18 budget program code P120412.


\(^{34}\) CPS Board report 17-0426-PR5
November 2013 to October 2014. Maximus then got contract extensions going all the way out to 2016. These were all no bid single source contracts.\footnote{CPS Board report 16-0427-PR12}

Again as last with last year CPS budgetary reorganization makes it difficult for Access Living to determine funding decreases or increases with any reasonable levels of certainty in many program areas we have looked at for years. We think that is not a good thing for either the tax paying public or for the families of students with disabilities attending CPS who are at best skeptical about the level of special education services actually delivered to their children. If we accept CPS summary data, the total funding for special education services in 2018 was about $855.3 million with possibly up to $21.9 million more for cluster site aides located somewhere in the Central Office.

CPS Comes Into the 2017/2018 School Year Preparing For More Cuts

In Access Living’s review of the last CPS budget we wrote that the day following the formal release of the CPS FY 17 budget, Mr. Claypool indicated that there could be additional cuts to CPS classrooms if the CTU did not agree to concessions that were built into the budget as assumptions, or if the State of Illinois failed to provide $215 million to help pay the money CPS owes to the Chicago Teachers Pension Fund in June of 2017.\footnote{Estvan, R. (August, 2016) “Chicago Public Schools budget review” Access Living of Chicago.} Neither of those two developments took place.

Governor Rauner vetoed a bill to provide $215 million in pension funding support in late 2016, which as the Chicago Sun Times stated created “a hole in its budget already precariously balanced.”\footnote{Spielman, F. and FitzPatrick, L. (December 1, 2016) “Analysis: Betting it all on the House only gamble left for CPS?” Chicago Sun Times.} There was no override of the Governor’s veto, and the CTU did not agree to reopen its contract finalized only two months earlier to allow for new cost saving concessions. Within days, CPS began considering various budget cutting options, including unpaid furloughs and school budget cuts, as well as yet another round of layoffs at district headquarters and renewed requests that principals hold off on buying items such as textbooks and technology.\footnote{Perez, J (December 6, 2017) “Chicago Public Schools seeks quick fix to budget hole left by Rauner’s veto” Chicago Tribune.} Virtually all of these considerations were eventually implemented during the school year.\footnote{See for example, CPS (February 6, 2017) “CPS press release: Because of Rauner Cuts, CPS Freezes $46M in School Spending” CPS Office of Communications.} CPS in its FY 18 budget narrative lauds these cuts calling them “management efficiency efforts.”\footnote{CPS FY 18 budget at page 12.}

One idea that CPS floated was completely closing down the district earlier in the school year than was scheduled moving up to June 1, which was 13 school days before summer break was scheduled to begin. The math on that idea was confused because the penalty in funding from the
State would have been about $58.5 million and the total estimated savings from an early close down only around $91 million.\textsuperscript{41} That idea was eventually abandoned. CPS also sued the Governor and the Illinoi's State Board of Education, alleging that the way the state funds schools violates the civil rights of the minority children who make up nine out of ten CPS students in February.\textsuperscript{42} The chances of success of that litigation were considered to be low.\textsuperscript{43}

CPS was required in February 2017 to amend its budget for a second time in the school year to reflect a reduction of $104 million in appropriations, through furlough days and a freeze of non-personnel funds at schools.\textsuperscript{44} By May of 2017, the dimensions of the CPS fiscal dilemma became even more startling when the City of Chicago’s Chief Financial Officer Carole Brown admitted to the media that CPS needed about $596 million, five times more money than the $129 million gap previously made public. The driver of the jump was the failure of the State to make its special education block grant payment to CPS from the state.\textsuperscript{45} Even before the release of its FY 18 budget in early August 2017, CPS announced it was laying off 956 Chicago Public Schools employees with about 350 of them teachers and 600 other staff.\textsuperscript{46} Amongst the layoffs, were again special education staff, 31 special education teachers and 82 special education teaching assistants. In total about 12% of the layoffs were related to special education.\textsuperscript{47}

State Education Secretary Beth Purvis, in a statement issued in March 2017 stated: “Look in the mirror, Mr. Claypool. You presented a budget to your board knowing that it spent $215 million more than the General Assembly appropriated. As CEO, you knew that the additional money was dependent on the passage of statewide pension reform. [Which didn’t happen].”\textsuperscript{48} Particularly hard hit by cost saving measures introduced by CPS, even before the veto of additional CPS funding, were special education services. Protests were held by parents of students with disabilities, special education teachers, and advocates for students with disabilities in November and December 2016 highlighting CPS policies and budgeting practices.

CPS was paying for disability services from a combined pool of money, forcing CPS principals to choose between meeting legal mandates for a building’s students with disabilities and the needs of non-disabled students, many of whom were low income children with many needs themselves.\textsuperscript{49} Sarah Chambers, who taught as a special teacher at Saucedo Elementary in the

\begin{footnotes}
\textsuperscript{42} FitzPatrick, L. and Mihalopoulos, D. (February 14, 2017) “CPS sues state over funding, says it violates students’ rights.”
\textsuperscript{43} http://chicago.cbslocal.com/2017/04/28/chicago-public-schools-lawsuit-rejected/
\textsuperscript{44} http://www.cpsboe.org/content/documents/amended_fy17_public_hearings_2pm_02.13.17.pdf
\textsuperscript{45} Spielman, F. (May 10, 2017) “Emanuel says he’s ready to do ‘very difficult things’ to save CPS.” Chicago Sun Times. Yet interestingly CPS increased special education funding to schools during the amended budget process.
\textsuperscript{46} FitzPatrick, L. (August 7, 2017) “CPS lays off 950, including 356 teachers; delays releasing its budget” Chicago Sun Times.
\textsuperscript{47} Chicago Teachers Union (August 7, 2017) “FY 18 layoffs by job title” excel spread sheet.
\textsuperscript{48} Perez, J (March 22, 2017) “Chicago Public Schools chief fires back at Gov. Rauner” Chicago Tribune. Dr. Purvis resigned her position with the state government in early September.
\textsuperscript{49} Perez, J (December 7, 2016) “Chicago Public Schools takes heat over special education spending changes.” Chicago Tribune.
\end{footnotes}
Little Village community told the CPS Board its imposed budgeting practices had “created unsafe environments for our students in special ed and our students with trauma.” She told Board members that Saucedo’s nurse comes only two days a week even though the school has a student who had seizures, Chambers said; most schools, are short one or two special education teachers. About five months after making this statement to the CPS Board Ms. Chambers was removed from her classroom and faced, termination from CPS. After being pressed by the media for a reason for Ms. Chambers suspension, CPS said it was for violations relating to standardized testing, which many advocates for students with disabilities doubted was the real motivation for the move. The Chicago Teachers Union filed a federal lawsuit against CPS arguing that the Board of Education wrongfully retaliated against Ms. Chambers for criticizing the district and advocating for the rights of her special education students. These criticisms, the lawsuit argued, are protected under the First Amendment.

In last year’s CPS budget review Access Living discussed the problems with student-based budgeting for special education. Parents of disabled students expressed real worries about a backlash from parents of non-disabled students at their schools over Core or discretionary funds being utilized for services for students with disabilities because of the possibility of cuts to popular programs funded by those dollars. Those concerns became actual realities in the 2016/2017 school year.

The obvious negative impact of student based budgeting has caused CPS to reconsider this funding model at least to some degree in its budgeting for CPS schools for FY 18. But nonetheless the SBB approach remains part of special education funding as discussed in the FY18 budget. In a July media release CPS wrote the following:

CPS continues to hold ongoing conversations with principals about changes to help better educate special education students, as well as make services more equitable and transparent. Based on feedback from principals and the community, CPS is making changes to special education funding in the coming school year, including adding more funds for additional teachers and paraprofessionals in cluster programs, which serve students with the most severe and profound disabilities. CPS will also ensure that students continue to be placed in the least restrictive environment possible, which is required by law and best practice.

At the request of principals, CPS will eliminate the 4 percent special education appeals holdback and distribute those funds to schools proactively at the beginning of the year. In addition, CPS will require that all funds

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50 FitzPatrick, L (November 28, 2016) “CPS to give $8M from $55 million TIF surplus to charter schools. Chicago Sun Times.
51 Lulay, S. (July 7, 2017) https://www.dnainfo.com/chicago/20170707/little-village/lauded-teacher-was-fired-for-ripping-cps-special-ed-cuts-lawsuit-claims The author of this report supported Ms Chamber’s lawsuit against CPS.
52 At page 18 of FY 17 CPS Budget report. Access Living explained in some detail our concerns about school based funding in the past. See Estvan, R. “Chicago Public Schools Budget Review FY 14” Access Living of Chicago, pages 13-20. Ultimately CPS ended this specific version of school based funding for special education, but continued forward with the concept in general.
53 In particular on the reality of cost containment inherent in the student based budgeting scheme see the Chicago Principals and Administrators Association https://static1.squarespace.com/static/58017d44725e2593ba0711de/t/5900d7363e00be81422eb36b/1493333279894/Appeals+Process+Timeline+DRAFT.pdf accessed July 10, 2017.
designated for special education—including those that come from local sources, instead of state and federal sources—be used for special education supports and services.

To support the district’s highest need students, CPS will fund 34 new teaching positions across the city for cluster classrooms, which serve the district’s most severely disabled children. CPS will also fund an additional 68 paraprofessionals for cluster classrooms under the following approach.

- For cluster students who are Severe or Profoundly disabled, CPS will ensure that for every 13 students in a classroom, there will be one teacher and three paraprofessionals, an increase of one paraprofessional from the previous year’s average.
- For cluster students who are Mild-Moderately disabled, CPS will ensure that for every 13 students in a classroom, there will be one teacher and two paraprofessionals, an increase of one paraprofessional from the previous year’s average.\(^55\)

This statement is an advancement on the part of CPS, at least admitting to its significant mistake in relationship to the “4 percent special education appeals holdback.” The statement avoids any reconsideration of student-based special education budgeting for non-clustered students with a wide variety of disabling conditions and, as we have indicated in this report, it continues.

The statement does not explain how CPS will enforce this claim that: “all funds designated for special education—including those that come from local sources, instead of state and federal sources—be used for special education supports and services.” Will CPS be conducting numerous unannounced on site monitoring visits to schools to determine where teacher and aide positions funded as special education are actually working on a daily basis? We don’t know the answer to that. But we do know CPS continues to cut special education staff in some schools while adding some staff at other schools. We know there will be unfilled special education positions in schools. We do not know how many. We do know the FY 18 budget assumes CPS will not spend $94 million due to unfilled positions. We do not know how many of those unfilled positions will be for special education teachers.\(^56\)

CPS borrowed significantly during the 2016/2017 school year, adding to a serious fiscal crisis. As of June 30, 2016, CPS already had $6.7 billion of outstanding long-term debt and $870 million of outstanding short-term debt. The FY 17 CPS budget included appropriations of $563 million for alternate bonds and Public Building Commission payments. Going into this school year, CPS was paying $431.4 million in interest on bonds annually and another $129.3 million in principal payments.\(^57\) At a recent meeting of the CPS Finance and Audit committee the CPS CFO argued that it was an accomplishment on the part of CPS to have borrowed enough to stay operational over the last school year.\(^58\)

This debt can be graphed from 2007 to the start of the 2016/2017 school year.\(^59\)

\(^{55}\) [http://cps.edu/News/Press_releases/Pages/PR1_07_20_2017.aspx](http://cps.edu/News/Press_releases/Pages/PR1_07_20_2017.aspx)

\(^{56}\) CPS FY 18 budget at page 206.

\(^{57}\) [http://cps.edu/fy17budget/Pages/debtmanagement.aspx](http://cps.edu/fy17budget/Pages/debtmanagement.aspx)

\(^{58}\) See [http://www.cpsboe.org/meetings/meeting-videos/252](http://www.cpsboe.org/meetings/meeting-videos/252) at minute 26 and power point presentation [http://www.cpsboe.org/content/documents/finance_and_audit_committee_meeting_-_fy18_-_q1_-_august_2017_-_final.pdf](http://www.cpsboe.org/content/documents/finance_and_audit_committee_meeting_-_fy18_-_q1_-_august_2017_-_final.pdf)

\(^{59}\) CPS graphic [http://cps.edu/fy17budget/Pages/debtmanagement.aspx](http://cps.edu/fy17budget/Pages/debtmanagement.aspx)
CPS did not update this graph in its FY 18 budget. A reasonable guess is the ratio has increased yet again.

The Illinois School code imposes a debt limit on all school districts in Illinois. The statutory limit is 13.8 percent on the ratio of the total outstanding property tax-supported debt that a school district may borrow compared with a school district’s equalized assessed value. CPS publicly admits that it has legally avoided that limitation because it “issued alternate revenue bonds for which property tax levies are not extended, these bonds do not count against the legal debt limit imposed by the Illinois School Code. Therefore, total property tax supported debt is extremely low at less than 1 percent of the legal debt limit.”

The long term fiscal deterioration of CPS can be demonstrated by examining the end of the year (June 30th) fiscal balances for the CPS General Operating Fund which are documented in the CPS externally audited Annual Financial reports. On June 30 2004, the CPS General Operating Fund had a balance of $390.9 million. By June 30, 2015 that balance stood at negative $126.6 million.

In 2004, CPS was spending about $2.4 billion on salaries for teachers and career service employees. In 2015 CPS was spending about $2.5 billion for these same employees because of

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60 http://cps.edu/fy17budget/Pages/debtmanagement.aspx
61 The more current reports can be found at http://cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx. Access Living has additional reports going back to the 1990s and beyond in our archives.
their reduced numbers even with salary increases. By 2017, that expenditure for employees was down again to $2.4 billion.\textsuperscript{62}

Charter schools existed in 2004. There were at least 14 of them but their expenditures were not for audit purposes even clearly separated out but included in the “professional and special services” line of the General Operating Fund which totaled about $375 million. By 2015 charter schools costs were about $704.9 million with a separate charter schools now a line in the audit report. Charter school enrollment for CPS is projected to rise by only 629 students in FY 18.\textsuperscript{63}

The cost to CPS for charter schools is obscured in the FY 18 budget and merged with “contracts.”\textsuperscript{64} CPS costs for “contracts” have steadily risen, and in FY 18 they are projected to be $1.2 billion.

In 2004 CPS had an enrollment inclusive of charter school students of about 427,000. By 2015 CPS had an enrollment of 392,285 students inclusive of charter school students, a decline of about 8% in eleven years. The financial loss to CPS for the 2017/18 school year due to a decline in enrollment was projected to be $43 million by CPS prior to hold harmless legislation being implemented.\textsuperscript{65} In an attempt to stem this loss of revenue for CPS and other school districts a hold harmless provision was added to the school funding reform bill SB 1 and its final version PA 100-0465.

Given the declining enrollment of CPS, there is no indication that the growth in charter schools have offset increases in direct instructional costs for CPS by reducing the percentage of unionized higher paid employees teaching children. The overall budget for CPS continues to rise, even though its enrollment has declined.\textsuperscript{66} As CPS itself and most Chicago educational reporters have correctly noted, the largest explosion in costs relating to the General Fund have been pension costs, which from 2004 to 2015 rose by 226% by our calculation.

Even though rating agencies have repeatedly downgraded CPS credit ratings to junk status, it appears that many institutional lenders believe CPS can and will honor all of their debt obligations.\textsuperscript{67} For example, some CPS long term debt obligations maturing as far out as 2044 have increased in value periodically according to reports by Bloomberg News.\textsuperscript{68}

CPS was able to complete very rapidly desperately needed short term loans for grant anticipation notes with JPMorgan Chase totaling about $387 million at very high interest rates. CPS was being forced to pay at least four times what a government body with good credit would pay for short term loans. JPMorgan Chase according to municipal debt market analysts, stood to make between $13 million and $15 million over the course of all short term loans.

\textsuperscript{62} CPS FY 18 budget at page 21.
\textsuperscript{63} CPS FY 18 budget at page 47.
\textsuperscript{64} CPS FY 18 budget at page 25.
\textsuperscript{65} Perez, J (July 20, 2017) “Chicago schools to receive more money per student, but less overall as enrollment dips” Chicago Tribune.
\textsuperscript{66} Hines, G. (August 19, 2017) “Don't buy the spin on CPS. It's still a dumpster fire.” Crain’s.
\textsuperscript{67} Miller, R. (January 12, 2017) “Moody's on CPS credit rating” Capitol Fax
\textsuperscript{68} Bloomberg News (August 22, 2016) “Chicago schools step back from brink ahead of bond-market return”
The average variable rate on the debt was projected to range from 6.36 percent to 6.51 percent from July 3 through the end of December 2017. According to a Chicago Tribune analysis: “The interest rates the district must pay also would skyrocket to a maximum of 9 percent if the district should file for bankruptcy or seek similar financial relief through emergency oversight. That high rate also would kick in if CPS failed to pass a balanced budget for the coming school year and to levy taxes for it by Oct. 31, or if the district sees a sharp credit rating downgrade for long-term bonds issued last year.”

In a subsequent article, the Chicago Tribune revealed that CPS back loaded its additional bond debt “to avoid any significant principal payments on its new debt for the first 20 years.” The Tribune also revealed that CPS backed this additional debt with pledged State aid, and “if state aid is ever not enough to cover bond payments, CPS has pledged to turn to property taxes to pay for the loan.”

The bonds issued by CPS were also designed to pay off a bungled SWAP agreement. These payments are formally called SWAP Termination Payments costing according to the Tribune analysis overall about $682 million. These defaults were triggered by a decline in the CPS long term credit rating that caused defaults for CPS. CPS had been confronted by the Chicago Teacher’s Union, a reporter from Substance News, and the author of this report for years about the possibility of losses in relation to these SWAP agreements. CPS denied repeatedly the reality of its situation in relationship to these SWAP agreements and replied that it had control of the situation.

In 2014 the Chicago Tribune did an extensive analysis of the fiscal management problems of CPS in relationship to these SWAP agreements. If CPS had terminated it SWAP agreements in 2014 it would have saved close to one half a billion dollars compared to its final loss.

Access Living noted in numerous annual reviews of CPS budgets that the Chicago Board of Education should re-establish a finance or audit subcommittee. On July 26th 1995, the Board suspended its own rule requiring a standing budget committee. The Board we believed, needed to have a standing finance oversight or audit committee, just as publicly held corporations do. The CPS being one of the largest employers in Illinois, its fiscal issues are extremely complex, requiring budget or audit committee meetings that are subject to our state’s Open Meetings Act. Decisions such as utilizing the stabilization fund, defining a fiscal emergency, or the situation of CPS relative to its toxic SWAP agreements should be discussed publicly in a budget committee.

69 Perez, J. and Matuszak, P. (June 27, 2017) “$70,000 a day in interest — the cost of another short-term CPS budget solution.” Chicago Tribune.


and then brought to the full Board for final approval we publicly argued. The CPS agreed to re-establish a finance audit committee of the Board in 2010.

But since then we have not seen one deep public discussion in the rarely held meetings of the committee on cost control. All budget reductions appear all to have been decided between May and the middle of August by the executive leadership of CPS without subcommittee committee approval. CPS never discussed its situation relative to the SWAP agreements at any public committee meeting. In 2016, the CPS Board held two meetings of its finance audit committee, in 2015 none were held, and in 2014 none were held. So far in 2017 three meetings of the committee have been held and the utilization of bond sale receipts for SWAP Termination Payments were never discussed.74

CPS has continued to be able to borrow significantly for capital development. In October 2016 the CPS Board approved, $840 million in capital bonds.75 A $45 million annual property tax increase was approved by the Chicago City Council in 2015 for the sole purpose of school construction and the bonds issued were A rated.76 The construction trade industry in Chicago believed CPS was “set to ignite construction boom,”77 an interesting prospect for such a fiscally distressed school district.

The CPS FY 18 budget assumed if the additional funding for CPS survives the legislative process relating to SB 1 and additional City of Chicago funding it will realize around $499.4 million for FY 18 after offsetting deductions are accounted for.78 The FY 18 budget also assumed the State will pay all of the pledged SB 1 dollars to CPS and there will be no proration of funds as has happened repeatedly to CPS and other school districts.79 We presume the same assumptions apply to the funding in the final law enacted PA 100-0465.

CPS created a graphic representation of its somewhat improved debt situation in its budget book and cash on hand going out to July 2018 assuming it realizes all of its State aid based on SB 1 as it was then written and the other dollars CPS assumes it will receive from federal and City of Chicago resources. It is reproduced below.80

74 [http://www.cpsboe.org/meetings/past-meetings](http://www.cpsboe.org/meetings/past-meetings)
75 Board of Education of the City of Chicago (October 26, 2016) 16-1026-RS1.
76 Spielman, F. and FitzPatrick, L. (December 8, 2016) “New CPS construction bonds may be A-OK.” Chicago Public Schools.
78 CPS FY 18 budget at page 27.
79 CPS discussed proration on page 31 of its FY 18 budget, but apparently assumes those days would be over with the full passage of SB 1 or its successor PA 100-1465.
80 CPS FY 18 budget at page 188.
CPS assumed, based on its own analysis even if it should realize all the projected funds in August that its cash flow would be negative for FY 18.

CPS did not run a simulation of what the situation would look like if either it did not receive its full projected funding, if SB 1 funding was radically reduced, if CPS actually got additional funds, or if the City of Chicago failed to deliver on funding for CPS. It is unclear if the school district’s current line of credit would be sufficient in the possible situation where it received less money. The line of credit is based on Tax Anticipation notes discussed in the budget.\textsuperscript{81} There was no contingency plan in the FY 18 budget for a failure to realize assumed revenue.

**Comprehensive Education Funding reform and the Endless CPS Fiscal Crisis**

In last year’s report on the FY 17 CPS budget we discussed the Illinois Assembly’s attempt at restructuring the entire Illinois school funding system through Senate Bill 231. SB 231 was introduced by Senate President Cullerton. The bill passed the Senate on May 10, 2016 by a party line vote of 31 to 21. In the House there were leading Democrats from outside the City who did not support the bill, in particular because some of their own school districts lost money due to the proposed formula. The bill never got out of committee in the House. Governor Rauner had also indicated if SB 231 passed, he would veto it, and there was little hope of an override.

Governor Rauner and the Republican caucus proposed a K-12 education bill that included some additional funding for CPS to prevent an actual drop in funding. This proposal was rejected by the leading Democrats, and CPS. That bill never got out of committee last year. There was even a fusion bill proposed by several African American Democrats in the General Assembly that

\textsuperscript{81} Ibid page 187.
combined approaches to school funding reform with relief for CPS that did not move. Ultimately the legislative solution for the immediate CPS fiscal crisis excluded any larger education funding reform proposals. It was a very traditional solution: increase property taxes, and deficit spending by the State for education. The Illinois General Assembly passed a number of bills that were referred to in the media as the "stopgap."

Governor Rauner on July 12, 2016 created the bipartisan, bicameral Illinois School Funding Reform Commission to provide a framework to the General Assembly for reforming the current school funding formula.82 The Commission consisted of both gubernatorial and legislative appointees. State Secretary of Education Dr. Beth Purvis was appointed by Governor Rauner to serve as a member and chairperson. Reverend James Meeks, Chairman of ISBE, and Dr. Tony Smith, Superintendent of ISBE, agreed to participate in meetings and to facilitate the Commission’s work. The Commission held 18 large group meetings and 13 smaller working group meetings, and heard from numerous subject matter experts. 83

Excellent minutes for all the large group meetings were kept and the meetings themselves were accessible to the public by either attendance or phone links.84 Going into the Commission meetings the Illinois Association of School Administrators (IASA) in partnership with the Illinois Principals Association (IPA), the Illinois Association of School Business Officials (IASBO), the Illinois Association of School Boards (IASB), the Superintendents’ Commission for the Study of Demographics and Diversity (SCSDD), and the Illinois Association of Regional Superintendents of Schools (IARSS) had a developed common blueprint for education funding in Illinois they called Illinois Vision 20/20.85

The approach to school district funding advocated by the school management group was commonly called the Evidence-Based Model (EBM) for funding schools.86 Allan Odden, the co-director of the Consortium for Policy Research in Education (CPRE) and Professor Emeritus of educational administration, University of Wisconsin, at Madison has written extensively on the research basis for EBM. The central focus of EBM is designing an adequate school finance system. This requires any state to identify both an adequate expenditure level for the typical student in the typical district and various adjustments for different student needs inclusive of students with disabilities.87

There were about 27 basic elements involved in the EBM funding for schools proposal presented by the school management group. Adequacy was defined by staffing ratios for schools based on class sizes for “core teachers;” ratios for specialist teachers; instructional facilitators (coaches);

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82 Geiger, K (July 12, 2016) “Rauner repositions on school funding formula with new panel.” Chicago Tribune.
84 Access Living has comprehensive records of the Commission meetings included documents submitted by experts and interested parties. We monitored many of the Commission meetings and retained notes on the discussions.
85 https://illinoisvision2020.org/
86 Chicago’s Public Television station, WTTW, even did a program attempting to explain EBM http://chicagotonight.wttw.com/2016/08/23/could-evidence-based-model-fix-broken-education-funding-formula
Intervention teachers; special education teachers; psychologists or other related services positions; and on and on.  

Fairly early on drafts of an EBM funding bill began to be circulated among critical legislators. Illinois Senator Manar from central Illinois played a prominent role in promoting EBM after failing to pass several other approaches to school funding reform in the Illinois General Assembly in prior years. In fact various attempts at reforming the funding system have repeatedly failed since at least 1990. The advocacy organization Advance Illinois was also a supporter for the funding model. The public funding policy expert Ralph M. Martire, Executive Director of the Center for Tax and Budget Accountability also supported the EBM approach. The commission adopted the EBM approach in its report to Governor Rauner. The report was somewhat evasive on the total additional costs to the State for implementation of the EBM approach starting the cost discussion by stating:

It is necessary to face the challenges of adequate school funding head-on. The state currently spends about $11 billion on elementary and secondary education, including about $4 billion for current and legacy costs of teacher retirement. Without clearly identified new resources for the framework, the $11 billion in spending will continue to be inadequate and inequitable.

Then it goes on:

At the time of writing this report, the amount of additional state money needed for all districts in Illinois to be at or above their adequacy target is estimated to be a minimum of $3.5 billion over the next decade. It should be noted that this figure makes several assumptions and will fluctuate over time as adequacy targets and local capacity change. In fact, for the state to take an increasingly larger share of responsibility for education funding (e.g., 51%), this figure is projected to rise by at least $2.5 billion. However, how the rate at which we achieve that goal has not been decided. Furthermore, this figure does not account for additional capital needs of the districts.

This rather evasive cost estimate was generally translated by the media into something like this: “Illinois already spends about $11 billion annually on public education, split between classroom spending and pension payments. But the funding reform commission estimated the state will

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88 Initially these staffing ratios and class sizes were in a document presented to the Illinois School Funding Reform Commission titled “Summary of Current Evidence-Based Funding for Student Success Adequacy Recommendations” by Michael Jacoby Executive Director of Illinois Association of School Business Officials.

89 Schwarm, B (March/April 2017) “Funding reform won’t work without funding” Illinois School Board Journal.


need an additional $3.5 billion to $6 billion for all districts to meet their adequacy targets. The Chicago Tribune in August expanded the range of that cost estimate out to $7.5 billion.

All of this was turned into Illinois Senate Bill 1, which itself was tied into a series of bills that were called the grand bargain. The grand bargain was a bipartisan effort by Senate President John Cullerton and Republican Minority Leader Christine Radogno to break an ongoing budget deadlock. A package of about a dozen bills related to this attempt were the first to be filed after the swearing in of the 100th General Assembly on January 11, 2017. Eventually the full grand bargain package collapsed in legislative chaos with some bills going forward and others left to die. SB 1 had five amendments in the Illinois Senate and two in the Illinois House of Representatives with the last House amendments being highly controversial. What had been a bipartisan bill became a Democrat bill due to provisions relating to the funding of CPS. The amendments generated a political fight over whether CPS was getting a “bailout” from the Illinois General Assembly.

Interestingly there had even been some Republican agreement to including pension payment relief for CPS in the earlier versions of SB 1. SB 1 simply covered the “normal cost” of CPS pensions, about $220 million. But the inclusion of funding compensation for the CPS special education block grant blew apart consensus and led to Governor Rauner stating he would veto

http://chicagotonight.wttw.com/2017/06/07/how-sb1-would-rewrite-illinois-broken-education-funding-formula


Senator Radogno later resigned from the State Senate http://abc7chicago.com/politics/christine-radogno-resigns-from-illinois-senate/2164307/


Sepeda-Miller (June 11, 2017) “School funding overhaul dispute centers on CPS dollars” Chicago Sun Times. This amendment, House Amendment 2 filed on May 30, 2017, also included some more complex funding provisions that benefited districts beyond Chicago that were not fully understood until later.

CPS has a separate pension fund only for its own staff and teachers. It was largely funded by employees and CPS, whereas the larger statewide teachers’ pension fund was paid for by state appropriation. See http://www.ctpf.org/general_info/publications.htm

Pritchard, R [Representative Illinois House] (June 05, 2017) “New School Funding Formula Passes Both Chambers” http://www.pritchardstaterep.org/ Note that Mr. Pritchard was absent for the floor vote on the bill on May 31, 2017. Mr. Pritchard announced on July 31, 2017 that he would not run again for the Illinois House of Representatives Capitol Fax (July 31, 2017) “Two more legislators are leaving.”

It did not cover back debt or the unfunded liability CPS owed to the Chicago Pension Fund and the interest on that debt.

Educational Services Block Grant provided by the State of Illinois to CPS is allowed under Illinois state law (105 ILCS 5/1D-1) and began in 1995. The educational services block grant includes the following programs: Bilingual, Regular and Vocational, Transportation, State Lunch and Free Breakfast Program, Special Education (Personnel, Transportation, Orphanage, and Private Tuition), Summer School, Educational Service Centers, and Administrator’s Academy. The reimbursement process for the CPS is based on the 1995 fiscal year and CPS is not required to file any application or other claim in order to receive the education services block grant. All other school districts in Illinois were required prior to the passage of SB 1 to use the established Special Education Personnel reimbursement program that is authorized under Section 14-13.01 of the School Code. The State provided supplemental reimbursement to school districts and special education joint agreements for certified and non-certified personnel providing direct and support services to students with disabilities who are receiving special
the bill.\textsuperscript{101} SB 1 phased out the CPS Educational Services Block Grant, but effectively compensated CPS for this by reducing what SB 1 would call the CPS local capacity target which is the amount of local tax resources CPS is able to use to fund schools.\textsuperscript{102} The bill didn’t directly give Chicago these dollars, but recognized that CPS uses a portion of its local property tax resources to pay the required unfunded liability for its pension system.

Effectively by reducing the calculated property tax dollars CPS should allocate to education, the amended SB 1 pushed CPS down a full tier into the neediest districts in Illinois.\textsuperscript{103} SB 1 was designed to create a new school-aid formula that seeks to direct more money to the neediest districts through increased state funding by raising individual adequacy targets. SB 1 takes into account each Illinois school district’s local funding capacity and the amount it already receives from the state as a baseline and adds money from there over time. Beth Purvis, an educational adviser to the Governor publicly argued that CPS unfairly benefits under the legislation, allowing it to get more state aid than it otherwise would.\textsuperscript{104} The entire State of Illinois School funding reform process became locked up by CPS special education and pension funding issues. Eventually SB 1 passed both the Democrat controlled Illinois Senate and House with the Republicans voting no.\textsuperscript{105}

The Governor indicated that he would veto SB 1 once it arrived at his office.\textsuperscript{106} Then a new position evolved with the Governor’s office indicating maybe only an amendatory veto would be required to fix SB 1.\textsuperscript{107} Republicans also filed a bill SB 1124 that became the school funding reform bill supported by the Governor. SB 1124 would cost CPS about $203 million in special education block grant funding but gain $165 million in general state aid, for a net loss of $38 million.\textsuperscript{108} The Republicans were reported to have proposed additional legislation that would provide $215 million in pension payments to CPS if SB 1124 became law. Effectively then CPS

\begin{footnotesize}
\begin{enumerate}
\item Sfondeles, T., FitzPatrick, L. and Spielman, F. (June 1, 2007) “Rauner won’t sign education funding reform bill with $300 M for CPS” Chicago Sun Times.
\item “Local Capacity Target” is defined in paragraph (2) of subsection (c) of SB 1 at page 354.
\item The Governor’s amendatory veto discussed below would push CPS back up a tier.
\item Nevel, J. (June 11, 2017) “Purvis: Rauner likes 90% of school funding reform bill but will veto” The State Journal Register.
\item Reuters, (July 6, 2017) “Senate bill 1 stalemate; fiscal crisis continues.” Sfondeles, T., FitzPatrick, L and Spielman, F (June 1, 2017) “Rauner won’t sign education funding reform bill with $300M for CPS” Chicago Sun Times.
\item Darrick, H and Geiger, K. (July 13, 2017) “Rauner-CPS feud could hold up school money for rest of state” Chicago Tribune.
\item http://www.ilga.gov/legislation/100/SB/PDF/10000SB1124sam003.pdf
\end{enumerate}
\end{footnotesize}
would have seen a net increase of around $177 million in state funding.\footnote{109} This was still far less than CPS had been looking for. SB 1124 was frozen in the committee process by Democrats.

To make matters even more complex Illinois Senate Bill 6 which was a massive 638 page appropriation bill for the State that had been introduced as part of the “grand bargain,” included funding what Illinois had called general state aid, now titled “Evidence-Based Funding.”\footnote{110} The interpretation of that small line in the 638 page bill is that unless SB 1 (the evidence based funding bill) became law hundreds of millions of dollars in State funding for schools would not be distributed to districts including CPS.\footnote{111} SB 6 also was opposed by Illinois Governor Rauner who immediately vetoed the bill once it was approved and had his veto overridden by a 3/5 vote of both the Illinois Senate and House inclusive of some Republican votes to override a Republican Governor.

In response to a proposed amendatory veto of SB 1 by Governor Rauner, the President of the Senate did not forward SB 1 as approved by the General Assembly to the Governor for his amendment or approval until July 31, 2017.\footnote{112} Governor Rauner issued an executive proclamation utilizing Article IV, Section 5(b) of the Illinois Constitution to call for a special session of the entire General Assembly to reconsider again school funding reform.\footnote{113} That session achieved nothing. On August 1, 2017 after formally receiving the bill Governor Rauner issued his administrative veto of SB 1.\footnote{114} The actual veto message to the General Assembly unlike media reports that focused only on additional money going to the Chicago Public Schools (CPS) went beyond that.

The veto also involved cost containment related to SB 1. For example it changed a hold harmless provision in the bill. It impacted school districts in DuPage, Kane, Lake, McHenry, Cook and Will counties that are subject to what is called Property Tax Extension Limitation Law (PTELL) that limits property tax increases for school districts unless approved by voters. It also impacted all school districts that have any designated tax incentive financing areas within them, which goes way beyond Chicago. Governor Rauner’s veto immediately eliminated for the CPS special education block grant funding, which would cost CPS over $200 million without any compensation, whereas SB 1 provided compensation for the phasing out of the block grant as discussed above.

\footnote{109} It is not clear if this additional legislation reported by the Chicago Tribune was ever filed. It was supposedly part of what the Republicans called the “Capitol Compromise.” The official statement by the Republicans when filing SB 1124 made no mention of the additional legislation benefiting CPS, see \url{http://senategop.state.il.us/News/News-Details/p/129915/v/2000/new-school-funding-legislation-offers-better-funding-for-every-local-district} page 434.

\footnote{110} See \url{http://www.ilga.gov/legislation/100/SB/PDF/10000SB0006ham003.pdf} page 434.

\footnote{111} Lutton, L (July 5, 2017) "Even With A State Budget, Illinois Education Money Could Be Trapped" WBEZ Radio.

\footnote{112} The Illinois Constitution requires bill approved by the Assembly to be forwarded to the Governor within 30 days, this provision according to the Constitution “shall be judicially enforceable.” The bill was forwarded to the Governor only on July 31 \url{http://www.ilga.gov/legislation/billstatus.asp?DocNum=1&GAID=14&GA=100&DocTypeID=SB&LegID=98844&SessIonID=91}.

\footnote{113} Proclamation issued July 24, 2017.

\footnote{114} Office of the Governor (August 1, 2017) “Administrative veto of SB 1” Secretary of State Index Department.
The Illinois State Board of Education produced an analysis of the impact of the veto showing that the Governor’s administrative veto would cost CPS $463 million, in comparison to the funding assumptions CPS used in the FY 18 budget. Many other school districts around the State would however have gained funding.\textsuperscript{115} The Governor’s office argued that the actual loss in funds to CPS would be only $241 million because the Governor supported picking up $221 million in pension costs for the district, but no such bill or amendment was filed.\textsuperscript{116}

Within hours of the issuance of the amendatory veto, Fitch Ratings, Inc. issued a Non-Rating Action Commentary titled “Illinois Veto Jeopardizes School Funding and Ratings.”\textsuperscript{117} Fitch stated in part:

Resistance among key stakeholders and an absence of consensus create a political environment that remains a negative consideration for the state. A return to political gridlock specifically related to school funding puts at risk the ability of school districts to open all of their schools with a full complement of services... Delayed distribution may, however, have a negative impact on school district ratings. Some districts should be able to weather a state aid delay by relying on reserves or by short-term borrowing, but others, notably CPS, have much more limited flexibility. Fitch will closely monitor the potential impact an extended impasse may have on Illinois school district credit quality and will take action on a case-by-case basis as necessary.

On August 13, the Illinois Senate voted to override the Governor’s amendatory veto.\textsuperscript{118} On August 16, the Illinois House did not call an override vote on the amendatory veto of SB 1 because there were not the votes needed to override. There were discussions among Republican and Democratic legislative leaders, to end this impasse, this resulted ultimately in the law PA 100-0465 after being approved by both the Illinois House and Senate after much legislative drama. This Act included most of the aspects of the evidence based model we have discussed and an addition of a scholarship program for private schools that allowed donors to the program to receive tax deductions for their gifts called the Invest in Kids Act. The scholarship program as it relates to students with disabilities is discussed below along with the evidence based model funding for CPS as it appears in PA 100-0465.

**Education Funding reform and funding for CPS in PA 100-0465**

Once PA 100-0465 became law by the Governor signing the bill the State Superintendent of Schools issued a statement to school districts on funding.\textsuperscript{119} In this statement the Superintendent of Schools stated that ISBE “moving forward with preparations to implement the evidence-based funding (EBF) formula, including verifying the necessary data elements with school districts” and stated “ISBE will not have final EBF calculations for a few months.” While ISBE was calculating the actual funding for each school district in the state funding was going to be issued based on the preliminary base-funding minimum amounts based on final fiscal year 2017

\textsuperscript{115} https://www.isbe.net/_layouts/15/Download.aspx?SourceUrl=/Documents/SB1_HA2_with_AV_changes.xlsx
\textsuperscript{118} http://www.ilga.gov/legislation/votehistory/100/senate/10000SB0001_08132017_001000M.pdf
\textsuperscript{119} https://www.isbe.net/Lists/News/NewsDisplay.aspx?ID=1172
funding distributions for each school district including CPS, effectively holding harmless from any loss each school district in Illinois, but not yet providing the additional funding school districts are anticipating due to the new funding model.\textsuperscript{120}

A total of $805 million was paid to school districts the first week of September 2017 based on the FY 2017 calculations.\textsuperscript{121} There have been numerous claims of how much CPS would gain in funding from PA 100-0465. Mayor Emanuel at a press conference when the final agreement was reached between the Governor, the Republican leadership in the General Assembly, and the Democrat majority leadership of the General Assembly when asked if CPS got the same funding it believed it would have received under SB 1 was reported to have said “‘That, and more.’”\textsuperscript{122} A reporter for the Chicago Sun Times stated the new formula inclusive of a property tax increase “will provide a $450 million windfall for CPS.”\textsuperscript{123} The Civic Federation of Chicago issued a supplemental analysis of CPS funding following issuance of its annual CPS budget review.\textsuperscript{124} In that analysis the Civic federation estimated CPS would gain based on the provisions of PA 100-0465 about $293 million with a possible addition of additional $125 million in property tax dollars due to the Act’s lifting of the property tax cap for CPS. That would mean an estimated increase in funding of around $418 million without any additional funding from the City of Chicago for CPS. Ultimately, the actual additional dollars going to CPS will be determined by ISBE, a process that will take several months.

While as we noted above in the CPS budget issued in August stated the City of Chicago would be providing “at least $269 million in additional local resources.” The Chicago Sun Times in a subsequent article stated the City had reduced this commitment to $80 million in free security services due to the funding going to CPS due to the passage of PA 100-0465 with higher levels of funding.\textsuperscript{125} There is no way around the fact that the assumed City funding was reduced by $189 million, with the package of funds encompassing PA 100-0465 indicating an increase of around $418 to $420 million depending on the property tax increase. It’s impossible to create a balanced CPS budget with that reduction in the City’s commitment to CPS.

The Sun Times quoted Adam Collins Communications Director at Office of Mayor Rahm Emanuel as admitting that a reduction of funding at the level reported in the Sun Times article would leave the CPS budget unbalanced, but that the “City will work with CPS to eliminate the

\textsuperscript{120} Those funding levels can be found at \url{https://www.isbe.net/ebf2018}
\textsuperscript{121} Miller, Rich (September 7, 2017) ”Mendoza releases school funds, warns about growing interest on $15 billion bill backlog” Capitol Fax.
\textsuperscript{122} Sfondeles, T. and FitzPatrick, L (August 24, 2017) “Historic funding deal offers boosts to poor and private schools.” Chicago Sun Times.
\textsuperscript{123} Spielman, F. (August 31, 2017) “Emanuel says property tax hike needed to avoid CPS train wreck.” Chicago Sun Times.
\textsuperscript{124} \url{https://www.civicfed.org/civic-federation/blog/what-new-illinois-school-funding-formula-means-chicago-public-schools}
\textsuperscript{125} Spielman, F (September 5, 2017) “Rahm vows $80M for CPS security costs — with no citywide tax hike” Chicago Sun Times.
remaining gap, which is between $40-$50M, in the weeks and months to come though we fully expect CPS will see savings from interest and through refinancing debt.”

This of course does not end the dilemmas for CPS. A provision in PA 100-0465 changed the terms on which CPS funds its charter schools.\textsuperscript{126} The Chicago Tribune’s analysis of that change could require CPS to provide close to $100 million additional dollars to its charter school providers, money that would no longer be available to fund pensions or pay interest on outstanding debt.\textsuperscript{127}

With the passage of PA 100-0465, it is unclear how many actual dollars will be able to be paid to Illinois School districts due to the timing of tax receipts coming into Illinois and the new funding obligations in the evidence based model. Under the budget plan approved by the General Assembly, the personal income tax rate increased from 3.75 percent to 4.95 percent, while the corporate income tax rate was increased from 5.25 percent to 7 percent.

But school districts in the state were owed over $1 billion in past due payments, with the CPS share being about $467 million.\textsuperscript{128} On August 10 CPS received $119 million of that money owed or about 25% of the money. That was all the money the State could send to CPS and the same day the State missed the first installment of FY 18 State payments to all school districts due to the veto of SB 1.\textsuperscript{129} Moody’s Investor Service indicated that it rates the debt of 256 school districts in Illinois and it expected, because of the failure of the State to make its aid payments, that between five and twenty of these districts would have deteriorated credit within months if the delays continued because they may use cash reserves or borrow to cushion effects from the state aid delay.\textsuperscript{130} As we indicated above the State made payments due to the school districts for the current year.\textsuperscript{131} But those payments were not full payments in most cases because the new funding model was not incorporated into them, hence ISBE just added on again to money owed to school districts.

It is difficult to see how all these obligations can be met in a timely manner with the approval of PA 100-0465 without rapid and massive borrowing by the State that goes well beyond the $6 billion Governor Rauner has agreed to authorize.\textsuperscript{132} The ability of the State to carry out billions of dollars of new borrowing with its credit rating potentially being lowered to junk bond status is

\textsuperscript{126} PA 100-0465 at pages 387-388.
\textsuperscript{127} Perez, J. (September 7, 2017) “Chicago’s charters could be in line for funding boost under new state education formula” \textit{Chicago Tribune}.
\textsuperscript{128} Geiger, K. (June 17, 2017) “Illinois' bill backlog has state more than $1 billion behind in payments to schools” \textit{Chicago Tribune}.
\textsuperscript{129} García M., Ruthhart, B. and Perez, J. (August 10, 2017) “Mendoza sends schools long-overdue cash as state misses first scheduled payment” \textit{Chicago Tribune}.
\textsuperscript{130} Capitol Fax (August 17, 2017) “Moody’s issues warning on school funding impasse.”
\textsuperscript{131} See page 27.
\textsuperscript{132} Geiger, K. and Garcia, M (September 7, 2017) “Rauner will borrow $6 billion to start paying off Illinois pile of unpaid bills” \textit{Chicago Tribune}. 
a difficult undertaking. Illinois State Representative Robert Pritchard who was a Republican supporter of the evidence based model admitted to the Chicago Tribune in August: “There’s got to be more money each year, and there’s going to be skepticism. . . How much will it cost [in total]? It’s going to be a lot. Will we ever reach the adequacy level? I don’t know.”

The conservative Illinois Policy Institute (IPI) has argued the State of Illinois is already in effect in junk bond status based on the perception of debt instrument traders.

Some reporters have been questioning whether the State will be able to honor its commitments to evidence based funding for schools due to insufficient revenue and have begun to report on this possibility. Ralph Martire, executive director of the Chicago-based Center for Tax and Budget Accountability in a radio interview stated:

The math is so clear that the state of Illinois doesn’t have adequate revenue to fund services to the level needed to satisfy demographic driven demand… We are a laggard in funding education. Illinois ranks 50th in the country — dead last among the states in the portion of education funding paid for by state revenue. So there is really a lot of room to grow here on the service expenditure side. If we’re even going to try and meet the need generated by our state population, and we need more revenue to do it. And that’s the bottom line… So if you put this tax increase that the state needs — roughly another $2.5 billion [for FY 2018].”

The funding future for CPS is far from assured.

The Invest in Kids Act

Added on to what was the evidence based funding model in SB 1 by the Illinois General Assembly was a scholarship program for private schools that allowed donors to the program to receive state tax deductions for their gifts. WBEZ radio obtained a copy of a draft proposal from a school voucher advocate sometime in early August who said he met with Republican Gov. Bruce Rauner about the plan four days before Governor Rauner’s Aug. 1 administrative veto of SB 1 that we discussed in this report. The basic framework of the Invest in Kids Act was supported by a coalition that included numerous individual Catholic Schools, Evangelical Christian Schools, several Charter School providers, several Jewish organizations involved with k-12 education, the Catholic Conference of Illinois, the Illinois Network of

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137 See page 25 of this report.
138 The Civic Federation also has questioned if the State budget in total is balanced in relationship to appropriations see https://www.civicfed.org/ifs/blog/state-illinois-fy2018-budget-balanced
139 Arnold, T (August 4, 2017) “School Vouchers For Broad Swath of Families On The Table In School Funding Fight” WBEZ radio.
140 See page 25 of this report.
141 See http://www.illinoiskidscampaign.org/proposed-legislation/fact-sheet
Charter Schools, the Illinois Coalition of Non-Public Schools (that includes numerous religious, secular, and even Montessori Schools), and many more organizations.  

Scholarship tax credit programs have become law in some states. As of January 2017, 17 states had scholarship tax credit programs, the Illinois program is the 18th such program, and none have been found to be unconstitutional so far. These programs allow individuals and corporations to allocate a portion of their owed state taxes to private nonprofit scholarship-granting organizations that issue scholarships to K-12 students to attend schools of choice generally regardless of affiliations with religious organizations.

The initial proposed legislation as discussed by WBEZ was modified behind closed doors and became part of PA 100-0465. Our focus in this discussion will be on the aspects of the Invest in Kids Act that relate to students with disabilities.

The draft bill as presented by WBEZ radio did not include any clear special education provision. Really the only provision applicable to the unique situations of students with disabilities and scholarships was that:“A scholarship granting organization must comply with the antidiscrimination provisions of 42 U.S.C. s. 2000d.” However, as the Invest in Kids Act was approved as a component of PA 100-0465 in additional to the antidiscrimination provision this section was added:

(e-5) The statewide average operational expense per student among public schools shall be multiplied by the following factors: (1) for students determined eligible to receive services under the federal Individuals with Disabilities Education Act, 2.  

The Catholic Conference of Illinois has on its website a document titled “What are the details of the new scholarship tax credit.” In that document it interprets that passage of the law as follows:

Tuition and necessary fees of the school to be attended or the statewide average operating expense per student, whichever is lower. For the current year, the statewide average operating expense per student is $12,280. Students identified as gifted and talented can receive a maximum scholarship amount of 1.1 times the statewide average operating expense, or $13,508. Students identified as English Language Learners can receive a maximum scholarship amount of 1.2 times the statewide average operating expense, or $14,736. Students identified as eligible to receive services under the federal Individuals with Disabilities Education Act can receive a maximum scholarship amount of 2 times the statewide average operating expense, or $24,560. [Italics added]

It is unknown why this additional funding provision was added to the Invest in Kids Act and who in the closed door discussions promoted this provision in the new law. It is unclear how the two times the statewide average operating expense additional factor for students with IEPs was determined by the those who drafted the law because there are students with IEPs whose cost to schools is far in excess of that funding level. It is also unclear if that additional funding consideration applies to students who have 504 plans.  

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142 See the full list at http://www.illinoiskidscampaign.org/assets/pdf/illinois_kids_campaign_coalition_dec_2015.pdf

143 Executive. Order. No. 13160 by President William J. Clinton, June 23, 2000, 65 F.R. 39775 extended this protection to “disability” as it relates to admission to education and training programs. It does not however, create an entitlement to any level of services for disabled students in these programs.

144 Page 17 of PA 100-0465.

145 http://www.ilcatholic.org/what-are-the-details-of-the-new-scholarship-tax-credit/

146 See https://www.greatschools.org/gk/articles/section-504-2/ for a discussion of these plans.
student with a disability enrolling in a private school via a tax scholarship, it does not extend any of the provisions of the federal Individuals with Disabilities Education Act to those students either. It also does not require any private school to accept scholarship students who do have disabilities for admission. Access Living does not support the Invest in Kids Act approved by the Illinois General Assembly.

Recommendations

1. The Chicago Board of Education Finance and Audit Committee should hold numerous public sessions starting in May of each year. These sessions should establish expected revenue estimates for the next school year’s budget, expected expenditures, and potential savings for the school district. If revenue estimates are unclear CPS needs to put forward multiple analyses using different revenue estimates and not utilize just the most favorable estimate available. Cash flow projections and required short term borrowing on the part of CPS should be publicly revealed using multiple revenue estimates. These subcommittee meetings should result in a budget proposal that would go before the Board. Any proposed cost savings involving layoffs of school or administrative staff should be discussed prior to the release of the budget in committee meetings. There should be an impact analysis done of all position reductions and that analysis should be made public.

2. Because of the overall very difficult fiscal situation of CPS it needs to seriously consider containment of overall capital expenditures and largely limit those expenditures to repair and maintenance in the future. Life safety, environmental, ADA compliance and accommodations need to also play a role when the district considers expenditures. Expansions of programs like selective schools, new buildings for consolidated schools, and unfortunately also for overcrowding in certain parts of the City need to be frozen until the district is stabilized fiscally. The public should not be reading reports of construction booms relating to CPS given its fiscal situation.

3. CPS is in danger of facing a critical shortage of highly qualified staff due to the fiscal instability of the school district. This impact on teacher and staff retention will also likely impact charter schools and play a role for charter school providers considering entering into the Chicago market place. Charter schools had to replace an average of more than half of their teachers between 2008 and 2010, a turnover rate on par with some of the most troubled district-run schools. CPS needs to address this growing problem and inform the public of vacant teaching positions along with a strategy to eliminate in particular special education teaching vacancies.

4. CPS should completely abandon student based budgeting for special education and return to direct funding for special education positions. CPS should have funding accountability in its budget for special education programs. As an example parents of children with autism in CPS should be able to figure out from year to year about what CPS is spending on specialized programs for those students and for students with many other types of disabilities.
5. CPS should begin to create an approach to funding positions in schools that will be compatible with the evidence-based ratios in SB 1 or any future statewide funding proposal. The public should be able to examine CPS utilization of local funds coming largely from property taxes in addition to state funds for each and every school easily. That is now not the case.

6. The CPS FY 18 budget should be amended by the Board. The budget team assembled by CPS CEO and the CPS Senior Vice President for Finance should revise it with direct input from Board members after public hearings.