



# CHICAGO PUBLIC SCHOOLS FY2025 PROPOSED BUDGET: *ANALYSIS AND RECOMMENDATIONS*

**THE CIVIC FEDERATION**



JULY 24, 2024

# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>KEY ISSUES FACING CPS AND RECOMMENDATIONS .....</b>	<b>7</b>
ISSUES OF CONCERN.....	7
<i>Incomplete Contract Negotiations with the Chicago Teachers Union and the Chicago Principals &amp; Administrators Association .....</i>	<i>7</i>
<i>Sustainability of Increased Spending Levels After ESSER Funds are Expended.....</i>	<i>8</i>
<i>Future Budget Deficits.....</i>	<i>9</i>
<i>Imbalance in State Funding for Chicago Teachers’ Pension Fund Pension Contributions.....</i>	<i>10</i>
<i>Financial Entanglements with the City of Chicago Still Need to be Resolved .....</i>	<i>11</i>
CIVIC FEDERATION RECOMMENDATIONS .....	12
<i>Develop a Long-Term Plan to Prepare for Future Budget Deficits .....</i>	<i>12</i>
<i>Continue Advocating for Increased State Funding .....</i>	<i>12</i>
<i>Provide More Time Between the Budget Release, Public Hearings and Board Approval .....</i>	<i>14</i>
<i>Create a Working Group to Resolve Legal and Fiscal Entanglements .....</i>	<i>14</i>
<i>Consolidate the Chicago Teachers’ Pension Fund with the Teacher’s Retirement System in Order to Equalize State Pension Funding for Teachers.....</i>	<i>15</i>
<i>Conduct Finance Committee Meetings on a Regular Basis .....</i>	<i>16</i>
<i>Include Additional Information about Expenditures, Personnel and Actual Revenues in the Budget Book .....</i>	<i>16</i>
ACKNOWLEDGEMENTS .....	18
<b>APPROPRIATIONS.....</b>	<b>19</b>
FY2025 TOTAL APPROPRIATIONS FOR ALL FUNDS.....	19
FIVE-YEAR APPROPRIATION TREND: ALL FUNDS BY FUND.....	19
GENERAL OPERATING FUNDS APPROPRIATIONS BY TYPE.....	20
<b>RESOURCES .....</b>	<b>22</b>
TOTAL RESOURCES FOR ALL FUNDS IN FY2025.....	22
TWO AND FIVE-YEAR TRENDS FOR RESOURCES IN ALL FUNDS .....	23
Local Revenue.....	24
Property Tax .....	25
Personal Property Replacement Tax .....	25
Other Local Revenue .....	26
State Revenue.....	26
Federal Revenue.....	27
Other Sources .....	28
<b>PERSONNEL .....</b>	<b>29</b>
<b>ENROLLMENT .....</b>	<b>30</b>
<b>RESERVES .....</b>	<b>32</b>
CHICAGO PUBLIC SCHOOLS UNRESTRICTED FUND BALANCE .....	33
CPS FUND BALANCE POLICY.....	34
<b>PENSIONS.....</b>	<b>35</b>
CHICAGO TEACHERS’ PENSION FUND .....	35
Teacher Pension Pick-Up .....	37

<i>Pension Funding Status</i> .....	37
MUNICIPAL EMPLOYEES' PENSION FUND.....	38
<b>LONG-TERM DEBT</b> .....	<b>39</b>
<i>General Obligation Debt Per Capita</i> .....	40
DEBT SERVICE APPROPRIATIONS AS A PERCENTAGE OF OPERATING APPROPRIATIONS.....	41
<i>CPS General Obligation Bond Ratings</i> .....	41
SHORT-TERM BORROWING.....	42
<b>CAPITAL BUDGET</b> .....	<b>42</b>
<i>Capital Project Revenues and Spending: FY2021-FY2025</i> .....	44
<i>CPS Capital Improvement Plan</i> .....	45

# EXECUTIVE SUMMARY

The Chicago Public Schools (CPS) FY2025 proposed budget total of \$9.9 billion presents a temporary solution to a long-term structural financial problem. The plan as presented manages to close a \$505 million budget deficit through a series of strategies, including operational reductions and efficiencies, without resorting to irresponsible fiscal practices like issuing debt to fund operations or depleting reserves. However, this budget remains incomplete, contingent upon outstanding collective bargaining negotiations currently estimated to cost \$128 million, and a decision on how much CPS will reimburse the City of Chicago for non-teacher employee pensions. The City had been counting on a reimbursement of \$175 million. This year's budget also uses the last \$233 million tranche of federal COVID relief funds as well as other one-time sources to balance the deficit.

Negotiations around agreements with the Chicago Teachers Union (CTU) and the Chicago Principals & Administrators Association (CPAA) are ongoing and will require an amendment to the FY2025 budget later this year once the contracts are finalized. To cover the contract costs and the CPS portion of the contribution to the Municipal Employees' Annuity and Benefit Fund (MEABF), the Johnson Administration suggested that CPS borrow up to \$300 million in long-term debt financing. The Civic Federation supports CPS' fiscally responsible decision to opt to close its deficit through various cost-efficiencies rather than borrow to meet operating costs. The City's proposal would increase CPS' daunting debt and increase the likelihood of a credit rating downgrade, thereby increasing borrowing costs and undoing much of the fiscal progress the District has made over the past several years to get back to investment-grade status. Such a long-term debt financing plan would likewise add to the District's future costs as repayment of the debt would have to be diverted away from operating revenues.

The contingencies remaining this year point to an even larger deficit that CPS will need to address in FY2026 and future fiscal years due to additional collective bargaining costs and the absence of federal pandemic relief funds to fall back on. The District projects future budget deficits throughout the next five fiscal years upwards of a half-billion dollars before accounting for additional salary and personnel costs, which signals even larger structural deficits ahead. Assuming 4% raises for teachers and principals, as well as a \$175 million contribution from CPS to the City's pension fund for municipal employees, the FY2026 deficit could increase to \$933 million.<sup>1</sup>

The funding crisis facing the District impels the need for CPS to develop a long-term plan to control costs while generating sufficient revenues to pay for necessary increases in personnel, salaries and benefits, and other priorities. All options should be on the table and disclosed publicly as a plan that lays out revenue options in the context of projected increases to expenditures while identifying areas to improve efficiency and cut costs where possible.

---

<sup>1</sup> Reema Amin, "[Chicago's Mayor Johnson suggests CPS borrow to cover pension, contract costs,](#)" *Chalkbeat Chicago*, July 12, 2024.

Revenue options introduced by Kids First Chicago<sup>2</sup> could be considered as part of the discussion to address the FY2025 and future year deficits. These six revenue options are:

- Increase the property tax levy to the statutory “extension limit”;
- Initiate a referendum for a fiscal health property tax levy increase;
- Allow all Chicago Tax Increment Financing (TIF) Districts to expire;
- Gradually consolidate the Chicago Teacher’ Pension Fund with the State’s Teachers Retirement System;
- Increase the State’s contribution to the Evidence-Based Funding (EBF) formula; and
- Implement a concentrated poverty adjustment to the EBF formula.

There is also the issue of ongoing financial entanglements between the District and the City of Chicago that must be resolved before the phase-in of the elected school board in January 2025 as a hybrid elected and appointed board. By January 2027, the Board will be fully elected. There also has not been any public discussion of whether the financial support currently provided by the City to CPS will continue. Greater clarity around expectations is imperative so that any City funding sources can be confidently incorporated into CPS’ projections.

Finally, the Civic Federation recognizes that CPS and many other school districts across the State of Illinois cannot sustainably solve the impending financial cliff on their own. The State of Illinois should play an even more significant role in supporting Illinois’ school districts. Even with the Evidence-Based Funding (EBF) formula and additional infusions of \$350 million annually, Chicago Public Schools is still only funded at 81% of adequacy based on the formula,<sup>3</sup> and a majority of other school districts around the State are also under the State’s prescribed 90% of adequacy funding targets<sup>4</sup> —which on the current funding schedule are not projected to be fully satisfied until FY2034.<sup>5</sup>

Despite the Federation’s concerns, there are some positive aspects of CPS’ financial situation. The District continues to rebuild its general operating reserves and make normal cost contributions to teacher pensions, which has helped improve stability. However, much more needs to be done to put the District on a long-term sustainable plan. The District needs to establish long-term stability through a combination of solutions that should involve both State support and local control.

---

<sup>2</sup> Kids First Chicago, [Revenue Options to Address Chicago Public Schools’ Deficit](#), July 2024.

<sup>3</sup> Advance Illinois, [Evidence-Based Funding Formula Equity Dashboard: Illinois’ Evidence-Based Funding](#), 2017-2022.

<sup>4</sup> It’s important to note that the Illinois State Board of Education has determined that in order for school districts to attain “full funding” under the Evidence-Based Funding formula, the State should cover 90% of their respective Adequacy Targets.

<sup>5</sup> Center for Tax and Budget Accountability, [Fully Funding the Evidence-Based Formula: FY2025 Proposed General Fund Budget](#), May 14, 2024.

The Civic Federation offers the following **key findings** on Chicago Public Schools' proposed FY2025 Budget:

- The \$9.9 billion proposed **total budget** is \$500 million, a 5.1% increase from the FY2024 estimated budget total of \$9.4 billion.
- The **general operating budget** totals \$8.43 billion compared to the prior year total of \$8.48 billion.
- Individual school budgets will increase by \$149 million due to increased costs for required services, including:
  - Services for special education students - \$62 million;
  - Statutorily driven increases funding for charter schools - \$42 million; and
  - Increased bilingual services - \$7 million.
- CPS is budgeting for a total of 45,956 full-time equivalent (FTE) **personnel positions**, an increase of 805 FTEs from the FY2024 budget, and 96% of the positions in FY2025 will provide direct support to schools.
- **Enrollment** increased by 1,270 or 0.4% from the prior year, for a total of 323,251 students in the fall of 2023.
- The District is appropriating \$611.1 million for its **capital budget**, an increase of \$456.1 million from the prior year's capital budget of \$155 million.
- CPS has approximately \$9.3 billion in **outstanding long-term debt** and had no outstanding short-term debt at the end of FY2024. However, the FY2025 budget includes:
  - \$817 million in appropriations for long-term debt service payments; and
  - issuing up to \$500 million in short-term borrowing to provide cash-flow throughout the year.
  - The District has also budgeted \$9 million in appropriations for interest payments on short-term debt.
- CPS will contribute \$1,015.5 million to the **Chicago Teachers' Pension Fund** (CTPF), which is a \$7 million decrease from the FY2024 contribution total of \$1,022.5 million.
- The District is projecting a **budget deficit** of \$505 million and plans to close the deficit through a series of reduction strategies, including:
  - \$197 million in reduction and efficiencies in department budgets;
  - \$196 million in federal grant carryover, new grants and increased vacancy savings assumptions;
  - \$62 million in savings on debt restructuring and a reduction in short-term borrowing costs; and
  - \$50 million in reductions for supplemental class size funding, central office positions and a hiring freeze.
- CPS has spent approximately \$2.6 billion or 92% of **federal pandemic relief funds** through the Elementary and Secondary School Emergency Relief Fund (ESSER) to support students and families.
  - In FY2025 the District projects to spend the last tranche of its ESSER funds, which includes \$233 million for school-level funding for District priorities and other local-level needs.

- CPS will receive a total of approximately \$1.8 million in **Evidence-Based Funding** (EBF) formula dollars, which is an increase of \$23.4 million from the FY2024 total of \$1.7 million.
- The District ratified a new **collective bargaining agreement** (CBA) with the Service Employees International Union (SEIU) Local 73, which added \$62 million in costs to the proposed FY2025 budget.
  - Negotiations for CBAs with the Chicago Teachers Union (CTU) and the Chicago Principals & Administrators Association (CPAA) are still ongoing.
  - CPS expects to amend the FY2025 budget once these negotiations are finalized to reflect any additional costs that may impact the 2025 budget.

The Civic Federation has **concerns** about the following aspects of the CPS FY2025 Proposed Budget and financial situation:

- Incomplete contract negotiations with CTU and CPPA;
- Sustainability of increased spending for programs after federal funds are expended;
- Future budget deficits;
- Imbalance in State funding for Chicago teacher pension contributions; and
- Financial entanglements with the City of Chicago still need to be resolved.

The Civic Federation offers the following **recommendations** to Chicago Public Schools and the Chicago Board of Education:

- Develop a long-term plan to prepare for impending fiscal year cliffs;
- Continue advocating for increased State funding;
- Provide additional time between the budget release, public hearings and Board approval;
- Create a working group to resolve ongoing legal and fiscal entanglements with the City of Chicago;
- Consolidate the CTPF and the Teacher's Retirement System to equalize State pension funding for teachers;
- Conduct finance committee meetings; and
- Include additional explanation of expenditures and personnel, along with actual revenues, in the budget book.



# KEY ISSUES FACING CPS AND RECOMMENDATIONS

The Civic Federation is concerned about the long-term viability of Chicago Public Schools' finances. After raising this concern for the past several years, what sets this year apart from others is that the time horizon for that concern is imminent. The District faces an impending fiscal cliff following the spend down of federal COVID relief funding and rising costs associated with increases in personnel and collective bargaining agreements. The Civic Federation commends CPS leadership for its intentions and leanings to a more fiscally responsible orientation, presenting a budget that is technically balanced through a mix of cost savings, efficiencies and spending cuts rather than through deficit borrowing, i.e., borrowing for operations, as the Mayor's Office had urged the District to do.

But the FY2025 budget as presented is not a final plan for this year. An amended budget will need to be made after collective bargaining agreements with the teachers and principals unions are finalized in the coming weeks. As such, this is a moment-in-time budget that meets a transactional legal requirement to pass a balanced budget rather than a comprehensive plan for FY2025. To address the fiscal crisis, it is imperative that Chicago Public Schools identify long-term solutions that will provide sustainable revenue sources while controlling costs in future years.

The following are summaries of the key financial issues facing the District in this year's proposed FY2025 budget and future budgets, and our recommendations for the Board of Education and District leadership to address these concerns.

## ISSUES OF CONCERN

The Civic Federation has the following **concerns** about Chicago Public Schools proposed FY2025 budget:

### **Incomplete Contract Negotiations with the Chicago Teachers Union and the Chicago Principals & Administrators Association**

The FY2025 proposed budget does not account for the cost increases that will arise from collective bargaining agreements between CPS and the Chicago Teachers Union (CTU) and the Chicago Principals & Administrators Association (CPAA). Foremost in this regard is the pending contract with the Chicago Teachers Union which is seeking, among other things, pay increases, staffing increases, and facility investments. Negotiations on a new [collective bargaining agreement](#) to replace the contract that expired on June 30, 2024<sup>6</sup> are ongoing and are projected to be finalized sometime in the fall. The new collective bargaining agreements will have a substantial impact on both the FY2025 budget and future fiscal year budgets. The

---

<sup>6</sup> Chicago Public Schools, [Summer Update on CPS/CTU Contract Negotiations](#), July 9, 2024.



additional contract-driven cost increases remain an open question. Equally concerning is the absence of any public facing indication, let alone tangible FY2025 budget placeholders, for how CPS will pay for them in a District that will struggle to fully close an estimated \$505 million budget deficit. CPS anticipates amending the budget later this fiscal year once the agreements are solidified.<sup>7</sup>

Concerns about how costly the new contract will be are prompted by CTU initially and publicly advocating for a 9% increase for cost-of-living adjustments, a 15% increase in the stipends teachers receive for becoming National Board Certified Teachers, additional personnel positions and several other increases related to benefits and other operational programs that the District provides to teachers and students. If the CTU's demands were approved, the new contract could total between \$10.2 billion and \$13.9 billion.<sup>8</sup> A more recent internal CPS memo estimated that if teacher salaries alone were to increase by 4%, this would cost the District \$120 million in FY2025, with hundreds of millions more in ensuing years.<sup>9</sup> The Civic Federation has concerns about how the new agreement will be covered in the District's 2025 budget as well as future fiscal year budgets, especially as CPS is already projecting budget deficits upwards of a half-billion dollars before accounting for new contract costs. The Federation recommends that Chicago Public Schools consider options for revenue increases and cost cuts in other areas as part of a comprehensive plan.

## **Sustainability of Increased Spending Levels After ESSER Funds are Expended**

The Civic Federation is concerned about the District's ability to cover rising costs in future years now that the last tranche of federal Elementary and Secondary School Emergency Relief Fund (ESSER) COVID-19 relief funds will be spent and other sources of revenue will be unlikely to keep pace with rising expenditures. The majority of the ESSER funds went toward ongoing operations and personnel.

CPS distinguished itself from many other units of government locally and nationally by utilizing a far greater portion of its federal pandemic era funding for operations.<sup>10</sup> Over the five-year period from FY2021 to FY2025, total budgeted personnel have *increased* by 6,225 full-time equivalent positions, or 15.7%. Some of that short-term and soon-to-expire funding has been devoted to new and expanded programs which CPS intends to continue, but without long-term revenue sources having been identified. In the same five-year period, spending on total salaries and other employee benefits is projected to increase by approximately \$1.3 billion. Salaries alone will increase by 24.6% or \$712.8 million.

---

<sup>7</sup> CPS FY2025 Proposed Budget, p. 3.

<sup>8</sup> Bryce Hill, "[Chicago Teachers Union Contract Could Cost at Least \\$10.2B to \\$13.9B](#)," *Illinois Policy Institute*, June 3, 2024.

<sup>9</sup> Reema Amin, "[Chicago's Mayor Johnson suggests CPS borrow to cover pension, contract costs](#)," *Chalkbeat Chicago*, July 12, 2024.

<sup>10</sup> Reema Amin, "[From 'winning the lottery' to 'leaner schools': How the end of federal COVID money could impact Chicago schools](#)," *Chalkbeat Chicago*, April 10, 2024.

Additionally, the District has a massive capital footprint, with maintenance and construction costs covered by long-term debt issuances. The annual debt service budget to pay for the principal and interest on debt has increased by 23.5% over the past five years, from \$661.5 million in FY2021 to \$816.9 in FY2025.

While the Civic Federation recognizes that some spending increases are tied to contractual obligations and statutorily required pension contributions, the District ultimately retains control over personnel levels and how it prioritizes programs and spending. The Federation urges the District to produce a public multi-year plan outlining revenue and expenditure scenarios and steps the District could take to reduce costs in light of projected future year deficits.

## Future Budget Deficits

For fiscal year 2025, the District originally projected a budget deficit of \$391 million. However, due to additional cost pressures in healthcare costs (\$52 million) and increases in special education positions (\$62 million), this added \$114 million to the deficit for a total of \$505 million. In addition to the \$505 million deficit, the District will use of the last \$233 million in ESSER funds.<sup>11</sup>

To close the FY2025 deficit, the District is proposing a series of cost-cutting measures. The Civic Federation lauds the District's inclination toward this fiscally responsible approach. However, many of these measures are one-time in nature. The two largest measures include \$197 million in reductions and efficiencies in department budgets and \$196 million in federal grant carryover, new grant funding and increased vacancy savings assumptions.<sup>12</sup> Included in the latter \$196 million total is \$92 million in Title I funds from the federal government (being carried over into FY2025 as a one-time source), a \$65 million increase in District vacancy savings assumptions (that are not sufficiently detailed to properly evaluate), \$29 million in Medicaid revenue due to State policy changes and \$10 million in new State grant funding.<sup>13</sup>

The District projects an FY2026 budget gap of more than \$500 million, but this figure could actually be closer to \$933 million after accounting for hundreds of millions of dollars in salary increases associated with collective bargaining agreements and a reimbursement from CPS to the City for the cost of non-teacher pensions.<sup>14</sup> Similar budget gaps of more than half a billion dollars are projected over the next five years.

The Civic Federation commends the District for practicing fiscal responsibility to close the FY2025 budget deficit but recognizes that CPS' current financial status calls for serious discussion about revenue options and expenditure reductions.

---

<sup>11</sup> CPS FY2025 Budget, p. 8-9.

<sup>12</sup> CPS FY2025 Budget, p. 9-11.

<sup>13</sup> Chicago Public Schools Budget Office provided the Civic Federation with this additional information on July 22, 2024.

<sup>14</sup> Reema Amin, "[Chicago's Mayor Johnson suggests CPS borrow to cover pension, contract costs](#)," *Chalkbeat Chicago*, July 12, 2024.

## Imbalance in State Funding for Chicago Teachers' Pension Fund Pension Contributions

Despite an influx of pension funding through the Evidence-Based Funding law and a dedicated property tax levy, CPS' pension funding levels are still not at parity with all other Illinois school teachers who participate in the Teachers' Retirement System (TRS). The inadequate funding puts additional financial pressure on the CPS budget in order to pay its pension costs.

CPS is the only school district in the State that is required to support the majority of its pension costs, as the State continues to fund CTPF at a lower rate than the Teachers' Retirement System (TRS). The State contribution to CTPF in FY2025 represents 35% of the total employer contribution compared to the State's contribution to TRS of \$6.2 billion, which covers nearly 99% of total TRS contributions. CPS pays the remaining 65% of the employer contribution, which is \$661.6 million in FY2025.

The statutory employer contribution to the Chicago Teachers' Pension Fund (CTPF) for FY2025 will be just over \$1.0 billion.<sup>15</sup> This is a \$7 million decrease from the prior year due to a higher-than-expected return on the actuarial value of assets in FY2023, which shrunk the unfunded actuarial accrued liability for the pension fund and resulted in a lower required contribution than the prior fiscal year.<sup>16</sup>

To make the \$1.0 billion contribution, the State of Illinois will contribute \$353.9 million, which includes a normal cost payment of \$338.7 million and \$15.2 million to offset the benefit increases enacted under legislation concerning public employees' pensions.<sup>17</sup> The District will make up the remaining contribution of \$661.6 million, including \$558.7 million funded through the pension property tax levy and \$102.9 million from CPS general operating funds.<sup>18</sup>

The fact that CPS will use \$102.9 million in operating revenue to make its contribution this year in essence squeezes out funding that would otherwise be put toward curricular and other programming for the sake of paying pension obligations. Based on future estimations of pension levy growth, CPS will have to continue relying on operating revenues to bridge the gap of statutory contributions until FY2034.<sup>19</sup>

The Civic Federation recommends consolidating the CTPF with TRS to produce a more equitable funding structure.

---

<sup>15</sup> Public School Teachers' Pension and Retirement Fund of Chicago, Actuarial Valuation Report, June 30, 2023.

<sup>16</sup> CPS FY2025 Proposed Budget, p. 33-34.

<sup>17</sup> Public Act 90-0582.

<sup>18</sup> CPS FY2025 Proposed Budget, p. 33.

<sup>19</sup> CPS FY2025 Proposed Budget, p. 35.

## Financial Entanglements with the City of Chicago Still Need to be Resolved

With the upcoming implementation of an [elected school board](#) to oversee Chicago Public Schools, the governance of CPS will become completely separate from the City of Chicago. The 21-member elected school board, set to replace the existing seven-member board appointed by the Chicago mayor, will be phased in beginning in 2025, with the fully elected board in place beginning in 2027. The separation raises serious, unaddressed questions about the continuation of financial responsibilities of the City to the school district and whether and how partnerships between the two separate governmental bodies will continue.

Despite the upcoming November 2024 election when half of the new board will be elected, there has been no public-facing discussion resolving which types of financial support from the City of Chicago will continue. The lack of a resolution has been demonstrated through the dispute between the Mayor's Office and CPS about how much CPS will contribute to the Chicago Municipal Employees' pension fund, for which CPS employees account for about 65% of pension fund members.

Historically, the Chicago Public Schools and the City of Chicago have had a close financial relationship, partly established in state statute and through intergovernmental agreements. As a result, the City provides the school district with significant annual subsidies. With Chicago Public Schools set to become a fully independent government, it is not clear that the City would or should be obligated to fund CPS pension, debt and other related costs. These are issues that the current Board of Education must address *before* the elected school board comes into place.

An analysis of entanglements between the City of Chicago and Chicago Public Schools released in October 2022 identified approximately \$383 million in financial benefits the City provides to CPS either through direct appropriations or reduced payments in FY2023.<sup>20</sup> These included a \$142.3 million payment from the City to CPS through property taxes levied by the City on CPS' behalf to pay for the debt service on bonds and \$97.7 million in pension contributions made by the City on behalf of CPS employees and retirees who are members of the Chicago Municipal Employees Annuity and Benefit Fund (MEABF), and smaller amounts for capital funding intergovernmental agreements, free or reduced CTA fares for students and waivers for water and sewer bills and permits. In addition to these entanglements, the City and CPS have other partnerships for programs like early childhood education.

The question of whether these partnerships and subsidies will continue still needs to be resolved before the elected school board takes place. The Board of Education should work to address these financial entanglements with the City and incorporate them into a long-term financial plan while preparing the District to become an independent unit of local government.

---

<sup>20</sup> City of Chicago Board of Education, [Analysis of District Finances and Entanglements Between the City of Chicago and the Chicago Public Schools](#), October 31, 2022, p. 17. (Prepared by Columbia Capital Management, LLC to satisfy the requirements of Public Act 102-0177 and Public Act 102-0691).

## CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation offers the following **recommendations** to Chicago Public Schools and the Chicago Board of Education.

### Develop a Long-Term Plan to Prepare for Future Budget Deficits

The District is projecting budget deficits over the next five fiscal years, with the largest ones totaling \$508.7 million in FY2026 and \$557.8 million in FY2027—not including the costs associated with the new CTU collective bargaining agreement.<sup>21</sup> This trend is mainly due to expenditures exceeding revenues and other fiscal stresses. Although the District was able to use various cost-cutting strategies to help close the deficit in 2025, there is no guarantee that these same strategies will be available in the future, especially as many were one-time in nature. The District's largest source of local revenue—the property tax—is limited in the amount that it can grow annually, and the District has few other revenue options outside of State funding.

In light of future budget deficits, the Civic Federation urges the District to develop a long-term plan that considers both potential revenue sources and cost containment strategies. The District needs to consider how it will increase its revenue sources as rising costs for personnel, salaries, benefits and pension contributions will grow from year to year within context of projected expenditures.

Kids First Chicago, a local education nonprofit, has suggested a series of revenue options for the District to consider as it works to address the deficit,<sup>22</sup> including:

- Increasing the property tax levy to the statutory extension limitation;
- Initiating a referendum for a fiscal health property tax levy increase;
- Allowing all Chicago Tax Increment Financing (TIF) Districts to expire;
- Gradually consolidating the Chicago Teacher' Pension Fund with the State's Teachers Retirement System;
- Increasing the State's contribution to the Evidence-Based Funding (EBF) formula; and
- Implementing a concentrated poverty adjustment to the EBF formula.

The Civic Federations recognizes the need for the District to raise sustainable revenues while not overburdening taxpayers. All options should be on the table and disclosed publicly as part of a scenario planning process that lays out revenue options and identifies areas to improve efficiency and cut costs where possible.

### Continue Advocating for Increased State Funding

Every year Chicago Public Schools relies heavily on increased State funding to support District priorities. In FY2025, the State is appropriating approximately \$2.1 million to CPS, which equals

---

<sup>21</sup> CPS FY2025 Budget, p. 12.

<sup>22</sup> Kids First Chicago, [Revenue Options to Address Chicago Public Schools' Deficit](#), July 2024.

25% of the District's operating budget. Included in the State revenues are the Evidence-Based Funding (EBF) formula contribution, support for the normal cost of CTPF pensions and other forms of reimbursable or block grants.<sup>23</sup> When the Illinois General Assembly passed its FY2025 budget in May 2024, it included the minimum statutory required amount of \$350 million in funding to the EBF formula. This means the District will receive approximately \$1.7 billion in FY2025 in EBF funds, which includes \$1.2 billion for the General Operating Fund and \$502.7 million for the Debt Service Fund.<sup>24</sup> In 2025, CPS is projected to be at 80.6% EBF adequacy level and will also remain a Tier 2 funded District.

CPS' largest source of local revenues is property tax revenues, which are projected to be \$3.9 million in FY2025. Yet, a portion of these revenues are restricted for specific uses.<sup>25</sup> Over the last several years, the District has also benefited from federal pandemic relief funds and will appropriate the remaining \$233 million of these funds in fiscal year 2025.<sup>26</sup> Many of these funds were used to support the District's ongoing initiatives such as the out of school time and tutor corps programs. The District expects that it will be able to continue funding some of these programs beyond FY2025 due to \$200 million in departmental reductions and efficiencies in the proposed 2025 budget.<sup>27</sup>

Since its inception, the EBF formula was created with the intent that all school districts in the State would be 90% funded by FY2027. In order for this to be accomplished, the State would have to appropriate more than the minimum target level over the next two fiscal years for schools to be considered fully funded.<sup>28</sup> It is not guaranteed that the State will make this change in the upcoming fiscal years and at the current EBF funding rate, CPS and other school districts in the State will not reach the full adequacy target level of 90% until FY2034.<sup>29</sup> The Civic Federation recognizes this underfunding to CPS' and other school districts and urges the District to continue advocating for increased EBF funds as well as other state support such as additional pension funding.

The Federation also recommends that the District collaborate with the Illinois State Board of Education's (ISBE) [Professional Review Panel](#) on these issues as it was created to recommend continual recalibration and other modifications to the EBF formula to ensure that it meets the needs of all students in Illinois. The Panel meets on a quarterly basis and may be able to assist the District in advocating for increased EBF funds, which can help alleviate some of CPS' future fiscal year pressures regarding District level priorities.

---

<sup>23</sup> CPS FY2025 Budget, p. 17.

<sup>24</sup> CPS FY2025 Budget, Interactive Reports 2025.

<sup>25</sup> CPS FY2025 Budget, p. 16.

<sup>26</sup> CPS FY2025 Budget, p. 8.

<sup>27</sup> Chicago Public Schools Budget Office provided the Civic Federation with this additional information on July 22, 2024.

<sup>28</sup> Center for Tax and Budget Accountability, [Fully Funding the Evidence-Based Formula: FY 2025 Proposed General Fund Budget](#), May 14, 2024.

<sup>29</sup> Judith Brown, "[A lifeline for CPS and other school districts is ending. What's next?](#)," *Crain's Chicago Business*, June 24, 2024.

## Provide More Time Between the Budget Release, Public Hearings and Board Approval

The timeline between when the CPS budget is released and when public budget hearings and the vote by the Board of Education are held is typically a period of approximately two weeks. This year, the budget proposal was released on July 11 and public hearings on the proposed budget were held one week later on July 16 and 17. The Board vote was two weeks later on July 25. This is an insufficient amount of time for CPS community members and stakeholders to fully comprehend the details of the budget proposal and provide input before it is adopted by the Board of Education. The Civic Federation recommends that going forward the Board extend the length of time between the budget release, public hearings and the vote by the Board.

The Board of Education is required by the Illinois School Code to adopt an annual budget every fiscal year no later than 60 days after the beginning of the fiscal year. CPS' fiscal year begins July 1<sup>st</sup> and ends the following year on June 30<sup>th</sup>, which means the District can extend its budget approval process to the end of August.<sup>30</sup> Taking advantage of this policy would provide greater transparency and accountability to CPS' stakeholders. It would also allow the District more time to finalize the budget and elaborate on additional details within the budget which are often left unanswered due to the rushed budget timeline. Especially given the issues that remain to be resolved between the Mayor's Office and CPS for FY2025, the District should have allowed for an additional four weeks of budget review and discussion with a final budget vote in August.

## Create a Working Group to Resolve Legal and Fiscal Entanglements

As noted in an earlier concern, the financial entanglements between the District and City of Chicago still need to be resolved. These fiscal entanglements will impact the FY2025 budget and beyond. This should ideally be resolved before the elected school board is in place. As of July 2024, 45 candidates are vying for the 10 elected Board seats and Chicagoans will elect 10 school board members on November 5<sup>th</sup> of this year. The mayor will appoint 11 members, which includes the Board President and by January 15, 2025, the new 21-member elected school board will be sworn in.<sup>31</sup>

Among the fiscal entanglements is the question of the District's contribution level to the Municipal Employees' Annuity and Benefit Fund (MEABF), which is a City of Chicago pension annuity fund that covers non-teacher employees of CPS. While the City of Chicago is legally obligated to pay this pension contribution, CPS began covering a portion of the MEABF contribution in FY2019 at \$60 million, which increased over the past several years to \$175 million contributed in FY2023 and FY2024. The District's FY2025 budget does not include this payment, although the City has requested \$175 million.<sup>32</sup>

---

<sup>30</sup> CPS FY2025 Budget, [Appendix C - Budget Process](#).

<sup>31</sup> Mila Koumpilova, "[More than \\$400,000 raised so far in Chicago's 2024 school board elections](#)," *Chalkbeat Chicago*, July 16, 2024.

<sup>32</sup> Reema Amin, "[Chicago's Mayor Johnson suggests CPS borrow to cover pension, contract costs](#)," *Chalkbeat Chicago*, July 12, 2024.



Considering that these legal and fiscal entanglements still remain unresolved and that the Board of Education will soon become a fully independent of mayoral control, the District should create a public-facing and -reporting working group constituted to include, among others, representatives of the major constituent bodies – CPS, the City, and the State, to resolve these entanglement questions before the elected school board is fully phased in.

## **Consolidate the Chicago Teachers' Pension Fund with the Teacher's Retirement System in Order to Equalize State Pension Funding for Teachers**

State pension funding for Chicago teachers versus teachers in the rest of Illinois is inequitable. The State of Illinois pays for the normal cost and the unfunded liability for all downstate and suburban districts, but only covers for the normal pension costs for Chicago teachers' pensions. The FY2025 State contribution to the Teachers' Retirement System (TRS), the pension fund for teachers in all school districts outside of Chicago, is \$6.2 billion. In contrast, the FY2025 State contribution to the Chicago Teachers' Pension Fund (CTPF) is \$353.9 million. Even after an increase in teacher pension contributions from the State, CPS is still the only school district in the State that is required to support the great majority of its pension system.

A more equitable solution for State funding of teacher pensions would be for the State of Illinois to assume financial responsibility for the unfunded liability of all school districts (\$81.9 billion in unfunded liability for TRS and \$13.8 billion in unfunded liability for CTPF as of FY2023), and for school districts to cover the normal cost for their teachers' pensions (the future benefits accrued by active employees in the current year).

One way to ensure a more equitable funding structure is to consolidate CTPF with TRS. Consolidating the CTPF and TRS would eliminate the current inequitable funding structure under which Chicago taxpayers pay for most of the cost of Chicago teachers' pensions and also contribute downstate and suburban teachers' pension costs. It could also achieve some cost efficiencies as duplicative functions are eliminated. The State of Illinois is responsible for the unfunded liabilities that have accumulated in both pension funds over time, and as such should be required to pay for it. Therefore, the Civic Federation continues to recommend that CPS work with the General Assembly and the Teachers' Retirement System to consolidate the two pension funds.

Under a consolidation plan, the CTPF and TRS systems would be managed by a single pension board that would have proportional representation for both teachers' pension funds. However, the current member plans would be maintained as separate accounts, so contributions by and for Chicago teachers would not be comingled with downstate and suburban teacher pension funds. The State of Illinois would assume responsibility for the unfunded liability of CTPF, while CPS would resume paying for the pension fund's normal cost.

## **Conduct Finance Committee Meetings on a Regular Basis**

The Civic Federation recommends that the District conduct their Board of Education Finance and Audit Committee meetings on a regular basis in order to provide the public with a financial update, an audit update and allow public participation. We also recommend that the District include financial updates about the use of ARPA ESSER funds in these Committee meetings. The last Finance and Audit Committee Meeting was held on January 27, 2021. These meetings informed the public about the District's financial plans and audit status on a regular basis. There was only one Finance and Audit Committee Meeting in FY2021 but prior to that, the meetings were on a quarterly basis throughout the year and provided important financial updates to the CPS community and those tuning into government meetings. Financial updates will be increasingly important as the District plans to address budget deficits in years ahead and should be a standing committee of the elected school board.

## **Include Additional Information about Expenditures, Personnel and Actual Revenues in the Budget Book**

The Civic Federation recommends that CPS add narrative sections to the annual budget books that include a more in-depth explanation of expenditures and personnel levels. In contrast, the CPS budget book includes an in-depth explanation of revenue sources. The same should be done for personnel and expenditure line items. Explanation of personnel and spending levels will be even more important as the District amends its budget later this year to accommodate cost increases associated with collective bargaining agreements. Additional description should be provided in the coming weeks as part of the amended FY2025 budget for items including but not limited to the following:

- Changes in the number of personnel budgeted from year to year that result in the net increase of 805 FTEs in FY2025;
- Changes in vacancy rate assumptions and expected staff turnover rates;
- Changes in budgeted contingencies;
- The District's reimbursement to the City of Chicago for the CPS portion of the Municipal Employees' pension fund; and
- Measures being used to close the FY2025 budget deficit such as \$196 million in federal grant carryover, new grant funding, and increased vacancy assumptions.

CPS budgets over the past five years include large expenditure and personnel increases. Additional details are needed to understand the reasons behind year over year changes—for example, how much of the salary increases are due to cost of living adjustments versus new positions, and which contracts are driving the increases. Total FTE count in FY2025 is increasing by 805, which is a 1.8% increase over the prior year. This follows a large personnel increase of 4.1% last year. The budget explains that most of the FY2025 staffing increase is due to the addition of teachers, and school support staff, driven primarily by an increase in special education teachers and paraprofessionals, but without providing details about the net changes within these broader position categories. CPS should begin providing a summary overview of FTEs within these types of categories in the budget book with an explanation for why certain categories are increasing or decreasing.

Additionally, the Civic Federation recommends that the District include actual revenues from the fiscal year two years prior in the general operating fund. The revenue section of the annual CPS budget book includes a substantial explanation about revenues anticipated in the upcoming year, as well as comparisons to the prior year budget and year-end estimates. However, the budget does not provide any actual revenues from prior years for the general operating fund like it does for the debt and capital funds. For the FY2025 proposed budget, this would mean including actual revenues from FY2023. This recommendation would bring the general operating fund in line with the capital and debt funds, and would provide a more complete picture of actual revenues received in past years across all three major funds.

## **ACKNOWLEDGEMENTS**

*The Civic Federation would like to express our appreciation to Chicago Public Schools Chief Financial Officer Miroslava Krug, Treasurer and Deputy Chief Financial Officer Walter Stock, Chief Budget Officer Michael Sitkowski and Deputy Chief of Budget and Grants Management Emila Zoko for their work in preparing the budget, providing the Federation staff with a budget briefing and answering the Federation's questions about the proposed budget.*

# APPROPRIATIONS

This section presents an analysis of CPS' proposed FY2025 appropriations, including by fund and by type. It includes a comparison of adopted appropriations over the past five years, from FY2021 through the FY2025 proposed budget.

## FY2025 TOTAL APPROPRIATIONS FOR ALL FUNDS

The Chicago Public Schools' FY2025 proposed budget of \$9.9 billion is comprised of approximately \$8.4 billion in General Operating Funds, \$816 million in Debt Service Funds and \$611.1 million in Capital Projects Funds. The General Operating Funds represent 85.5% of the total budget, Debt Service Funds represent 8.3% and Capital Projects Funds represent 6.2% of total appropriations for all funds. CPS is appropriating \$611.1 million in investments to focus on priority facilities needed at neighborhood schools, interior and site improvements, programmatic investments, and IT and security upgrades.<sup>33</sup> In contrast, the amount of capital outlay, or expenditures, that the District expects to actually spend in FY2025 is \$500 million, regardless of when the appropriations for the capital projects were approved.

The General Operating Funds finance employees' salaries and benefits, contractual services, charter school tuition transfers and other day-to-day expenditures. The General Operating Funds include the General Fund and the Special Revenue Funds. The General Fund is the primary fund that is used for operational and educational purposes. The Special Revenue Funds receive revenues that are restricted for or committed to specific projects, such as workers' compensation, school lunch and other grant funds. The Capital Project Funds are for building renovations and construction activities. The Debt Service Funds are for revenues and appropriations that are used for the payment of principal and interest on long-term debt.<sup>34</sup>

## FIVE-YEAR APPROPRIATION TREND: ALL FUNDS BY FUND

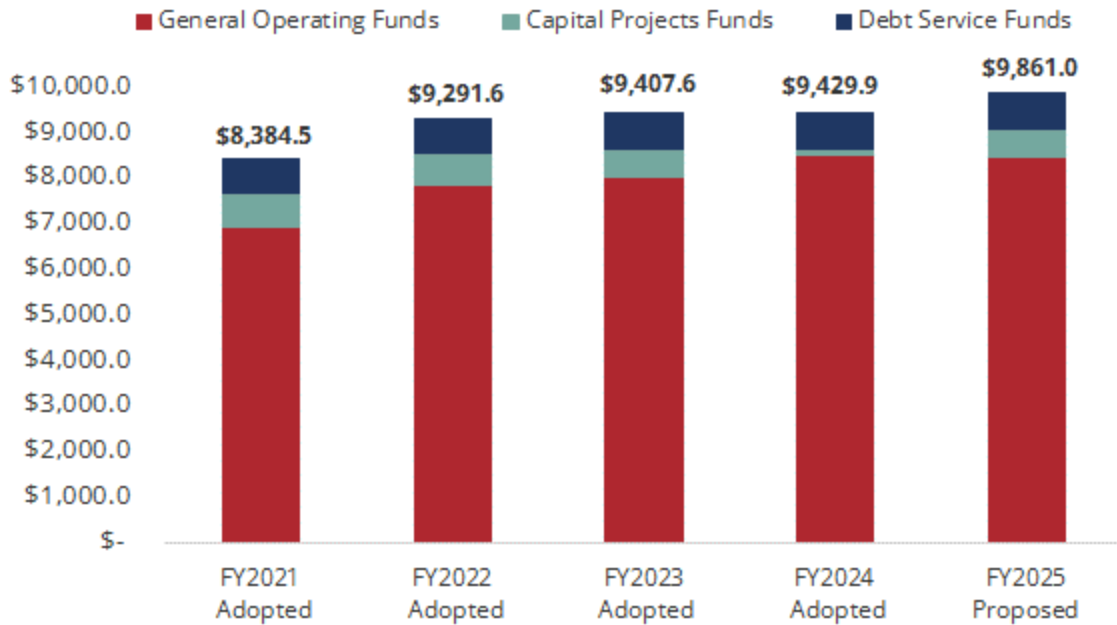
The chart below shows CPS appropriations for all funds from FY2021-FY2025.

---

<sup>33</sup> CPS FY2025 Proposed Budget, p. 237.

<sup>34</sup> CPS FY2025 Proposed Budget, Fund Descriptions, pp. 261-263.

### CPS Appropriations for All Funds by Fund: FY2021-FY2025 (in \$ millions)



Source: CPS FY2025 Proposed Budget, pp. 14-15, 239, 248; CPS FY2024 Adopted Budget, pp. 11, 194, 202; CPS FY2023 Adopted Budget, pp. 22-23, 185, 193-194; CPS FY2022 Adopted Budget, pp. 17, 201, 210; CPS FY2021 Adopted Budget, pp. 17, 182, 191-192.

The FY2025 total proposed budget of \$9.9 billion across all funds is an increase of \$431.1 million, or nearly 300%, from the FY2024 adopted budget of \$9.4 billion. This is due to an increase in capital budget appropriations from \$155 million in FY2024 to \$611 million in FY2025. Appropriations for General Operating Funds of approximately \$8.4 billion represent a decrease of 0.7%, or \$56.4 million, from the FY2024 operating budget. The Debt Service Funds will increase by \$31.4 million over the two-year period to \$816.9 million.

Over the five-year period from FY2021 to FY2025, total appropriations for all funds will increase by nearly \$1.5 billion, or 17.6%, from \$8.4 billion in the FY2021 adopted budget to \$9.9 billion in the FY2025 proposed budget. General Operating Funds will see the largest increase over this time period, increasing by approximately \$1.5 billion, or 21.9%. Debt Service Funds will also increase by \$106.4 million, or 15.0%, over the same time period. Conversely, Capital Projects Funds appropriations will decrease by \$1476.5 million, or 19.4%, over the five-year period.

## GENERAL OPERATING FUNDS APPROPRIATIONS BY TYPE

The following table shows appropriations by type of expense between the FY2021 adopted budget and the FY2025 proposed budget. Appropriations for benefits will see the largest dollar increase from last year, rising \$105.5 million, or 5.0%, which is attributed to increased medical coverage costs.<sup>35</sup> Similarly, salary appropriations are expected to increase by \$96.0 million, or

<sup>35</sup> CPS FY2025 Proposed Budget, pp. 15, 257.

2.7%, from \$3.5 billion to \$3.6 billion based on contractual increases for union employees, as well increases in instructional and support staff.<sup>36</sup> The increase in salaries includes costs associated with the collective bargaining agreement between CPS and the Service Employees International Union (SEIU) Local 73, which is estimated to cost \$62 million in FY2025. However, the salary estimate does not incorporate any projected costs of the collective bargaining agreements with the Chicago Teachers Union and Chicago Principals and Administrators Association, which are both still under negotiation and will need to be incorporated into the amended budget later this year.

Contract spending will increase over FY2024 by \$35.7 million, or 2.0%, based on contractual increases in tuition for charter schools and private therapeutic schools. However, there were also some significant savings in this category due to a reduction in contractual costs for engineering and custodial services.<sup>37</sup> Appropriations for contingencies and other expenses will decrease by \$289 million, or 39.9%, from FY2024 adopted expenditures due to reductions in federal and State pandemic grant funding.<sup>38</sup> Equipment expenditures will increase by \$3.2 million over FY2024.

Over the five-year period between FY2021 and FY2025, total operating funds appropriations will increase by \$1.5 billion, or 21.9%. The largest dollar increase over the five-year period is for salaries, which will increase by \$712.8 million, or 24.6%. Benefits will increase by \$562.0 million, or 33.9%. Contracts will increase by 24.5%, or \$352.3 million. Commodity appropriations will increase by \$46.7 million, or 15.7%. Appropriations for equipment will decrease by \$7.6 million, or 19.5%, and contingencies and other expenses will decline by approximately \$149.1 million, or 25.5%.

**CPS Appropriations for Operating Funds by Type: FY2021- FY2025**  
(\$ in millions)

	FY2021 Adopted	FY2022 Adopted	FY2023 Adopted	FY2024 Adopted	FY2025 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Salaries	\$ 2,901.5	\$ 3,070.5	\$ 3,283.8	\$ 3,518.3	\$ 3,614.3	\$ 96.0	2.7%	\$ 712.8	24.6%
Benefits	\$ 1,655.5	\$ 1,730.9	\$ 1,869.9	\$ 2,112.0	\$ 2,217.5	\$ 105.5	5.0%	\$ 562.0	33.9%
Contracts	\$ 1,438.1	\$ 1,542.5	\$ 1,636.2	\$ 1,754.7	\$ 1,790.4	\$ 35.7	2.0%	\$ 352.3	24.5%
Commodities	\$ 297.7	\$ 270.0	\$ 362.2	\$ 352.1	\$ 344.4	\$ (7.7)	-2.2%	\$ 46.7	15.7%
Equipment	\$ 39.0	\$ 17.6	\$ 13.1	\$ 28.2	\$ 31.4	\$ 3.2	11.3%	\$ (7.6)	-19.5%
Contingencies/Other	\$ 584.2	\$ 1,190.2	\$ 828.5	\$ 724.1	\$ 435.1	\$ (289.0)	-39.9%	\$ (149.1)	-25.5%
<b>Total</b>	<b>\$ 6,916.0</b>	<b>\$ 7,821.7</b>	<b>\$ 7,993.7</b>	<b>\$ 8,489.4</b>	<b>\$ 8,433.1</b>	<b>\$ (56.3)</b>	<b>-0.7%</b>	<b>\$ 1,517.1</b>	<b>21.9%</b>

Source: CPS FY2025 Proposed Budget, p.14-15; CPS FY2024 Proposed Budget, p. 11; CPS FY2023 Adopted Budget, pp. 22-23; CPS FY2022 Adopted Budget, p. 17; CPS FY2021 Proposed Budget, Interactive Budget Reports, Revenues and Expenditures, available at [www.cps.edu](http://www.cps.edu).

The appropriations earmarked for salaries and benefits account for the largest share of spending at approximately \$5.8 billion, or 69.2%. Contracts total nearly \$1.8 billion, or 21.2%, of the general operating budget, which includes tuition for charter and therapeutic schools, payments for clinicians and other school support services. Many of these school support services are paid to outside organizations that offer repairs, janitorial services, waste removal

<sup>36</sup> CPS FY2025 Proposed Budget, p. 15.

<sup>37</sup> CPS FY2025 Proposed Budget, p. 15.

<sup>38</sup> CPS FY2025 Proposed Budget, p. 15.



and engineering. Appropriations for contingencies, equipment, transportation and other expenses comprise \$466.5 million, or 5.5%, of the operating budget. Equipment includes furniture, computers and other non-consumable items. Transportation includes bus service and Chicago Transit Authority (CTA) passes and reimbursement. Appropriations for commodities, which include utilities, food, instructional supplies and other supplies, account for \$344.4, or 4.1% of the general operating budget.

## RESOURCES

This section presents total proposed resources that CPS plans to use in FY2025, including a discussion of resource and revenue trends and the property tax levy. Resources include all local, state and federal revenue plus other non-revenue sources such as appropriated fund balance and income from debt financing. Proposed FY2025 resources are compared with FY2024 adopted resources, FY2023 adopted resources, FY2022 amended resources and FY2021 adopted resources.

### TOTAL RESOURCES FOR ALL FUNDS IN FY2025

CPS projects total resources for all funds in FY2025 to be nearly \$9.8 billion. The largest revenue source is the property tax, which is expected to generate \$4.0 billion, or 40.3%, of the District's total resources. Evidence-Based Funding from the State of Illinois is the second-largest revenue source, at 17.7%, or approximately \$1.8 billion. Federal revenue, which includes the Elementary and Secondary School Emergency Relief (ESSER) Fund, is \$1.4 billion, or 13.7%. Other State revenue is 8.7%, or \$866.6 million of total revenue, and includes block grants, other grants, State pension funding for teachers and funding for capital projects. Other local revenue is expected to account for \$807.4 million, or 8.1% of revenue in FY2025. This category includes City of Chicago pension contributions for non-teacher CPS employees as well as debt funding provided to CPS through intergovernmental agreements with the City of Chicago. Personal Property Replacement Tax, which is an income tax on businesses, partnerships, trusts, corporations and public utilities, accounts for 3.8%, or \$375.2 million.

Other financing sources, which are anticipated proceeds from the sale of bonds to fund the District's capital projects, are expected to account for \$450 million. A smaller portion of resources, \$158.9 million, includes Tax Increment Financing (TIF) Surplus, which are excess TIF funds declared by the City of Chicago and distributed to local taxing bodies. For FY2025, the District does not plan to appropriate any funds from the prior year fund balance.

The following table details the total resources proposed for FY2025 by fund.

**CPS FY2025 Revenues and Resources by Fund Type**  
(in \$ millions)

	General		Debt		Total
	Operating	Capital	Service		
Property Taxes	\$ 3,924.0	\$ 5.5	\$ 79.7	\$ 4,009.2	
Replacement Tax	\$ 334.8	\$ -	\$ 40.4	\$ 375.2	
Other Local Revenue*	\$ 588.0	\$ 54.0	\$ 165.4	\$ 807.4	
<b>Subtotal Local Revenue</b>	<b>\$ 4,846.8</b>	<b>\$ 59.5</b>	<b>\$ 285.5</b>	<b>\$ 5,191.8</b>	
Evidence-Based Funding	\$ 1,255.9	\$ -	\$ 502.7	\$ 1,758.6	
Other State Grants	\$ 838.3	\$ 28.3	\$ -	\$ 866.6	
<b>Subtotal State Revenue</b>	<b>\$ 2,094.2</b>	<b>\$ 28.3</b>	<b>\$ 502.7</b>	<b>\$ 2,625.2</b>	
Federal Revenue	\$ 1,333.2	\$ 3.8	\$ 24.3	\$ 1,361.3	
<b>Total Revenues</b>	<b>\$ 8,274.2</b>	<b>\$ 91.6</b>	<b>\$ 812.5</b>	<b>\$ 9,178.3</b>	
Other Financing Sources	\$ -	\$ 450.0	\$ -	\$ 450.0	
TIF Surplus	\$ 158.9	\$ -	\$ -	\$ 158.9	
Appropriated Fund Balance	\$ -	\$ -	\$ -	\$ -	
<b>Total Resources</b>	<b>\$ 8,433.1</b>	<b>\$ 541.6</b>	<b>\$ 812.5</b>	<b>\$ 9,787.2</b>	
<b>Percent of Total</b>	<b>86.2%</b>	<b>5.5%</b>	<b>8.3%</b>		

\*Other Local Revenue includes interest income.

Note: Figures in table may not match budget figures exactly due to rounding.

Source: CPS FY2025 Proposed Budget, pp. 21-23, 242 and 248.

The General Operating Fund accounts for the majority, 86.2%, of total resources. The District projects general operating revenue from local, state and federal sources to be nearly \$8.3 billion, plus an additional \$158.9 million in TIF Surplus, which brings the total general operating resources to \$8.4 billion. This represents a decrease of \$49.3 million, or approximately 0.6%, from the FY2024 adopted operating budget of approximately \$8.5 billion.

Capital funding is proposed at \$541.6 million in FY2025. This amount reflects the revenues and other sources that are anticipated to flow into the Capital Fund in FY2025. This includes \$91.6 million in local, state and federal revenue, and \$450 million in other financing sources, which are anticipated bond proceeds as well as certain state and local resources. The debt service fund is budgeted to receive \$812.5 million in revenue from local, state and federal sources. The capital fund accounts for 5.5% of total FY2025 resources and the debt service fund accounts for 8.3%.

## TWO AND FIVE-YEAR TRENDS FOR RESOURCES IN ALL FUNDS

The table below presents total revenues and resources across the five-year period from FY2021 to FY2025. In the two-year period between FY2024 and FY2025, the proposed FY2025 budget represents a 0.8% decrease of \$75.7 million to \$9.8 billion from the FY2024 budget of \$9.9 billion.

Over the five-year period from FY2021 to FY2025, total budgeted resources have increased by 20.2%, or \$1.6 billion, from \$8.1 billion to \$9.8 billion. During this period, several revenue sources have increased significantly. Property tax revenue is projected to increase by 23.0%, or \$748.8 million, from \$3.3 billion in FY2021 to \$4.0 billion in FY2025. Evidence-Based Funding (EBF) has increased by 5.6%, or \$92.8 million. Other state revenue is projected to increase by \$193.6 million, or 28.8%. Over the five-year period, federal funding has increased by 1.8%, or \$24.6 million, to \$1.4 billion in FY2025 from \$1.3 billion in FY2021. CPS has received an influx of federal funding through the Elementary Secondary School Emergency Relief (ESSER) I, II and III Fund due to the federal government’s response to the pandemic to combat the effects of the pandemic on student achievement. Since FY2020, CPS has been allocated \$2.8 billion in ESSER Funds and will have expended all of these funds by the end of FY2025.<sup>39</sup>

Each funding source shown in the following table is discussed in detail below.

**CPS Revenues and Resources All Funds by Source: FY2021-FY2025**  
(in \$ millions)

Source	FY2021 Adopted	FY2022 Amended	FY2023 Adopted	FY2024 Adopted	FY2025 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Property Taxes	\$ 3,260.4	\$ 3,374.5	\$ 3,685.3	\$ 3,816.0	\$ 4,009.2	\$ 193.2	5.1%	\$ 748.8	23.0%
Replacement Taxes	\$ 194.9	\$ 234.9	\$ 379.9	\$ 579.1	\$ 375.2	\$ (203.9)	-35.2%	\$ 180.3	92.5%
Other Local Revenue*	\$ 484.6	\$ 453.9	\$ 403.3	\$ 680.4	\$ 807.4	\$ 127.0	18.7%	\$ 322.8	66.6%
<b>Subtotal Local Revenue</b>	<b>\$ 3,939.9</b>	<b>\$ 4,063.3</b>	<b>\$ 4,468.5</b>	<b>\$ 5,075.5</b>	<b>\$ 5,191.8</b>	<b>\$ 116.3</b>	<b>2.3%</b>	<b>\$ 1,252.0</b>	<b>31.8%</b>
Evidence-Based Funding	\$ 1,665.7	\$ 1,705.7	\$ 1,746.5	\$ 1,735.1	\$ 1,758.5	\$ 23.4	1.3%	\$ 92.8	5.6%
Other State Revenue	\$ 673.0	\$ 649.5	\$ 704.4	\$ 756.2	\$ 866.6	\$ 110.4	14.6%	\$ 193.6	28.8%
<b>Subtotal State Revenue</b>	<b>\$ 2,338.7</b>	<b>\$ 2,355.2</b>	<b>\$ 2,450.9</b>	<b>\$ 2,491.3</b>	<b>\$ 2,625.1</b>	<b>\$ 133.8</b>	<b>5.4%</b>	<b>\$ 286.4</b>	<b>12.2%</b>
Federal Revenue	\$ 1,336.7	\$ 2,107.9	\$ 1,824.7	\$ 1,699.1	\$ 1,361.3	\$ (337.8)	-19.9%	\$ 24.6	1.8%
<b>Total Revenues</b>	<b>\$ 7,615.2</b>	<b>\$ 8,526.4</b>	<b>\$ 8,744.1</b>	<b>\$ 9,265.9</b>	<b>\$ 9,178.2</b>	<b>\$ (87.7)</b>	<b>-0.9%</b>	<b>\$ 1,563.0</b>	<b>20.5%</b>
Bond Proceeds	\$ 411.0	\$ 450.0	\$ 450.0	\$ 500.0	\$ 450.0	\$ (50.0)	-10.0%	\$ 39.0	9.5%
TIF Surplus	\$ 96.9	\$ 136.9	\$ 96.9	\$ 96.9	\$ 158.9	\$ 62.0	64.0%	\$ 62.0	64.0%
Fund Balance Use / (Sources)	\$ 22.0	\$ 10.0	\$ -	\$ -	\$ -	\$ -	0.0%	\$ (22.0)	-100.0%
<b>Other Sources</b>	<b>\$ 529.9</b>	<b>\$ 596.9</b>	<b>\$ 546.9</b>	<b>\$ 596.9</b>	<b>\$ 608.9</b>	<b>\$ 12.0</b>	<b>2.0%</b>	<b>\$ 79.0</b>	<b>14.9%</b>
<b>Total Resources</b>	<b>\$ 8,145.1</b>	<b>\$ 9,123.3</b>	<b>\$ 9,291.0</b>	<b>\$ 9,862.8</b>	<b>\$ 9,787.1</b>	<b>\$ (75.7)</b>	<b>-0.8%</b>	<b>\$ 1,642.0</b>	<b>20.2%</b>

\*Other Local Revenue includes interest income.

Note: Fund balance budgeted in FY2021 is unspent restricted funds from prior years that must be used for specific purposes. Due to the availability of funding from the Elementary and Secondary School Emergency Relief (ESSER) fund, the District will not rely on any reserves or prior year revenues to cover FY2025 fund balances.

Source: CPS Budget Interactive Online Reports FY2020-FY2025, Revenues & Expenditures, available at [www.cps.edu](http://www.cps.edu); and FY2020 Amended Budget, pp. 163 and 169; FY2021 Adopted Budget, pp. 182 and 191; FY2022 Adopted Budget, pp. 20-22, 182 and 210; FY2023 Adopted Budget, pp. 26-28, 188 and 193-194; FY2024 Adopted Budget, pp.18-20, 196 and 202 and FY2025 Proposed Budget, pp.21-23, 238, 242 and 248.

## Local Revenue

Local revenue is expected to total nearly \$5.2 billion in FY2025, which is an increase of 2.3% over the prior year budget and a 31.8% increase over the five-year period beginning in FY2021. Local revenues consist of property taxes, Personal Property Replacement Tax and other local revenue sources from the City of Chicago. CPS expects its FY2025 property tax revenues to total \$4.0 billion, compared to \$3.8 billion in the FY2024 adopted budget. This represents an increase of \$193.2 million, or 5.1%, over the prior year.

<sup>39</sup> CPS FY2025 Proposed Budget, p. 7-8.

## Property Tax

CPS and other non-home rule taxing bodies in Cook County are limited by how much they can increase their property tax levy each year due to the Property Tax Extension Limitation Law (PTELL). The tax cap allows tax extensions on existing property to rise each year by the lesser of 5.0% or the increase in the Consumer Price Index the previous year. For tax year 2024 (payable in 2025), the limit is 3.4%. Since the property tax extension limitation law took effect in 1994, CPS' property tax levy has increased by \$2.8 billion, at a compound annual growth rate of 4.4% and average annual growth rate is 4.2%.

Property tax revenue is distributed across several funds for specific uses, including the General Education Fund, Workers' Compensation/Tort Fund, Public Building Commission (PBC) Fund, Pension Levy Fund and Special Education Fund, which all fall within the District's General Operating Funds. Outside of the operating budget, CPS also levies a Capital Improvement Tax, which is expected to generate \$85.2 million in FY2025.

The \$193.2 million increase in property tax revenue between FY2024 and FY2025 is due to a number of factors, including:

- Revenue from the Transit TIF district will increase by \$10 million to \$121 million<sup>40</sup>;
- Capital Improvement Tax collections will increase by \$21.1 million;
- Pension levy collections will increase by \$1.6 million;
- The inflation-based increase in the Education Fund levy will generate \$79 million; and
- Levying for new property and property in expiring TIF districts will generate \$81 million.

The District's dedicated property tax levy for the Chicago Teachers' Pension Fund (CTPF) is expected to generate \$558.7 million, which is a \$1.6 million increase from FY2024. The pension levy accounts for 15.0% of the total property tax levy. This dedicated property tax levy to fund the Chicago Teachers' Pension Fund was reinstated in FY2017 at a tax rate of 0.383%, then was increased to a rate of 0.567% in FY2018 through Public Act 100-0465, the law enacting the Evidence-Based Funding formula. The pension levy is not subject to tax caps under PTELL, and instead is a flat rate applied to the equalized assessed value of property in Chicago. This has allowed CPS to receive additional property tax revenue outside of the PTELL tax cap.

## Personal Property Replacement Tax

The Personal Property Replacement Tax (PPRT) is a corporate income tax the State collects from corporations and other business entities and distributes to local taxing districts. Replacement tax revenue is expected to decline by \$203.9 million, or 35.2%, down from \$579.1 million budgeted in FY2024 to \$375.2 million budgeted in FY2025. In FY2024, Personal Property Replacement Tax revenues underperformed expectations by \$196 million for a total of \$384 million. In FY2025, they are projected to be similar to projected FY2024 revenue levels but still able to support the District's operating costs.<sup>41</sup>

---

<sup>40</sup> Note: this Transit TIF district was created to fund the Red-Purple Modernization rail project on the north side of Chicago.

<sup>41</sup> CPS FY2025 Proposed Budget, p. 26.

## Other Local Revenue

Other local revenues include City of Chicago pension contributions, donations, rental and facility fees, intergovernmental agreements with the City of Chicago, interest income and other miscellaneous revenue sources.<sup>42</sup> Other local revenues are projected to total \$800.1 million in FY2025, which is an increase of \$127.0 million, or 18.7%, from the prior year. The largest portions of this revenue consist of intergovernmental agreements with the City of Chicago, including \$142.3 million from the City for debt service funding and \$54 million for capital funding.

In the past, the City of Chicago made a pension contribution on behalf of CPS to the Municipal Employees Pension Fund to cover the pension payment for non-teacher CPS employees (which is recorded as revenue). This subsidy from the City has decreased over the past three years as the CPS contribution to the fund has increased. In FY2020, CPS first agreed to begin absorbing a portion of those payments to the Municipal Fund, starting in FY2020. In the spring of 2023 and 2024, the District contributed \$175 million to the Municipal Fund and is no longer picking up the District's full employer costs.<sup>43</sup> In FY2025, the District is also projecting to contribute \$208 million<sup>44</sup> to the Municipal Fund.

## State Revenue

FY2025 will be the eighth year CPS will receive State revenue according to the Evidence-Based Funding (EBF) formula for P-12 public school districts across Illinois.<sup>45</sup> Prior to Evidence-Based Funding in FY2018, the State of Illinois funded school districts primarily via General State Aid and other grants, including block grants for specific services. The General State Aid formula established a base foundation level per student. However, due to the foundation level funding not being fully funded, the State often prorated the foundation level and provided lower amounts of GSA to CPS and other school districts. The Evidence-Based Funding formula sets funding adequacy targets for each school district based on a school district's needs and calculates local capacity to fund schools based on the assessed value of property available to the school district for taxing, rather than setting the same funding level for every student. School districts are separated into four tiers based on how close they are to their adequacy target.

CPS is currently a Tier 2 school district, which means it falls into the second-highest tier of funding need. As of FY2025, CPS has an adequacy funding level of 80.6%. Until FY2023, CPS had been a Tier 1 district, but fell to Tier 2 due to short-term changes in revenue and expense factors within the Evidence-Based Funding formula. CPS anticipates that it will remain a Tier 2 district in FY2025 and will receive less than 7% of the additional \$350 million in new funding

---

<sup>42</sup> CPS FY2025 Proposed Budget, p. 23-26.

<sup>43</sup> CPS FY2024 Proposed Budget, p. 211; and FY2025 Proposed Budget, p. 257.

<sup>44</sup> Chicago Public Schools Budget Office provided the Civic Federation with this additional information on July 22, 2024.

<sup>45</sup> Public Act 100-0465, signed into law on August 31, 2017 and effective beginning in FY2018, instituted a new Evidence-Based Funding (EBF) formula to replace General State Aid.

allocated by the State this year, plus an additional \$23 million.<sup>46</sup> Overall, this is a \$23 million increase in Tier 2 funding from last year.

CPS is budgeting for a total of nearly \$2.6 billion in State funding in FY2025, compared to \$2.3 billion in FY2021, which is an increase of 5.4%. It represents an increase of \$286.4 million, or 12.2%, over the past five years. Evidence-Based Funding is the largest portion of funding that CPS receives from the State, representing 67% of total State revenue. In FY2025, CPS expects to receive approximately \$1.8 billion in Evidence-Based Funding, which is an increase from the prior year of \$23.4 million, or 1.3%.

CPS anticipates \$866.6 million in other state revenue, including a \$353.9 million state contribution to the Chicago Teachers' Pension Fund, \$488 million in categorical grants and \$28.3 million in capital funding. Public Act 100-0465 included an ongoing State appropriation for the Chicago Teachers Pension Fund to cover the normal cost, or the cost of future benefits earned annually by current employees, and other post-employment benefits (OPEB) for retirees. The State's contribution of \$353.9 million toward the pension fund in FY2025 is an increase of \$31 million from the prior year.<sup>47</sup>

Due to the hold harmless provisions of the EBF formula, the District cannot receive less funding than the prior year regardless of enrollment or demographic trends, unless the State decides to reduce the amount of EBF funding available. The only year since the implementation of the EBF formula that CPS did not receive an increase to EBF funding was in FY2021, when the State held its EBF allocation flat.

## Federal Revenue

In past years, federal revenue typically accounted for less than 20% of CPS' total revenues, except for FY2022, where it accounted for 23.1% of total revenues. Federal funds will account for 13.7% of total revenue for CPS in FY2025, which is a decrease of 19.9% from the prior year.

Federal funding across all funds in FY2025 of \$1.4 billion represents a decrease of \$337.8 million from the prior year. Since FY2021, CPS has received more than \$2.8 billion in Elementary and Secondary School Emergency Relief Funds (ESSER) and has used \$2.6 billion, or 92%, of the funds to support school communities during the pandemic. In FY2025, the District plans to allocate the remaining \$233 million in ESSER funds to support school-level funding for District priorities and other local-level needs.<sup>48</sup>

The remainder of the District's federal revenue consists of grants that are mostly restricted and can only be used to provide supplemental programs and services, such as those for low-income, non-English-speaking or delinquent children, or for school food programs. Federal revenue had been decreasing annually before the COVID-19 relief funds arrived in FY2021.

---

<sup>46</sup> CPS FY2025 Proposed Budget, p. 27.

<sup>47</sup> CPS FY2025 Proposed Budget, p. 27.

<sup>48</sup> CPS FY2025 Proposed Budget, p. 7-8.

The District's other federal funding consists of:

- Every Student Succeeds Act (ESSA) Title funds, the largest of which is for the Title I – Low-Income Grant, for which CPS anticipates \$389.5 million in FY2025. This is an increase of \$123.8 million from FY2024 to FY2025. Title I funds are calculated based on Census data related to the number of children in poverty relative to other districts;
- Individuals with Disabilities in Education Act (IDEA) grants, which provide supplemental funding for special education and related services;
- Child Nutrition Programs, including the National School Lunch Program, for which CPS expects to receive \$211 million;
- Medicaid reimbursements for the delivery of medical services and administrative activities for children with special needs, for which CPS expects to receive \$100 million in FY2025; and
- Other smaller grants for things like occupational training, Headstart and e-rate funding for telecommunications and internet access.<sup>49</sup>

## Other Sources

Other resources not included in local, state or federal revenue include proceeds from the sale of bonds, tax increment financing (TIF) surplus, and the use of fund balance from the prior year.

The District anticipates receiving \$549.6 million from bond proceeds of debt issuances to the Capital Fund in FY2025 to fund capital projects.<sup>50</sup> The amount of bond proceeds fluctuates from year to year based on the timing of capital projects. It is important to note that the District's total capital appropriations of \$611.1 million in FY2025 represent allocations for capital projects regardless of the year the funds are spent, funded through bond proceeds as well as state and local resources.

CPS is anticipating \$158.9 million in TIF surplus revenues from the City of Chicago in FY2025, which is an increase of \$62.0 million from the prior year. TIF surplus is excess money remaining in a TIF fund after revenues have been pledged for development projects. The City of Chicago can declare a TIF surplus annually and distribute the remaining funds to taxing districts based on the portion of a tax bill each taxing body receives. TIF surplus is considered a one-time rather than a recurring source of revenue and fluctuates each year. The FY2025 TIF surplus amount represents an increase of 64.0% over the past five years.

In past years, CPS has relied heavily on using prior-year general operating fund balances to close annual budget deficits. In FY2015, CPS drained most of its reserves, using \$940.4 million in operating fund balance to close the budget gap. Since then, the District has reduced the amount of fund balance budgeted each year. In FY2025, the District will not appropriate any use of funds from the general operating fund balance. Over the five-year period from FY2021 to FY2025, the amount of budgeted fund balance has decreased by 100.0% from \$22.0 million.

---

<sup>49</sup> CPS FY2025 Proposed Budget, p. 28-29.

<sup>50</sup> CPS FY2025 Proposed Budget, p. 238-239.



## PERSONNEL

The CPS budget proposes a total of 45,964 full-time equivalent (FTE) positions in FY2025. This is an increase of 804 positions, or 1.8%, from 45,160 positions budgeted in FY2024.<sup>51</sup> Proposed teacher positions will total 22,365 FTEs, representing an increase of 513 FTEs from the prior year. Teaching staff represent about half (48.7%) of total CPS personnel. School support staff make up 14,009 FTE positions, or 30.5% of all positions. School support staff includes classroom assistants, paraprofessionals, security officers, school clerks and lunchroom staff. Support staff will increase by 336.5 FTEs, or 2.5%, from the FY2024 budget. The increases in teachers and school support staff are driven by two factors: an increase in special education teachers and paraprofessionals, and a new school funding model being implemented in FY2025, which guarantees each school a certain number of teachers and support staff.

Other categories of personnel include school administrators, central and network office staff and citywide student support positions. Citywide support includes centrally budgeted positions that provide direct support to schools including nurses, social workers, custodians and other administrative positions. Each of these three categories of staff will remain nearly level with FY2024 staffing levels, including 1,149 school administrators (principals and assistant principals), 1,872 central and network office staff and 6,570 citywide student support staff.

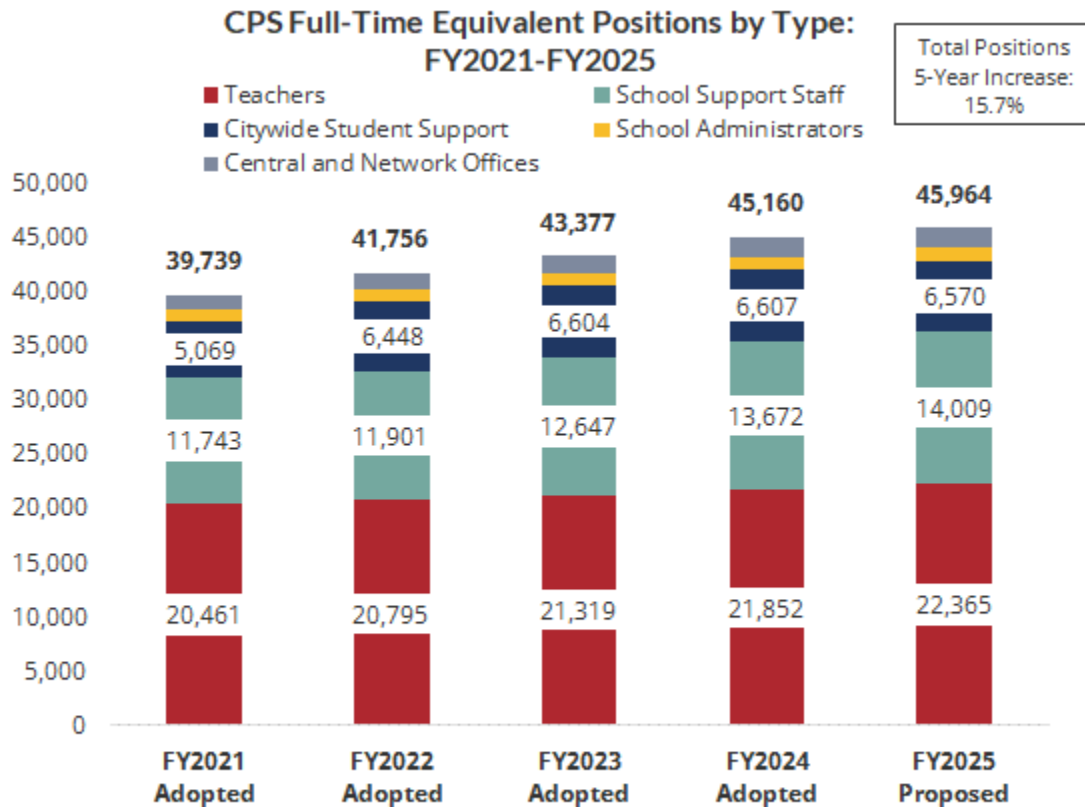
Over the five-year period from FY2021 to FY2025, the number of total budgeted personnel will increase by 15.7%, or 6,225 FTE positions, from 39,739 to 45,964 FTEs. The chart below shows the CPS personnel levels over this timeframe. Personnel levels have increased annually in each of the past five years at an average rate of about 4%. The largest increase occurred in FY2022 with the addition of approximately 2,000 budgeted positions, including 734 crossing guard positions transferred from the City of Chicago budget to the CPS budget, as well as 400 custodians and 170 various services providers.<sup>52</sup>

Over the past five years, the number of budgeted teacher positions has grown by 1,904 FTEs, or 9.3%. School support staff positions have increased by 2,265 FTEs, or 19.3%. Citywide student support positions have increased by 1,501 FTEs, or 29.6%. Central and network office positions have increased by 529, or 39.4%. The number of school administrators has remained fairly constant, growing by 2.3%.

---

<sup>51</sup> Chicago Public Schools FY2025 Proposed Budget Book, p. 18.

<sup>52</sup> Information provided to the Civic Federation by Chicago Public Schools budget staff on July 13, 2021.



Source: Chicago Public Schools FY2021-FY2023 Interactive Budget Reports, Positions, available at [www.cps.edu](http://www.cps.edu); and Chicago Public Schools FY2025 Proposed Budget Book, p. 18.

## ENROLLMENT

FY2025 budget allocations are based on 20<sup>th</sup> day enrollments for each school during the 2023-2024 (FY2024) school year. Previously, CPS used enrollment projections for the upcoming year to determine its budget. In FY2019, the District began using the 20<sup>th</sup> day enrollment from the prior school year for budgeting purposes. Because of this change in policy, schools that experience an enrollment decline in the fall do not see a budget reduction the following year. Schools with enrollment increases receive additional funding to compensate for growing student populations, including schools with enrollment increases after 20<sup>th</sup> day enrollment.<sup>53</sup>

CPS student enrollment increased in FY2024 for the first time in two decades following years of annual enrollment declines. The District had 323,251 students on the 20<sup>th</sup> day of fall 2023, an increase of 1,270, or 0.4%, from the prior year. The increase is mostly among preschool enrollment. The District has in the last two years prioritized expansion of preschool options available to children under the age of five through additional pre-K classrooms and community-based early childhood centers. Elementary school enrollment also increased slightly but was partially offset by a decrease in high school enrollment. The increase in enrollment between fall

<sup>53</sup> Chicago Public Schools FY2025 Proposed Budget, p. 39.

2022 and fall 2023 is at least partially due to new migrant arrivals to the City of Chicago.<sup>54</sup> The District has seen a continued increase in newcomer students throughout the 2023-2024 school year.<sup>55</sup>

Over the ten-year period from FY2015 to FY2024, enrollment declined by 73,432 students, or 18.5%, falling from 396,683 students to 323,251 students. Preschool enrollment declined by 23.1%, or 5,284 students. Elementary school enrollment decreased by 22.2%, or 61,537 students. High school enrollment declined by 9.0%, or 10,059 students.

The reduction in enrollment over time is due to several factors, including population declines in Black and Latinx communities, lower birth rates and families opting for other school choices.<sup>56</sup> Additionally, the COVID-19 pandemic contributed to a major decline in student enrollment in 2020, especially among pre-k and kindergarten students.<sup>57</sup> Preschool enrollment fell 34% in fall of 2020 from the prior year, but has partially rebounded since that time. CPS' budgets over the past three years have prioritized the expansion of universal pre-k with the addition of 25 classrooms in 9 schools in FY2023 and 25 additional classrooms in 12 schools in FY2024.<sup>58</sup>

---

<sup>54</sup> Reema Amin, "[Chicago Public Schools enrollment is stable for first time in more than a decade](#)," *Chalkbeat Chicago*, September 19, 2023.

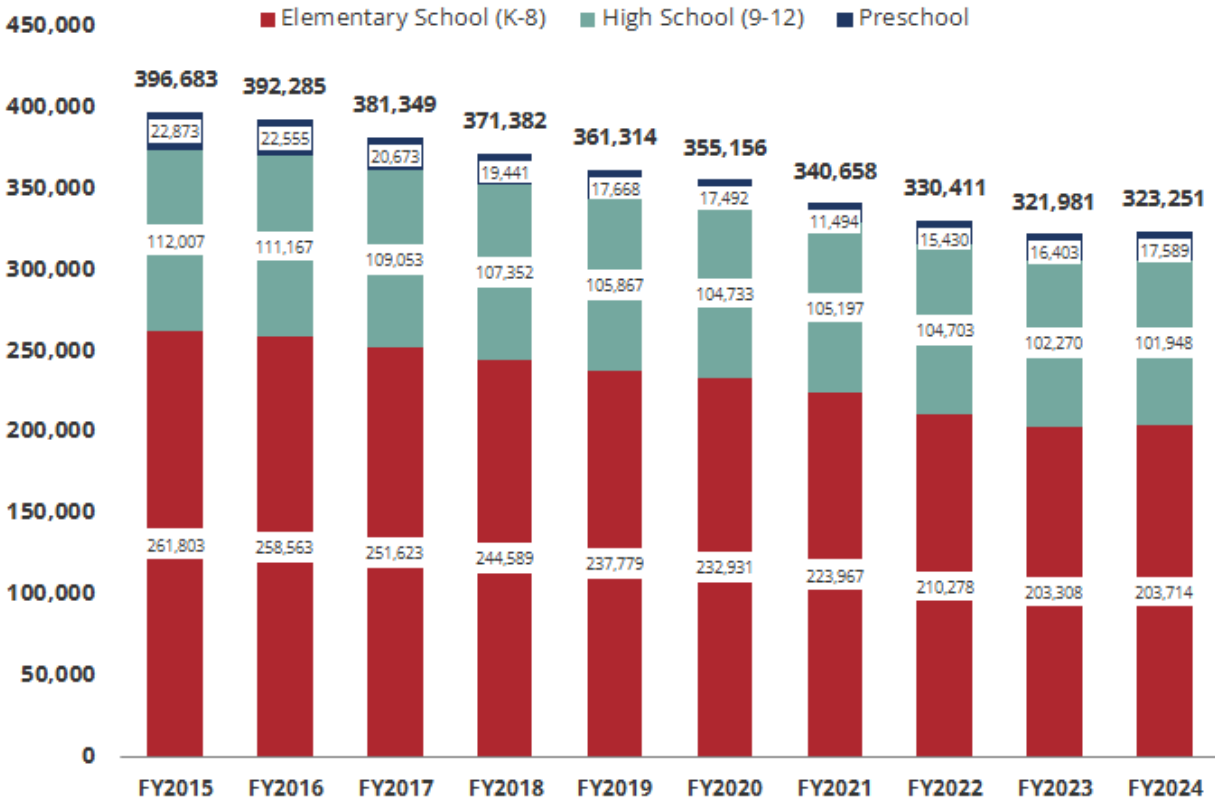
<sup>55</sup> Chicago Public Schools FY2025 Proposed Budget, p. 39.

<sup>56</sup> *Crain's Chicago Business*, "[What's driving enrollment declines at CPS?](#)" February 15, 2022; and Bridgette Adu-Wadier, Selena Kuznikov and Samantha Aguilar, *Medill School of Journalism*, "[More Chicago Families Turning to Private, Charter Schools as CPS Enrollment Declines](#)," *Crain's Chicago Business*, January 14, 2023.

<sup>57</sup> Sarah Karp, "[Chicago Public Schools Enrollment Plummets](#)," *WBEZ Chicago*, October 16, 2020.

<sup>58</sup> Chicago Public Schools FY2025 Proposed Budget, p. 85.

## Chicago Public Schools Student Enrollment: FY2015-FY2024



Source: CPS FY2025 Proposed Budget, p. 266.

## RESERVES

This section describes the Chicago Public Schools’ fund balance and other reserve funds. Fund balance is a term used to describe the net assets of a governmental fund and serves as a measure of budgetary reserves.<sup>59</sup>

The Government Finance Officers Association (GFOA) recommends that “general purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.”<sup>60</sup> Unrestricted fund balances are those that do not have any legal or contractual limitations on their use.<sup>61</sup> Two months of operating expenditures is approximately 16.7%.

<sup>59</sup> Government Finance Officers Association (GFOA), Fund Balance Guidelines for the General Fund (Adopted September 2015). Available at <http://www.gfoa.org/fund-balance-guidelines-general-fund>.

<sup>60</sup> GFOA, “Appropriate Level of Unrestricted Fund Balance in the General Fund” (Adopted September 2015). Available at <http://www.gfoa.org/appropriate-level-unrestricted-fund-balance-general-fund>.

<sup>61</sup> GFOA, “Appropriate Level of Unrestricted Fund Balance in the General Fund” (Adopted September 2015).

GFOA also recommends that governments establish a formal unrestricted fund balance policy that considers the government's specific circumstances.<sup>62</sup> These factors include: revenue predictability and expenditure volatility; perceived exposure to one-time disasters or immediate expenses; the potential drain on general fund resources from other funds and the availability of resources in other funds; the potential impact on the government's bond rating and borrowing costs; and funds that are already committed or assigned for specific purposes.

## CHICAGO PUBLIC SCHOOLS UNRESTRICTED FUND BALANCE

This section examines the Chicago Public Schools General Operating Fund unrestricted fund balance as a percent of general fund expenditures based on audited data from the District's most recent Annual Comprehensive Financial Reports. This ratio is a measure of whether a government is maintaining adequate levels of fund balance to mitigate current and future risks and ensure stable tax rates.<sup>63</sup>

CPS had just under \$1.2 billion in general operating fund reserves at the end of FY2023, which represents 15.3% of general fund expenditures that year. The District has worked to rebuild its operating reserves after depleting them in response to financial crises in past years. The District's unrestricted general operating fund balance fell from a high of 16.5% of expenditures in FY2013 to negative levels in FY2016 and FY2017. The unrestricted fund balance fell significantly during this period due to the fact that reserves were used to balance several budgets. The decline to negative numbers in FY2016 and FY2017 resulted from an operating deficit caused in part by a decline in State funding and an increase in pension obligations.<sup>64</sup> The unrestricted fund balance was restored to a positive balance of \$261.7 million in FY2018, or 4.7% of General Fund expenditures, due to an increase in revenues related to the new statewide Evidence-Based Funding formula law passed in 2017.<sup>65</sup> The fund balance improved again annually between FY2019 and FY2023, rising from 7.5% to 15.3% of general fund expenditures.

---

<sup>62</sup> GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted September 2015).

<sup>63</sup> GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted September 2015).

<sup>64</sup> Chicago Public Schools FY2017 Comprehensive Annual Financial Report, p. 8.

<sup>65</sup> Chicago Public Schools FY2018 Comprehensive Annual Financial Report, p. 13.

**CPS Unrestricted General Operating Fund Fund Balance**  
**Ratio: FY2013-FY2023**

	<b>General Operating Fund Balance</b>		<b>General Fund Expenditures</b>	<b>Ratio</b>
<b>FY2013</b>	\$ 819,004,000	\$	4,946,370,000	16.6%
<b>FY2014</b>	\$ 354,719,000	\$	5,450,131,000	6.5%
<b>FY2015</b>	\$ 254,328,000	\$	5,620,366,000	4.5%
<b>FY2016</b>	\$ (227,031,000)	\$	5,414,846,000	-4.2%
<b>FY2017</b>	\$ (354,861,000)	\$	5,297,758,000	-6.7%
<b>FY2018</b>	\$ 261,715,000	\$	5,513,880,000	4.7%
<b>FY2019</b>	\$ 441,029,000	\$	5,858,860,000	7.5%
<b>FY2020</b>	\$ 488,799,000	\$	6,163,647,000	7.9%
<b>FY2021</b>	\$ 738,749,000	\$	6,507,858,000	11.4%
<b>FY2022</b>	\$ 999,091,000	\$	7,396,311,000	13.5%
<b>FY2023</b>	\$ 1,180,404,000	\$	7,714,007,000	15.3%

Sources: CPS Annual Comprehensive Financial Reports, Statements of Revenues, Expenditures and Changes in Fund Balance and Balance Sheets - Governmental Funds.

## CPS FUND BALANCE POLICY

Chicago Public Schools adopted a new fund balance policy in January 2021.<sup>66</sup> The policy establishes a target fund balance level for its general operating funds, referred to as the stabilization fund. The CPS policy requires the Board to maintain an assigned fund balance totaling 15% of the operating and debt service budget (net of any budgeted non-cash expenditures or budgeted expenses derived from the dedicated Chicago Teachers’ Pension Fund property tax levy) in each year. According to the policy, this 15% level is estimated to be the historical minimum amount of cash required to provide sufficient cash flow for stable financial operations and to reduce short-term borrowing costs. The stabilization fund will not be utilized unless there is an unforeseen financial emergency and a corresponding consensus decision among the Board members.<sup>67</sup>

Annually, CPS sets a fund balance target based on this policy. The fund balance target is arrived at by calculating 15% of the general operating expenditures plus debt service expenditures, less certain non-cash expenditures related to the Municipal Employees Pension Fund, State of Illinois pension contributions to the Chicago Teachers’ Pension Fund and property tax levy expenditures related to the CTPF. CPS is then supposed to set aside the target amount within the General Operating Fund as a stabilization fund at the annual adoption of the budget. The fund balance target for FY2024 is \$1.38 billion. However, the actual amount reserved will be

<sup>66</sup> Fund Balance and Budget Management Policy, Adopted January 27, 2021, through Board Report 21-0127-PO2. Found in [Section 403.10 of the Chicago Public Schools Policy Manual](#).

<sup>67</sup> Chicago Public Schools FY2025 Proposed Budget, p. 287.

approximately \$1.1 billion, which is below the target. Information for FY2025 is not yet available.<sup>68</sup>

## PENSIONS

### CHICAGO TEACHERS' PENSION FUND

The Chicago Teachers' Pension Fund (CTPF) provides retirement, survivor and disability benefits to certain certified teachers and employees of Chicago Public Schools. As of June 30, 2023, the CTPF had 27,474 retirees and beneficiaries receiving benefits and 31,824 active employees, for a total of 59,298 members.<sup>69</sup>

In FY2025, Chicago Public Schools is required to contribute \$1.015 billion to the pension fund. The chart below shows the sources of revenue from which CPS will make its employer contribution to CTPF. The majority of the employer contribution, \$558.7 million, will come from a property tax levy dedicated to the Chicago Teachers' Pension Fund. This revenue source was reinstated in 2016 at a rate of 0.383% and was increased a year later to 0.567%. The dedicated pension levy helps offset the amount of general operating revenue that CPS must divert from other funds to help pay the annual pension contribution. However, approximately 10%, or \$102.9 million of the contribution, will come from CPS' general funds operating revenue.

Other funding sources are provided by the State of Illinois. The State will contribute \$338.7 million to cover the annual cost of the pension plan's benefits, or the normal cost. This amount also includes a \$65 million health insurance subsidy for retirees. The State is also required to make small additional contributions to offset a portion of the cost of benefit increases enacted under Public Act 90-0582. This amount is \$15.2 million in FY2025. Altogether, the State of Illinois will contribute \$353.9 million to CTPF, which essentially helps offset about 35% of the statutorily required employer contribution.

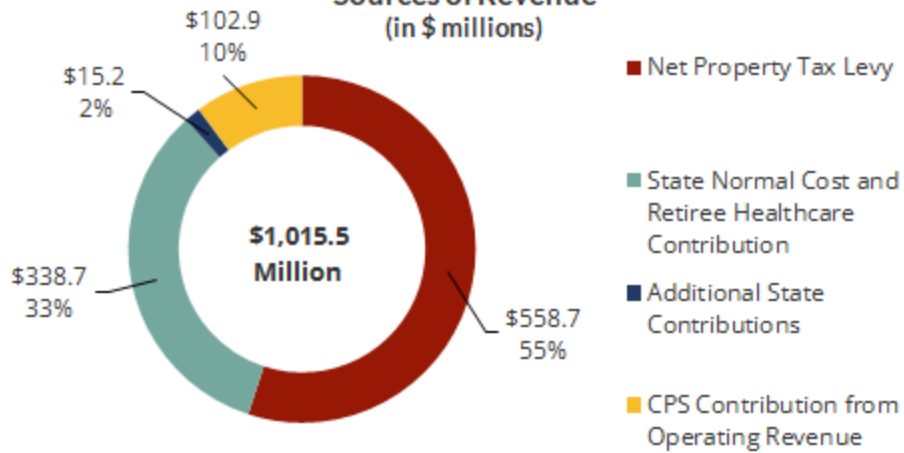
---

<sup>68</sup> Chicago Public Schools FY2025 Proposed Budget, p. 260.

<sup>69</sup> Public School Teachers' Pension and Retirement Fund of Chicago, [Actuarial Valuation Report as of June 30, 2023](#), p. 1.



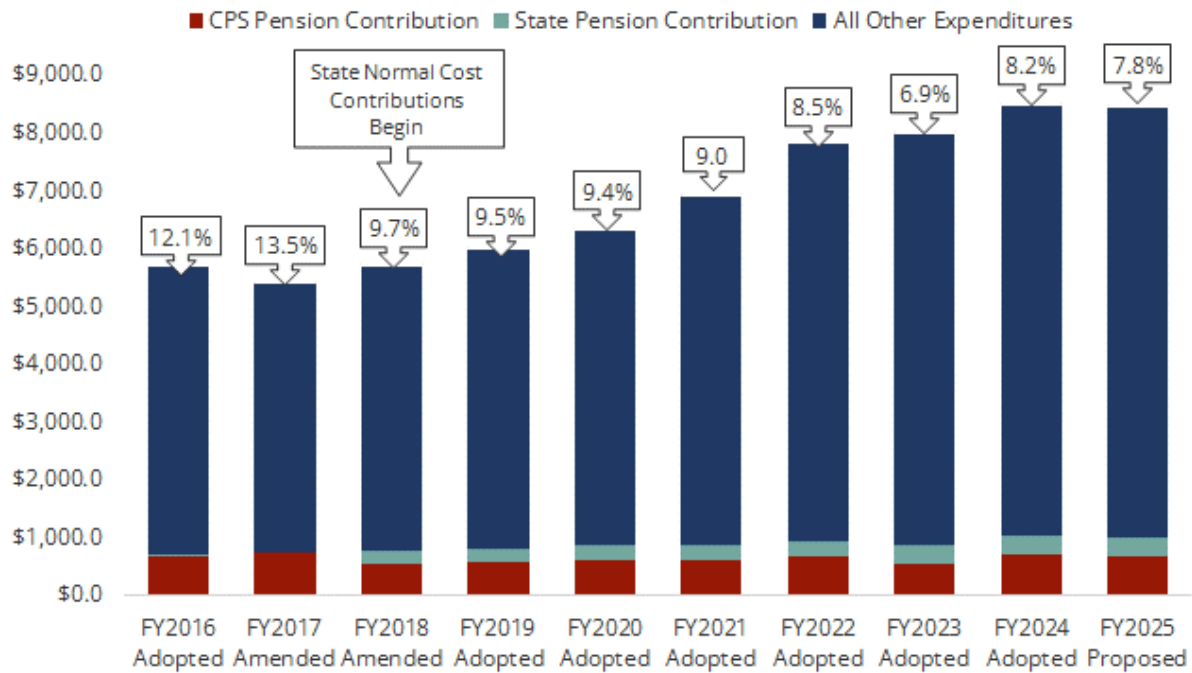
**FY2025 Chicago Teachers Pension Fund Employer Contribution  
Sources of Revenue  
(in \$ millions)**



Source: Chicago Public Schools FY2025 Proposed Budget, p. 33.

As shown in the following chart, the State of Illinois began making normal cost pension payments on behalf of CPS in FY2018. This helped to reduce the portion of total operating spending that needed to be dedicated to pension contributions. The percentage of the operating budget dedicated to pensions declined from 13.5% in FY2017 to 9.7% in FY2018 and has continued to decline slowly over the ensuing years. In FY2023 CPS's pension contribution declined to 6.9% of the operating budget because of increases in the total operating budget as well as a decrease in the required contribution due to extraordinary investment returns experienced in FY2021. However, the percentage of the budget going to pensions increased again in FY2024 due to significant investment losses in FY2022. The FY2025 pension contribution represents 7.8% of total operating expenditures, which is comprised of \$353.9 million in State dollars and \$661.2 million contributed by CPS.

### CPS Pension Contribution as a Percentage of Total Operating Appropriations: FY2016-FY2025



Source: Chicago Public Schools Adopted Budgets, FY2015-FY2024 and FY2025 Proposed Budget.

### Teacher Pension Pick-Up

In addition to the \$1.015 billion employer contribution, CPS also covers a portion of employees' contributions from their salaries, known as the teacher pension "pick-up." This expense is projected to be \$135 million in FY2025.<sup>70</sup>

Employee contributions to CTPF are statutorily set at 9.0% of the employee's salary. One percent of that 9.0% amount is for survivors' and children's pension benefits. However, for teachers hired before January 1, 2017, CPS "picks up" or pays seven percentage points of the employees' 9.0% contribution on behalf of teachers. Therefore, these teachers effectively pay 2.0% of their annual salary toward their pensions.

However, the 2015-19 and 2020-24 Collective Bargaining Agreements with the Chicago Teacher's Union ended the pension pick-up for teachers hired on or after January 1, 2017.

### Pension Funding Status

The Chicago Teachers' Pension Fund is severely underfunded. Ideally, a pension fund should hold exactly enough assets to cover all its actuarial accrued liabilities, which would constitute a

<sup>70</sup> Chicago Public Schools FY2025 [Online Interactive Budget Reports](#), Revenues & Expenditures.

funded ratio of 100%. The CTPF has a funded ratio of 47.2% as of the most recent actuarial valuation for the FY2023 fiscal year.<sup>71</sup>

Another measure of pension funding is the unfunded actuarial accrued liability (UAAL), which are pension obligations not covered by assets. Unfunded liability is calculated by subtracting the value of assets from the actuarial accrued liability of a fund. For example, if a plan had \$90 million in assets and \$100 million in liabilities, its unfunded liability would be \$10 million. CPS' unfunded liabilities as of FY2023 were \$13.8 billion. Over the past ten years, the unfunded liabilities of the pension fund have grown by \$4.4 billion, or 46.5%, from \$9.4 billion in FY2014.

## MUNICIPAL EMPLOYEES' PENSION FUND

Eligible non-teaching employees of CPS participate in the City of Chicago's Municipal Employees' Annuity and Benefit Fund.<sup>72</sup> As of December 31, 2022, approximately 22,078, or 62.4%, of the 35,369 active Municipal Fund members were CPS employees.<sup>73</sup>

The employer contribution for CPS employees participating in the Municipal Fund is made by the City of Chicago, not by CPS. However, CPS entered into an intergovernmental agreement with the City in 2019 to partially reimburse those contributions. The City makes most of the Municipal Fund employer contribution through its property tax levy, the Corporate Fund, the water and sewer usage tax on consumers, and through reimbursements from its enterprise and special revenue funds.<sup>74</sup> CPS first reimbursed the City of Chicago \$60 million in FY2019, before increasing the reimbursement to \$100 million in FY2022 and \$175 million in FY2023.

According to the City of Chicago, the FY2025 Municipal Fund contribution for CPS employees is estimated to be approximately \$308 million in FY2025.<sup>75</sup> CPS records this amount as both a revenue and expense in its FY2025 budget. The District is also proposing to contribute approximately \$208 million<sup>76</sup> to the Fund in fiscal year 2025.

CPS makes some additional contributions to the Municipal Fund on behalf of its employees similar to the teacher pension pick-up. For union employees, CPS "picks up" seven percentage points of the annual non-teacher employee pension contribution of 8.5% of their salaries. For non-union, non-teacher employees, CPS partially phased out the pick-up in FY2016, but still contributes 5% of the 8.5% employee contribution.<sup>77</sup> The District's FY2025 cost for the non-teacher employee pick-up is approximately \$48.7 million and is part of the District's budgeted

---

<sup>71</sup> Public School Teachers' Pension and Retirement Fund of Chicago, [Actuarial Valuation Report as of June 30, 2023](#), p. 1.

<sup>72</sup> 40 ILCS 5/8-110.

<sup>73</sup> Chicago Public Schools FY2023 Annual Comprehensive Financial Report, p. 91.

<sup>74</sup> City of Chicago FY2023 Budget Overview, p. 55.

<sup>75</sup> [City of Chicago Mid-Year Budget Forecast](#), April 2023, p. 35.

<sup>76</sup> Chicago Public Schools Budget Office provided the Civic Federation with this additional information on July 22, 2024.

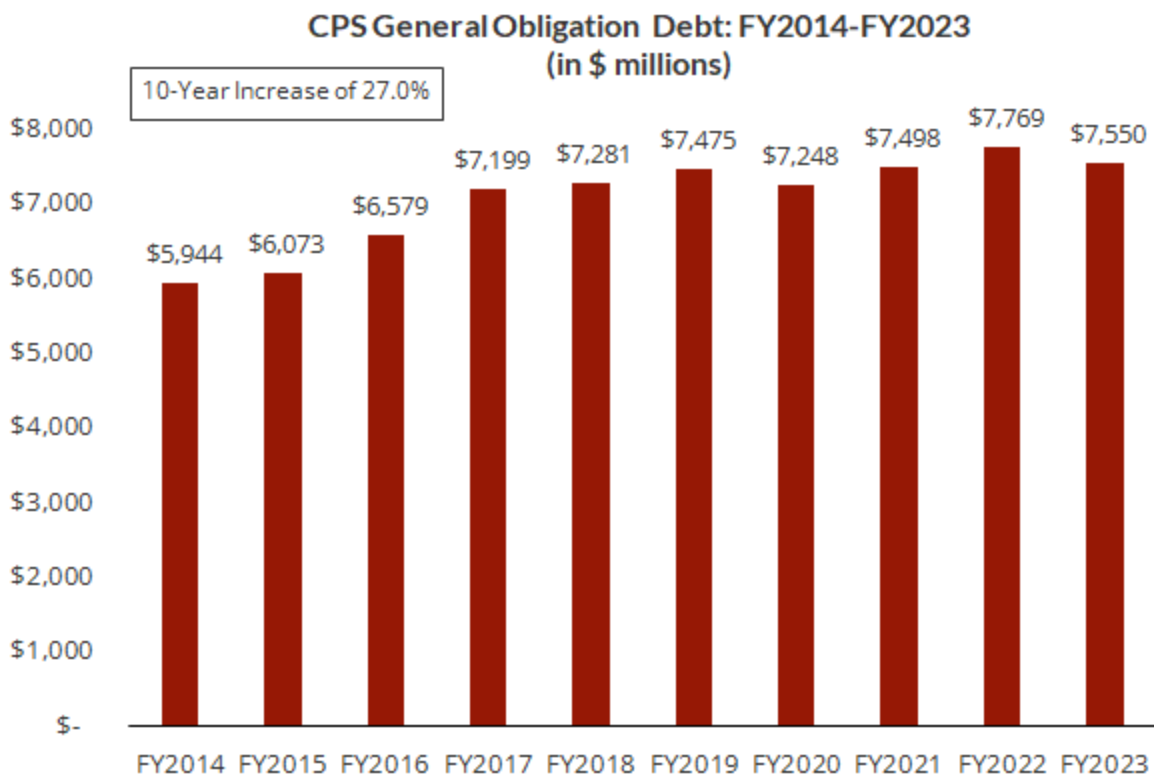
<sup>77</sup> Chicago Public Schools FY2023 Annual Comprehensive Financial Report, p. 91.

pension appropriation.<sup>78</sup> This amount increased by 5.4% from \$43.3 million the prior year. The District also reimburses the City for the employer pick-up of employees funded by federal grants; this reimbursement is budgeted at \$13.4 million in FY2025.<sup>79</sup>

## LONG-TERM DEBT

Increases in government-issued general obligation debt bear watching as they are a potential sign of escalating financial risk. The concern is that unless a government secures additional revenues or reduces spending at the same time that it increases its debt burden, it may have difficulty making principal and interest payments at some point in the future.

CPS long-term tax supported debt, referred to as general obligation debt, increased by 27.0% between FY2014 and FY2023, rising from \$6.0 billion to \$7.6 billion. The large debt burden for CPS continues to be a cause for concern because the District will continue to face challenges in meeting rising expenditures in areas such as personnel and retirement benefits.



Source: CPS FY2023 Annual Comprehensive Financial Report, p. 168.

In addition to general obligation debt, CPS also issues Capital Improvement Tax (CIT) bonds to fund certain capital projects. As of FY2025, CPS has \$1.4 billion in total outstanding CIT bonds.

<sup>78</sup> Chicago Public Schools FY2025 [Online Interactive Budget Reports](#), Revenues & Expenditures.

<sup>79</sup> Chicago Public Schools FY2025 [Online Interactive Budget Reports](#), Revenues & Expenditures.

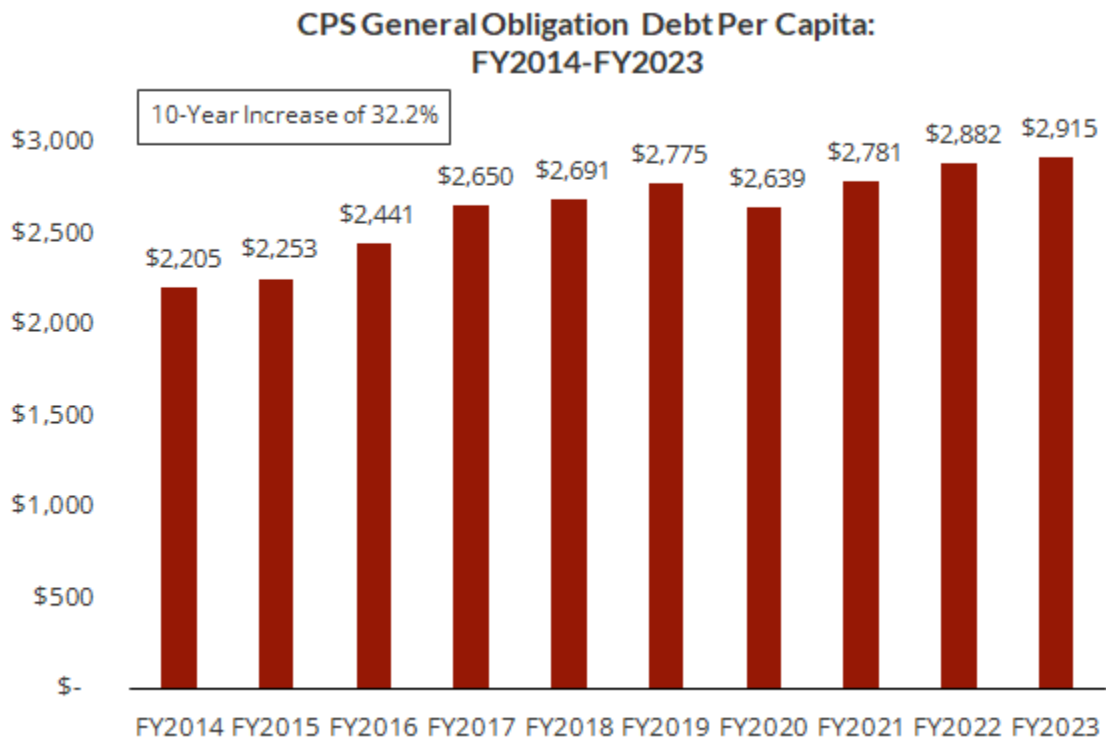
The FY2025 budget includes a separate CIT levy and appropriations of approximately \$80 million to pay debt service on the CIT bonds.<sup>80</sup>

As of June 1, 2024, total CPS debt outstanding, including general obligation plus capital improvement tax debt was \$9.3 billion.<sup>81</sup>

## General Obligation Debt Per Capita

A commonly used measure of the debt burden on taxpayers is general obligation debt per capita. This indicator divides CPS general obligation debt by the population of the jurisdiction. Increases in the ratio bear watching as a potential sign of increasing financial risk in much the same manner as increases in total debt outstanding figures do.

Overall, CPS general obligation debt per capita increased by 32.2% between FY2014 and FY2023, rising from \$2,205 to \$2,915. This increase reflects a significant increase in direct debt. Direct debt per capita rose steadily to \$2,775 in FY2019, before dipping slightly to \$2,639 in FY2020 and then rising again to \$2,915 throughout the three subsequent years.



Source: CPS FY2023 Annual Comprehensive Financial Report, p. 167.

<sup>80</sup> Chicago Public Schools FY2025 Proposed Budget, p. 245.

<sup>81</sup> Chicago Public Schools FY2025 Proposed Budget, p. 251.

## DEBT SERVICE APPROPRIATIONS AS A PERCENTAGE OF OPERATING APPROPRIATIONS

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. The rating agencies consider a debt burden high if the ratio is between 15% and 20%.<sup>82</sup> The CPS debt service ratio has been below the 15% threshold between FY2021 and FY2025. It has remained relatively stable. CPS' debt service appropriations of \$816.9 million in FY2025 represent 9.7% of total general operating appropriations. This is level with the ratio of 9.7% in FY2021, although both debt service appropriations and total operating appropriations have increased significantly, by over 20%, during the past five years. Over the five-year period, the ratio has averaged 9.5%.

**CPS Budgeted Debt Service Appropriations as % of Operating Appropriations: FY2021-FY2025**  
(in \$ millions)

	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Proposed	5-Year \$ Change	5-Year % Change
Debt Service Appropriations	\$ 661.5	\$ 714.2	\$ 769.4	\$ 785.5	\$ 816.9	\$ 155.40	23.5%
Operating Appropriations	\$ 6,820.0	\$ 7,821.6	\$ 7,993.7	\$ 8,489.5	\$ 8,433.0	\$ 1,613.00	23.7%
Debt Service as a % of Total Appropriations	9.7%	9.1%	9.6%	9.3%	9.7%		

Sources: CPS Proposed FY2025 Budget, pp. 15 and 248; CPS Adopted FY2024 Budget, pp. 11 and 202 for FY2022, FY2023 and FY2024 figures).

## CPS General Obligation Bond Ratings

In 2015, 2016 and 2017, Chicago Public Schools was on a path of steadily falling credit ratings as the District struggled to finance its mounting debt and pension obligations and concurrently depleted its reserves. In FY2018, the financial situation improved as the State of Illinois approved legislation providing substantial financial support through an Evidence Based Funding formula. The federal American Rescue Plan Act approved in 2021 also provided additional financial assistance. In late 2021 and in 2022, Moody's Investors Services, Kroll and Fitch upgraded CPS' credit ratings as the District's financial situation had improved from prior years. In 2023 Standard & Poor's followed suit. In 2024 Moody's upgraded CPS general obligation debt from Ba2 to Ba1, citing the District's increased operating fund cash balance, and revenue increases from local taxes and State support.

While the upgrades in recent years signal improvements in the district's financial situation, CPS' general obligation bond ratings, with the exception of Kroll's rating, remain below investment grade, or "junk status." The district's current general obligation credit ratings are provided below.<sup>83</sup>

<sup>82</sup> Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.

<sup>83</sup> Chicago Public Schools. [Credit Ratings](#).

**Chicago Public Schools General Obligation Bond Credit Ratings: 2014-2024**

Name of Agency	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Kroll Bond Rating Agency*		BBB+	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB	BBB	BBB+/BBB*
Fitch Ratings	A-	BBB-	B+	BB-	BB-	BB-	BB	BB	BB+	BB+	BB+
Standard & Poor's	A+	A-	BB	B	B	B+	BB-	BB	BB	BB+	BB+
Moody's Investor Services	Baa1	Ba3	B2	B3	B3	B2	B1	Ba3	Ba2	Ba2	Ba1

\* Kroll rates general obligation bond series issued from 2016 to 2019 as BBB+. All other outstanding bonds are rated BBB.

Source: Chicago Public Schools. Credit Ratings at <https://www.cps.edu/about/finance/credit-ratings/>.

CPS' Capital Improvement Tax bonds receive standalone credit ratings. Currently Fitch Ratings rates this credit as A with a stable outlook and Kroll rates the debt as BBB+ with a stable outlook.<sup>84</sup> These bonds receive a higher credit rating than general obligation bonds because they are backed by a dedicated revenue source, the CIT property tax levy as well as State funds.

## SHORT-TERM BORROWING

CPS uses short-term debt to generate cash flow throughout the year due to liquidity issues it has as a result of the timing of debt and pension payments that occur just before the District receives its two installments of property tax revenue, while payroll and vendor payments must be disbursed consistently throughout the year. Ideally, the District would rely on using their budgetary reserves during these periods of low cash flow, but CPS' operating reserves are not sufficient enough to draw on.

CPS anticipates issuing up to \$500 million in short-term tax anticipation notes (TANs) in FY2025 to fund operating liquidity and cash flow needs.<sup>85</sup> CPS had a maximum amount of \$1.15 billion in TANs outstanding in FY2024 just prior to the delayed due date of the second installment of 2022 property taxes on December 1, 2023. However, by the beginning of FY2025 no TANs were outstanding.<sup>86</sup> The FY2025 budget includes appropriations of approximately \$9.5 million to pay interest costs for TANs.<sup>87</sup>

## CAPITAL BUDGET

CPS proposes appropriating \$611.1 million in capital projects in FY2025.<sup>88</sup> This appropriation will be spent over time as the capital budget provides funding for projects that will be built over a period of several years. This is different than the operating budget, which includes spending for the upcoming fiscal year.

The FY2025 capital plan proposes a substantial increase over the originally proposed FY2024 plan of \$155.0 million. That plan only addressed immediate District needs.<sup>89</sup> The new capital

<sup>84</sup> Chicago Public Schools FY2025 Proposed Budget, p. 238-239.

<sup>85</sup> Information provided by Chicago Public Schools, July 11, 2024.

<sup>86</sup> Chicago Public Schools FY2025 Proposed Budget, p. 256.

<sup>87</sup> Chicago Public Schools FY2025 Proposed Budget, p. 257.

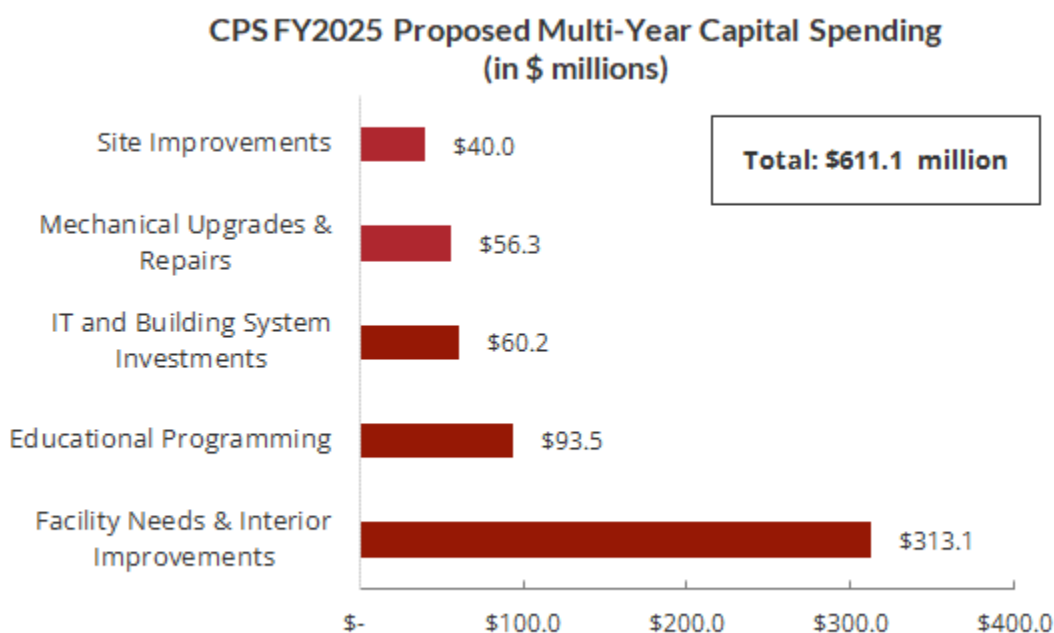
<sup>88</sup> Chicago Public Schools FY2025 Proposed Budget, p. 238-239.

<sup>89</sup> Chicago Public Schools [Capital Plan FY2024](#).



plan was based on the findings of the District’s five-year Educational Facilities Master Plan (EFMP)<sup>90</sup> and 16 community roundtable sessions. Full details on the FY2025 capital budget are available on the interactive capital plan website at [www.cps.edu/capitalplanbi](http://www.cps.edu/capitalplanbi). The largest single amount in the proposed FY2025 capital spending plan, \$313.2 million or 51.2% of the total, will be spent on facility needs and interior improvements, including repairs to roofs, windows and boiler systems.

The second largest amount, \$93.5 million, is expected to be used for educational programming, which includes improving or converting classrooms and labs. Smaller amounts will be earmarked for capital project support services, mechanical upgrades and repairs, information technology and building system investments and site improvements.<sup>91</sup>



Source: CPS FY2025 Proposed Budget, pp. 238-239.

The FY2025 capital spending plan will be funded over several years, primarily with debt proceeds. Approximately \$549.6 million, or 89.9% of all resources used, will be financed by debt issuances that will be repaid with evidence-based funding resources from the State of Illinois and personal property replacement taxes. About 4.8%, or \$29.3 million, will come from tax-increment financing (TIF) funds. Other funding sources will include \$10.6 million from the Space to Grow initiative, which is a site improvement program operated with the Chicago Department of Water Management and Metropolitan Water Reclamation District; \$4.2 million in grant funding from the Federal Communications Commission through its E-rate program that

<sup>90</sup> Chicago Public Schools. [Educational Facilities Master Plan 2025-2029](#).

<sup>91</sup> Chicago Public Schools FY2025 Proposed Budget, p. 241.

discounts the cost of telecommunications, internet access and internal connections for schools and libraries; and \$17.4 million from other unidentified potential external sources.<sup>92</sup>

**CPS FY2025 Proposed Capital Funding Sources (\$ Millions)**

Sources of Funding	\$ Amount	% Of Total
Federal E-Rate Funding	\$ 4.2	0.7%
External Funding for Space to Grow	\$ 10.6	1.7%
Other Potential External Funding	\$ 17.4	2.8%
TIF Funding	\$ 29.3	4.8%
Anticipated Bond Offerings	\$ 549.6	89.9%
<b>Total</b>	<b>\$ 611.1</b>	<b>100.0%</b>

Source: CPS FY2025 Proposed Budget, pp. 238-239.

**Capital Project Revenues and Spending: FY2021-FY2025**

This section presents information about trends in CPS capital plan spending in the five-year period between FY2021 to FY2025.

Capital outlays, or expenditures of \$500.0 million in FY2025 will be incurred that year regardless of the year in which projects were appropriated. The fund balance amount shown in the table below is the difference between expected FY2025 capital expenses versus revenues. The amount unspent in one fiscal year carries forward into the next fiscal year.<sup>93</sup>

In total, CPS expects to generate \$541.6 million in revenue for capital funds in FY2025 through a combination of \$91.6 million in state, local and federal sources and \$450 million in bond proceeds. The following are some of the significant changes in capital revenue sources between the FY2024 estimated and the FY2025 proposed budget:

- Total capital revenues from state, local and federal sources will decrease by \$26.6 million, or 22.5%, from \$118.2 million to \$91.6 million;
- State of Illinois revenues are expected to increase from \$17.1 million to \$28.3 million;
- Local revenues will fall from \$92.2 million in FY2024 to \$59.5 million; and
- Federal revenues will total \$3.8 million in FY2025, up from \$0.3 million the previous year.
- No interest or investment earnings are projected in FY2025.

In the same two-year period from FY2024 to FY2025, proceeds from bond issuances will decrease from \$539.2 million to \$450.0 million, a 16.5% decrease.

On the expenditure side, capital outlays will rise from \$485.6 million in FY2024 to \$500.0 million in FY2025, a 3.0%, or \$14.4 million increase. The \$500.0 million figure represents amounts originally budgeted in prior years that will be spent in FY2025, as well as funds budgeted and spent in FY2025.<sup>94</sup>

<sup>92</sup> Chicago Public Schools FY2025 Proposed Budget, p. 30 and 239.

<sup>93</sup> Chicago Public Schools FY2025 Proposed Budget, p. 242.

<sup>94</sup> Chicago Public Schools FY2025 Proposed Budget, p. 242.

The capital fund's end-of-year fund balance is expected to rise by 18.9%, or from \$219.8 million to \$261.4 million. There will be no proceeds from the sale of capital assets in FY2025.

Over the five-year period between FY2021 and FY2025, capital revenues are expected to increase by 135.5% or \$52.7 million. Capital outlays will decrease by 11.6% or \$65.7 million, falling from \$565.7 million to \$500.0 million. Proceeds from bond issuances will decrease from \$533.4 million in FY2021 to \$450.0 million. The end-of-year fund balance will rise from \$188.7 million to \$261.4 million, a 38.5%, or \$72.7 million, increase. The FY2025 capital budget will begin the year with a \$219.8 million balance of unspent revenue received in prior years.

### CPS Capital Revenues and Expenses (Outlays) FY2021-FY2025

	(in \$ millions)									
	FY2021	FY2022	FY2023	FY2024	FY2025					
	Actual Budget	Actual Budget	Actual Budget	Estimated Budget	Proposed Budget	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change	
<b>Beginning of Year Fund Balance</b>	\$ 182.1	\$ 188.8	\$ 163.7	\$ 48.0	\$ 219.8	\$ 171.80	357.9%	\$ 37.7	20.7%	
<b>Revenues &amp; Bond Proceeds</b>									---	
Local Revenue	\$ 12.7	\$ 32.7	\$ 49.2	\$ 92.2	\$ 59.5	\$ (32.70)	-35.5%	\$ 46.8	368.5%	
State Revenue	\$ 17.5	\$ 13.8	\$ 14.5	\$ 17.1	\$ 28.3	\$ 11.20	65.5%	\$ 10.8	61.7%	
Federal Revenue	\$ 7.6	\$ 10.7	\$ 2.6	\$ 0.3	\$ 3.8	\$ 3.50	1166.7%	\$ (3.8)	-50.0%	
Interest & Investment Earnings	\$ 1.1	\$ 0.4	\$ 4.4	\$ 8.6	\$ -	\$ (8.60)	-100.0%	\$ (1.1)	-100.0%	
Bond Proceeds	\$ 533.4	\$ 543.5	\$ 541.2	\$ 539.2	\$ 450.0	\$ (89.20)	-16.5%	\$ (83.4)	-15.6%	
<b>Total Revenues &amp; Bond Proceeds</b>	\$ 572.3	\$ 601.1	\$ 611.9	\$ 657.4	\$ 541.6	\$ (115.80)	-17.6%	\$ (30.7)	-5.4%	
<b>Expenditures</b>										
Capital Outlay	\$ 565.7	\$ 626.2	\$ 727.6	\$ 485.6	\$ 500.0	\$ 14.40	3.0%	\$ (65.7)	-11.6%	
<b>End of Year Fund Balance</b>	\$ 188.7	\$ 163.7	\$ 48.0	\$ 219.8	\$ 261.4	\$ 41.60	18.9%	\$ 72.7	38.5%	

Total figures may not sum due to rounding.

Sources: CPS FY2021 Proposed Budget, pp. 186-187; CPS FY2022 Proposed Budget, p. 204; and CPS Proposed FY2025 Budget, p. 242.

## CPS Capital Improvement Plan

Public Act 97-0474 requires CPS annually to prepare and publish a five-year capital improvement plan (CIP). This requirement was amended by P.A. 97-1133 to also require the development of a 10-year Educational Facilities Master Plan. That plan is supposed to be used to guide completion of capital budgets and a five-year capital improvement plan. The plan's goals include: 1) using educational goals to guide the direction of capital programming; 2) maintaining health and safety of students and staff; 3) supporting a full school day; 4) relieving overcrowding; and 5) identifying partners for external funding support.

In October 2023, CPS released a new Educational Facilities Master Plan. The Plan identified total capital needs of \$14.4 billion, including \$3 billion in critical needs that must be addressed within five years.<sup>95</sup> The new five-year capital plan for FY2026 to FY2029 is based upon the priorities identified in the Educational Facilities Master Plan.<sup>96</sup> The District proposes an annual funding target of approximately \$550 million in each of those outlying years.<sup>97</sup>

<sup>95</sup> Chicago Public Schools. [2023 Educational Facilities Master Plan](#), p. 176.

<sup>96</sup> Chicago Public Schools [Capital Plan 2025](#).

<sup>97</sup> Chicago Public Schools FY2025 Proposed Budget, p. 242.