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New CPS budget analysis reveals ‘false claims’ district ties to ‘hush money’ and more misguided funding priorities that hurt students

CTU Analysis of the CPS FY 2014 Budget

Introduction

As the 2013/14 school year opens, schools across Chicago are facing challenges beyond the complex process of teaching and learning. CPS students, families, and staffs are facing ballooning class sizes, limited learning materials, strained nerves tied to unfunded mandates, and massive uncertainty about whether the current state of CPS is the “new normal.” At the very least, district leaders could have been transparent and direct about these cuts. However, consistent with years of false deficit claims, obfuscation about central office staffing, general disregard to clear accounting of how dollars are spent, and denial of responsibility, district leaders again chose to blame “Springfield” for Chicago’s budgetary problems. Parents and the public were told the state did not provide more money, the state did not provide pension relief. Absent from this discussion was any acknowledgement of poor district decisions: no advocacy for additional local revenue, no planning for the self-inflicted increase in pension payments, brazen charter expansion at the same time public schools are closed en masse, and complete disregard for public input on the district’s spending priorities. At this point, CPS leadership has effectively zero credibility on budget issues because CPS leadership chose gimmickry and illusion over honesty.

This report is the first installment in an ongoing series of CPS budget analyses in which we will monitor the district’s budgetary practices. Here, we introduce the severity of specific programming cuts to schools. We question the motivations behind student based budgeting (SBB) and the incentives it creates. We assess the use of “hush money” to lure predominantly North Side schools to approve insufficient austerity budgets. We show how the district spends money on initiatives that promote instability, instead of investing in stable schools. We demonstrate how the district’s public financial accounting of savings from spring school closures is wrong. We introduce our analysis of the costs of charter expansion and question the district’s accounting. Finally, we call into question the lack of planning behind CPS’ ‘solutions’ to overcrowding.

We will explore these and many other issues in further detail in the months ahead. We hope that you will ask questions and help us further our analysis to further our goal of changing CPS budget priorities to reflect the will of real stakeholders, not just those business interests who consistently implore schools to “do more with less.” At a time when the work of education increases because of demands like Common Core implementation, a new state-mandated administrator and teacher evaluation system, and integrating the thousands of students ripped from their schools into new ones,



and because there are 3000 fewer people to do the work, such an exhortation from meddling non-educators is an insult. Schools will do less with less, especially in a district in which almost 9 in 10 students are low-income and cannot draw on resources from home. Chicago will never be a world-class city as long as it treats its schools as interchangeable and disposable businesses rather than as key sites of engagement and investment.

Budget cuts programs and essential services

In the Fiscal Year (FY) 2014 budget, the district cut funding to non-charter schools by \$164 million.¹ The biggest most apparent cuts are to the programs that parents, teachers and communities fought so hard to expand. The arts, despite a signature announcement by the district to expand their role in the school day, take a cut of 13% across CPS. Funding for music programs is slashed by 14%. Funding for library service programs is being cut 22%.²

As a reminder, this is in a school district, where just last year, 40% of schools had neither full time art nor full time music teachers; 22% had no art teacher ; 39% had no music teacher ; and only 27% of schools had both full time art and music teachers.³

Programmatic funds for Social Work Services are being reduced over last year's expenditures by half a million dollars, or 7% less than what was allocated in FY 2012. This is in a year where over 50 schools will be consolidated, many of which had high percentages of students with special needs. Why is investment in social workers and services not increasing? Why is it decreasing at all?

The budget also includes severe cuts in services to high-needs students. Funding for Autistic Programming has been cut from prior year expenditures by nearly \$4 million, a reduction of nearly 10%. Most of this cut, about \$3.5 million, is due to the closure of schools with significant funding for Autistic Programs last year, including Lafayette, Stockton, Herbert, and Trumbull. Why is this funding not being restored at the schools where the students transfer? There is only an increase of roughly \$1.75 million in funding for Autism programs across district schools getting increases in funding. Clearly the autism services lost at the closing schools are not being ported in full to the receiving schools. Is cutting essential direct services to high-need students what CPS considers "achieving efficiencies"?

Student based budgeting is a threat to stable schools

Student based budgeting (SBB) has arrived in Chicago. This year roughly half of a school's funding -- money to provide core instruction, hire paraprofessionals, and provide basic supplies -- is given to schools on a per-pupil basis. SBB attaches dollar values according to number of students, with little regard to actual school needs. Previous budgeting schemes did not take need into account either,

¹ FY 2014 Budget Book, pg 27 and FY 2013 Budget Book pg 33.

² Data pulled from FY14 Interactive Budget, comparing FY13 expenditures to FY14 budgets for all programmatic funds related to each category.

³ Analysis of 2013 school year position files.



but SBB is a critical step toward making public school systems operate more like businesses. SBB is championed by right-wing organizations that promote the idea that if a school loses students, it is the school's fault, and therefore proportionately fewer dollars should go to the school or the school should be closed.

Stable community schools are the backbone of a great public school system, and the danger of SBB is that it undermines this ideal. If a school community loses residents and children because they've become destabilized, by for example predatory banking and attacks on affordable housing, the response should not be a proportionate rollback of public services. How can schools hope to attract families and maintain the community's appeal when the principal is forced to cut back on arts, music, or other essential supports and services because the school loses students? Policies of disinvestment that cause these downward spirals have been the status quo of CPS. This is the context for the fight to save 'underutilized' schools in disadvantaged communities, rather than creating more abandoned buildings. SBB threatens to make such downward spirals further entrenched in policy and even more severe.

Equitable funding or 'hush' money?

There is no right way to do austerity, but there can be many dishonest and wrong ways to implement and frame it to the public. CPS claims that their move to SBB creates more "clarity and equity",⁴ and yet after giving schools their budgets in June and seeing a wave of LSC budget rejections, CPS doled out extra funds to a quarter of district schools.

CPS described their method of choosing which schools received extra funds, and how much money each school received, as being "clear and consistent", targeting schools "with the greatest need".⁵ But the criteria that CPS used to determine these extra funds had no reference to the relative needs of disadvantaged students and communities. Instead, CPS defined 'need' as the difference between the percent cut in funds that their 'equitable' SBB system imposed on a school, versus the percentage change in enrollment of students. Over half the \$8.8 million extra that was doled out went to 62 North Side schools.⁶ Undoubtedly, it makes sense that a school with an increase in enrollment should get an increase in school funds. However, it makes just as much sense to consider the disadvantage experienced by particular communities and students (e.g., homelessness, mobility, joblessness) when considering the distribution of resources.

The real reason CPS released money to schools with higher enrollment (while ignoring schools with equally important needs) was to stop parents at those schools from protesting the budget. The money was hush money, an extension of the summer PR machine to silence community pushback against citywide austerity. However, the sorry state of our schools means that these funds provide

⁴ Appendix B, pg 183.

⁵ <http://www.suntimes.com/news/education/21603006-418/north-side-schools-fared-best-in-receiving-additional-budget-funds-from-cps.html>

⁶ <http://www.suntimes.com/news/metro/21603006-418/north-side-schools-fared-best-in-receiving-additional-budget-funds-from-cps.html>



crucial supports, the difference for some schools between having a half-time arts teacher or no fine arts or music at all. Nevertheless, the attempt to silence opposition has been met by a few valiant LSCs that continue to reject their amended budgets.

Central office spending and contracts shows misplaced priorities:

New School Development gets more funds but hides expenditures

The FY14 budget for the Office of New School Development, now a sub-department under the Office of Innovation and Incubation, is increasing by \$22 million over FY13 expenditures. The Budget describes New Schools as a support office tasked with authorizing charter, contract and “high-quality” district schools, and the incubation of new schools, implying staff support for these schools. Yet, the entire increase in the budgeted amount over last year’s expenditures lies in the Contracts and Equipment Account Groups, while the amount budgeted in Salary (for staff) actually decreased. Most of the money in Contracts and Equipment is unaccounted for. The only portion of the \$18 million budgeted in Contracts⁷ that can be identified separately in Board documents are a couple thousand dollars approved last year to AUSL for turnaround contracts. Similarly, of the \$21.2 million budgeted under Equipment, only \$5.2 million can be identified in public Board documents.⁸ The \$5.2 million cover the amounts approved for incubation and start-up funds as well as for the turnarounds approved this year. The rest of the money is unaccounted for.

Teacher layoffs while TFA expands their footprint

The budget includes \$1.6 million in funding to Teach for America to refer and support 325 first-year interns, and an additional 245 second-year interns into teacher positions. This funding is purely for the referral services and the administrative costs of TFA, not for the salaries which are paid through normal funding streams to hired teachers. At a time when over 1000 veteran teachers who lost jobs through no fault of their own are seeking work, it makes no sense to spend money on unnecessary recruitment. This is especially true for TFA, which has a built-in loss rate. Studies show that 85% of TFA interns did not remain at their placement school beyond four years. 65% leave the teaching profession after four years.⁹

The investment CPS needs to make in new teachers is in programs that support teachers in the early years of their career and seek to *improve retention among them* – not programs geared to making teacher turnover an even more ingrained feature of the profession.

Centralizing operations, but increasing management for principals

⁷ Account Number 54105, Account Name “Services- Contractual” under the Unit Name of New School Development – Citywide in the Interactive Budget tool.

⁸ Account Number 55005, Account Name “Property Equipment”

⁹ http://www.gse.harvard.edu/news_events/features/2008/05/21_project.php



CPS added another layer of bureaucracy by moving Facility O& M, Engineers and Custodians out of the schools and into central office. Principals aren't in charge of the budget to allocate custodians anymore, but since they don't have building engineers, they're in charge of managing them which they don't have time for.

CTE 'expanding' even while programs are lost

Like other aspects of the CPS budget, the CPS PR spin machine is once again claiming a new initiative that is in fact a program cut. Since 2011, CPS high schools have retained only half of their CTE programs, and an additional 24% could not be verified as still existing – thus the actual total loss of programs may be much higher¹⁰. CPS has 10 schools with “Career Academy” in their title but one only has Automotive, one only has Culinary Arts, and another only has Accounting and Culinary Arts. What happened to the CTE programs at those three schools? Why is CPS spending money to build new CTE programs at other high schools instead of reinvesting in the ones that are supposed to be Career Academies?

What CPS needs to do, instead of haphazardly creating and eliminating programs – especially costly ones that require physical build-outs and equipment - is an honest and thorough analysis of the current and future job market for the region and work with local industries to build the linkages that will train students and help them transition into good jobs. The CTU CTE committee has been advocating for this for years.

False claims about the money saved from school closings

The largest component of the supposed savings from the school closures is capital avoidance savings. CPS claims that by closing 50 schools, they will avoid having to dedicate future funds to building upkeep, restorations, and other capital improvements to the facilities. They claim that over the next 10 years, these capital ‘avoidance’ savings amount to \$437 million, or roughly \$43 million a year. There are several big problems with this claim. First the estimates of capital ‘avoidance’ are based on outdated assessments of the condition of the buildings. Secondly, CPS assumes that the entire value of the capital needs assessment, (every single feature related to basic building infrastructure that needs capital investment) would have been prioritized, funded, and fixed for all of the closing school buildings over the next 10 years. This is a ridiculous assumption – many of CPS schools do without needed upgrades or repairs for years, especially the school buildings that are in the underinvested parts of Chicago, the south and west sides. Over the last 10 years, for the same buildings CPS closed, only \$75 million has been invested for capital improvements.¹¹ For CPS to claim that the buildings they closed would have

¹⁰ These schools are not listed on the Career and Technical Education website and the programs are not listed on their school profile page or on their website. It was not assumed that any CTE programs were eliminated, however, unless some programs were listed and not others. Sources: <http://www.chooseyourfuture.org/schools-search> and http://cps.edu/schools/high_schools/Pages/HighschoolDirectorySearch.aspx.

¹¹ Data analysis based off CPS capital investments historical data, cited by plaintiffs in Swan et al v. Byrd-Bennett et al, <http://www.substancenews.net/articles.php?page=4419§ion=Article>



received \$437 million worth of capital improvement over the next 10 years, if they remained open, is a baseless claim.

With the \$155 million investment to cover the capital costs of upgrading the receiving schools to accommodate the consolidations and the \$75 million spent in transition costs spread over FY13 and FY14, CPS has spent a total of \$230 million for the school closures so far. Subtracting the \$43 million in operations savings that CPS gets from firing teachers and staff and non-capital facility upkeep savings from turning a functioning school into a boarded up abandoned building, CPS is expending a net of \$190 million this year. Even if we generously accounted for the claim of \$43 million in capital savings, which is separate from the savings from operations, CPS would still be expending well over a \$100 million this year to close 50 schools. At the same time CPS is dealing with a massive overcrowding problem. Now that 50 school buildings have been shuttered, CPS will be forced to deal with overcrowding either by building new schools for roughly \$45 million per school or by paying exorbitant rents or massive rehabs costs to open charters in communities where few proper school facilities are available. Building new schools is costly, which is why the decision to shutter nearly 50 school buildings without considering their use to help alleviate some overcrowding is so unwise, even from a budgetary and facilities planning perspective.

District prioritizing charter expansion

Continuing a trend of shifting money towards charter schools, this year's budget saw a \$164 million dollars cut to district-run public schools, or 5.5%. Charters received \$85 million more, a 17.5% increase.¹² Nine entirely new charter campuses are opening this fall, with a combined projected enrollment of 2500 students. CPS assumes that students attending new schools come from other schools in the district.¹³ New schools cost close to \$1 million per year in school start-up funds alone, provided through the Office of Innovation.¹⁴ In addition to new schools, other charters are expanding, and CPS is projecting that total charter school enrollment will increase to 58,000, 14% of all students in CPS.

According to the district, charters and district schools received equal funding last year. With the move to SBB for all district schools this year, this equity is supposed to become clearer. However, there are some questionable choices made about the money flowing to the charter sector.

Charters receive SBB funds, which cover funding for core instruction, as well as for a principal, clerk and counselor position, referred to as an "administrative base". In addition to SBB funds, charter schools also receive per-pupil non-SBB funds. These funds are meant to be the equivalent to charters for expenditures on services that are provided in-kind, such as operations & maintenance, special programs, central office supports, etc. There are several problems with the provision of the non-SBB funds to

¹² FY 2014 Budget Book, pg 27 and FY 2013 Budget Book pg 33.

¹³ Pg 185 FY 2014 Budget Book

¹⁴ \$16.5 million spent primarily on start-up funds for 17 new schools. Pg 83 FY2014 Budget Book



charters. CPS does not itemize specifically the \$770 million it estimates in FY13 expenditures on non-SBB services, or the \$705 million in FY14. Furthermore, the budget book states that the non-SBB rate was calculated *prior to completion of the FY2014 budget*. We question the accuracy of the \$705 million estimate in non-SBB expenditures because of the severe cuts to citywide programs and services presented in the budget. The district also needs to spell out clearly its justifications for each district expenditure charter schools receive an equal share of. For example, neighborhood schools do not benefit from funding for selective enrollment programs, but this funding is included in calculating the equal non-SBB share to charters.

Lack of planning for overcrowding relief

Rapid charter proliferation spurred by CPS and the faulty standards of their utilization metrics led to the massive closings of neighborhood schools in the south and west sides. CPS should have considered shifting attendance boundaries and programs from over-crowded areas instead of moving ahead with the closure of school buildings. Now CPS is proposing to rapidly expand charter schools on the northwest and southwest sides. CPS' problem is lack of planning.

Since 1996, CPS has spent over \$671 million on annexes, additions and temporary units. In FY14, CPS plans to spend \$24.5 million in overcrowding relief, and then an additional \$20 million each year from 2015 – 2018. Thus in total, CPS plans to spend over \$100 million on overcrowding relief by 2018. CPS could instead spend a fraction of that money on better planning, better projections, and better allocations of programming throughout the district to attract more students to under-served areas of the city.

There are at least three instances where a charter occupies a building that was initially built to relieve overcrowding. This is not because parents demanded charters but because CPS' population and enrollment projections are inaccurate. Charters that claimed to have waiting lists are now advertising on CTA routes so it would seem that there are in fact no waiting lists. CPS has found yet another scheme to advance their school privatization agenda, and has twisted it to seem as if they are responding to the public concern of overcrowded schools.