



OFFICE OF THE MAYOR
CITY OF CHICAGO

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CONTACT:

Mayor's Press Office

312.744.3334

press@cityofchicago.org

**MAYOR EMANUEL LAYS OUT COMPREHENSIVE PLAN TO ADDRESS CPS BUDGET CRISIS,
WARNS OF DEEPER CUTS**

Mayor Rahm Emanuel today laid out a comprehensive plan to address the budget crisis at Chicago Public Schools as they are facing a \$1.1 billion budget deficit in the next fiscal year.

The mayor asked Springfield to partner with the city to solve the problem. Without intervention from lawmakers or the Chicago Teachers' Pension Fund Board, hundreds of millions of dollars in additional cuts will need to be made at CPS.

"It is my hope then when Springfield sees the implication of these cuts, it will be a wake-up call to them to get off their duffs, right decades worth of political wrongs and finally fix education funding once and for all," Mayor Rahm Emanuel said. "These cuts would not be necessary if Springfield was doing its job."

Mayor Emanuel's Plan

Option A: Uniform Approach

- Create one uniform pension system for all teachers and all taxpayers in the state that treats all teachers and taxpayers in the state exactly the same.

Option B: "All In" Approach

- The State picking up normal pension costs for CPS.
- Restoring the CPS pension levy to pre-1995 rate of .26.
- CPS employees, including teachers, contribute the full 9 percent to cover pension costs.
- The State increasing education funding by 25 percent.
- Pension contributions by other school districts throughout the state

Full text of the mayor's remarks as prepared for delivery are below.

CPS Pension Announcement
July 1, 2015

AS PREPARED FOR DELIVERY

Today is an important day for the City of Chicago. First and foremost, today our minimum wage workers got a raise. We came together as a city to raise it and I am proud to see it take affect for our workers because nobody who works should raise their child in poverty.

But secondly, as you know the City of Chicago made the state mandated \$634 million pension payment. But it came with a cost.

We announced \$200 million in additional cuts that Interim CEO Jesse Ruiz will explain in more detail in a moment.

Some of them came from the central office but they will also come from our school operations so they do not come from our classrooms. Let me be clear. Class size will not go up.

These cuts come on top of \$740 million in cuts that we have made in previous years from the central office, bringing the total to around \$1 billion in cuts.

In addition to these cuts, in the last five years we have made more pension payments than were made in the past 15 years.

But you have heard me say before. This system is inside out and upside down. And I am here to tell you that these cuts are intolerable, unacceptable and unconscionable.

It is my hope then when Springfield sees the implication of these cuts, it will be a wake-up call to them to get off their duffs, right decades worth of political wrongs and finally fix education funding once and for all.

These cuts would not be necessary if Springfield was doing its job.

As a result of political compromises and patchwork solutions worked out over the past few decades, today CPS faces the Hobson's choice of paying for pensions or payrolls. And today the team is here trying to right decades worth of wrongs.

Because of the way the system is set up Chicago is the only city forced to make the perverse choice between making pension payments and making cuts to our schools. So I am asking Springfield to fix it.

The real issue is that Illinois does not adequately fund education and our children are paying the price. So today we are talking about pension fixes instead of what we need to do to give our children the education they deserve.

Our children do not get a do over on their education so we must make sure that we get this right.

Today I am offering two options for a path forward.

Option A is simple, direct, and uniform.

It would to create one uniform pension system for all teachers and all taxpayers in the state. This solution treats all teachers and taxpayers in the state exactly the same. It ensures that the teachers, taxpayers, and children of Chicago will not be treated as second class citizens.

And merging the two funds would create a stronger one because the Chicago fund has a higher funding ratio than the suburban and downstate equivalent.

If Springfield does not like the simple direct and uniform, approach, I am offering Option B – an “all in approach.” We put it all together for one solution that rights decades of wrongs and gives our kids a reset on education funding.

For too long there has been an inequity of pension funding where Chicagoans are forced to pick up the cost of our teachers pensions while the state handles pension payments across the rest of Illinois.

At the same time, Illinois currently has the disgraceful distinction of being 48th out of 50 in education funding.

My “all in approach” fixes both at the same time – and draws on ideas that have been talked about for many years.

Under this Option Two, the state will cover the normal costs for pensions – something that people have been asking for for years.

Before 1995 there was a levy for teacher pensions. We will restore it like teachers have been asking. And in return teachers will need to make their individual pension contributions. They will need to pay their fair share too.

Today, not only does CPS contribute nearly \$700 million each year for its state-required contribution it also pays seven of the nine percent of the teachers’ match.

Under my plan, teachers will contribute the full 9 percent to cover pension costs. CPS will restore the pre-1995 property tax levy and the state covers CPS normal costs for pensions.

Everyone gets something that they have been requesting and everyone gives something they have been resisting.

There is not a single thing in this plan that we have not discussed in private. These things would have been fixed long ago if everyone was willing to take on the political risk.

To solve the problem of inequity, the state must totally rewrite the education funding formula.

According to Aon, almost 40 percent of these “legacy” costs are the result of past pension holidays. The rest stems from the effects of the Great Recession, which hurt return on investment, and from demographic changes such as longer life spans. Suburban and downstate pension funds have similar legacy costs, which the state currently finances.

These costs accrued over decades. It’s unfair and unwise to demand that taxpayers repay all those monies overnight.

Any new formula must recognize the special burden that’s placed on school districts that educate large numbers of children in poverty or who have special needs or who are English Language Learners.

Suburban districts and others have been asking to rewrite the formula around block grants for Chicago. I am ready to put that on the table.

But in return, Springfield needs to pay its fair share of the pensions that they negotiated. The days of the double taxation on Chicago taxpayers are over. No more free lunches and no more freeloading.

What choices or cuts is Aurora or Evanston forced to make to meet their pension obligations? Only Chicago is put in this position.

And since the state will have more money under my plan, they need to end the embarrassing distinction of Illinois ranking near the bottom of the 50 states in education funding.

So I am asking Springfield to increase education funding by 25 percent. That would move Illinois from 48th to 40th place in our commitment to education funding. That is not enough for a great state like Illinois, but it is a strong start.

Option A is simple, straight forward, and uniform. All teachers all taxpayers and all children are treated equally.

Option B is where everyone gives a little. Everyone gets a little. And it reforms the state’s educational system to finally end the days where Chicago’s teachers, taxpayers, and children are treated like second class citizens.

Without this shared commitment, we cannot ask taxpayers to bail out a system that isn’t viable. Without a spirit of compromise, our schools and children will not succeed.

The cuts that Jesse will outline do not go away – and the potential of more cuts are merely pushed off for another year—and actually made worse-- unless we fix the structural failures that are strangling our classrooms and tying our educator’s hands.

In the past few years, we have made important progress on key measures like school attendance, test scores and graduation rates. We cannot afford to watch that progress unravel.

It's time to finally fix the problem—permanently. We must do this for the sake of our kids, our city and our state.

CPS will continue to cut costs, save money and find millions of dollars in further efficiencies. We must continue to direct money away from bureaucracy and into classrooms. Chicago's parents and taxpayers demand nothing less.

If others have better ideas, I'm eager to hear them. The only thing that's unacceptable is refusing to be involved. In the past half-year, Springfield has shown us how NOT to govern. It has failed the people of Illinois and the schoolchildren of Chicago.

Over the course of the next year, we have the opportunity to demonstrate that government can still meet our most critical challenges – but only if everyone is willing to put our children's future first. I am eager to lead that fight, and I ask the people of Chicago to join me. I know in my heart that we can get this done for our kids.

Thank you.