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To: Richard Goldberg, Chief of Staff
From: Michael Mahoney, Deputy Chief of Staff for Policy and Legislative Affairs
Date: March 6, 2017
Subj: Two Paths to Address CPS Request for \$215 Million

As you know, Chicago Public Schools continues to request an additional \$215 million from the state to help the city fund the normal cost of teacher pensions and retiree healthcare expenses this year. This request is in addition to the \$102 million increase the city received in General State Aid, Hold Harmless, and Equity Payments for the current school year and on top of the \$250 million in additional funds CPS receives through its special block grant as compensation for the state not picking up its normal pension cost for teachers.

At present, there are two paths toward a legislative agreement that could fulfill the city's request.

- 1) **Authorize Chicago to Transfer TIF Funds:** In 2016 the City of Chicago received \$461 million in Tax Increment Financing dollars. Under current law, TIF funds can only be used to promote investment and economic development. However, given the extraordinary mismanagement of both the city and CPS budgets, legislation could be enacted to authorize a one-time mayoral transfer of \$215 million from Chicago TIF funds to CPS. We are in the process of drafting this legislation in case the General Assembly, the Governor and other advocates want to move on this idea quickly.

In order to address the long-term financial future of Chicago Public Schools, we also recommend that Chicago revise their policy on TIF districts and collect taxes for education. This solution is in place across the state and represents a compromise that both attracts business investment and supports public schools.

- 2) **Add the CPS Request to SB16 and Pass the Pension Package Separate from the Grand Bargain:** Senate President Cullerton recently unveiled his plan to enact statewide pension reform. SB16, now pending in the Senate, applies President Cullerton's consideration model to state pension systems and the Chicago teachers' pension system; enacts a new Tier 3 hybrid pension plan for the state and local governments; and makes other critical changes to reduce state pension payments in the future. While this bill is currently tied to the "Grand Bargain" in the Senate, this bill could be broken off from the "Grand Bargain" and amended to add the city's request to pick up the normal cost of teacher pensions and retiree healthcare expenses in this fiscal year. Such a comprehensive pension reform agreement would satisfy the deal we made last summer and could be signed into law without delay.