

## Capital Budget Basics

While day-to-day expenses come from operating funds, capital funds pay for the construction of new schools, the renovation and expansion of existing schools, and other major projects with a benefit that lasts more than a year (such as a new software system or network wiring).

Most capital funds are generated by issuing bonds, which is similar to taking out a home loan today and repaying it over time. Because we specifically raise bond proceeds for the purpose of capital improvements, we cannot use capital funds on operating expenses such as supplies or teacher salaries. We reserve operating funds for these day-to-day activities.

When CPS issues a bond, it receives money now that it must pay back in the future. Our “debt service” funds are set aside for paying back these loans, including principal and interest.

The remainder of our capital budget is funded through external sources such as grants received from the Capital Development Board or TIF Revenues received from the City of Chicago. A more detailed explanation of our various capital funding sources follows.