CPS FINANCIAL OUTLOOK REPORTS

As Chicago Public Schools (CPS) heads into a pivotal budget season under new leadership—and with a newly finalized, high-cost contract with the Chicago Teachers Union—the Civic Federation is releasing a three-part educational series on what's at stake for CPS in FY2026 and beyond. The new contract significantly increases the District's structural budget deficit, and with a new Board now responsible for developing long-term solutions, a clear understanding of the financial landscape is imperative. CPS is burdened with high pension costs and a low credit rating, with few options to raise its own revenue without asking the City or the State for aid. The District also faces a structural deficit that will continue to grow as the costs of the new contract come due. This series provides public officials, advocates, and the media with a grounded understanding of the District's fiscal challenges, the limitations of available options, and the risks of unsound solutions.

Understanding the Components of CPS' FY2026 Projected Structural Deficit

The first report presents a comprehensive analysis of CPS' fiscal outlook following the new 2025-2028 teachers' contract. The District projects a $529 million structural deficit for FY2026, which may grow due to uncertain assumptions about pension reimbursements, charter school spending, and federal funding levels. While the contract's estimated costs are outlined in detail, the report cautions that the real deficit could be higher than projected. With limited revenue options and little room for financial maneuvering, CPS may face difficult choices involving substantial budget cuts unless additional support from the City or State materializes.

A Brief History of the Chicago School Finance Authority

To provide historical perspective, the Civic Federation examines the creation of the School Finance Authority (SFA) during CPS' 1980 fiscal crisis, when state financial aid was conditioned on state control over the District's budget. While CPS is not facing the same level of distress today, it remains in need of financial and bonding assistance that the state could help provide. The report explores whether a revived SFA—potentially offering bond authority and varying degrees of fiscal oversight—could serve as a tool to stabilize CPS finances if policymakers consider such a mechanism.

How Chicago Public Schools' Pensions Work: An Explainer

This explainer outlines the significant role pension funding plays in CPS' broader financial challenges. CPS teachers receive pensions through the Chicago Teachers' Pension Fund, which is less supported by the State than the pension systems for downstate and suburban teachers—a disparity that could be addressed through potential fund consolidation. Meanwhile, non-teacher CPS employees participate in the Municipal Employees' Annuity and Benefit Fund, where disputes continue between the City and District over financial responsibility for those obligations. Both funds remain significantly underfunded, adding to CPS' overall fiscal strain.

To view the CPS Projected Deficit Report
visit civicfed.org/blog/cps-fy2026-projected-structural-deficit
or scan the QR code below.

To view the SFA History
visit civicfed.org/blog/brief-history-chicago-school-finance-authority
or scan the QR code below.

To view the CPS Pensions Explainer
visit civicfed.org/blog/how-chicago-public-schools-pensions-work-explainer
or scan the QR code below.