

## How Chicago's Charter Schools are Funded



Chicago's charter schools are publicly funded, privately operated schools that provide alternatives to neighborhood public schools for Chicago students and families. The Chicago Public School District (CPS or the 'District') has 108 charter schools, which in 2025 accounted for an enrollment of 50,326 students. The total 2025 enrollment for CPS was 325,305 students, approximately 16.1% of whom were enrolled in charters. In its 2026 fiscal year, CPS will directly spend approximately \$948 million on funding charter and contract schools, almost a tenth of the total CPS budget and over 17.5% of all direct school funding.

Charter school funding has drawn increased attention in recent years amid rising per-student costs, enrollment declines, and a series of charter closures.

Illinois state law defines the minimum funding for each charter school through a formula known as the Per Capita Tuition Charge (PCTC). State law mandates that all school districts contribute between 97% and 103% of their PCTC to charter schools for each student enrolled in the school. In FY2026, CPS' PCTC was calculated to be \$20,352.85, requiring a minimum contribution of \$19,742.27 per enrolled student.

Since PCTC is directly tied to the District's operating costs per student, charter school funding increased significantly over the past decade as CPS' total spending increased sharply during the COVID-19 pandemic, rising by nearly 50% between FY2018 and FY2022. During this period, CPS used federal funding to hire thousands of new staff. Concurrently, District-wide enrollment continued to decline. This led to a higher overall cost per student within CPS, which then increased its PCTC contribution requirements for charter schools.

CPS deducts the per-pupil expenses for pension obligations and short-term debt from the PCTC payments it makes to each charter school, leaving \$17,014.09 per student. Charter schools that reside within CPS-owned buildings also face a per-pupil portion of the district's long-term debt service obligations each year, as well as per-pupil fees for maintenance, security, and IT services. A school that accepts all maintenance, IT, and security services would net only \$12,048.52 per student disbursements after all fees were subtracted from PCTC.

The CPS student population as a whole has faced consistent enrollment decline for decades, losing almost 60,000 students in the past decade. Enrollment was over 390,000 students in FY2016, while in FY2025 it was just above 325,000—an approximately 17% decrease. Charter schools have experienced a similar decline. In FY2016, charters in Chicago were at an enrollment of 61,114 students. But by FY2025 they were down to 52,333 students—a 14% decrease.

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Most recent charter school closures are driven by falling enrollment. Although most charters solicit private donations or federal grants, the majority of their funding still comes from their PCTC disbursements, which are directly tied to their enrollment count. Thus, when enrollment goes down, funding also declines. When a charter school sees a significant enrollment decline, it may be unable to cut costs enough to make up the difference, forcing it to close.

CPS' primary lever for oversight over charter schools is the decision of whether or not to renew a charter's contract at the end of its term. Charter schools are only required to provide the district with this information when they are up for renewal, meaning that this is the only time that CPS formally receives updates on the fiscal health of charters. Since charters can see their fiscal status shift very quickly due to volatile enrollment trends, this review timeline means CPS can easily miss the warning signs when a charter starts to decline.

Operating a school or school district is a process that includes many large, fixed costs that remain high regardless of the number of students enrolled in the school. In a system where charter school funding is allocated on a per-student basis, declining enrollment forces charters and district schools to compete for students. As the number of students shrinks but the number of available seats remains constant, both charter schools and CPS are increasingly incentivized to draw students away from one another.

As CPS, as a district, faces continued enrollment decline and rising per-student costs, the structure of charter school funding and oversight will remain central to broader conversations about fiscal sustainability and rightsizing the District.

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