CHICAGO PUBLIC SCHOOLS FY2027 BUDGET OVERVIEW

Highlights from the Approved $10.1 Billion Plan

CIVIC FEDERATION

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EXECUTIVE SUMMARY

On July 30, 2026, Chicago Public Schools (CPS, or the "District") passed a budget for its 2027 fiscal year, covering the 2026-2027 school year. The budget closed a $748 million deficit. However, it did so in part by assuming $150 million in State revenue that has not yet been secured or pledged. This may lead to a mid-year budget gap that will necessitate greater cuts than would have otherwise been required under the CEO's original proposal. Further complicating the situation, the City of Chicago released a lower TIF surplus projection than anticipated after the Board of Education adopted the FY2027 CPS budget, which could widen the budget gap by another $100 million.

Highlights from the budget include:

- A $270 million increase in **revenue** from FY2026, driven the assumption of extra State aid and increasing local property taxes;
- A $61 million increase in **expenditures**, driven primarily by contractual increases in salaries and benefits;
- A **personnel** increase of over 1,000 despite citywide cuts to balance the budget; and
- An assumption of a $285 million in **tax increment financing (TIF) surplus**. This is lower than the amount CPS received in FY2026 and complicated by a smaller TIF surplus projection released by the City of Chicago after the CPS Board had already adopted the FY2027 budget, which would provide CPS with roughly $187 million.

The District faces numerous fiscal challenges going forward, most notably a continued structural deficit in which revenue levels continuously fail to keep pace with rising expenditures. Other challenges include:

- **Severely underfunded pensions** as CPS continues to receive substantially less state funding than other districts in Illinois;
- **High debt costs** due to low credit ratings;
- **Misalignment between resources and long-term declining enrollment**, creating pressure to right-sizing operations; and
- Unresolved financial entanglements with the City of Chicago, particularly the issue of whether CPS should take on a portion of the **municipal employees' pension fund contribution**.

INTRODUCTION

On July 30, 2026, the Board of Education of the Chicago Public Schools (CPS, or the “District”) voted 11-8 to pass an amended budget for fiscal year 2027. The vote came after weeks of contentious debate centered around the measures that CPS took to close its $748 million budget deficit. However, the final budget was not balanced, and serious challenges may emerge for CPS over the course of the year due to that imbalance. Additionally, the District faces many underlying long-term challenges. These include future structural budget deficits of over $500 million, poor credit ratings, high pension obligations, aging facilities in need of modernization, and a misalignment of resources to a long-term declining trend in student enrollment.

BALANCING THE BUDGET

CPS started with a $748 million deficit projected for the 2027 fiscal year. In working to narrow the gap, the district identified a number of ways to make revenues meet expenditures. Those measures included operational cuts to classroom and non-classroom elements, as well as one-time revenue sources and financial maneuvers such as hiring and spending freezes. The District cut $163.4 million from school-based funding and $176.8 million from central office and network funding in its initial round of funding reductions during the summer. It also found $110.6 in new revenue such as healthcare rebates and extra grant revenue. This left the District with a $297.6 million deficit to close.[1]

The CEO’s proposed budget would have bridged that gap by adding $185 million to the District’s Tax Increment Financing (TIF) surplus assumption and implementing a $112.6 million spending and hiring freeze. However, the Board ultimately approved an amendment to this budget that reduced the freeze by $50 million, to $62.6 million, and mandated that the District roll back $100 million of the school-level spending cuts made earlier in the summer. The amended budget planned to cover the additional cost by assuming $150 in additional funding from the State of Illinois, which has not been committed or approved at the State level and is by no means guaranteed to come to CPS.[2]

The 2027 budget is not balanced, as the $150 million assumption in State funding has not been committed to the District and remains uncertain. A mid-year deficit may emerge for CPS if this funding does not come through. This could force the District to make devastating mid-year cuts in order to balance its budget.

APPROPRIATIONS

The Chicago Public Schools’ FY2027 approved budget totals $10.1 billion, comprised of approximately $8.7 billion in General Operating Funds, $794 million in Debt Service Funds, and

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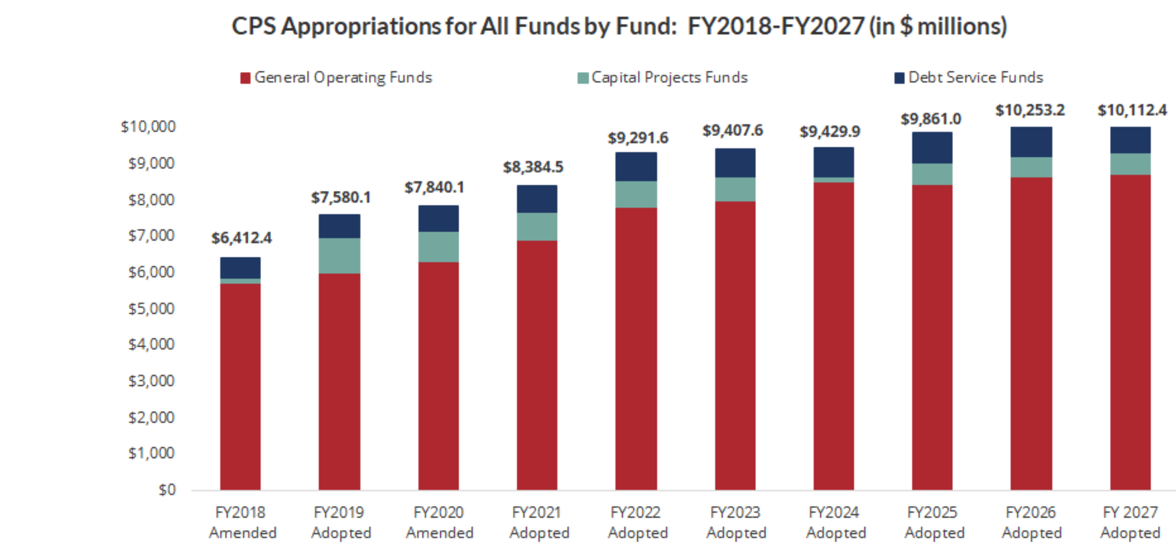
[1] Chicago Public Schools, FY2027 Adopted Budget, p. 6-11.
[2] Nick Blumberg, “CPS Board Members Pass Last-Minute Amended Budget Assuming $150M More in State Revenue Despite Sharp Criticism Cash May Not Materialize”, WTTW, July 30, 2026.

$600 million in Capital Projects Funds. The General Operating Funds represent 84.4% of the total budget, Debt Service Funds represent 10.1% and Capital Projects Funds represent 5.4% of total appropriations.[3]

The General Operating Funds finance employees' salaries and benefits, contractual services, charter school tuition transfers, and other day-to-day expenditures. The Capital Project Funds are for building renovations and construction activities. The Debt Service Funds are used for the payment of principal and interest on long-term debt.[4]

The chart below shows CPS appropriations for all funds from FY2018-FY2027. Over this ten-year period, CPS' budget increased by 57.7%. The FY2027 budget is marginally smaller than the FY2027 budget. Although the general operating fund increased by $61 million and the capital fund increased by $45 million, the debt service fund decreased by $246 million, counterbalancing the growth in the rest of the budget and leading to a $141 million overall decline between last year and this year.



Source: CPS FY2018-2027 Interactive Budget Reports, Revenues and Expenditures.

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[3] Chicago Public Schools, FY2027 Adopted Budget, Overview, pp. 3-21.
[4] Chicago Public Schools, FY2027 Adopted Budget, Fund Descriptions, pp. 243-245.

The following table shows appropriations by type of expense within the General Operating Funds from FY2023-FY2027.

CPS Appropriations for Operating Funds by Type: FY2023- FY2027
($ in millions)

	FY2023 Adopted	FY2024 Adopted	FY2025 Adopted	FY2026 Adopted	FY2027 Adopted	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Salaries	$ 3,283.8	$ 3,518.3	$ 3,614.3	$ 3,860.4	$ 4,067.3	$ 206.9	5.4%	$ 783.5	23.9%
Benefits	$ 1,869.9	$ 2,112.0	$ 2,217.5	$ 2,287.8	$ 2,321.8	$ 34.0	1.5%	$ 451.9	24.2%
Contracts	$ 1,636.2	$ 1,754.7	$ 1,790.4	$ 1,853.4	$ 1,814.5	$ (38.9)	-2.1%	$ 178.3	10.9%
Commodities	$ 362.2	$ 352.1	$ 344.4	$ 363.9	$ 355.1	$ (8.8)	-2.4%	$ (7.1)	-2.0%
Equipment	$ 13.1	$ 28.2	$ 31.4	$ 12.1	$ 11.9	$ (0.2)	-1.7%	$ (1.2)	-9.2%
Contingencies/Other	$ 828.5	$ 724.1	$ 435.1	$ 279.5	$ 147.1	$ (132.4)	-47.4%	$ (681.4)	-82.2%
Total	**$ 7,993.7**	**$ 8,489.4**	**$ 8,433.1**	**$ 8,657.1**	**$ 8,717.7**	**$ 60.6**	**0.7%**	**$ 724.0**	**9.1%**

Source: CPS FY2027 Adopted Budget, p. 14-15; CPS FY2026 Adopted Budget, p. 14; CPS FY2025 Adopted Budget, p.14-15; CPS FY2024 Proposed Budget, p. 11; CPS FY2023 Adopted Budget, pp. 22-23.

The appropriations earmarked for personnel costs, including salaries and benefits, account for the largest share of spending at approximately 73.3%, up from 71.0% in FY2026. Salaries have increased by 5.4% from FY2026, a change driven by cost of living raises, staffing increases in special education teachers and classroom assistants, and bringing custodial staffing in-house. Contracts, which include tuition for charter and contract schools, payments for clinicians, and other school support services, total 20.8% of the general operating budget, down from 21.4% in FY2026. Many of these school support services are paid to outside organizations that offer repairs, janitorial services, waste removal, and engineering. Appropriations for contingencies, equipment, and other expenses comprise 1.8% of the operating budget. Contingencies have fallen significantly in recent years due to the expiration of pandemic-era federal funding. In FY2026, contingencies were almost twice as high, covering 3.2% of the budget. Appropriations for commodities, which include utilities, food, and instructional supplies, account for 4.1% of the general operating budget, roughly steady from 4.2% in FY2026.

REVENUES

CPS is supported by multiple branches of funding, many of which it does not directly control. 26.8% of CPS' funding comes from the State of Illinois, and 9.8% from the federal government. The District's foremost source of revenue is local funding, which amounts to 63.3% of its operating budget. Much of this revenue comes from CPS' property tax, and the District's ability to raise this tax is capped by State law. Thus, CPS has limited options to expand its revenue base, which is why it is often forced to make cuts when faced with a deficit.

The largest revenue source for CPS in FY2027 will be the property tax levy of $4.5 billion, followed by Evidence-Based Funding from the State of Illinois at $1.9 billion. The District's projection of $972 million in funding from other local revenue sources includes an assumed $285 million TIF surplus, as well as school-generated revenue and intergovernmental agreements with the City. The total TIF surplus that CPS receives is uncertain and depends on the budget passed by the Chicago City Council by the end of December. The Mayor's budget projection estimated a lower TIF surplus that would provide approximately $187 million to

CPS.[5] However, that amount may grow in the final City budget. Other financing sources for capital, which are anticipated proceeds from the sale of bonds to fund the District's capital projects, are expected to account for $525 million.

The following table details the total revenues estimated in FY2027 by fund.

CPS FY2027 Revenues by Fund Type
(in $ millions)

	General Operating	Capital	Debt Service	Total
Property Taxes	$ 4,457.3	$ 5.5	$ 79.7	$ 4,542.5
Replacement Tax	$ 181.3	$ -	$ 102.2	$ 283.5
Other Local Revenue*	$ 876.1	$ 38.5	$ 142.3	$ 1,056.9
Subtotal Local Revenue	**$ 5,514.7**	**$ 44.0**	**$ 324.2**	**$ 5,882.9**
Evidence-Based Funding	$ 1,444.1	$ -	$ 564.2	$ 2,008.3
Other State Grants	$ 890.5	$ 32.4	$ -	$ 922.9
Subtotal State Revenue	**$ 2,334.6**	**$ 32.4**	**$ 564.2**	**$ 2,931.2**
Federal Revenue	$ 858.0	$ 4.7	$ 23.4	$ 886.1
Total Revenues	**$ 8,707.3**	**$ 81.1**	**$ 911.8**	**$ 9,700.2**
Bond Proceeds	$ -	$ 525.00	$ -	$ 525.0
Investment Income	$ 10.50	$ -	$ 11.10	$ 21.6
Appropriated Fund Balance	$ -	$ -	$ -	$ -
Total Resources	**$ 8,717.8**	**$ 606.1**	**$ 922.9**	**$ 10,246.8**
Percent of Total	***85.1%***	***5.9%***	***9.0%***	

*Other Local Revenue includes TIF surplus.
Note: Figures in table may not match budget figures exactly due to rounding.
Source: CPS FY2027 Adopted Budget, p. 23-24, 225.

[5] City of Chicago, 2027 Budget Forecast, p. 14.

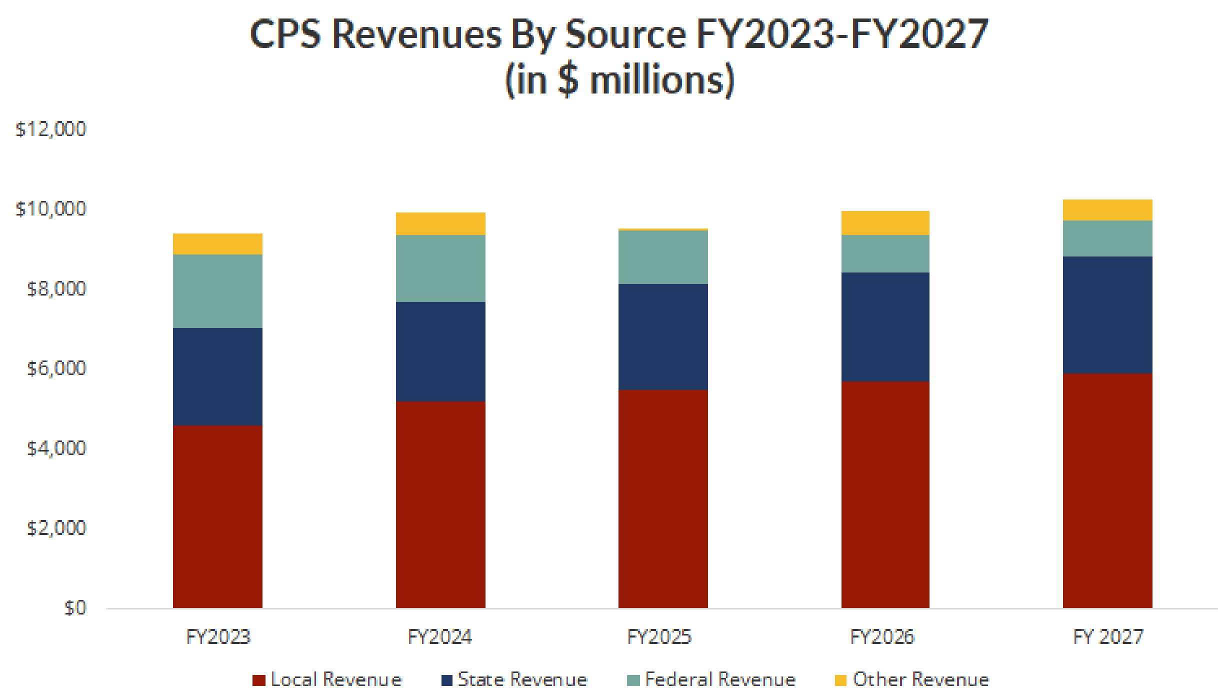
The table and chart below present total revenues across the five-year period from FY2023 to FY2027.

CPS Revenues All Funds by Source: FY2023-FY2027

(in $ millions)

Source	FY2023 Actual	FY2024 Actual	FY2025 Amended	FY2026 Adopted	FY 2027 Adopted	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Property Taxes	$ 3,685.3	$ 3,816.0	$ 4,009.2	$ 4,241.7	$ 4,542.5	$ 300.8	7.1%	$ 857.2	23.3%
Replacement Taxes	$ 379.9	$ 579.1	$ 375.2	$ 250.2	$ 283.5	$ 33.3	13.3%	$ (96.4)	-25.4%
Other Local Revenue	$ 500.2	$ 784.3	$ 1,105.5	$ 1,197.0	$ 1,056.9	$ (140.1)	-11.7%	$ 556.7	111.3%
Subtotal Local Revenue	**$ 4,565.4**	**$ 5,179.4**	**$ 5,489.9**	**$ 5,688.9**	**$ 5,882.9**	**$ 194.0**	**3.4%**	**$ 1,317.5**	**28.9%**
Evidence-Based Funding	$ 1,746.5	$ 1,735.1	$ 1,758.5	$ 1,831.8	$ 2,008.4	$ 176.6	9.6%	$ 261.9	15.0%
Other State Revenue	$ 704.4	$ 756.2	$ 866.6	$ 887.8	$ 922.9	$ 35.1	4.0%	$ 218.5	31.0%
Subtotal State Revenue	**$ 2,450.9**	**$ 2,491.3**	**$ 2,625.1**	**$ 2,719.6**	**$ 2,931.3**	**$ 211.7**	**7.8%**	**$ 480.4**	**19.6%**
Federal Revenue	$ 1,824.7	$ 1,699.1	$ 1,361.3	$ 931.7	$ 886.0	$ (45.7)	-4.9%	$ (938.7)	-51.4%
Total Revenues	**$ 8,841.0**	**$ 9,369.8**	**$ 9,476.3**	**$ 9,340.2**	**$ 9,700.2**	**$ 360.0**	**3.85%**	**$ 859.2**	**9.7%**
Bond Proceeds	$ 541.2	$ 550.5	$ 7.7	$ 612.4	$ 525.0	$ (87.4)	-14.27%	$ (16.2)	-3.0%
Investment Income	$ -	$ -	$ -	$ 24.7	$ 21.6	$ (3.1)	-12.55%		
Appropriated Fund Balance	$ -	$ -	$ -	$ -	$ -	$ -			
Other Sources	**$ 541.2**	**$ 550.5**	**$ 7.7**	**$ 637.1**	**$ 546.6**	**$ (90.5)**	-14.20%	**$ 5.4**	**1.0%**
Total Resources	**$ 9,382.2**	**$ 9,920.3**	**$ 9,484.0**	**$ 9,977.3**	**$ 10,246.8**	**$ 269.5**	**2.7%**	**$ 864.6**	**9.2%**

Source: CPS FY2023 Adopted Budget, pg. 26-28, 188 and 193-194; CPS FY2024 Adopted Budget, pg.18-20, 196 202 ; CPS FY2025 Adopted Budget, pg.21-23, 238, 242 and 248; CPS FY2026 Adopted Budget pg. 23-24 and 217; and CPS FY 2027 Adopted Budget pg. 22-24 and 225



Source: CPS FY2023 Adopted Budget, pg. 26-28, 188 and 193-194; CPS FY2024 Adopted Budget, pg.18-20, 196 202; CPS FY2025 Amended Budget, pg.21-23, 238, 242 and 248; CPS FY2026 Adopted Budget pg. 23-24 and 217; and CPS FY2027 Proposed Budget pg. 22-24 and 225.

Local Revenue

Local revenues consist of property taxes, Personal Property Replacement Tax, and other local revenue sources from the City of Chicago.[6]

Property Tax

CPS' total property tax revenue is broken into several pieces. The largest piece is the general levy, which is subject to the Property Tax Extension Limitation Law (PTELL),[7] which allows tax extensions on existing property to rise each year by the lesser of 5.0% or the increase in the Consumer Price Index the previous year. For tax year 2026 (payable in 2027), the limit is 2.7%.[8] Since the property tax extension limitation law took effect in 1994, CPS' property tax levy has increased by $3.3 billion, at an average annual growth rate of 4.0%.[9]

The District also has a dedicated pension levy, which is a fixed, rate-based property tax that finances the District's pension obligations, as well as a capital levy that funds debt service and capital improvements.

Property tax revenue will increase by $300.8 million between FY2026 and FY2027, driven by three main factors:

- A $119.8 million increase in revenue from the Transit TIF district[10];
- A $44.2 million increase in the portion of the property tax levy dedicated to pension funding; and
- A $136.8 million increase in the portion of the property tax levy funding general operations, reflecting inflation and value captured from new property and expiring TIF districts.[11]

The District's dedicated property tax levy for the Chicago Teachers' Pension Fund (CTPF) is expected to generate $646.5 million, a $44.2 million increase from FY2026. The pension levy accounts for 14.2% of the total property tax levy. This dedicated property tax levy to fund the CTPF was reinstated in FY2017 at a tax rate of 0.383%, then increased to a rate of 0.567% in FY2018 through Public Act 100-0465, the law enacting the Evidence-Based Funding formula[12]. The pension levy is not subject to limitations on increases to the levy under PTELL, and instead

[6] Chicago Public Schools, FY2027 Adopted Budget, p. 25.
[7] Illinois Department of Revenue, *What is the Property Tax Extension Limitation Law (PTELL)?*
[8] Chicago Public Schools, FY2027 Adopted Budget, p. 25.
[9] PTELL has several exceptions that allow property tax levies to grow past the limit such as levying for the value of new construction and expiring TIF Districts and exempting specific funds such as pension levies and bond funds. For more information, see the Civic Federation's report on PTELL in Practice.
[10] Note: This Transit TIF district was created to fund the Red-Purple Modernization rail project on the north side of Chicago. Unlike other TIF districts, CPS immediately receives a share of each transit TIF's revenue based on its share of the property tax distribution when the revenue arrives, rather than in a surplus later in the year.
[11] Chicago Public Schools, FY2027 Adopted Budget, p. 25.
[12] Illinois General Assembly, Public Act 100-0465.

is a flat rate applied to the equalized assessed value of property in Chicago. This has allowed CPS to receive additional property tax revenue outside of the PTELL limit.

Personal Property Replacement Tax

The Personal Property Replacement Tax (PPRT) is a State corporate income tax collected from corporations and other business entities and distributed to local taxing districts. In FY2026, CPS Personal Property Replacement Tax revenues exceeded projections expectations by $33 million for a total of $283 million because of high corporate revenues and the volatile nature of the PPRT.[13] In FY2027, revenues are projected to be similar to FY2026 levels.[14]

Other Local Revenue

Other local revenues include rental and facility fees, intergovernmental agreements with the City of Chicago, TIF surplus funds distributed by the City of Chicago, interest income, and other miscellaneous revenue sources.[15] The largest portion of other local revenue consists of a $285 projected TIF surplus. Local revenue also includes a $142 million property tax levied through an intergovernmental agreement with the City of Chicago to pay for debt service on behalf of CPS and $39 million in contributions for capital projects that involve other local governments.[16]

CPS is anticipating $285 million in TIF surplus revenues from the City of Chicago in FY2027, based on the amount of funding received in the prior year. TIF surplus is the excess money remaining in a TIF fund after revenues have been pledged for development projects.[17] The City of Chicago can declare a TIF surplus annually and distribute the remaining funds to taxing districts based on the portion of a tax bill each taxing body receives. In FY2026, the City declared a $1 billion TIF surplus that provided CPS with over $550 million in funding. However, this year the TIF surplus may be significantly smaller, as signaled by the City's recently released budget forecast which projected only $187 million in funding for CPS.[18] The final size of the surplus will remain unclear until the City passes its budget by the end of December – it could be larger or smaller than CPS' projection.

State Revenue

CPS, like all other school districts in Illinois, receives state funding based on the Evidence-Based Funding (EBF) formula established in 2017.[19] The Evidence-Based Funding formula sets funding adequacy targets for each school district based on its needs and calculates the district's local

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[13] Taxpayer's Federation of Illinois, Illinois' Personal Property Replacement Tax: History, Volatility and the Road Ahead.
[14] Chicago Public Schools, FY2027 Adopted Budget, p. 27.
[15] Chicago Public Schools, FY2027 Adopted Budget, p. 27.
[16] Chicago Public Schools, FY2027 Adopted Budget, p.
[17] Civic Federation, Understanding Chicago Public Schools' Use of TIF in FY2027, July 2026.
[18] City of Chicago, 2027 Budget Forecast, p. 14.
[19] Public Act 100-0465, signed into law on August 31, 2017, and effective beginning in FY2018, instituted a new Evidence-Based Funding (EBF) formula to replace General State Aid.

funding capacity based on the assessed value of taxable property. School districts are separated into four tiers based on how close they are to their adequacy target.

CPS is currently a Tier 1 school district, which means it falls into the tier with the highest funding need. As of FY2026, CPS has an adequacy funding level of 73.3%. Until FY2023, CPS was a Tier 1 district but was shifted to the lower-funded Tier 2 level due to favorable short-term changes in revenue and expense factors in the Evidence-Based Funding formula. In FY2026, CPS returned to the greater need Tier 1 category. CPS anticipates receiving approximately 24.4% of the additional $350 million in total new statewide funding this year.[20]

Due to the hold harmless provisions of the EBF formula, the District cannot receive less funding than the prior year, regardless of enrollment or demographic trends, unless the State decides to reduce the total amount of EBF funding available.[21] The only year since the implementation of the EBF formula that CPS did not receive an increase to EBF funding was in FY2021, when the State held its EBF allocation flat.

In addition to EBF, CPS anticipates $923 million in other state revenue, including a $368 million contribution to the Chicago Teachers' Pension Fund, $525 million in categorical grants, and $25 million in capital funding.

Federal Revenue

Historically, federal revenue typically accounted for 10-15% of CPS' total revenues and was declining since 2009. However, during the COVID-19 pandemic, CPS received an influx of federal funding, and by FY2022, federal funding accounted for 23.1% of total revenues. CPS received a total of $2.8 billion in Elementary and Secondary School Emergency Relief Funds (ESSER). In FY2025, CPS used the last of its pandemic relief funding, and federal revenue has now returned to pre-pandemic levels, comprising 8.6% of the FY2027 budget.

With ESSER funding now expended, the District's federal revenue consists primarily of restricted grants that can only be used to provide supplemental programs and services, such as those for low-income, non-English-speaking, or delinquent children, or for school food programs.[22]

Other Sources

Other resources not included in local, state, or federal revenue include proceeds from the sale of bonds, miscellaneous one-time revenue sources, and the use of fund balance from the prior year.

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[20] Chicago Public Schools, FY2027 Adopted Budget, p. 28.
[21] Illinois State Board of Education, Understanding Evidence-Based Funding, p. 15.
[22] Chicago Public Schools, FY2027 Adopted Budget, p. 28.

The District anticipates receiving $525 million to the Capital Fund from bond proceeds of debt issuances to fund capital projects.[23] The amount of bond proceeds fluctuates from year to year based on the timing of capital projects. It is important to note that the District's total capital appropriations of $600.4 million in FY2027 represent allocations for capital projects regardless of the year the funds are spent and are funded through bond proceeds as well as state and local resources.

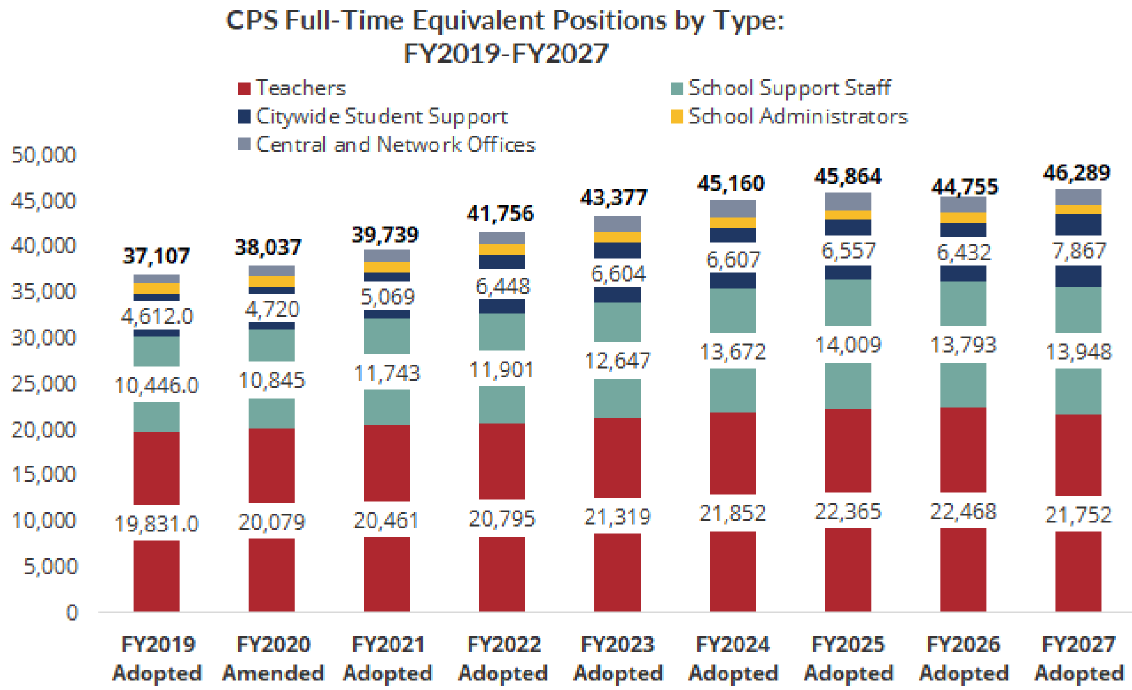
In past years, CPS has relied heavily on using prior-year general operating fund balances to close annual budget deficits. In FY2015, CPS drained most of its reserves, using $940.4 million in operating fund balance to close the budget gap. Since then, the District has reduced the amount of fund balance budgeted each year. In FY2027, the District will not appropriate any general operating funds, as it has no meaningful balance to utilize.

PERSONNEL

The following chart shows the change in CPS personnel since FY2019. The number of full-time equivalent positions (FTEs) employed by CPS rose by 1,534. This increase was driven primarily by transitioning private contracted custodians to direct employment by CPS, as well as an uptick in the number of special education staff needed to meet student needs.

School support staff includes classroom assistants, paraprofessionals, security officers, school clerks, and lunchroom staff. The FY2027 number of school support staff will increase by 155 FTEs, or 1.1%, as compared to the FY2026 budget. Citywide support includes centrally budgeted positions that provide direct support to schools, including nurses, social workers, custodians, and other administrative positions. Citywide student support staff will increase by 1,435 FTE positions, or 22.3% in FY2027 – a rapid increase primarily driven by the onboarding of custodians who were previously paid on a contract basis. Additionally, as a part of efforts to close the deficit, central and network office positions will decrease by 90 FTEs, or 5.3%, and teacher positions will decrease by 716 FTEs, or 3.2%.

[23] Chicago Public Schools, FY2027 Adopted Budget, p. 225.



Source: Chicago Public Schools FY2019-FY2027 Interactive Budget Reports, Positions, available at www.cps.edu.

ENROLLMENT

FY2027 budget allocations are based on 20th-day enrollments for each school during the 2025-2026 (FY2026) school year. Previously, CPS used enrollment projections for the upcoming year to determine its budget. In FY2019, the District began using the 20th day enrollment from the prior school year for budgeting purposes. Because of this change in policy, schools that experience an enrollment decline in the fall do not see a budget reduction in that year. Schools with enrollment increases receive additional funding to compensate for growing student populations, including schools with enrollment increases after 20th day enrollment.[24]

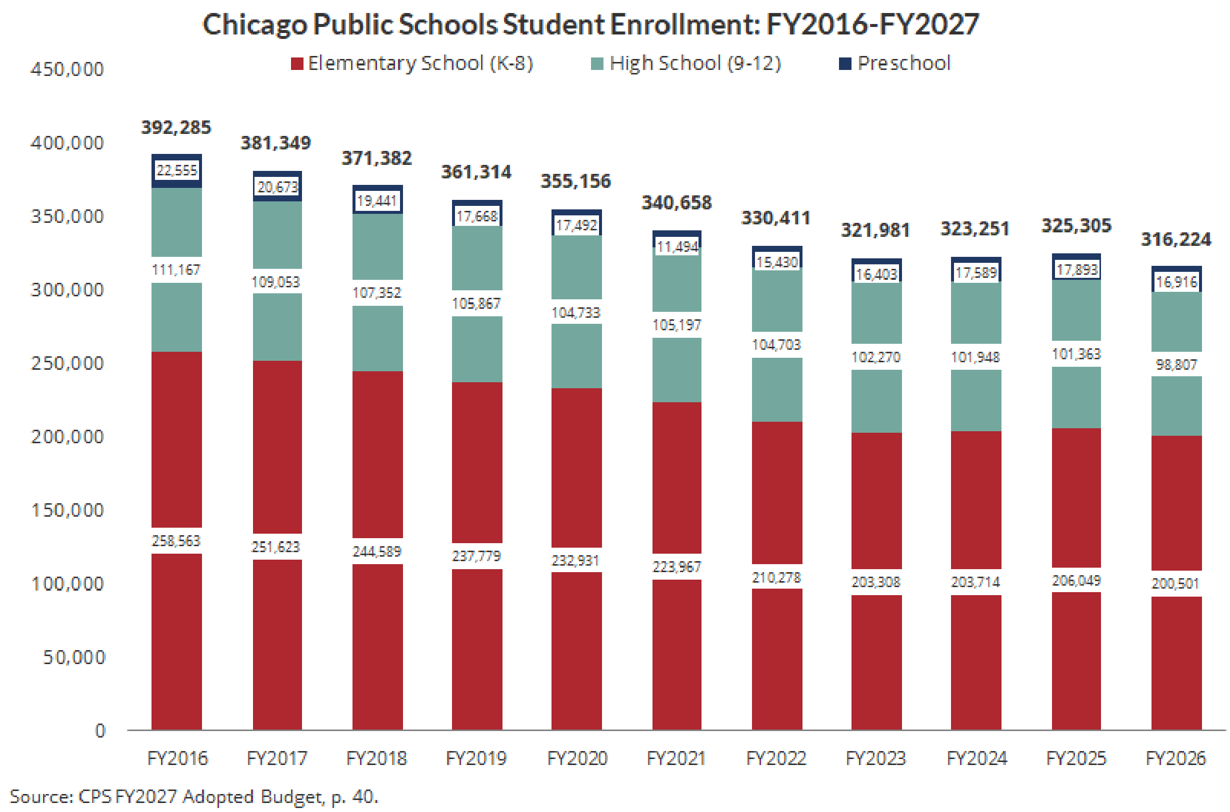
CPS student enrollment has generally been declining for several decades. Over the past ten years, enrollment decreased by 19.4%, from 392,285 students in FY2016 to 316,224 in FY2026. The District saw two years of small student population increases in FY2024 and FY2025 due at least in part to new migrant arrivals to the City of Chicago.[25] However, enrollment fell again to 316,224 students on the 20th day of the 2025-2026 school year, a decrease of 9,081or 2.8%, from the prior year.

The broader reduction in enrollment over the last decade is due to several factors, including population declines in Black and Latino communities, lower birth rates, and families opting for

[24] Chicago Public Schools, [FY2027 Adopted Budget](), p. 40.

[25] Reema Amin, "[Chicago Public Schools enrollment is stable for first time in more than a decade](),” Chalkbeat Chicago, September 19, 2023.

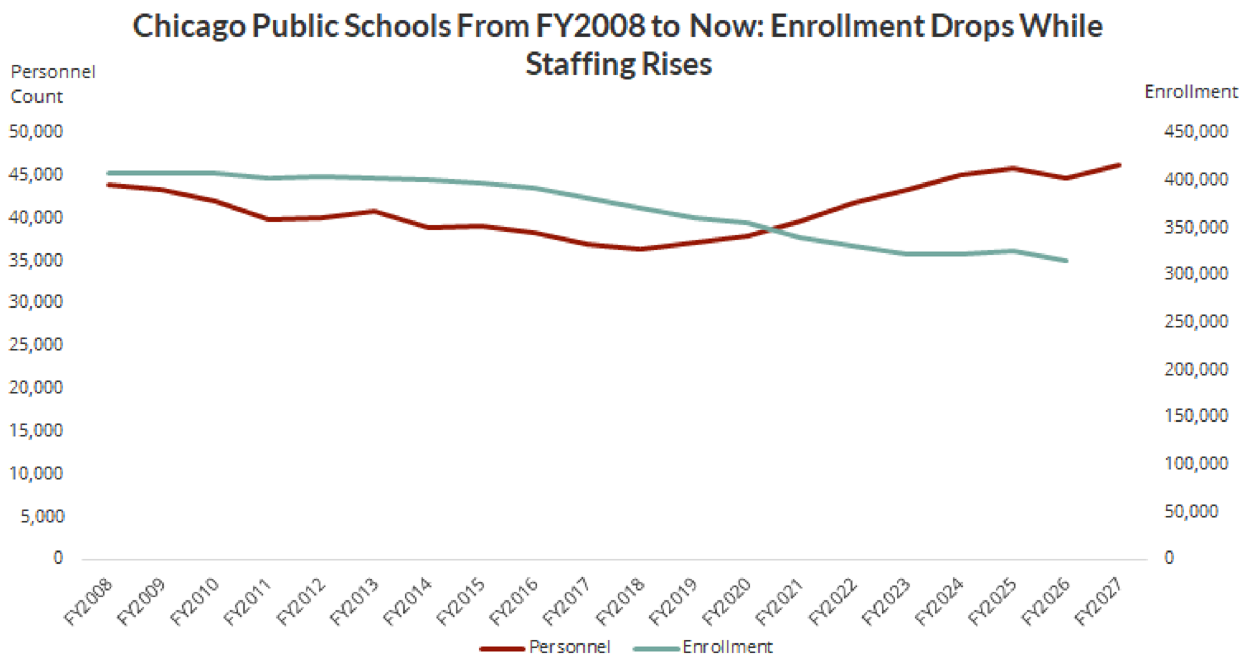
other school choices.[26] Additionally, the COVID-19 pandemic contributed to a significant decline in student enrollment in 2020, especially among pre-k and kindergarten students.[27] Preschool enrollment fell 34% in the fall of 2020 from the prior year, but has rebounded in more recent years.



Source: CPS FY2027 Adopted Budget, p. 40.

Despite a consistent decline in enrollment, personnel count has risen over time at CPS. Personnnel count has increased by 5.5% since FY2008, even as enrollment has declined by 22.6%.

[26] Crains Chicago Business, "What's driving enrollment declines at CPS?" February 15, 2022; and Bridgette Adu-Wadier, Selena Kuznikov and Samantha Aguilar, Medill School of Journalism, "More Chicago Families Turning to Private, Charter Schools as CPS Enrollment Declines," Crain's Chicago Business, January 14, 2023.
[27] Sarah Karp, "Chicago Public Schools Enrollment Plummets," *WBEZ Chicago*, October 16, 2020.



Source: CPS FY2027 Adopted Budget, Interactive Budget.

RESERVES AND LIQUIDITY

Maintaining cash reserves, often called a rainy-day fund, is widely considered a fiscal best practice for governments, providing a cushion against potential risks such as a financial downturn or revenue shortfall. The Government Finance Officers Association (GFOA) has previously recommended that governments aim for a general operating fund balance of at least two months of general fund operating revenues or expenditures (or about 16.7%).[28] GFOA also recommends that the total reserve be tailored to an appropriate level based on each government's individual circumstances and risks. More recent GFOA guidance emphasizes that governments should think of reserves as a risk-management tool and establish a target range based on their exposure to financial risks.[29]

CPS has no reserve funds. Although the District once had significant reserves – a reasonably healthy $476 million in FY2011 for example – it spent them down over time to close budget holes, as it did in FY2015 when facing a large deficit exacerbated by the State's budgetary crisis.[30] Although the District lists over $1 billion on paper at the end of each fiscal year, in reality, that balance must immediately be used to pay short-term borrowing costs from the previous year's budget.[31]

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[28] Government Finance Officers Association, Fund Balance Guidelines for the General Fund, Adopted September 2015.
[29] Government Finance Officers Association, Should We Rethink Reserves?, May 2023.
[30] Chicago Public Schools, FY2013 Adopted Budget, p. 144.
[31] Civic Federation, Chicago Public Schools' Reserves and Cash Flow Issues, Explained, January 28, 2025.

Short-Term Borrowing

CPS uses short-term debt to generate cash flow throughout the year. Many of the District's large debt and pension payments occur just before it receives its two installments of property tax revenue, and payroll and vendor payments must be disbursed consistently throughout the year. Ideally, the District would rely on using its reserves during these periods of low cash flow, but CPS' operating reserves are not sufficient to draw on.

Because the District has no reserves to provide a cushion, its lack of available fund balance requires it to draw on Tax Anticipation Notes (TANs), which are short-term loans used to cover payroll and other operational costs while it waits for tax revenue to arrive.[32] The District carries over $1.2 billion in TANs annually, and the FY2025 budget includes appropriations of approximately $27 million to pay interest costs for TANs.[33] The District's lack of reserves also leaves it without a cushion to rely on should projected revenues fall short during the year. Given the District's high degree of reliance on other governments for revenue, including state funding, federal grants, and TIF surplus funds from the City of Chicago, this lack of reserves leads to a dangerous amount of risk for CPS. If the District were to find itself in a position where expenses are unexpectedly high or revenues underperform, it would not have a fund balance to fall back on and would be forced to make mid-year cuts in order to balance its budget.

PENSIONS

Chicago Teachers' Pension Fund

The Chicago Teachers' Pension Fund (CTPF) provides retirement, survivor, and disability benefits to certain certified teachers and employees of Chicago Public Schools. As of June 30, 2025, the CTPF had 27,157 retirees and beneficiaries receiving benefits and 34,647 active employees, for a total of 61,804 members.[34] The CTPF is governed by a 12-person Board of Trustees. Six trustees are elected by active teachers within the fund, one by the active principals and administrators, and three by the retired members. The final two trustees are appointed by the Board of Education.[35] This structure results in a Board with a majority of trustees who are also members of the Chicago Teachers Union (CTU). The Board sets investment priorities and hires outside professionals to manage CTPF's investment portfolio.

In FY2027, Chicago Public Schools is required to contribute $1.02 billion to the pension fund. The chart below shows the sources of revenue from which CPS will make its employer contribution to CTPF.

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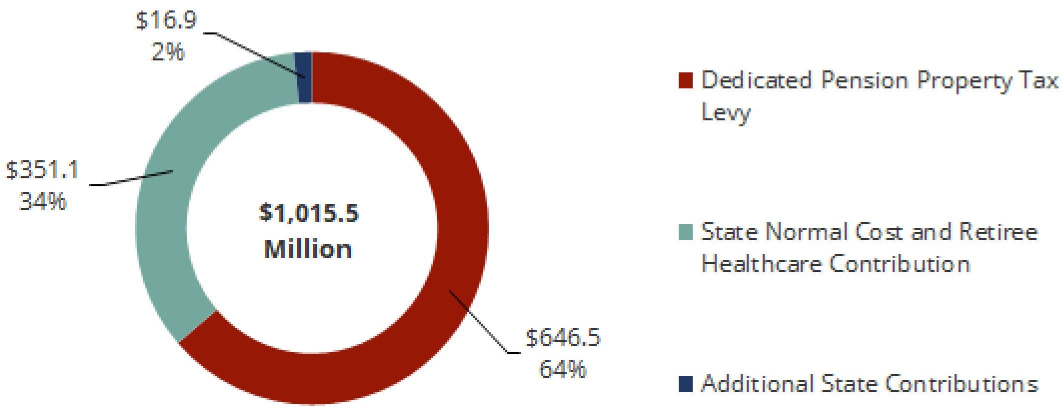
[32] Chicago Public Schools, FY2027 Adopted Budget, p. 239.
[33] Chicago Public Schools, FY2027 Adopted Budget, p. 230.
[34] Public School Teachers' Pension and Retirement Fund of Chicago, Actuarial Valuation Report as of June 30, 2025, p. 44.
[35] Chicago Teachers' Pension Fund, Board of Trustees, 2026.

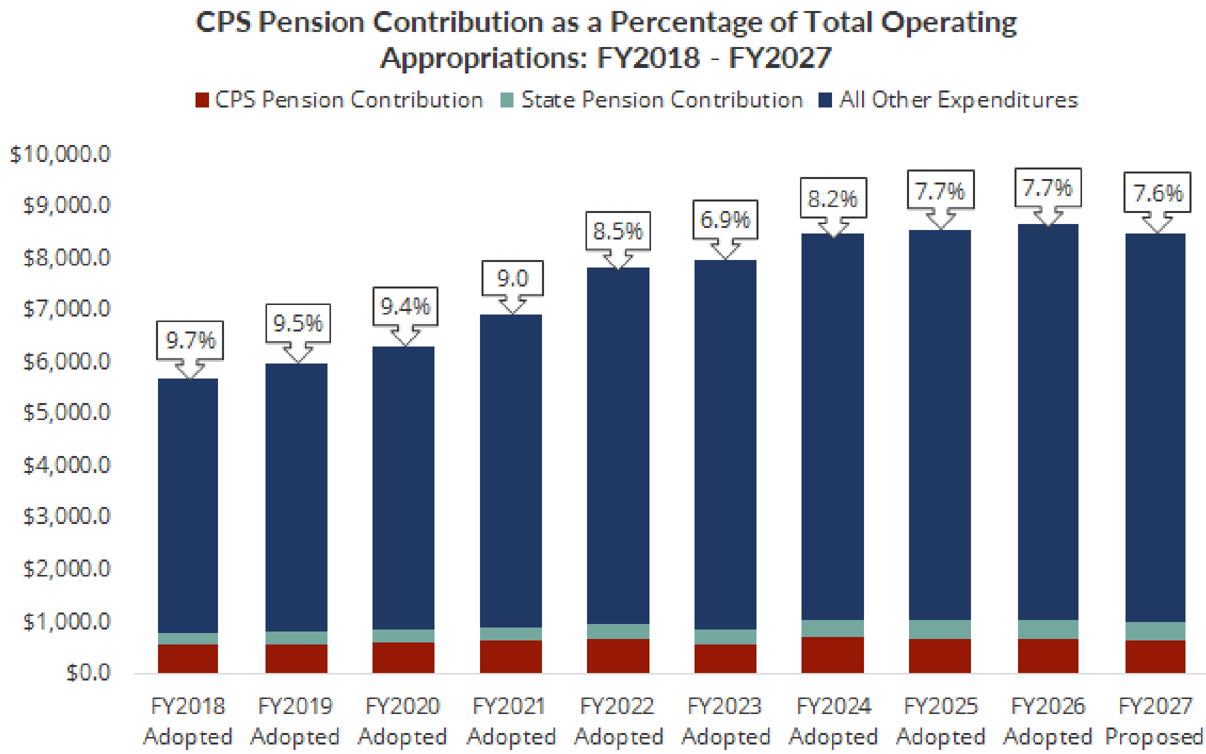
FY2027 Chicago Teachers Pension Fund Employer Contribution Sources of Revenue (in $ millions)



Source: Chicago Public Schools FY2027 Adopted Budget, p. 33-34.

The State of Illinois began making pension payments on behalf of CPS in FY2018.[36] Public Act 100-0465 included an ongoing State appropriation for the Chicago Teachers' Pension Fund. Thus the State covers the annual normal cost, or the estimated cost of future benefits earned by active employees in the current year, as well as other post-employment benefits (OPEB) for retirees.[37] This contribution helps reduce the portion of CPS' operating spending that needed to be dedicated to pension contributions. The State's FY2027 contribution to the CTPF of $368 million is an increase of $5 million from the prior year.[38]

36 Civic Federation, How Chicago Public Schools' Pensions Work: An Explainer, June 16, 2025.
37 Illinois General Assembly, Public Act 100-0465
38 Chicago Public Schools, FY2027 Adopted Budget, p. 33-34.



Source: Chicago Public Schools Adopted Budgets, FY2018-FY2027.

Teacher Pension Pick-Up

In addition to the $1.03 billion employer contribution, CPS also covers a portion of employees' contributions from their salaries, a trend that started in the early 1990s. This expense is known as the teacher pension "pick-up."

Employee contributions to CTPF are statutorily set at 9.0% of the employee's salary.[39] One percent of that 9.0% amount is for survivors' and children's pension benefits. However, for teachers hired before January 1, 2017, CPS "picks up" or pays seven percentage points of the employees' 9.0% contribution on behalf of teachers. Therefore, these teachers effectively pay 2.0% of their annual salary toward their pension. The "pick-up" is projected to cost CPS $134 million in FY2027.[40]

However, the 2015-19 and 2020-24 Collective Bargaining Agreements with the Chicago Teachers Union ended the pension pick-up for teachers hired on or after January 1, 2017. Thus, the total pick-up cost is slowly declining and will, in several decades, be fully phased out.

[39] Illinois General Assembly, 40 ILCS 5/17-130.
[40] Chicago Public Schools FY2027 Online Interactive Budget Reports, Revenues & Expenditures.

Pension Funding Status

The Chicago Teachers' Pension Fund is severely underfunded. Ideally, a pension fund should hold exactly enough assets to cover all its actuarial accrued liabilities, which would constitute a funded ratio of 100%. The CTPF has a funded ratio of 48.1% as of the most recent actuarial valuation for the FY2024 fiscal year.[41] The funded ratio has been largely constant over the last decade, fluctuating in a range between 47% and 50%. Best practices defined by the GFOA recommend that local governments adopt a pension plan aiming at a 100% funded ratio or higher.[42]

Another measure of pension funding is the unfunded actuarial accrued liability (UAAL), which are pension obligations not covered by assets. Unfunded liability is calculated by subtracting the value of assets from the actuarial accrued liability of a fund. For example, if a plan had $90 million in assets and $100 million in liabilities, its unfunded liability would be $10 million. CPS' unfunded liabilities as of FY2025 were $13.9 billion. Over the past ten years, the unfunded liabilities of the pension fund have grown by $4.4 billion, or 45.4%, from $9.6 billion in FY2015.

MUNICIPAL EMPLOYEES' PENSION FUND

Eligible non-teaching employees of CPS participate in the City of Chicago's Municipal Employees' Annuity and Benefit Fund (MEABF).[43] Approximately 24,385, or 63.2% of the 38,594 active Municipal Fund members are CPS employees.[44]

The employer contribution for CPS employees participating in MEABF is made by the City of Chicago, not by CPS. However, in 2019, CPS entered into an intergovernmental agreement with the City to partially reimburse those contributions. In FY2019, CPS first reimbursed the City of Chicago $60 million, before increasing the reimbursement to $100 million in FY2022 and $175 million in FY2023. In FY2024, as ESSER funding dried up after the COVID-19 pandemic, CPS stopped making this reimbursement. In the FY2026 budget, CPS again made a $175 million reimbursement to the City. In the FY2027 budget, CPS does not make any reimbursement for the MEABF. According to the City of Chicago, the MEABF contribution for CPS employees (CPS' share of the full contribution) was estimated to be approximately $452 million in FY2025, out of the entire MEABF contribution for workers employed by the City, CPS, and other local units of government of approximately $941 million.[45]

Like the teacher pension pick-up, CPS also makes some additional contributions to the Municipal Fund on behalf of its employees. In a similar system to the teacher pension "pick up", CPS "picks up" seven percentage points of non-teacher employees' pension contribution, set at

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[41] Public School Teachers' Pension and Retirement Fund of Chicago, Actuarial Valuation Report as of June 30, 2025, p. 1.
[42] Government Finance Officers Association (GFOA), Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB) (Adopted March, 2023)
[43] Illinois General Assembly, 40 ILCS 5/8-110.
[44] City of Chicago Mid-Year Budget Forecast, August 2025, p. 22.
[45] City of Chicago Mid-Year Budget Forecast, August 2025, p. 22.

8.5% of their salaries. For non-union, non-teacher employees, CPS partially phased out the pick-up in FY2016 but still contributes 5% out of the 8.5% employee contribution.[46] The District's FY2027 cost for the non-teacher employee pick-up is approximately $61 million.[47] The District also reimburses the City for the employer cost of municipal employees funded by federal grants; this reimbursement is budgeted at $12.2 million in FY2027.[48]

Although the State of Illinois covers pension costs for teachers in non-Chicago school districts, it does not cover pension costs for non-teacher employees, equivalent to those enrolled in the MEABF in Chicago. Instead, downstate non-teachers are enrolled in the Illinois Municipal Retirement Fund (IMRF), and their pensions are funded by contributions from employee paychecks and employers.[49] This means that downstate school districts are fully responsible for covering the costs of their non-teacher employee pensions, while CPS does not have to cover those costs due to the City's legal obligation to fund the MEABF. It is worth noting that IMRF, unlike most Illinois pension funds, is nearly fully funded at 95.8%. As such, the fund has very little unfunded liability and local districts are only responsible for covering the normal cost. This reduces the contributions they have to pay and stands in contrast to the MEABF's funded ratio of 27.4%.[50]

LONG-TERM DEBT

CPS has a fairly high debt burden as compared to peer school districts, with outstanding general obligation bonds at 104% of annual revenue.[51] The District also carries a credit rating that is below investment grade, also known as a "junk rating."[52] As a result, the District faces high debt service costs to repay principal and interest on bonds, which both strains its budget and makes it difficult to borrow affordably. The District's high debt costs and limited ability to take on more debt are especially troubling given its massive capital needs—an estimated $14 billion in backlogged maintenance costs.[53]

The District's primary method of financing capital projects is alternate revenue general obligation debt, backed by specific revenue sources. In 2026, CPS had about $7.7 billion in outstanding general obligation (GO) debt. The District's outstanding GO debt has been rising steadily over the past decade.

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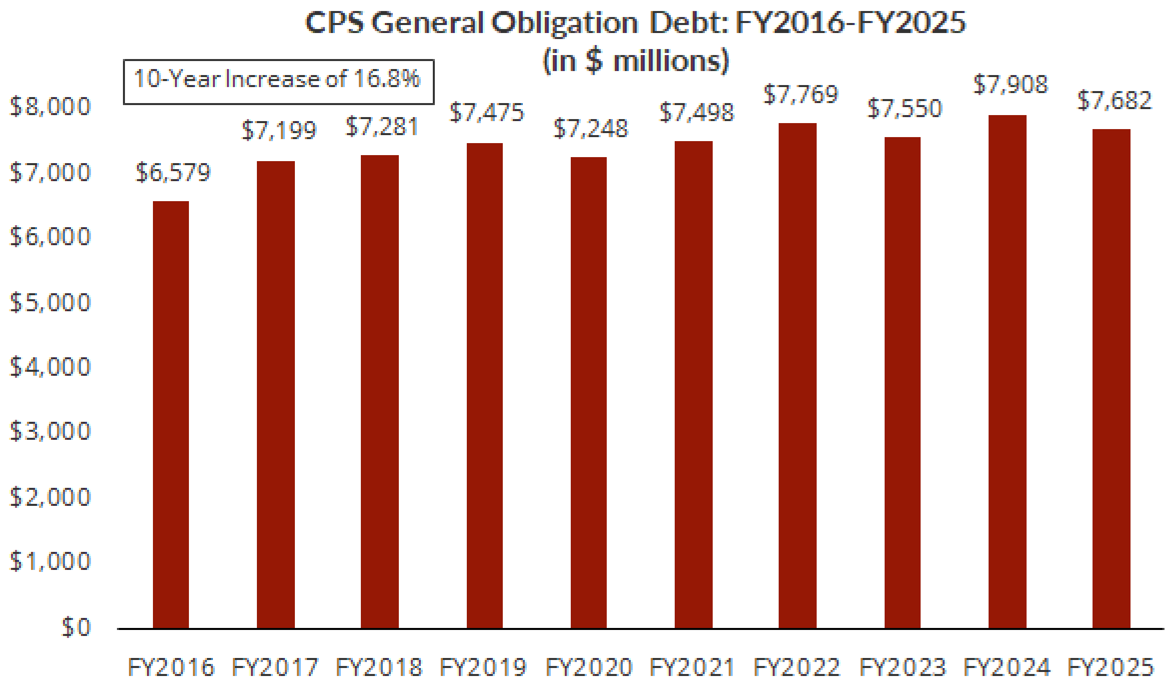
[46] Chicago Public Schools FY2025 Annual Comprehensive Financial Report, p. 90.
[47] Chicago Public Schools FY2027 Online Interactive Budget Reports, Revenues & Expenditures.
[48] Chicago Public Schools FY2027 Online Interactive Budget Reports, Revenues & Expenditures.
[49] Illinois Municipal Retirement Fund, IMRF 101.
[50] Chicago Municipal Employees' Annuity and Benefit Fund, Actuarial Valuation, 2025, p. 9.
[51] Mila Koumpilova, Chicago Public Schools' debt has hit over $28,000 per student. Here's what that means., Chalkbeat, August 26, 2025.
[52] Chicago Public Schools, Credit Ratings.
[53] The Chicago Public Education Fund, Four Scenarios to Consider for Balancing the 2026 CPS Budget, August 2025.



Source: CPS FY2025 Annual Comprehensive Financial Report, p. 164.

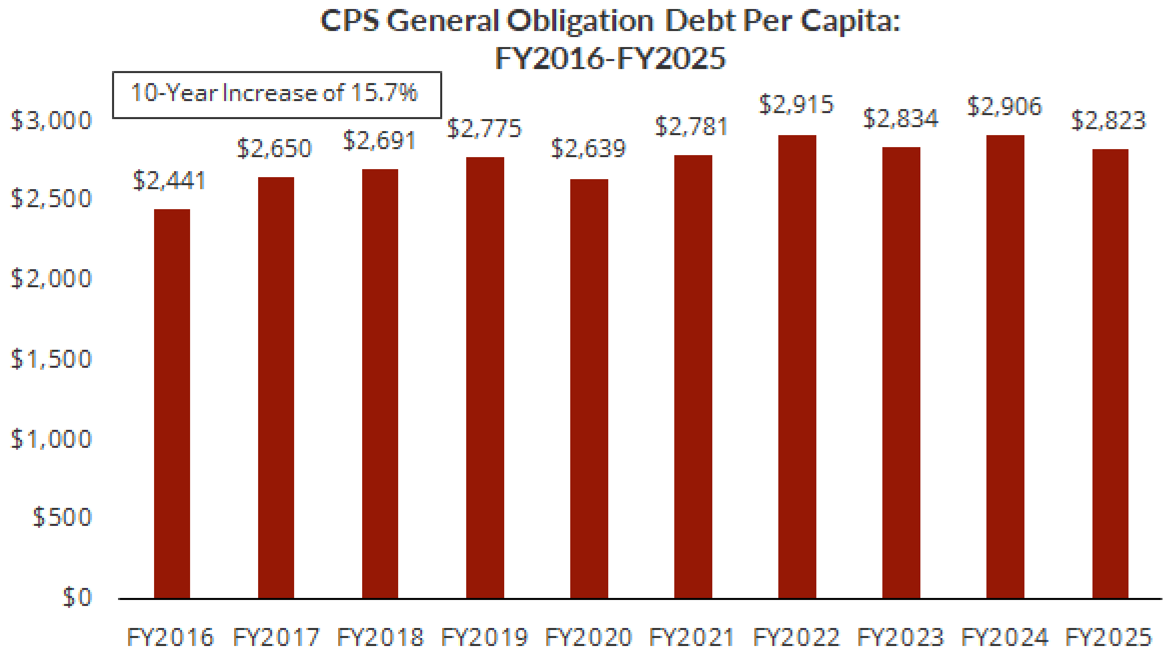
In addition to general obligation debt, CPS also issues Capital Improvement Tax (CIT) bonds to fund certain capital projects. As of FY2027, CPS has $1.4 billion in total outstanding CIT bonds. The FY2027 budget includes a separate CIT levy and appropriations of approximately $80 million to pay debt service on the CIT bonds.[54]

As of June 30, 2026, total CPS debt outstanding, including general obligation plus capital improvement tax debt, was $9.3 billion.[55]

General Obligation Debt Per Capita

A commonly used measure of the debt burden on taxpayers is general obligation debt per capita. This indicator divides CPS' general obligation debt by the population of the jurisdiction. Increases in the ratio are a potential sign of increasing financial risk, much like increases in total debt outstanding figures. CPS' debt per capita has risen over the past decade, in line with increases to its total debt load.

[54] Chicago Public Schools, FY2027 Adopted Budget, p. 228.
[55] Chicago Public Schools, FY2027 Adopted Budget, p. 236.



Source: CPS FY2025 Annual Comprehensive Financial Report, p. 164.

DEBT SERVICE APPROPRIATIONS AS A PERCENTAGE OF OPERATING APPROPRIATIONS

The ratio of debt service expenditures as a percentage of total Governmental Fund expenditures is frequently used by rating agencies to assess debt burden. The rating agencies consider a debt burden high if the ratio is between 15% and 20%.[56] The CPS debt service ratio has been below the 15% threshold between FY2023 and FY2027 and has remained relatively stable. The District saw a significant increase in debt service costs in FY2026, likely due to a major refinancing conducted that year. Over the five-year period, the ratio has averaged 9.8%.

CPS Budgeted Debt Service Appropriations as % of Operating Appropriations: FY2023-FY2027

(in $ millions)

	FY2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Estimated	FY2027 Approved	5-Year $ Change	5-Year % Change
Debt Service Appropriations	$ 729.0	$ 764.3	$ 776.6	$ 1,064	$ 794	$ 65.30	9.0%
Operating Appropriations	$ 7,993.7	$ 8,489.5	$ 8,572.3	$ 8,657	$ 8,483	$ 489.10	6.1%
Debt Service as a % of Total Appropriations	9.1%	9.0%	9.1%	12.3%	9.4%		

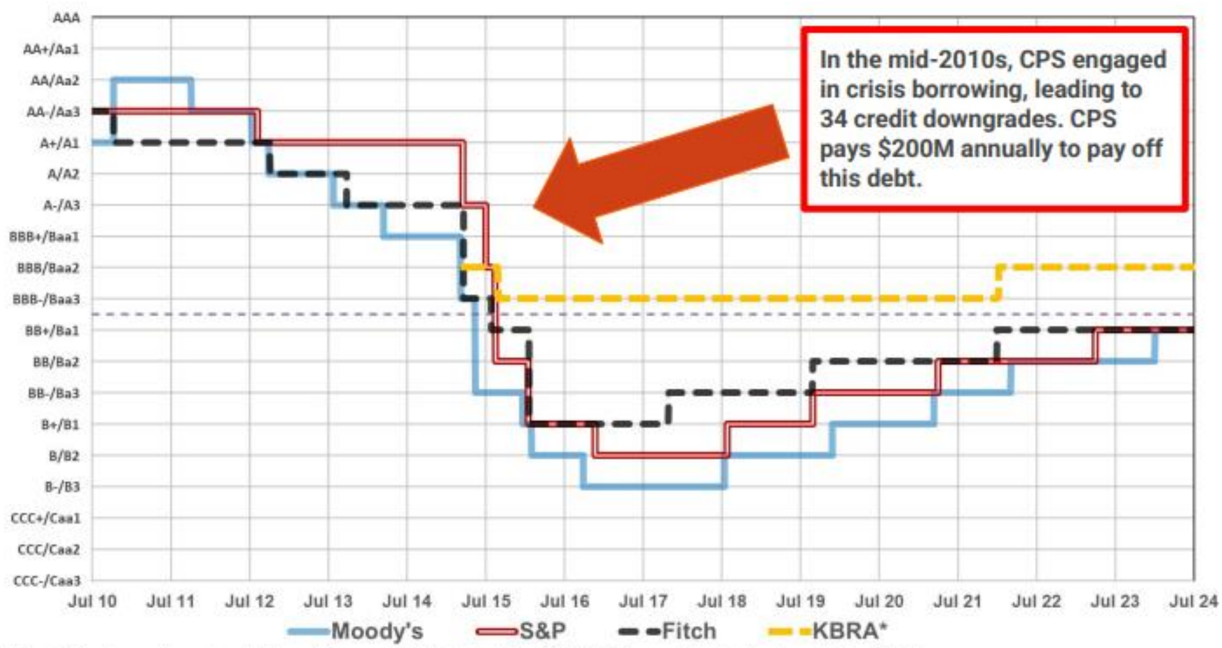
Sources: CPS FY2027 Budget pp. 231. CPS Approved FY2026 Budget, pp. 15 and 223; CPS Adopted FY2025 Budget, pp. 15 and 248; CPS Adopted FY2024 Budget, pp. 11 and 202.

56 Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.

CPS General Obligation Bond Ratings

Chicago Public Schools' GO debt is currently rated at BB+ by three of the four credit rating agencies, a position which is one notch below investment grade, or "junk status." CPS' credit ratings reached a low point in FY2017 as in 2015, 2016, and 2017, the District experienced steadily declining credit ratings as the District struggled to finance its mounting debt and pension obligations, while concurrently depleting its reserves. In FY2018, the financial situation improved as the State of Illinois approved legislation providing substantial financial support through an Evidence Based Funding formula. The federal American Rescue Plan Act, approved in 2021, also provided additional financial assistance. As federal support buoyed the District's financial situation, rating agencies upgraded CPS' credit rating several times.[57]

While the credit upgrades in recent years signal improvements in the District's financial situation, CPS' general obligation bond ratings, except for the Kroll's rating, remain below junk status. The District's current general obligation credit ratings are provided below.[58]



*Kroll Bond Rating Agency has assigned all Alternate Revenue GO Bonds issued from 2016 to 2019 one notch higher than the underlying GO rating.

Source: Chicago Public Schools.

CPS' Capital Improvement Tax bonds receive standalone credit ratings. Currently, Fitch Ratings rates these bonds as A with a stable outlook, and Kroll rates them as BBB+ with a stable outlook.[59] These bonds receive a higher credit rating than general obligation bonds because

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[57] In late 2021 and in 2022, Moody's Investors Services, Kroll, and Fitch all upgraded CPS' credit ratings. In 2023, Standard & Poor's followed suit. In 2024, Moody's upgraded CPS general obligation debt from Ba2 to Ba1, citing the District's increased operating fund cash balance, and revenue increases from local taxes and State support. CPS' credit rating remained constant from 2024 to 2025.

[58] Chicago Public Schools. Credit Ratings.

[59] Chicago Public Schools, FY2027 Adopted Budget, p. 229.

they are backed by a dedicated revenue source—the CIT property tax levy—as well as State funds.

VULNERABILITIES FACING CPS

CPS faces several long-term challenges. A January 2025 landscape analysis report by the Civic Federation lays out the challenges and our recommendations in more detail, but the following summaries highlight the key problems to be addressed by the new Board of Education and administration. [60]

STRUCTURAL DEFICITS

CPS' structural deficit is set to continue in the coming years as expenditures outpace revenue growth. Additionally, while a large portion of the cuts CPS made to close the deficit are permanent and will also reduce future deficits, part of the strategy to close the gap included revenue assumptions that are non-guaranteed and may present further challenges this year and in future years. Consequently, CPS still faces a structural budget deficit that, in the absence of new revenues or cuts, will continue to be a significant challenge in the coming years. The District predicts that it will face a $582 million deficit in FY2028, growing to $665 million in FY2029 and $835 million in FY2030.[61]

The District must begin work immediately with stakeholders of all levels of state and local government to alleviate these deficits. Longer-term efforts, such as right-sizing spending and working with the State and other partner governments, must begin now in order to prepare for next year's budget season.

UNDERFUNDED PENSIONS AND STATE FUNDING DISPARITY

CPS continues to face enormous pension liabilities with the Chicago Teachers' Pension Fund carrying almost $14 billion in unfunded liabilities. The District is responsible for over $1 billion in annual pension contributions to the CTPF, only about a third of which is covered by the State. These costs are exacerbated by CPS' pension pick-ups for teachers and municipal employees, and the potential cost that CPS could bear for reimbursing the City of Chicago for the portion of the municipal employees' pension fund (MEABF) covering CPS employees. The MEABF is also drastically underfunded and, if CPS covers its full share, doing so could cost up to $450 million annually. CPS' high pension expenses will continue to grow annually due to its statutory funding ramp, placing increasing pressure on the District's budget in the coming years.

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[60] See the Civic Federation's analysis of the financial entanglements: *Addressing the Financial Entanglements Between the City of Chicago and Chicago Public Schools*, June 8, 2023. See also, *Analysis of District Finances and Entanglements Between the City of Chicago and the Chicago Public Schools*, Chicago Public Schools, October 31, 2022.

[61] Chicago Public Schools, FY2026 Approved Budget, p. 12-13.

The District should work with state legislators and the State Board of Education to continue exploring pension funding options. Due to the imbalance in pension funding between Chicago and all other school districts across Illinois, the Civic Federation considers pension funding to be a particularly appropriate area for seeking additional state funding to bring CPS teacher pension funding structure into parity with the rest of the State's school districts, which participate in the with the statewide Teachers' Retirement System (TRS). Any increase in State funding for CPS could be accompanied by consolidation of the CTPF with TRS, giving the State control over the pension funds that it is required to finance and eliminating administrative redundancies.

POOR CREDIT RATING

CPS' junk-status credit rating makes borrowing significantly more expensive for the District. The District has slowly been rebuilding its credit rating over the past decade, but in order to continue receiving upgrades, it must avoid risky short-term financial decisions. CPS has negative outlooks from several rating agencies, which signals the need for demonstrating structural balance, liquidity, and prudent debt management practices if it wants to preserve and eventually improve its ratings.

The District's decision to pass an unbalance budget has led to renewed downgrade fears, and on September 10, 2026, S&P shifted its outlook on the District's credit from stable to negative, reflecting an increased likelihood of a downgrade in the coming months.[62] As the District is forced to reckon with the consequences of its budgeting decisions, it will have to avoid fiscal pitfalls such as short term borrowing, or risk seeing its credit rating decline further.

RIGHT-SIZING DISTRICT OPERATIONS

CPS devoted a significant portion of its one-time federal pandemic funding to increases in personnel and associated operating costs. Unquestionably, some of that increase in staffing helped offset COVID-related adverse impacts on the student population. However, during that same span, enrollment continued the downward trend of the past 20 years. The District today has more personnel and a substantially higher payroll for a smaller student population than it had pre-COVID. Additionally, while the District has conducted a facilities analysis, it has not acted on findings that highlight a significant number of schools in need of major infrastructure investment, as well as schools that are severely under-enrolled and over-staffed, some to the extent that they can no longer support robust academic and extracurricular activities. Resources across the District are, therefore, not aligned with actual enrollment or the educational programs and services needed to serve students.

The District should begin the process of rightsizing by identifying the schools where resources are least efficiently utilized. Discussions about right-sizing operations should incorporate lessons learned from CPS' school closures in 2013 by beginning with in-depth community

[62] S&P, Chicago Board of Education GO Bond Rating Outlook Revised to Negative on Weakened Reserves, Liquidity, September 10, 2026.

engagement and developing plans for the sale or use of unused buildings in order to alleviate its substantial capital costs.

Financial Entanglements with the City of Chicago

With the transition to a fully elected school board set to be completed by January 2027, when the new Board of Education will be seated, CPS will become a fully independent unit of government without control by the City of Chicago Mayor. However, there remain unresolved financial entanglements between the City of Chicago and CPS—primarily regarding the reimbursement to the City of Chicago's Municipal Employees' Annuity and Benefit Fund (MEABF) to help cover a portion of the cost of CPS employees who participate in the MEABF.

While the City of Chicago is the legal entity responsible for making the employer contribution for CPS employees participating in the MEABF, CPS began reimbursing the City under an intergovernmental agreement in FY2020, initially paying $60 million and increasing its reimbursement to $100 million in FY2022 and $175 million in FY2023. CPS did not make the $175 million reimbursement in FY2024, although it made a $175 million payment in FY2025. For FY2026, CPS made the reimbursement contingent on receiving additional State or local revenue and ultimately returned $175 million to the City from additional TIF surplus revenue.

CPS' FY2027 budget does not include a reimbursement to the City for this expense, and the issue remains unresolved. The District needs to reach an agreement with the City of Chicago on this pension reimbursement.