FY2027 CPS Budget

Chicago Public Schools

A Student-Centered Budget

Despite the challenges posed by persistent revenue shortfalls, growing costs, and a deficit of $732 million, Chicago Public Schools (CPS) has outlined a balanced $9.96 billion FY2027 budget that stabilizes the district and protects the most important classroom investments.

This budget is $85M higher than what was presented in last week's public hearings, the result of revisions made by the District in response to stakeholder feedback.

This budget includes $330M in structural deficit reduction, helping the long-term financial picture for CPS.

This budget puts students first, reflecting choices that center our students' needs, prioritize equitable resource distribution across the District, and protect the investments that have the most direct and measurable impact on students' day-to-day experience at school.

July 28 Budget Revisions

Chicago Public Schools

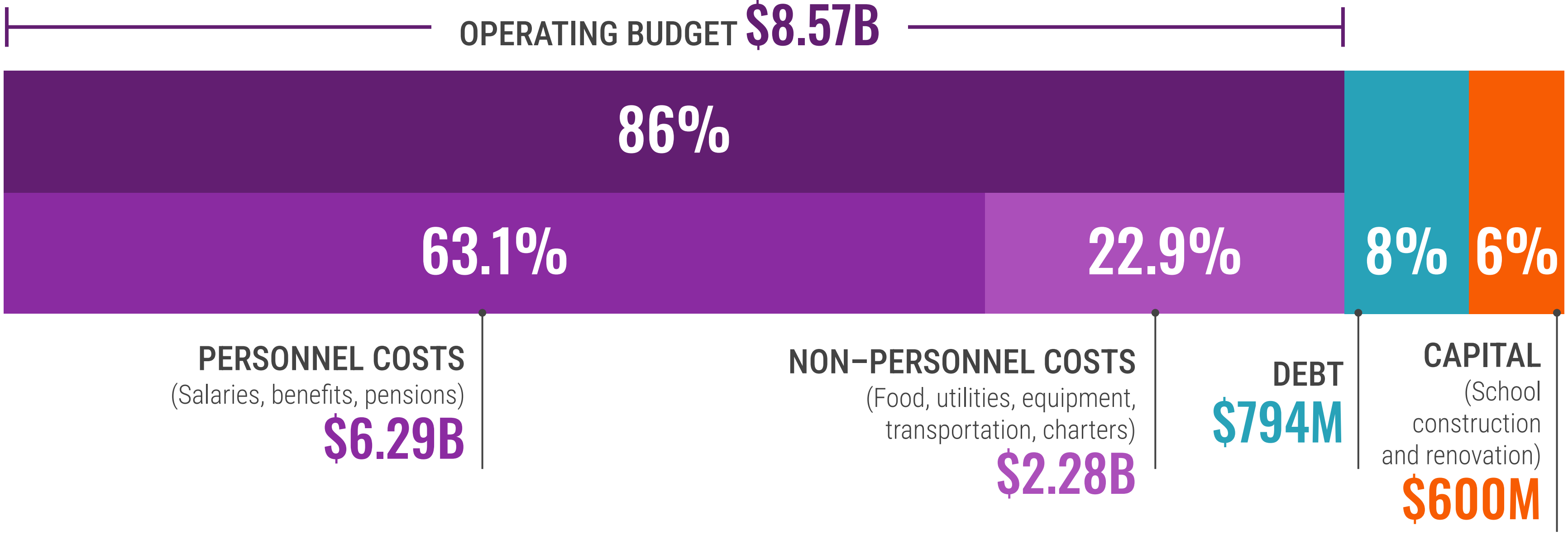
In the tentative budget published on July 15, the District proposed implementing three measures to realize an additional $297.6M in deficit reduction:

- $100M more in assumed TIF surplus, increasing total to $200M
- Five furlough days for all CPS employees beginning in January, on non-instructional days, for a savings of $85M
- A Districtwide mid-year spending freeze and procurement savings initiatives, for an estimated savings of $112.6M

Based on public feedback received during the statutory budget review period, the District revised its proposed budget on July 28, eliminating the five proposed furlough days and increasing its TIF surplus assumption by another $85M, to a total of $285M.

Proposed FY27 Budget - All Funds

Total FY2027 Budget: $9.96 Billion



*Note: Total actual personnel costs are higher than 63% once factoring in charter staff whose salary and benefits are included in the non-personnel costs, and contractors who are paid by vendors, not directly by the district.

Proposed FY27 Budget - Operating Expenditures

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WHERE OUR OPERATING FUNDING GOES

63¢ DIRECTLY TO SCHOOLS | **32¢ DIRECT SCHOOL SUPPORT** | **4¢ OTHER**

52¢ DISTRICT SCHOOLS

11¢ CHARTER & CONTRACT SCHOOLS

32¢ CITYWIDE

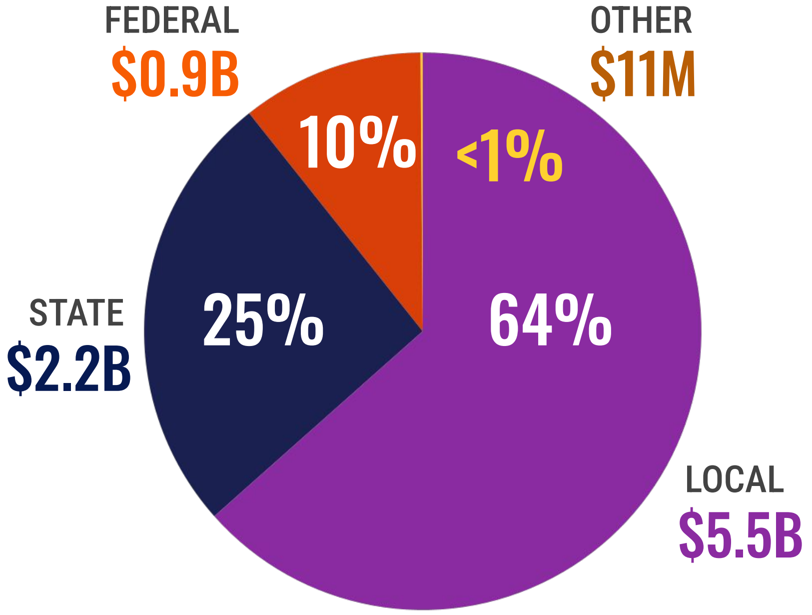
4¢ CENTRAL OFFICE & NETWORKS

We are firmly committed to ensuring that every dollar we spend goes furthest for our students and families, so 63 cents (63%) of every dollar spent in our operating budget is tied directly to school-based expenditures and positions, with another 32 cents (32%) directly supporting students through citywide services and personnel that benefit multiple schools, such as nurses, custodians, bus aides, and others.

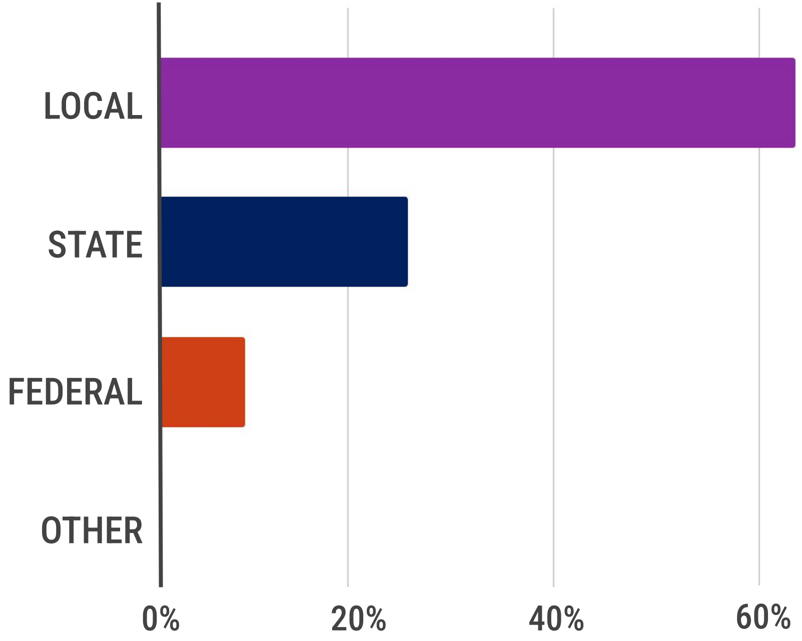
*Percentages and dollar amounts are rounded; therefore, totals may not equal 100% or sum exactly to the total revenue.

Proposed FY27 Budget - Operating Revenues

REVENUES (2027)



TOTAL: $8.6B



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Proposed FY27 Budget - Operating Expenditures, FY26 Compared to FY27

In Billions of Dollars	FY2026	FY2027	YOY % Change
District Schools	$4.29	$4.46	4%
Charter	$0.98	$0.96	-2%
Citywide	$2.97	$2.77	-7%
Network and Central Offices	$0.41	$0.38	-7%
Total	$8.66	$8.57	-1%

School Budgets Have Increased by $143M

- **School budgets are up $143 million compared to FY2026,** largely due to annual salary increases for unionized school-based employees
- Compared to FY2026, the overall number of school-based positions is projected to decrease by 164, or an overall reduction of roughly 1%

	FY26	FY27	YOY Change
Core Foundational Allocations	16,803.5	15,818.6	-984.9
School staff funded through school discretionary funds (needs-based OI and Title I)	2,123.8	1,950.8	-173.0
Special Education*	12,088.7	13,038.1	949.5
Bilingual	462.5	475.0	12.5
Early Childhood	2,164.8	2,136.4	-28.4
Operations	3,327.1	3,379.8	52.7
Other	567.1	574.8	7.7
Total	37,537.5	37,373.5	-164

*Includes positions for both fiscal years that the District projects to allocate in the beginning of the school year based on newly identified IEPs and changing student need

FY 2019 v. FY 2026

	FY 2019	FY 2026	Change	% Change
Enrollment	361,314	316,224	**-45,090**	**-12.5%**
Staff	36,861	46,597	**+9,736**	**+26.4%**
Budget	$5.98 B	$10.25 B	**+$4.27 B**	**+71.4%**

FY 2019 v. FY 2026 v. FY 2027

Chicago Public Schools

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	FY 2019	FY 2027	Change	% Change
Enrollment	361,314	TBD	**TBD**	**TBD**
Staff	36,861	46,288	**+9,427**	**+25.6%**
Budget	$5.98 B	$9.96 B	**+$3.98 B**	**+66.6%**

School-Based Staff Impacts

- While the aggregate funding has remained whole, many individual school budgets changed. Principals, in partnership with their Local School Councils, tailor staffing to meet their communities' unique needs, balancing enrollment shifts, programmatic changes, and budgetary realities, including updated Districtwide allocation formulas.
- As part of this year's process, 1,602 school-based staff were impacted.
- For special education staff included in that total, the District has established retention pools for over 500 special education teachers and classroom assistants to help ensure the District maintains these in-demand professionals.
- There are 1,700 vacancies across the District. Historically, 65% - 85% of teachers who are impacted over the summer are able to find new roles within the District.

Revenue Assumptions

The School Code requires the budget to "set forth detailed estimates of all accrued tax revenues recognized for such year and of all current revenues to be derived from sources other than taxes, including State contributions, rents, fees, perquisites and all other types of revenue, which will be applicable to expenditures or charges to be made or incurred during such year… **The several estimates of assets, liabilities and expenditure requirements required or authorized to be made by this…shall be made on the basis of information known to the board at the close of the preceding fiscal year…**" 105 ILCS 5/34-44.

Available TIF Data

- Based on an analysis of publicly available data, we project there is over $3 billion available in TIF accounts.
- **This is despite last year's record surplus. The accounts appear to be replenishing themselves at a rate of over $1 billion each year.**
- **When the City declares a TIF surplus, about half automatically goes to CPS, and about one quarter goes to the City. The annual distribution percentages are based on state law.**
- The Illinois Economic Development Project Area Tax Increment Allocation Act of 1995 mandates that excess TIF funds in each district be released and distributed annually to all of the taxing bodies within the City of Chicago. The City determines the total amount of surplus by following the policy outlined in their budget:
  - 25% surplus of a balance over $750,000 progressing up to 100% surplus above $2.5 million
  - Surplus all available funds for TIF districts expiring in the following year
  - Surplus all available funds for "Downtown" TIF districts

Surplus Amounts Over Time

- We know that last year's surplus was historic.
- We also know that the final TIF surplus amount is determined as part of the City's annual budget process.
- This is why we have continued to be very conservative in our assumed amount.

CPS Fiscal Year	Approx. CPS Only Surplus
2020	$156M
2021	$158M
2022	$141M
2023	$205M
2024	$226M
2025	$379M
2026	$577M
2027	**$285M**

City Report Year	City TIF Fund Balances
2020	$1,969M
2021	$2,293M
2022	$2,538M
2023	$3,045M
2024	$3,186M
2025	$3,304M
2026	$3,391M
2027	$3,086M

Italics = projected amounts

State Revenue

- Our assumptions of available State revenue for FY2027 are similarly based on data reviews, historical trend analysis, and review of applicable policy and legislation.
- The State has already passed its FY2027 budget, giving us a reasonable idea of what we can expect to receive this fiscal year from established funding sources.
- We are continuing our advocacy with the State around long-term solutions.
- The upcoming veto session starts November 17.
- Even if the state approved additional funding for CPS, the funding would come in FY2028. It would not help the FY2027 budget.

Financial Risks of Balancing Budget on Unrealized State Revenue

Chicago Public Schools

Proposed amendment would increase assumption of state funding by:

- $50 million in mandated categorical grants
- $100 million in Evidence Based Funding

Using unrealized State revenue to balance the budget would put the District in immediate and long-term financial jeopardy:

- **Immediate financial consequences:**
  - **Credit downgrade**
  - **Higher borrowing costs**
  - **Failure to secure short-term financing**
  - **Missed payroll and District shutdown**

- Medium-term financial consequences:
  - Severe mid-year disruption to school operations
  - Potential for additional furloughs and cuts

- Long-term financial consequences:
  - Higher debt burdens
  - Future cuts to staff and programming

TIF Revenue Assumption vs. State Revenue Assumption

Reminder of State Law: “The several estimates of assets, liabilities and expenditure requirements required or authorized to be made by this…shall be made on the basis of information known to the board at the close of the preceding fiscal year.”

The TIF surplus assumption in the budget is based on a decade-long trend of growing TIF surplus revenue from the City of Chicago to help CPS close its budget gap.

The state does not have any track record of passing additional revenue to help CPS close its budget.

We can pass the budget as is and continue to advocate for state revenue. If it comes through — we can avoid mid year spending freeze and make additional investments. But if the revenue falls through — it will be a disaster.

Consequences from FY2017 Budget Reliance on Unrealized State Funding

Chicago Public Schools

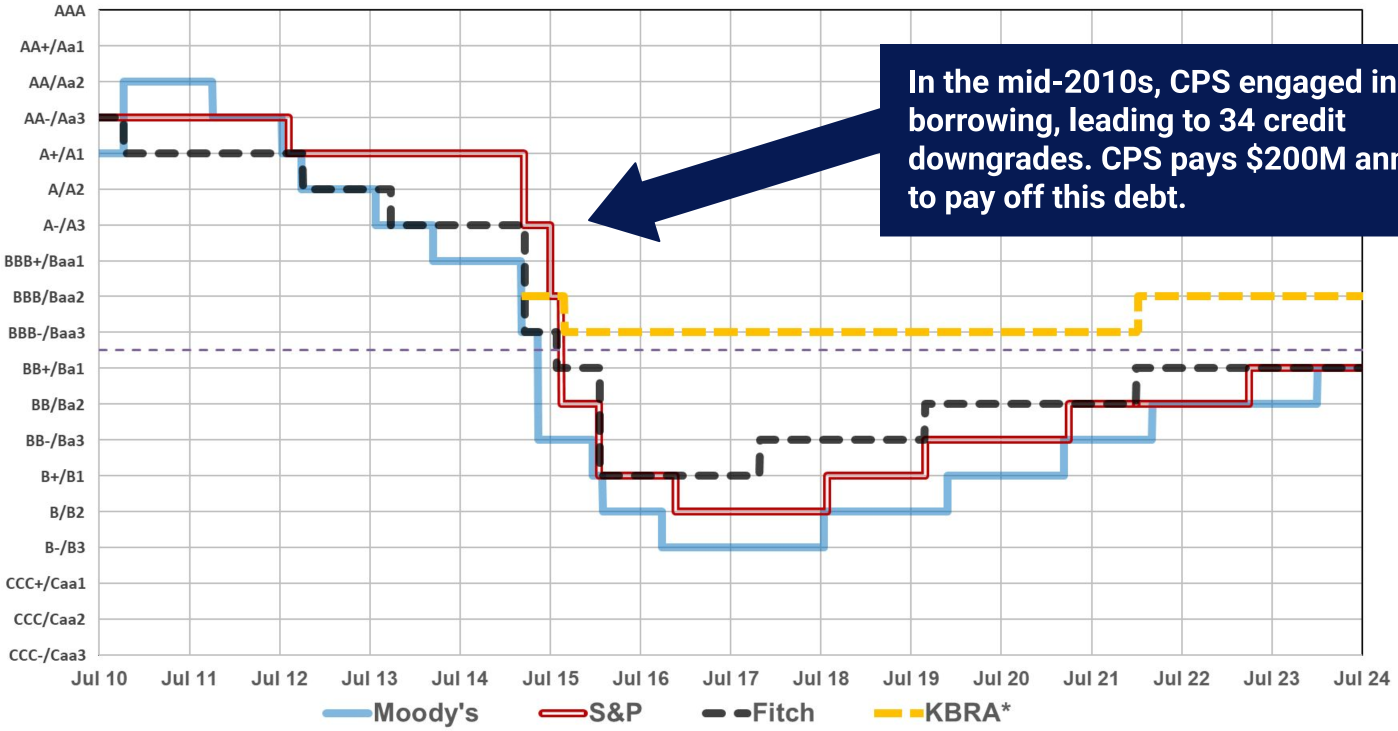
In FY2017, CPS budgeted for expenses using unrealized state revenue. When the revenue fell through, the consequences were dire:

- **Midyear cuts and layoffs**
- **No COLA for 2 years**
- **Furlough days**
- **Crisis borrowing**
- **Credit downgrades**

We are still paying for this — there is money coming out of the classroom today to pay for this exact mistake from a decade ago.

CPS Credit Rating History

Chicago Public Schools



In the mid-2010s, CPS engaged in crisis borrowing, leading to 34 credit downgrades. CPS pays $200M annually to pay off this debt.

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

Urgent Cash Flow Pressures

- **Without an approved budget and new FY27 short-term borrowing authority, CPS will not make payroll for staff in September.**
- CPS is reaching its legal limits on available FY26 Tax Anticipation Notes (TANs). The current $1.25 billion borrowing capacity will be fully exhausted in August.
- TANs borrowing is different from borrowing for capital or operational expenses; TANs help us with cash flow issues caused by the misalignment between when property tax and other revenues come in and when payroll and other obligations are due.
- An approved FY27 budget, along with an approved tax levy, are required in order for lenders to provide us financing under a new authorization.
- Without an approved budget this month, CPS will not have enough time to engage with lenders in order to secure funding, and we will be in danger of not making payroll in September.

Advocating for Support from Cook County

- The problem is made more urgent by the systemic delays in CPS receiving property tax revenue from Cook County.
- We are owed somewhere between $175M and $250M in delayed property tax revenue.
- CPS leaders are continuing to talk with the County. Last week, they told CPS leadership they would soon distribute $72 million stemming from the first installment this year
- While this is a step in the right direction, the $72 million will not ensure enough cash flow for the District to delay the passage of the budget.
- **County funding will also not solve the FY2027 budget deficit**; this is FY2026 property tax revenue owed to CPS from earlier this year.

Urgency of Budget Approval Today

- **In-school staff report on August 17,** and school opens the following week.
- Staff is expecting their **first paycheck on September 4,** covering time worked during the period of school opening.
- With the budget passing today, we estimate that **we will receive short term financing on September 2 — two days before checks go out.**
- Delaying the budget means that CPS will fail to receive this financing in time to make payroll.
    - Missing payroll would put CPS in violation of our collective bargaining agreements, and three state statutes: the Minimum Wage Act, the Wage Payment and Collection Act, and the Fair Labor Standards Act.
    - It may also impact our credit rating and limit our ability to achieve financing in the future — for TANS, for Capital, or for other needs.
- **This would essentially result in a District-wide shutdown.**

Next Steps

- Today, we are presenting to you four related resolutions:
    - FY2027 budget
    - FY2027 Capital Improvement Plan
    - FY2027 Property Tax Levy
    - Authorization of the issuance of Educational Purposes Tax Anticipation Warrants and Notes (TANS), not to exceed $1,650,000,000 outstanding

- Favorable votes on these items as presented will help ensure the District can:
    1. Avoid the financial, operational, and other risks as described, and
    2. Focus on smooth, strong opening of the upcoming school year for its students, families, and staff