



FY2026 Budget Update

JULY 9, 2025

Budget Deficit

Accounting for all of CPS's known revenues and potential expenses, we need to close a budget deficit of \$734 million to balance the FY26 budget.

SCENARIO	REVENUE ASSUMPTION	EXPENSE ASSUMPTION
\$229M deficit	\$300M of new revenue from city	No new expenses
\$529M deficit	No new revenue	No new expenses
\$734M deficit	No new revenue	All potential expenses, including \$205M of new expenses for MEABF reimbursements and Acero school transition costs

Note: Approximately \$60 million of federal Title funds are potentially at risk due to recent federal actions. While we are closely monitoring developments, any major cuts to federal funding will increase deficit.

What's Driving the Deficit?

CPS's fiscal challenges are due in part to **long-standing resource constraints**, limiting the funding we have available to meet the needs of our schools and our students.

Evidence-Based Funding – the primary avenue of state funding for K-12 education in Illinois – remains, for CPS alone, **over \$600 million short of reaching the state's goal of 90% funding levels** for all districts by FY2027

Federal funding remains under threat, with Title II, III, and IV funding at risk, on top of the recent expiration of pandemic-relief funding

CPS's ability to generate local revenues is limited under state law, providing CPS minimal capacity to combat state and federal funding challenges

What's Driving the Deficit?

While revenue challenges limit CPS's access to the funding necessary to fully resource our schools, we have also faced **significant growth in the cost of our obligations** to our students, schools, and staff.

CPS has experienced cost pressure from three key areas that contribute to cost growth greater than the deficit CPS currently faces for FY2026.



**Rising needs of
required services for
students with disabilities**



**Rising cost of maintaining
CPS buildings**



**Growth in historic
pension obligations**

What's Driving the Deficit?



Rising needs of required services for students with disabilities

Additional staff required to meet the needs of our growing population of students with disabilities costs CPS **\$450 million more** than 2019 staffing levels.

At the same time, federal and state funding for special education needs has remained nearly flat to 2019 funding levels.

THIS HAS DRIVEN THE NEED FOR:

Over 3,000 new special education classroom assistants

Nearly 900 new special education teachers

Over 1,000 new clinicians, nurses, and case managers

What's Driving the Deficit?



Rising cost of maintaining CPS buildings

Our buildings have an average age of 85 years and a total backlog of necessary maintenance and upgrades reaching over **\$14 billion** for our 500+ schools.

Meanwhile, CPS lacks a dedicated funding source for capital investments, forcing the District to rely on operating funds intended for classrooms to cover bonds that fund infrastructure improvements. The District's limited capacity to address this backlog increases the annual costs of building maintenance and repair.

What's Driving the Deficit?



Rising cost of maintaining CPS buildings

To keep our classrooms safe, warm, and dry and maintain 21st century learning environments, CPS has had to add 200 engineers and has had to cover higher levels of routine maintenance and devote more resources to emergency repairs and environmental issues.

This has increased the annual cost of maintaining CPS buildings by over **\$100 million** since 2019

What's Driving the Deficit?



Growth in historic pension obligations

CPS continues to face cost pressure from historic pension obligations that divert resources away from classrooms.

TEACHER PENSIONS:

Since 2023, the amount of operating funds CPS has had to divert from classrooms to meet its teacher pension obligation has grown by **\$100 million** annually

PENSIONS FOR SUPPORT PERSONNEL:

CPS faces additional long-term costs associated with non-teacher pensions that lack a dedicated funding source, which has added **\$175 million** in pressure to the CPS budget this year

Five-Year Forecast

Five-year forecasts that include assumptions similar to those in the FY2026 forecast project larger deficits in FY2027 and beyond that CPS will have to solve.

FISCAL YEAR	FY2026 BUDGET	FY2027 BUDGET	FY2028 BUDGET	FY2029 BUDGET	FY2030 BUDGET
Projected Budget Gap	(\$734M)	(\$988M)	(\$1,041M)	(\$1,144M)	(\$1,333M)

Structural actions (permanent new revenues or permanent expense reductions) to balance the FY2026 budget will reduce future year deficit projections.

One-time actions used to balance the FY2026 budget, however, will not help future years, leaving potentially larger deficits in FY2027 and beyond.

Impact of Borrowing on CPS Budget

CPS currently has over \$9 billion of existing long-term debt that requires over \$800 million in annual debt service payments

- Over \$500 million of these annual payments are covered by unrestricted state and local revenues

All deficit scenarios outlined previously assume CPS will achieve \$100 million in debt service savings for FY26 by refunding \$1.8 billion of existing debt

- Additionally, CPS will likely need to complete over \$650 million in new borrowing to fund ongoing capital projects, bringing anticipated borrowing next year to over \$2.45 billion

The ability to borrow for these restructuring savings and capital needs have been formally authorized by the Board last month

Impact of Borrowing on CPS Budget

In addition to CPS's long-term debt, CPS relies on over \$1.2 billion revolving line of credit of short-term borrowing through tax anticipation notes (TANs) that brings around \$2 billion annual cash flow to make payroll, pay vendors, and meet other obligations before revenue arrives.

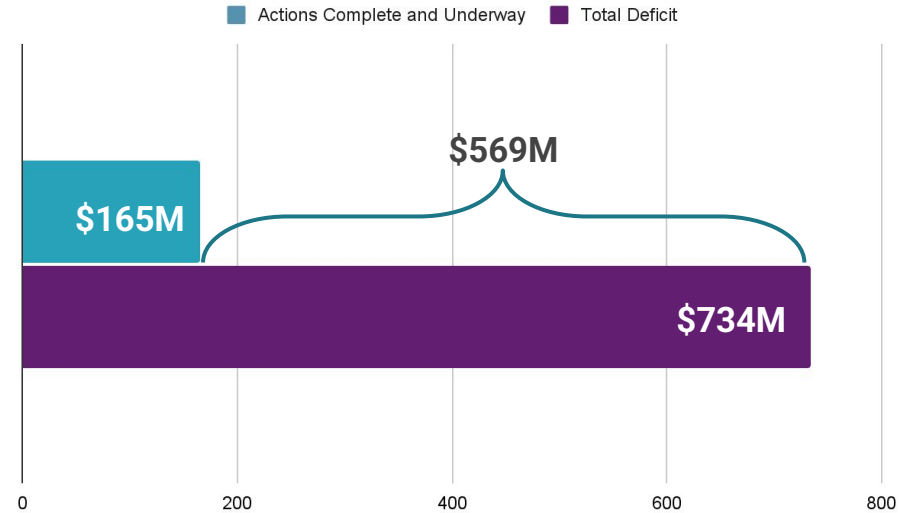
This is due to a lack of available fund balance to support day-to-day cash requirements and the fact that CPS receives a majority of its revenues (primarily property taxes) late in the fiscal year.

In FY25, CPS required use of TANs to cover 13 of 26 payrolls and projects to end the year with -18 days cash on hand.

Current Progress on Solving \$734M Deficit

Over the previous months, we have identified \$165M in deficit reducing actions primarily related to departmental budget reductions. With these actions complete and underway, we need to identify \$569M of additional strategies to balance the budget.

The \$165M of actions to date includes cuts to administrative staff and expenses, vendor contracts, operational efficiencies and spending cuts, reductions in programmatic spending, and strategic utilization of existing grant funding.



Closing the Gap

To close the remaining budget gap of \$569 million and present a balanced budget to the Board for approval, we are working to explore all options related to both revenue and expenses.

The objective is to find **student-centered** solutions that **align with the District's strategic plan**, while acknowledging both current and future year financial challenges.

The magnitude of the deficit will require a multi-faceted approach that leverages all potential strategies available ahead of an August budget approval.

Options for Remaining \$569M

Developing a **student-centered** budgetary strategy that aligns with the District's strategic plan will require aggressive pursuit of a series of strategies, including:

1. Revenue strategies
2. Budget reductions and other cost-saving measures
3. Strategies requiring review of existing costs and future commitments
4. Strategies requiring discussion and collaboration with City and other stakeholders
5. Other potential one-time solutions

Developing the Plan

Over the coming days and weeks, we will be working to identify specific options and strategies that will allow the District to pass a budget that protects both the short- and long-term future of CPS.

This includes:

- Exploring the feasibility and impact of all options available to balance the FY2026 budget
- Continuing to keep longer-term revenue solutions in focus to combat the District's historic financial challenges
- Obtaining public and stakeholder input on the District's budgetary strategy

Public Engagement

To ensure transparency into our current financial situation and gather feedback on priorities of our stakeholders, we are launching a public engagement process to hear directly from stakeholders about the tough budget decisions ahead.

ENGAGEMENTS WILL INCLUDE:

Public learning sessions

with CPS staff and key experts to provide context around CPS financial challenges and potential solutions

Community feedback sessions

to gather input from students, parents, teachers, and other community members and District stakeholders

Public Learning Sessions

In an effort to develop a collective understanding of the fiscal challenges facing CPS and discuss potential solutions for a path forward, we will be hosting public “learning sessions” on our current fiscal landscape.

Through panel discussions with experts, along with other key stakeholders, these sessions will provide insight into CPS’s condition within the broader city, state, and federal context.

WE ENCOURAGE EVERYONE TO TUNE INTO THESE CONVERSATIONS, FOCUSING ON:

“How we got here”

Tuesday, July 15 from 12-1 pm

“How we move forward”

Wednesday, July 16 from 12-1 pm

These conversations will be broadcast live and available to watch afterward on the CPS YouTube channel.

Community Feedback Sessions



All Chicago Public Schools stakeholders and community members are invited to join one of 5 **Community Feedback Sessions** that will take place during the weeks of **July 14 and July 21**. At each session, CPS leadership will share the current fiscal outlook, including the FY26 budget gap of \$734 million, and facilitate small group discussions to gather community input. These insights and perspective will help us finalize the budget by August.

A challenge of this scale demands broad collaboration. Community input will shape how we balance short-term needs with long-term goals while continuing to prioritize student safety, well-being, and academic growth.

COMMUNITY FEEDBACK SESSION DATES:

Monday, July 14

Dyett High School

Tuesday, July 15

Westinghouse High School

Thursday, July 17

Roosevelt High School

Saturday, July 19

Back of the Yards College Prep High School

Monday, July 21

Virtual

Finalizing the FY2026 Budget

After gathering public input and continuing to work with our community and stakeholders around budgetary solutions, we will provide an update on feedback and progress at the **July 24 board meeting**.

We encourage board members to attend and participate in community feedback sessions and will continue to work with you over the coming weeks as we receive public feedback and work collectively through budgetary options.

In accordance with state law and to ensure a strong start to the school year, the proposed FY2026 budget will be published by **August 13** for approval at the **August 28** board meeting.