

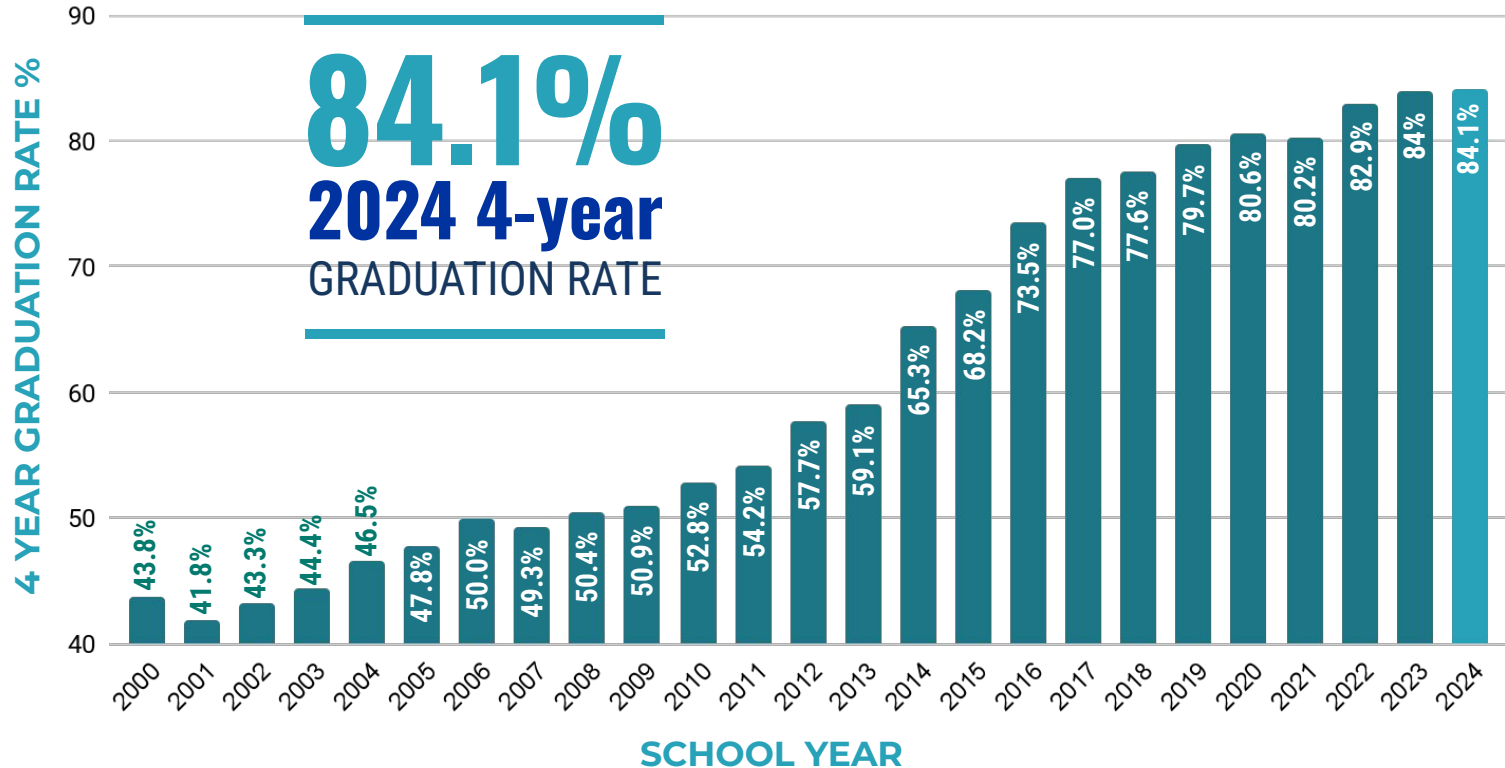


FY2026 CPS Budget

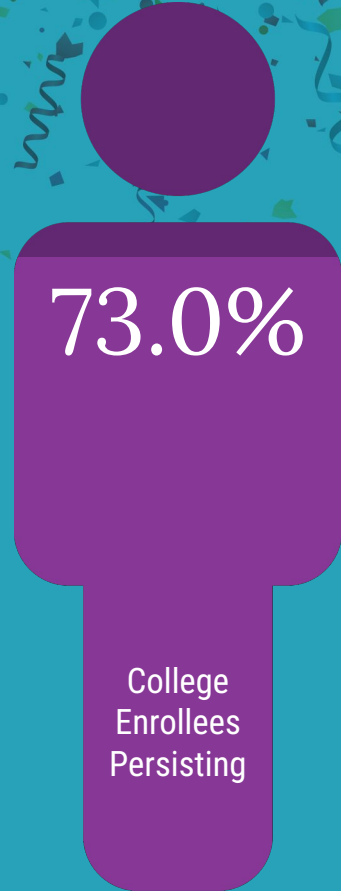


Chicago Public Schools

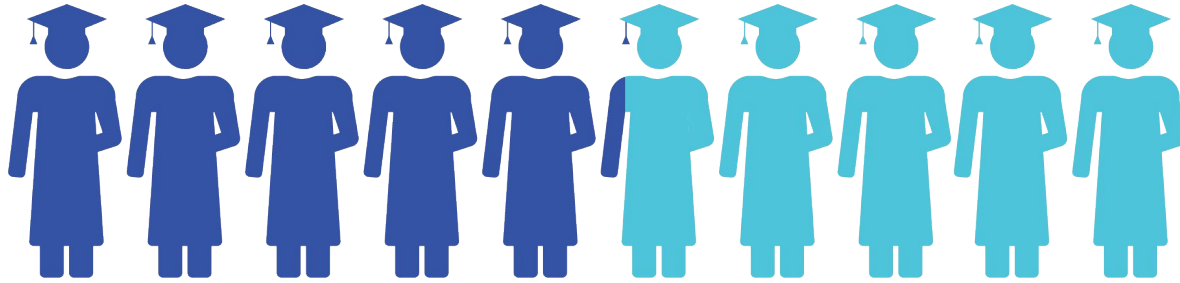
Record-Breaking Four-Year Graduation Rate



Percent of Graduates Enrolling and Persisting in College



More than Half of CPS Graduates Earned an Early College and Career Credential



AP



IB



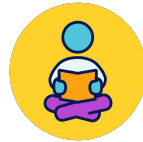
CTE



Dual Credit



Dual Enrollment



JROTC



Seal of Biliteracy

OVER
52%
Graduates

EARNING AN
ECCC IN 2024

Record-Breaking Reading Proficiency

Reading 3-8 Grade

Record Breaking
Reading
Proficiency
in 2024



30.5%

2024

+4.6

% pt. change

25.9%

2023

+5.9

% pt. change

20.0%

2022

Percent Achieving Proficiency by Student Group

Reading

PERCENTAGE POINT CHANGE FROM 2022-2024

+3.4

**Students with
Disabilities**

+4.9

**English
Learners**

+8.4

Latinx

+9.3

**Economically
Disadvantaged**

+11.3

Black

Math Proficiency

Math 3-8 Grade

Changes in
Math
Proficiency
in 2024



18.3%

2024

17.5%

2023

14.9%

2022

+0.8

% pt. change

+2.6

% pt. change

% Change from
2022-2024

+2.0
Latinx

+3.7
Black

+1.6
English
Learners

+2.5
Economically
Disadvantaged

+1.1
Students with
Disabilities

A Budget That Protects Our Schools

Despite the challenges posed by persistent revenue shortfalls, growing costs, and a deficit of \$734 million, CPS has outlined a balanced FY2026 budget that will protect the progress made by students.

CPS' FY2026 budget:

- Fully protects school budgets
- Avoids the risk of beginning-of-year or mid-year cuts to schools
- Funds all of the District's commitments to its labor partners
- Avoids furlough days
- Avoids borrowing measures that would adversely impact CPS' financial future
- Defines that CPS will reimburse the City for MEABF contingent on additional state revenue, additional TIF surplus revenue, or other local resources above budget assumptions

Projected FY2026
Expenditures:
(as of July 2025, after \$165M
in reductions; \$569M gap
remaining)

\$10.25 Billion

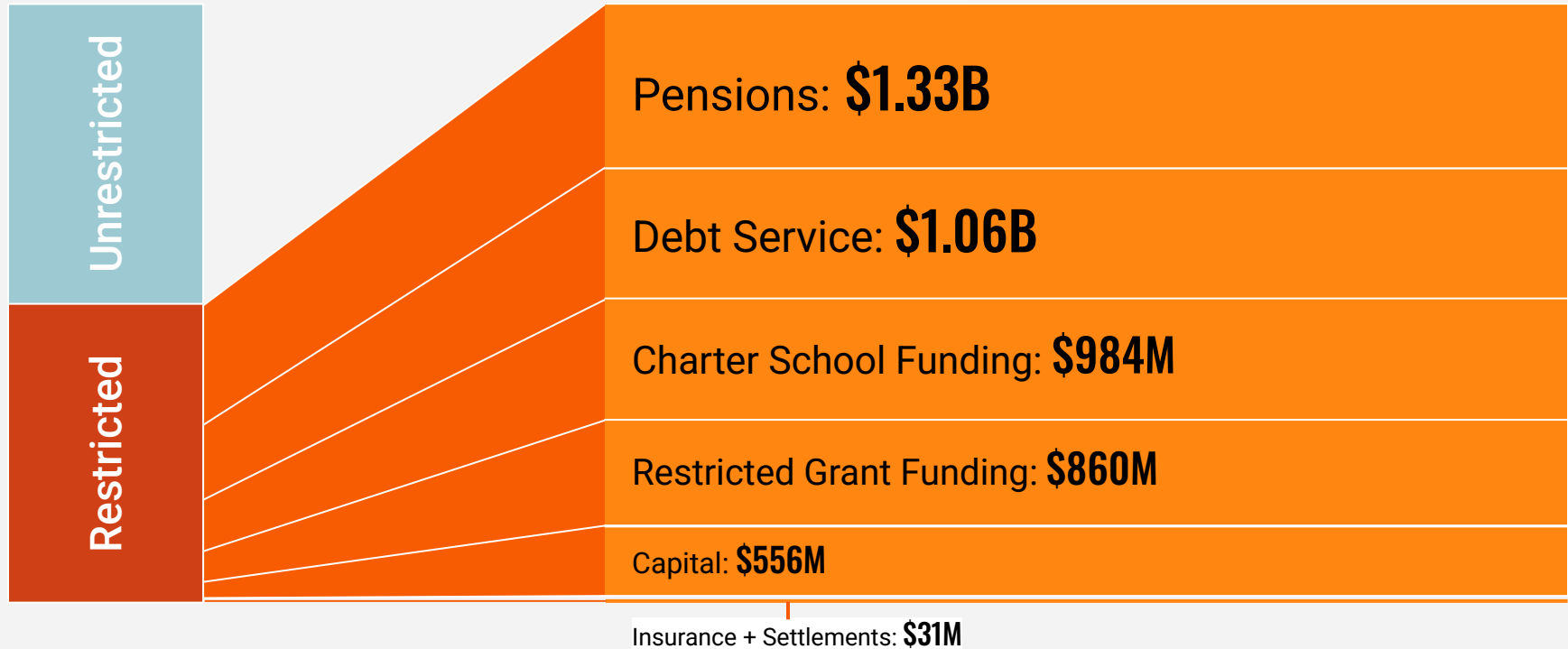
Unrestricted \$5.43B

- Central Office Administrative Functions
- Citywide Support and Programming for Schools
- Direct Funding to Schools

Restricted \$4.82B

- Capital
- Charter School Funding
- Debt Service
- Insurance + Settlements
- Pensions
- Restricted Grants

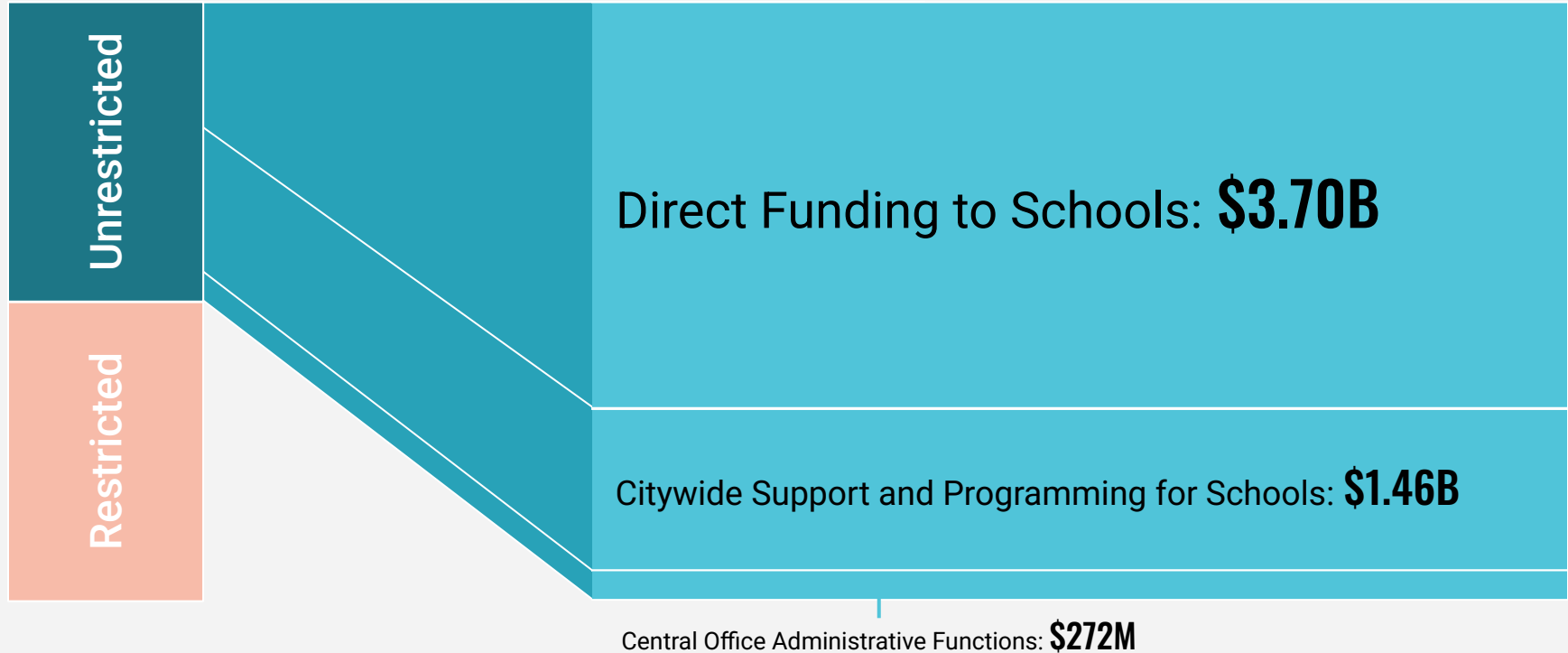
Current FY2026 **Restricted** Expenditures: **\$4.82 Billion**



Current FY2026 Unrestricted Expenditures

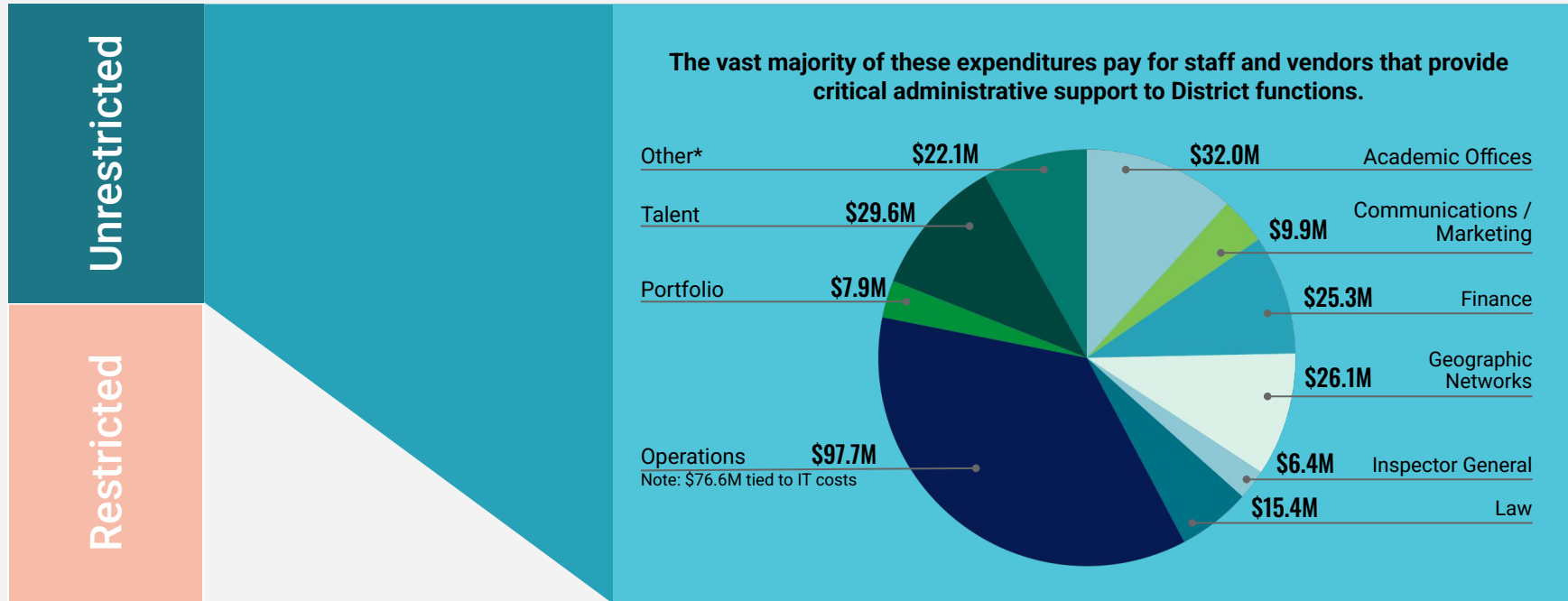
Current FY2026 **Unrestricted** Expenditures: **\$5.43 Billion**

FY2026 savings achieved from June reductions: **\$146 Million**



Current FY2026 Total Central Office Administrative Expenditures: **\$272 Million**

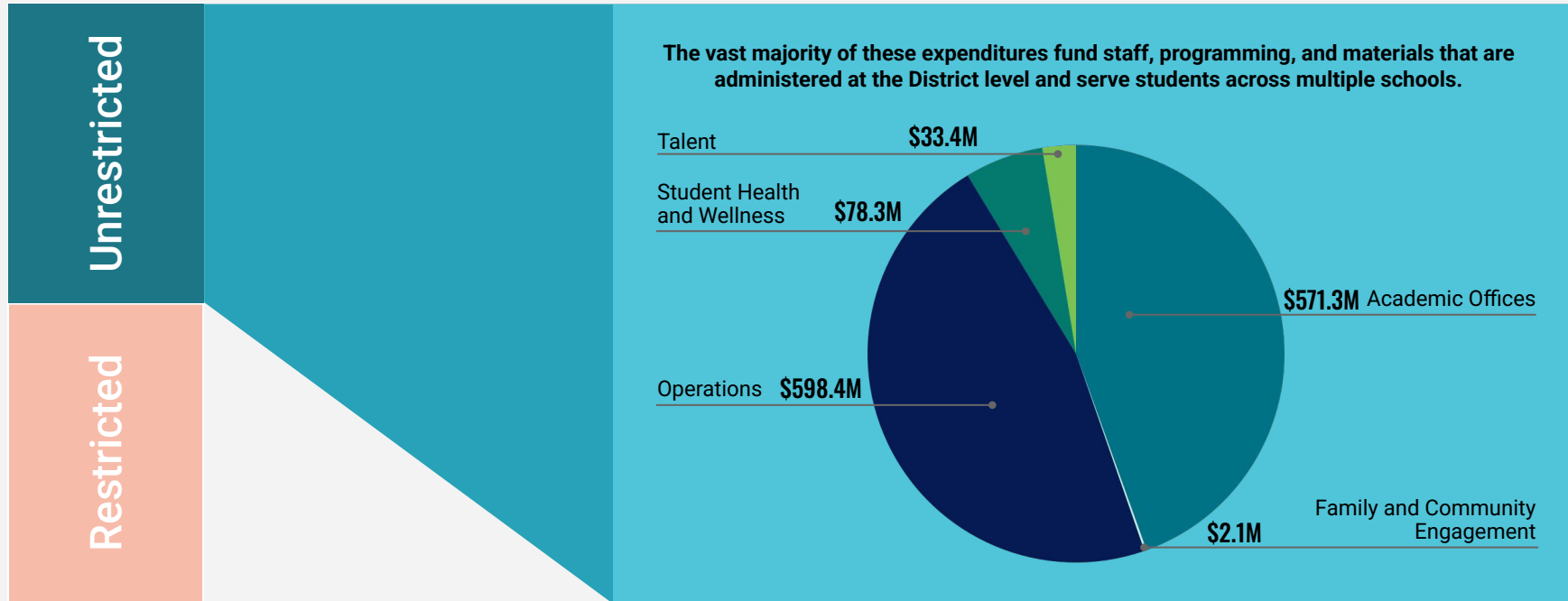
FY2026 savings achieved from June reductions: **\$48 Million (15%)**



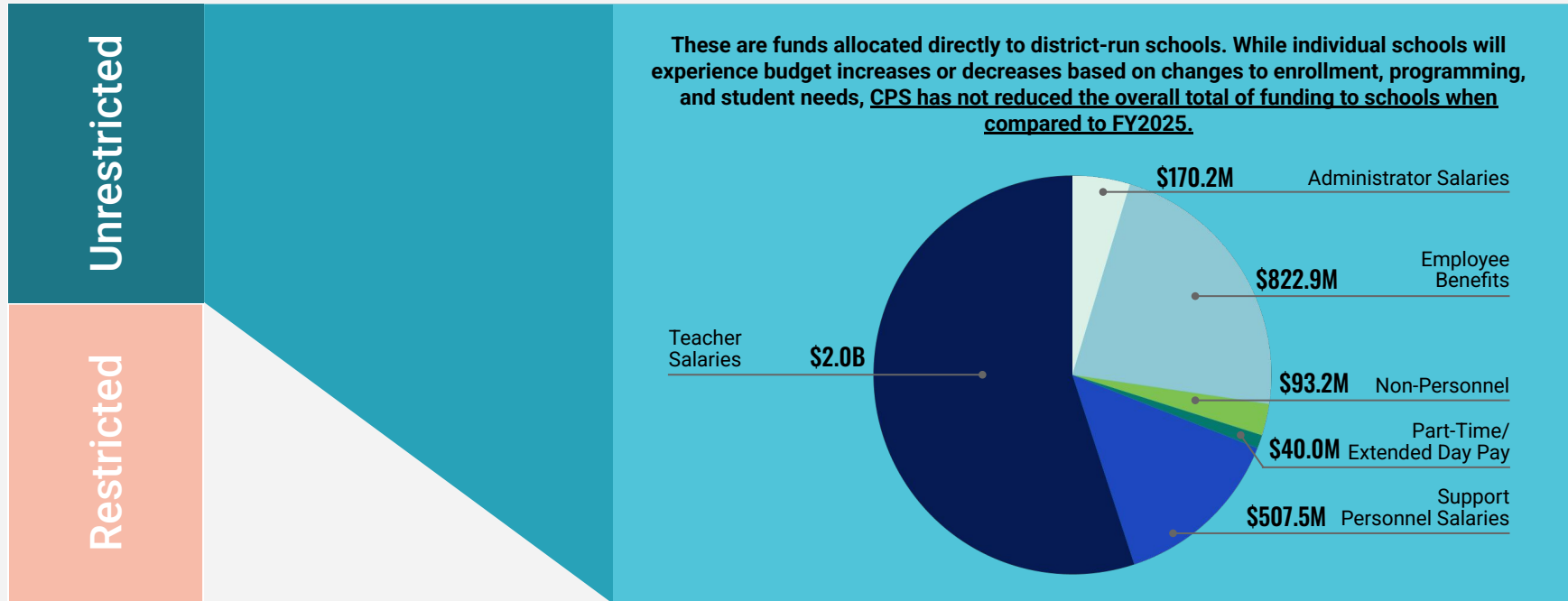
*Other includes departments/offices with administrative budgets under \$5 million, including Board, Equity, Executive, Family and Community Engagement, Intergovernmental Affairs, Internal Audit, Student Health and Wellness, Student Protections and Title IX

Current FY2026 Citywide Expenditures: **\$1.46 Billion**

FY2026 savings achieved from June reductions: **\$98 Million (6%)**



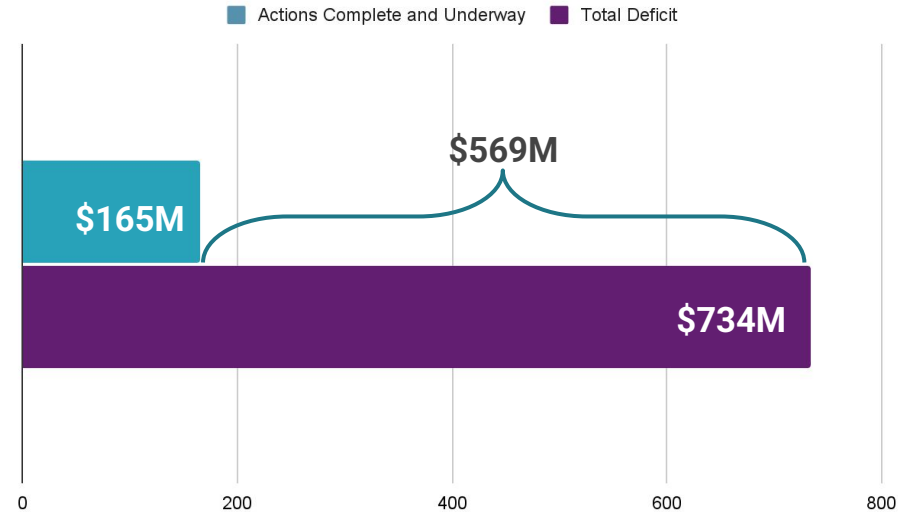
Current FY2026 Direct School Funding Expenditures: **\$3.70 Billion**



Previous Status on Solving \$734M Deficit

Over the spring, CPS identified \$165M in deficit reducing actions primarily related to departmental budget reductions.

With these actions completed, CPS still needed to identify \$569M of additional strategies to balance the budget.



Budgetary Actions Through June

The **\$165 million** in deficit reducing strategies included the following:

- **\$146 million** in department budget reductions, including a \$48M (15%) cut to central office spending and a \$96M (6%) cut to overall citywide spending (detailed in Appendix)
- **\$34 million** in school-based grant strategies and programming adjustments
- **\$12 million** in savings from a more targeted process for fall enrollment adjustments implemented in FY2025
- **\$23 million** in projected savings from the District's \$40 million fund to stay within contractual class size limits; because CPS preserved teacher staffing levels, the District projects that the full \$40 million will not be needed for schools with unique situations leading to oversized classrooms

During this initial phase of budget adjustments, CPS also identified two new liabilities adding to the FY2026 deficit:

- **\$30 million** required in a reserve fund for new special education positions
- **\$20 million** required in a reserve fund for districtwide IT projects

Community Engagement

In July, under the leadership of Interim Superintendent/CEO Dr. Macquiline King, the District spearheaded an extensive community engagement campaign to ensure that budget decisions were being driven by those who are most impacted by them.

During the summer, CPS hosted information briefings, in-person and virtual feedback sessions, and an online survey where students, parents, educators, labor leaders, and community partners could grow their understanding of the District's financial situation and offer solutions on how best to reduce the deficit.

Community Engagement

Several themes emerged from these community conversations. By-and-large, CPS stakeholders said they wanted the District to:

- Keep cuts as far away from classrooms as possible, and avoid cuts that would diminish the overall student experience
- Work collaboratively with state and local partners to identify new streams of revenue to support schools
- Ensure a more equitable distribution of resources across schools
- Resist any further borrowing that would drive up the District's existing debt
- Forgo reimbursing the City of Chicago for non-teacher pensions
- Continue to engage the community around budget decisions

Budget Solutions to Protect Schools

Following the community feedback sessions and faced with a remaining deficit of \$569 million, we have reviewed every line of the budget to develop a plan that protects our schools and students.

The strategies we are proposing to balance the budget include the following:

- **\$126 million** in additional savings away from the classroom
- **\$149 million** in additional available revenues
- **\$29 million** in accelerating debt refunding savings
- **\$90 million** in one-time funding sources
- **\$175 million** from defining that reimbursement to the City for MEABF is contingent upon additional state revenue, additional TIF surplus revenue, or other local resources above budget assumptions

Additional Cuts Away From the Classroom: \$126M

In addition to the \$146 million already cut from centrally-managed spending in the initial round of budget adjustments, the District identified **\$126 million** in further savings in late July and early August, as outlined below:

- **\$50 million** in savings by additional reductions to central office personnel, streamlining business operations, data teams, and professional development costs, and transferring some functions from the central office level to the network level to provide more direct support to schools
- **\$29 million** in savings from repurposing existing state and federal grant dollars to cover existing costs
- **\$10 million** in savings due to a hiring freeze of central office staff; CPS will only fill staffing vacancies that are mission critical or revenue-related

Additional Cuts Away From the Classroom: \$126M

Continued:

- **\$10 million** less for incubation costs for transitioning five Acero campuses to become CPS-managed schools, as recent estimates have reduced this liability from \$30 million to \$20 million
- **\$7 million** in savings from delaying centrally-funded IT projects
- **\$6 million** in administrative reductions to departments and central programs that were substantially expanded during the COVID-19 pandemic
- **\$5 million** in savings from eliminating food and travel budgets for staff
- **\$4 million** in savings from a negotiated increase in employee health care contributions for staff making over \$90,000
- **\$3 million** in savings from reducing the CPS marketing budget
- **\$2 million** in savings from reducing the budget for non-union employee raises

Additional Available Revenues: \$149M

After receiving favorable information from the state and reviewing all possible revenue options, CPS has identified \$149M in additional revenue to support gap closing.

Apply \$45 million from Evidence-Based Funding above initial projections

On August 1, the state released data for FY2026 Evidence-Based Funding allocations to all school districts. The data showed that CPS returned to “Tier 1,” the tier of schools furthest from funding adequacy in the state’s formula, providing CPS \$76 million in new funding for FY2026. This provides an **increase of \$45 million** above previous projections for new EBF funding.

Apply \$25 million in projected grant carryover

CPS projects to have \$25 million of remaining federal grant carryover available from FY2025 to apply to FY2026 expenses.

Increase FY2026 TIF Revenue Assumption by \$79 Million

In its initial FY2026 budget outline, CPS had assumed that the City would again supply \$300 million in TIF surplus revenue. At this point, CPS is increasing its assumption that an **additional \$79 million** will be provided to CPS via additional TIF surplus, matching final 2025 distributions.

Accelerating Debt Refunding Savings: \$29M

In FY2026, CPS plans to issue \$1.8 billion in new debt in FY2026 to refund existing debt to provide future savings for the District.

The District's finance team annually reviews and takes advantage of any opportunities for savings in the debt market, the opportunity is higher this year as many bonds issued at high interest rates in the mid-2010s are now callable.

The initial deficit of \$734 million included the assumption of \$100 million in savings, with additional savings targeted for future years. Based on the current deficit, CPS will **accelerate \$29 million of savings** initially targeted for FY27 to help close the FY26 budget gap.

One-Time Funding Sources: \$90M

To avoid cuts to schools and the option of furlough days, CPS is leveraging **\$90 million** in one-time funding sources in the FY26 budget.

Repurpose \$65 Million From Debt Service Stabilization Fund

As a short-term strategy to help avoid cuts to schools or unsustainable borrowing, CPS will use up to **\$65 million** in one-time resources from the account balance of the Debt Service Stabilization Fund to help close this year's budget gap.

This fund was established as a reserve fund to assist with interim fiscal year debt service expenses and temporary operating fund liquidity issues. It has previously been fully depleted and used to assist with operational expenses, but due to recent investment returns, it has grown enough to allow for this single use.

Leverage \$25 Million in Existing Philanthropic Funding

Continuing the District's approach of examining every dollar spent and received to determine options to keep cuts away from schools, CPS is leveraging a major philanthropic donation received in 2023. CPS will use **\$25 million** of this funding to help close the FY2026 deficit.

MEABF Pension Reimbursement Contingent on Adequate Funding

Finally, the FY2026 budget defines that **CPS reimbursing the City of Chicago for the Municipal Employees Annuity and Benefit Fund (MEABF) is contingent upon the District receiving additional FY2026 state revenue, additional FY2026 TIF surplus revenue from the City, or other local resources beyond budgeted assumptions.**

Without a dedicated revenue source for this cost and given the financial challenges facing the District, CPS cannot make this reimbursement absent additional revenue without short- or long-term impact to our schools.

Fulfilling Labor Commitments

The strategies taken to balance the FY2026 budget ensure that CPS is able to **meet all commitments to wages, staffing, and programming included in the District's labor contracts.**

On top of negotiated wage increases for our teachers, support staff, and administrators, this budget proudly commits funding to new **sustainable community schools, new dual language and world language programs, athletic programs, along with additional librarians, tech coordinators, case managers, bilingual coordinators, and other important investments.**

Additionally, the budget **avoids furlough days** as a savings strategy, preserving the wage gains and protecting the important work happening across the District.

Avoiding Risky Borrowing Strategies

CPS has not included adding to the District's \$9 billion debt burden as a strategy to close the FY2026 gap.

A market for debt for budgetary relief may not exist as the District is already issuing \$2.4 billion in new long-term debt this year, including:

- \$1.8 billion in new debt to save \$129 million through debt refinancing and reduce the District's overall debt service costs, and
- \$600 million in new debt for capital projects and to reimburse the District for capital expenditures already incurred.

If CPS planned to borrow for budgetary relief but could not execute on the transaction, **schools could be forced to make mid-year cuts.**

Avoiding Risky Borrowing Strategies

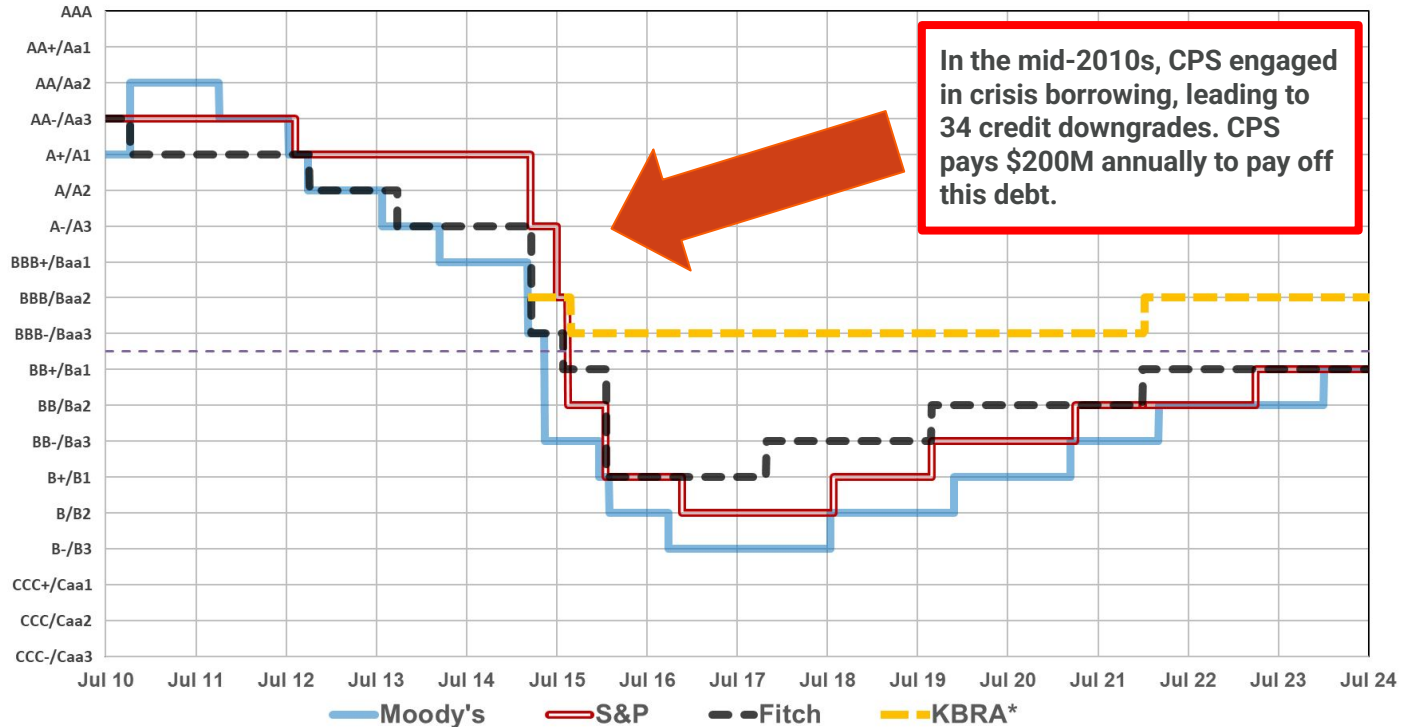
Most importantly, borrowing for operating expenses would send the District into a downward spiral of credit downgrades, higher interest rates, and steeper cuts to staff, programs, and services in the future.

When CPS engaged in this type of borrowing between FY2016 and FY2018, the District received 34 credit downgrades, going from an AA rating to junk.

CPS is now paying nearly \$200 million per year for this crisis debt. If CPS had access to this funding today, we could hire at least 2,000 additional teachers.

If CPS were to take out a \$200 million loan, it would cost the District \$107 million to pay it back, adding \$307 million in debt service cost to future budgets.

CPS Credit Rating History



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

Making Progress on Long-Term Finances

At the start of this year's budget process, CPS projected deficits reaching nearly \$1 billion in FY2027 and exceeding that in future years.

After closing the projected FY2026 budget deficit in a responsible manner that protects schools and labor commitments, CPS's long-term budget outlook is improved by **\$468 million in FY2027** and similar levels in future years.

- Actions taken by CPS to balance the budget reflect a net **\$263 million** of structural deficit relief, primarily from structural cuts to District spending away from the classroom and increased structural funding from the State.
- Because this budget defines that reimbursement to the City for MEABF is contingent on additional TIF surplus revenue or additional state revenue above budget assumptions, **future year deficits are reduced by another \$175 million.**
- Lastly, CPS's jump back into Tier 1 of the state's EBF formula earlier than expected adds another **\$30 million** to projected revenue increases in FY2027 and beyond.

Making Progress on Long-Term Finances

While CPS still requires long-term revenue solutions, the District's future outlook is significantly improved.

PREVIOUS CPS FIVE-YEAR FORECAST

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

UPDATED CPS FIVE-YEAR FORECAST

FISCAL YEAR	FY2026 BUDGET	FY2027 BUDGET	FY2028 BUDGET	FY2029 BUDGET	FY2030 BUDGET
Projected Budget Gap	-	(\$520M)	(\$582M)	(\$665M)	(\$835M)

Next Steps

Two budget hearings will be held on August 19, 2025 to gather additional feedback from the CPS community on the proposed FY2026 operating budget.

Following these hearings, the District will present the balanced FY2026 budget to the Chicago Board of Education for approval on August 28, 2025.