

Citizens' Guide to **Chicago's** **2026** Budget

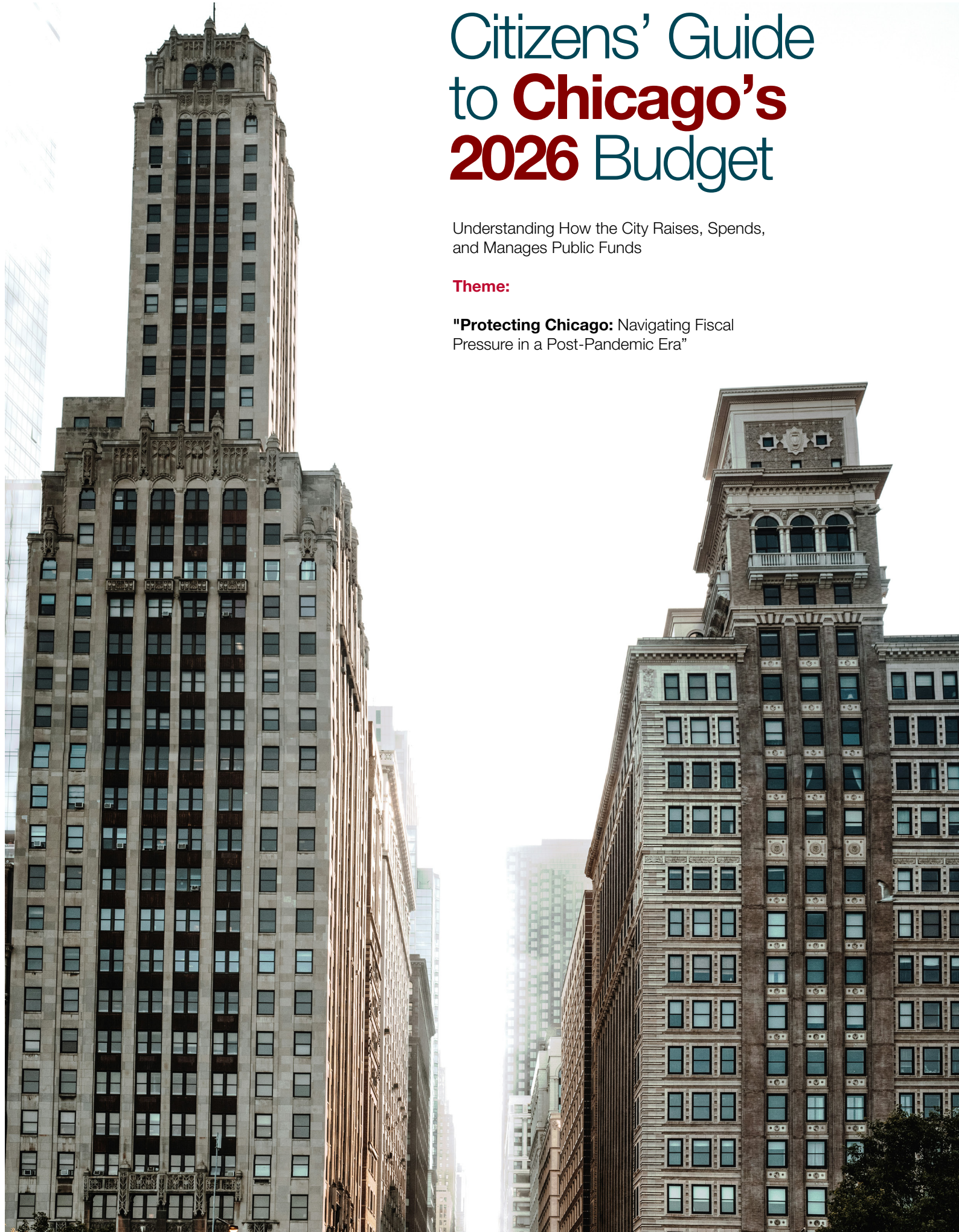


Citizens' Guide to **Chicago's** **2026** Budget

Understanding How the City Raises, Spends,
and Manages Public Funds

Theme:

"Protecting Chicago: Navigating Fiscal
Pressure in a Post-Pandemic Era"



About BudgIT

BudgIT is a civic technology organization founded in 2011 with the mission of promoting government transparency and ensuring that public resources are managed effectively for the benefit of all citizens. We analyze local budgets, visualize data, and have created a curriculum on local budgeting processes. Our methodology centers on the belief that a well-informed citizenry is the most potent check on fiscal mismanagement and the most effective driver of equitable policy.

BudgIT operates in Nigeria, Ghana, Liberia, Senegal, Sierra Leone, and the United States by providing in-depth analyses of local budgets to help advocates and policymakers make data-driven decisions.

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Sources

City of Chicago OBM, Civic Federation FY2026 Budget Analysis, COFA Budget , The Better Government Association

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A Simple Guide to Understanding Chicago's 2026 Budget

The Chicago budget can feel complex, but it doesn't have to be. This guide is designed to help you quickly understand what matters and how it affects you.



Here is how to use both in **five steps**, in any order.



1 Start with the executive summary

One page. Three questions answered: how much the city is spending, how it closed the gap, and what the risks are going into 2027. If you read nothing else, read that page; it tells you whether the headline number is real or assembled from borrowed time.

*Net budget: \$16.6B.
Gross: \$18.6B.*

The difference is transfers and deductions—both figures are real, for different purposes.

2 Follow the money in two directions

Revenue tells you where the city gets its money: local taxes, fees, grants, and, this year a record cloud tax and a record TIF surplus. Expenditure tells you where it goes. Most of it is not discretionary. Pensions (\$2.76B), debt service, and personnel together consume the majority before a single library opens or a single pothole gets filled.

40% of the operating budget is legally locked into pensions and debt. That share grows in 2027.

Look for what cannot be repeated

This budget closed its gap using three mechanisms that cannot be relied on every year: a cloud tax untested at 15%, the largest TIF surplus ever declared, and \$194M in debt proceeds counted as operating revenue. When you see a balanced budget, ask what holds it together—and whether it will still be there next year.

Official projections show a \$1.16B gap in 2027 and \$1.225B in 2028. This year's tools are spent.

Ground it in your ward

Citywide figures are real but distant. Your alderperson controls a ward's menu budget for local infrastructure. Department spending on public health, libraries, and streets varies meaningfully by neighborhood. Use the Chicago Data Portal to see what was budgeted and what was actually spent in your area — those two numbers are rarely identical.

data.cityofchicago.org — search by ward, department, or year.

Use this report to ask harder questions

A budget is a political document. It reflects choices about who pays and who benefits. The numbers in this report are tools for ward meetings, for emails to your alderperson, and for public comment periods. The citizens guide at the end gives you five specific questions designed to be hard to deflect. Use them.

4

3

5

Corporate Fund

\$6.2B

The \$6.2B pool that funds daily city operations — police, fire, parks, health. The fiscal crisis lives here, not in the total budget.

Enterprise Funds

\$3.84B

Airports, water, and sewer. \$3.84B that is legally ring-fenced — it cannot plug the Corporate Fund gap, no matter the size.

TIF surplus

Property tax growth held in development districts. When declared surplus, it is distributed once. Chicago's 2026 sweep was a record-breaking, one-time event.

Chicago 2026 Budget at a Glance



Gross Spending
\$18.6B



Pension Spending
\$2.76B



New Debt
\$1.8B



Projected 2027 Gap
\$1.16B

Executive Summary

The 2026 budget of Chicago was only enacted after the City Council rejected the mayor's proposed head tax, raised the cloud tax above his request, and mandated full pension payments, which he had intended to reduce, for the first time in modern history. The \$16.6 billion plan works for now, but it has future implications for the upcoming fiscal year.

What happened?

In October 2025, Mayor Brandon Johnson proposed a \$16.6 billion budget that was centered on a "Community Safety Surcharge," a per-employee head tax on large businesses, and a 14% increase in the cloud tax. The Council rejected the head tax in its entirety, increased the cloud tax to 15%, the highest rate in the nation, and restored \$238.6 million in advance pension payments that the Mayor had sought to halve.

For the first time in Chicago's modern history, the Council created and approved its own alternative budget without the mayor's support. The final budget passed 29–19 on revenue and 30–18 on appropriations.

The Chicago FY2026 budget estimated a \$1.19 billion gap in the Corporate Fund, largely driven by the end of temporary federal support and the steady rise in fixed costs. During the pandemic, the city relied on funding from the American Rescue Plan Act (ARPA) to sustain services and stabilize finances. Now, Chicago must rely on its own slowly growing revenues to meet the same obligations, as the funds have disappeared.

At the same time, a significant share of the city's spending is locked into pensions, debt service, and personnel costs, expenses that increase annually and are difficult to reduce. Combined with policy choices such as avoiding property tax increases, this situation creates a structural mismatch between revenue and spending. As a result, the city has relied on short-term measures like new digital taxes, debt issuance, and one-time transfers to close the gap, while projecting continued deficits in the coming years.

How the gap was closed

Cloud tax (15% PPLTT)

increased from 11%; expected to generate \$415 million in new annual revenue from digital and cloud services.

Record TIF surplus sweep

\$1 billion declared, with \$232.6 million flowing to the city's Corporate Fund. The largest TIF surplus ever declared.

\$1.8 billion in new bond issuances,

including \$450 million to fund police misconduct settlements (\$283 million) and retroactive firefighter pay (\$166 million). Borrowed to pay recurring bills.

Debt sales and transfers

\$194 million in debt proceeds and \$492 million in Sales Tax Corporation residuals were swept into the Corporate Fund.

While the city managed to close its gap this year, projected gaps for the upcoming year are estimated at \$1.16 billion, as pension contributions are expected to rise by over \$60 million in 2027.

Questions every Chicagoan should ask their alderperson

The cloud tax and TIF sweep cannot be repeated at this scale every year. What is the 2027 plan that does not rely on one-time fixes?

\$450M

Chicago borrowed \$450M to pay police settlements and firefighter back pay. Who pays the interest, and from which budget?

Pensions and debt now consume roughly 40% of the operating budget. What is the threshold at which services must be cut?

What Changed from 2025?

While the 2026 budget is smaller on paper, it is more strained when compared to the 2025 budget. The loss of federal funding has exposed underlying fiscal pressures, and the city is now relying on new debt, one-time revenues, and new taxes to fill the gap.

Comparing Chicago's Budget: 2025 vs 2026

Category	2025	2026	What Changed
Total Budget (Net)	~\$16.7B+	\$16.6B	Slight decline due to loss of federal funds
Gross Budget	~\$19.2B	\$18.6B	Down ~3.2% (ARPA funds ended)
Federal Support	High (ARPA funding active)	Significantly reduced	End of pandemic relief funding
Budget Gap	~\$146M (est.)	\$1.19B	Major increase—largest since COVID
Pension Spending	\$2.91B	\$2.76B	Slight decline, but still very high
New Revenue Measures	Limited	Expanded (cloud tax increase)	Shift toward digital taxation
Debt Issuance	Moderate	\$1.8B authorized	Increased reliance on borrowing
TIF Surplus Use	Lower	Record \$1B declared	Heavy use of one-time funds
Property Tax	No increase	No increase	Continued political constraint

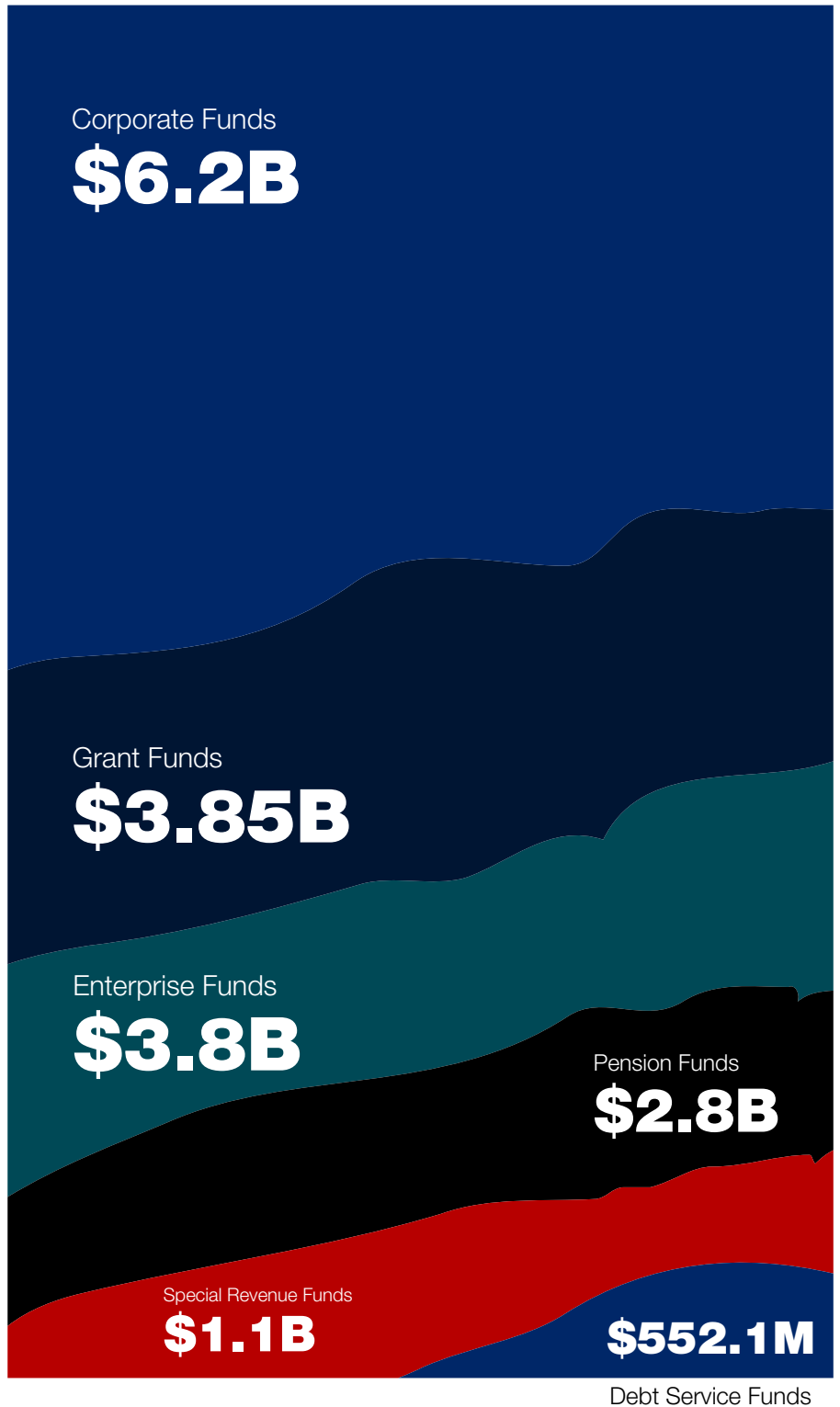
2026 Fiscal Framework

Revenue

NET TOTAL REVENUE

\$16.60B

Chicago's 2026 budget expects to generate approximately \$16.6 billion, drawn from multiple funding sources. The city depends heavily on locally generated revenue, while federal and state support funding continues to decline.



Where Will the Money Come From?

Revenue

Chicago's approved 2026 budget is funded by a projected \$16.6 billion in net resources, a figure that looks stable until you examine what holds it together. Of that total, approximately \$12.7 billion comes from local funds: the Corporate Fund, Enterprise Funds, and Special Revenue Funds, all supported primarily by taxpayers and ratepayers within city limits. The remaining \$3.85 billion comes from federal and state grants — a revenue stream that is actively shrinking and will not recover.

Chicago has fully exhausted its ARPA funds, which implies a permanent loss of approximately \$1.9 billion in federal cushion that propped up departmental budgets from 2021 through 2025. Federal grants in the approved 2026 budget stand at \$2.31 billion, state grants at \$740 million, and public and private awards at \$760 million, collectively representing a smaller share of total resources than in any year since the pandemic. The Better Government Association confirmed that grant appropriations fell from 25 percent of the total 2025 budget to approximately 20.9 percent in 2026. Chicagoans must now fund a larger share of city services locally, primarily through taxes, fees, fines, and debt.

Corporate Funds

The \$6.2 billion pool within the Corporate Fund, which finances day-to-day city operations, presents a revenue picture of structural fragility disguised as balance. Three features of the 2026 Corporate Fund revenue warrant particular scrutiny.

The first is the cloud tax. Transaction taxes, totaling \$1.39 billion, constitute the largest local tax category, with the 15 percent Personal Property Lease Transaction Tax, the highest rate in the nation, contributing the most. The Civic Federation projects that the rate increase from 11 percent to 15 percent will generate \$415 million in new annual revenue.

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Targeted at cloud and digital service providers, this tax rate, if fully absorbed, would rank among the highest in US cities. (Civic Federation, 2026). The Chicagoland Chamber of Commerce has already flagged the risk that the rate discourages business investment and retention. If collections fall short of projections, there is no backup plan identified in the approved budget.

The second is the TIF surplus sweep. The city's Corporate Fund receives \$492 million in Sales Tax Corporation residual and \$232.6 million from the record \$1 billion Tax Increment Financing surplus declared for 2026, the largest TIF surplus in Chicago's history. TIF surplus declarations are discretionary and non-recurring. The Civic Federation notes that Chicago receives approximately 23 percent of the declared surplus, with over \$500 million flowing to Chicago Public Schools. Declaring a surplus of this magnitude twice in a row is a pantry raid that reduces the amount available in subsequent years rather than a revenue strategy. The third is the use of debt proceeds as revenue. The Corporate Fund includes \$194 million in debt proceeds, money borrowed, and is counted as a resource to fund current operations. The Civic Federation and fiscal watchdogs, including former Inspector General Joseph Ferguson, describe this practice as a return to the habits that damaged Chicago's credit rating in the prior decade. When debt proceeds substitute for earned revenue, the principal and interest still need to be repaid from future budgets, compounding the very structural deficit they were meant to close.

Enterprise Funds

The O'Hare Airport, Midway, Water, and Sewer funds, along with the Enterprise Funds, contribute a total of \$3.84 billion, with O'Hare at \$2.06 billion, Midway at \$431 million, Water at \$921 million, and Sewer at \$437 million. These funds are legally restricted to their respective operations and cannot be redirected to plug the Corporate Fund gap, a constraint the budget document does not explain, but it is essential for understanding why the city's fiscal crisis is concentrated and difficult to solve despite its apparent total wealth.

Taken together, Chicago's 2026 revenue base has three structural problems that the approved budget does not resolve. It is increasingly reliant on one-time or non-recurring sources, the TIF sweep, debt proceeds, and a cloud tax that has never been tested at this rate to meet recurring obligations. As federal grants decline, local taxes cannot replace them dollar-for-dollar without placing a greater burden on residents and businesses. And it is inequitable in its pressure points: fines and

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penalties at \$481 million disproportionately affect lower-income residents, while transaction taxes on cloud services, though nominally paid by businesses, are routinely passed through to consumers and small operators who rely on leased digital tools to function.

The city's own Budget Forecast, confirmed by COFA, projects that Corporate Fund revenues will face continued pressure through 2028 under all economic scenarios. Even in the baseline, the structural gap between what Chicago reliably earns and what it is obligated to spend does not close; it widens to \$1.16 billion in 2027 and \$1.225 billion in 2028. The revenue package for 2026 is not a starting point; it is a bridge, and what lies on the other side remains unbuilt.



Estimated Resources

Corporate Funds

GRAND TOTAL

\$6.2B



Local Tax
\$3.0B

Local Non-Tax Revenue
\$1.8B

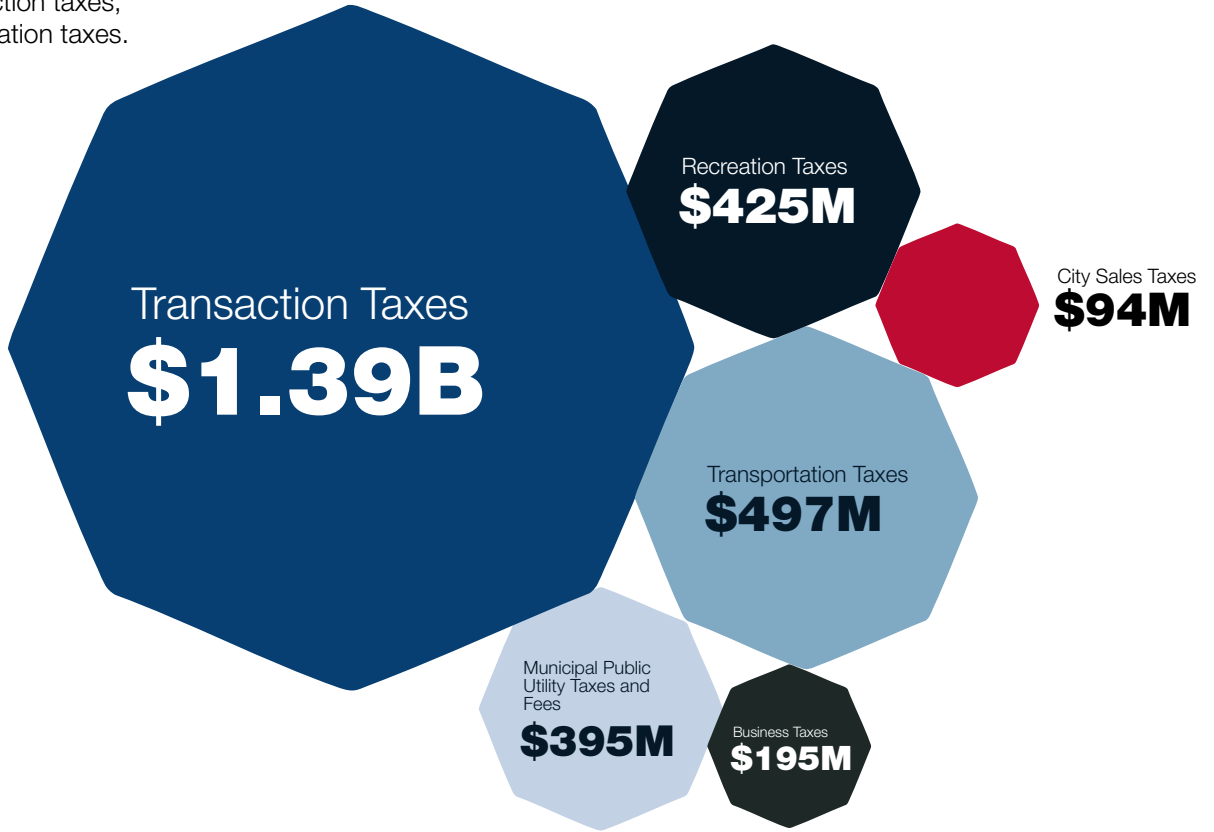
Local Non-Tax Revenue
\$686.70M

Intergovernmental Revenue
\$753.73M

Components of Corporate Funds

1a. Local Tax Revenue

Local tax revenue includes business taxes, recreation taxes, transaction taxes, and transportation taxes.



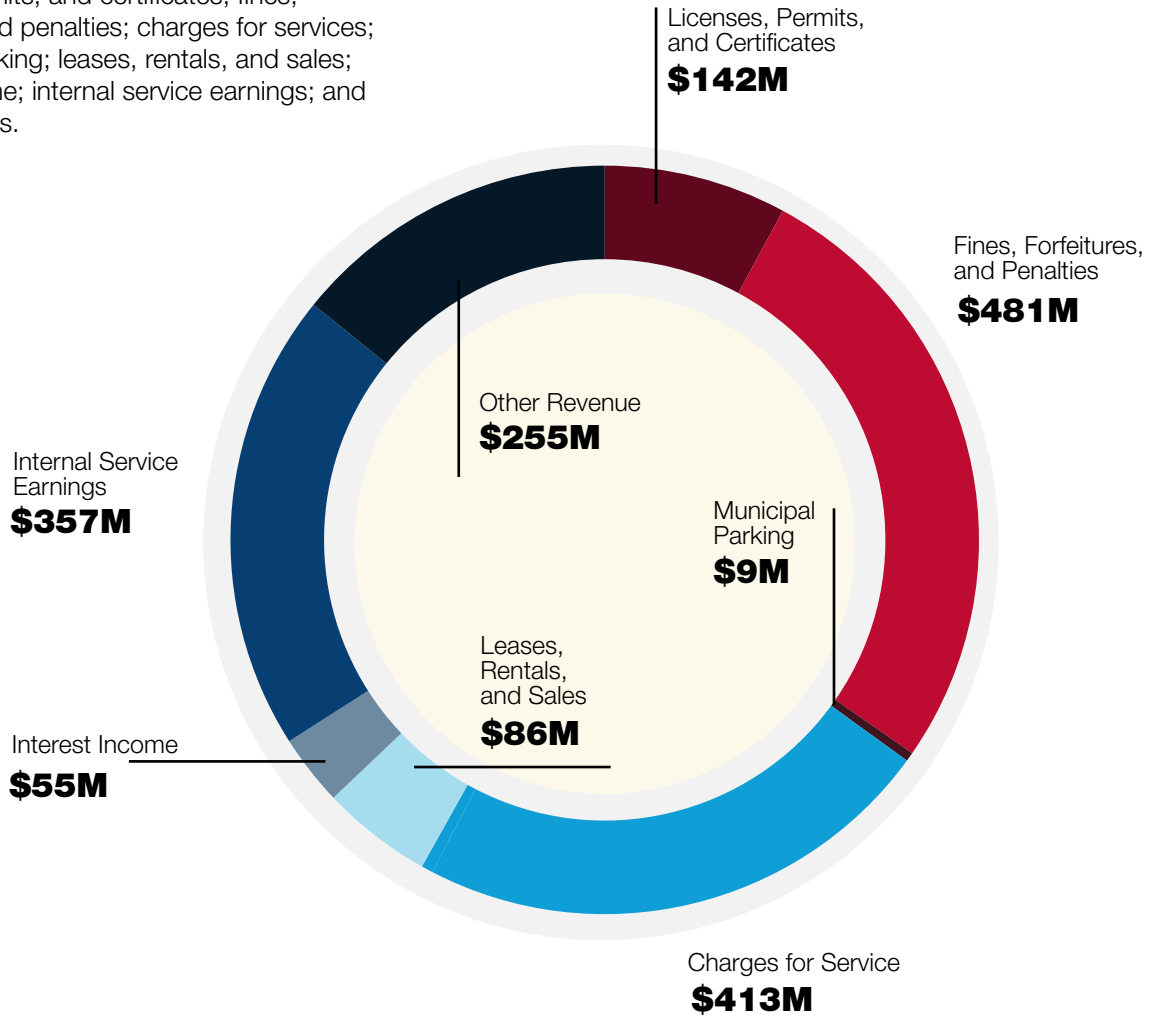
1b. Intergovernmental Revenue

Intergovernmental revenue is primarily made up of state income tax, personal property replacement tax, municipal auto rental tax, and reimbursements for city services.



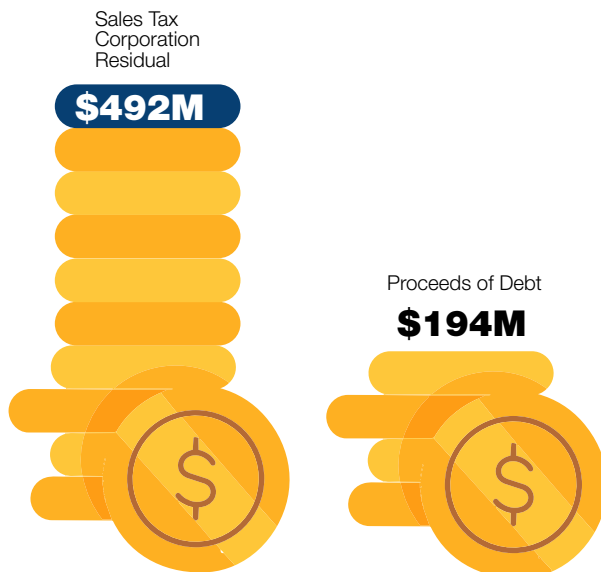
1c. Local Non-Tax Revenue

Local non-tax revenue consists of fees for licenses, permits, and certificates; fines, forfeitures, and penalties; charges for services; municipal parking; leases, rentals, and sales; interest income; internal service earnings; and other revenues.



1d. Proceeds and Transfers-In

Proceeds-In are resources moved from other funds into the Corporate Fund.



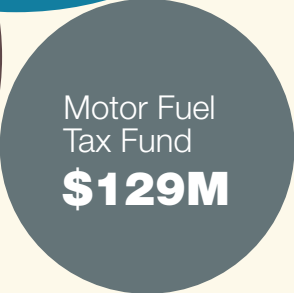
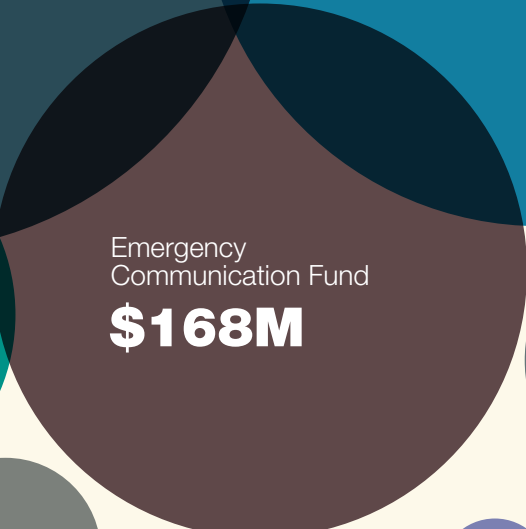
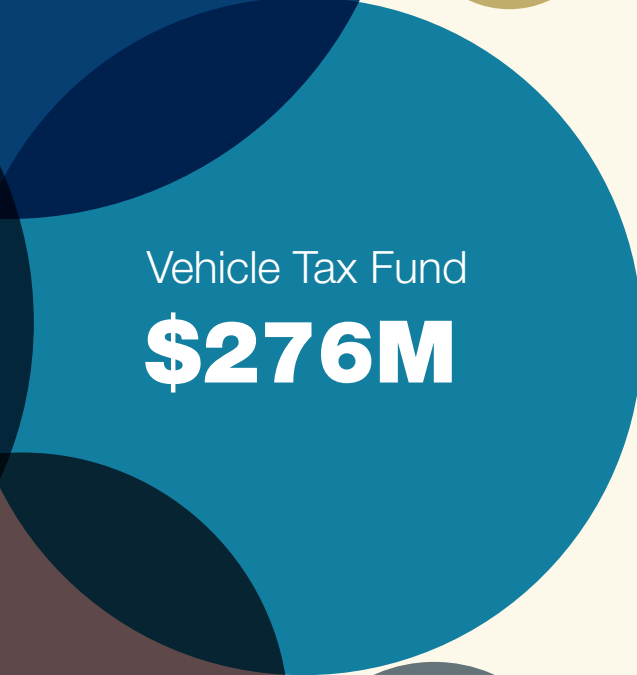
Estimated Resources

Special Revenue Funds

TOTAL

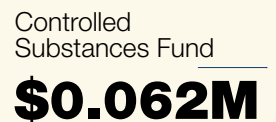
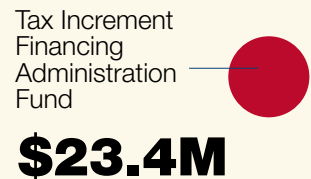
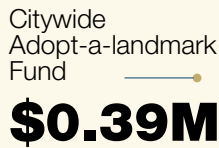
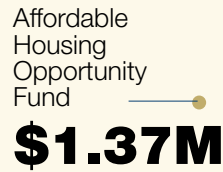
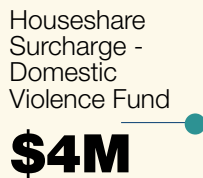
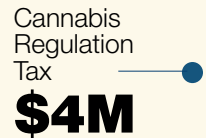
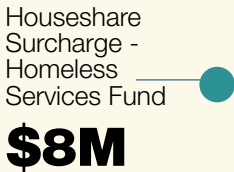
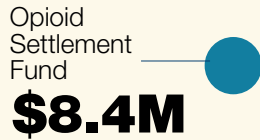
\$1.1B

~2.7% increase from 2025



Estimated Resources

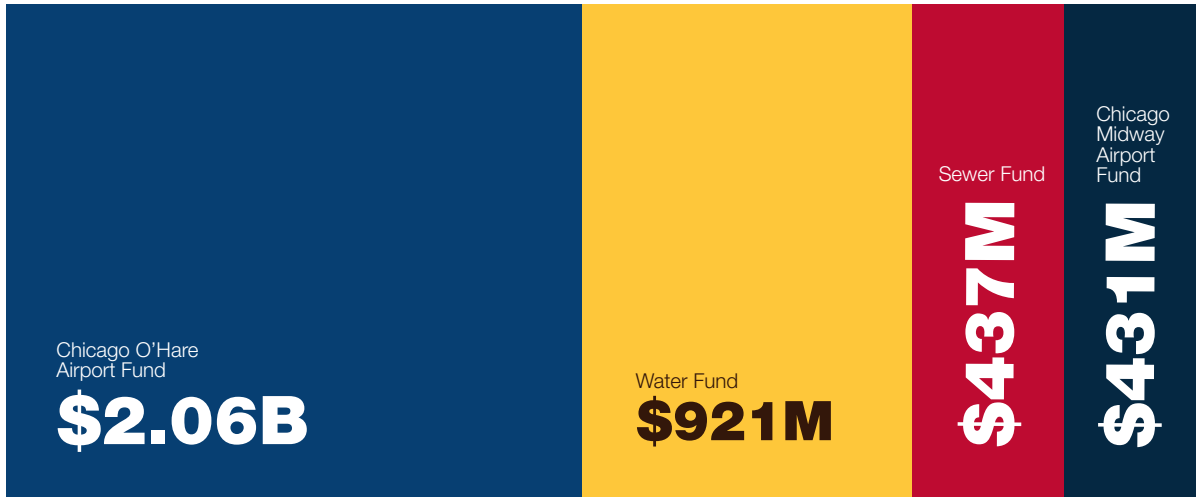
Special Revenue Funds



Enterprise Funds

TOTAL

\$3.84B



Pension Funds

TOTAL STATUTORY PENSION PAYMENT

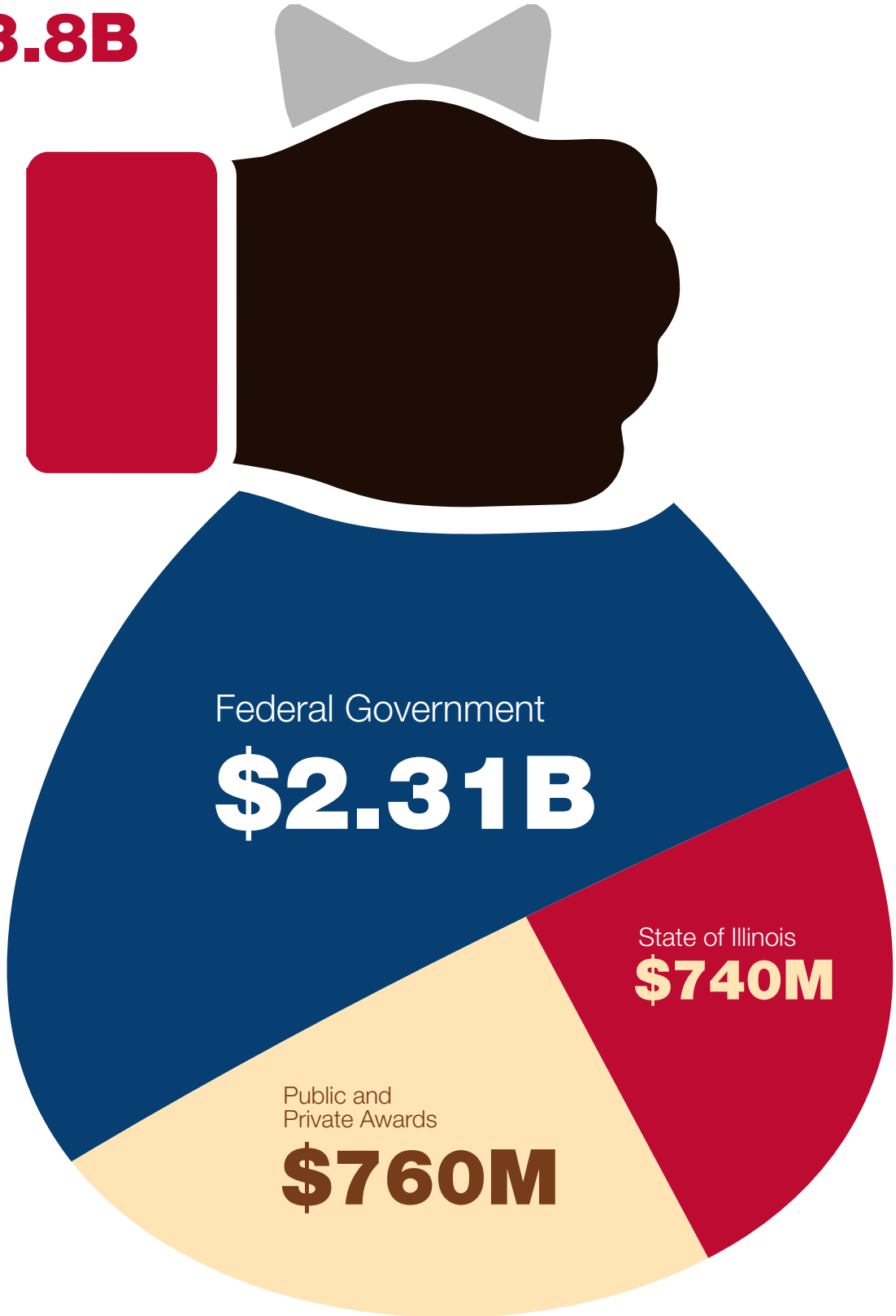
\$2.8B



Grant Funds

TOTAL

\$3.8B



Where the Money Goes

Chicago's approved 2026 budget carries a gross appropriation of \$18.6 billion; it is down from \$19.2 billion in 2025, a 3.2 percent decline that flatters a city under serious fiscal pressure. While the headline number appears to be decreasing, the city's costs continue to rise for two main reasons.

First, the City has fully exhausted its federal pandemic relief under the American Rescue Plan Act (ARPA). Chicago received approximately \$1.9 billion in ARPA funds beginning in 2021; those dollars temporarily inflated departmental budgets across public health, housing, and family services. With ARPA gone, several departments face sharp reductions in total appropriations, not because their work has ended, but because the emergency subsidy funding they received has ended.

Second, Mayor Johnson's originally proposed budget cuts to the discretionary advance pension payment from \$238.6 million to \$120.8 million to help close the \$1.19 billion Corporate Fund gap, a reduction that lowered the gross budget figure but drew a swift negative outlook revision from S&P Global Ratings. The City Council ultimately restored the full \$238.6 million advance payment in the final adopted budget, partially reversing that effect.

Beneath these headline movements, the city's underlying local operational spending is rising in three areas year over year. Personnel costs, salaries, overtime, and healthcare benefits increased by more than \$496 million compared to 2025, driven in part by newly ratified collective bargaining agreements for both police and firefighters. Pension obligations, while lower in gross terms than 2025's \$2.91 billion contribution, remain the single largest non-discretionary cost at \$2.76 billion and are legislatively required to increase further beginning in 2027.

Debt service costs are also rising, now compounded by the Council's authorization of \$1.8 billion in new bond issuances, including a concerning \$450 million borrowed not for infrastructure but to cover recurring operating

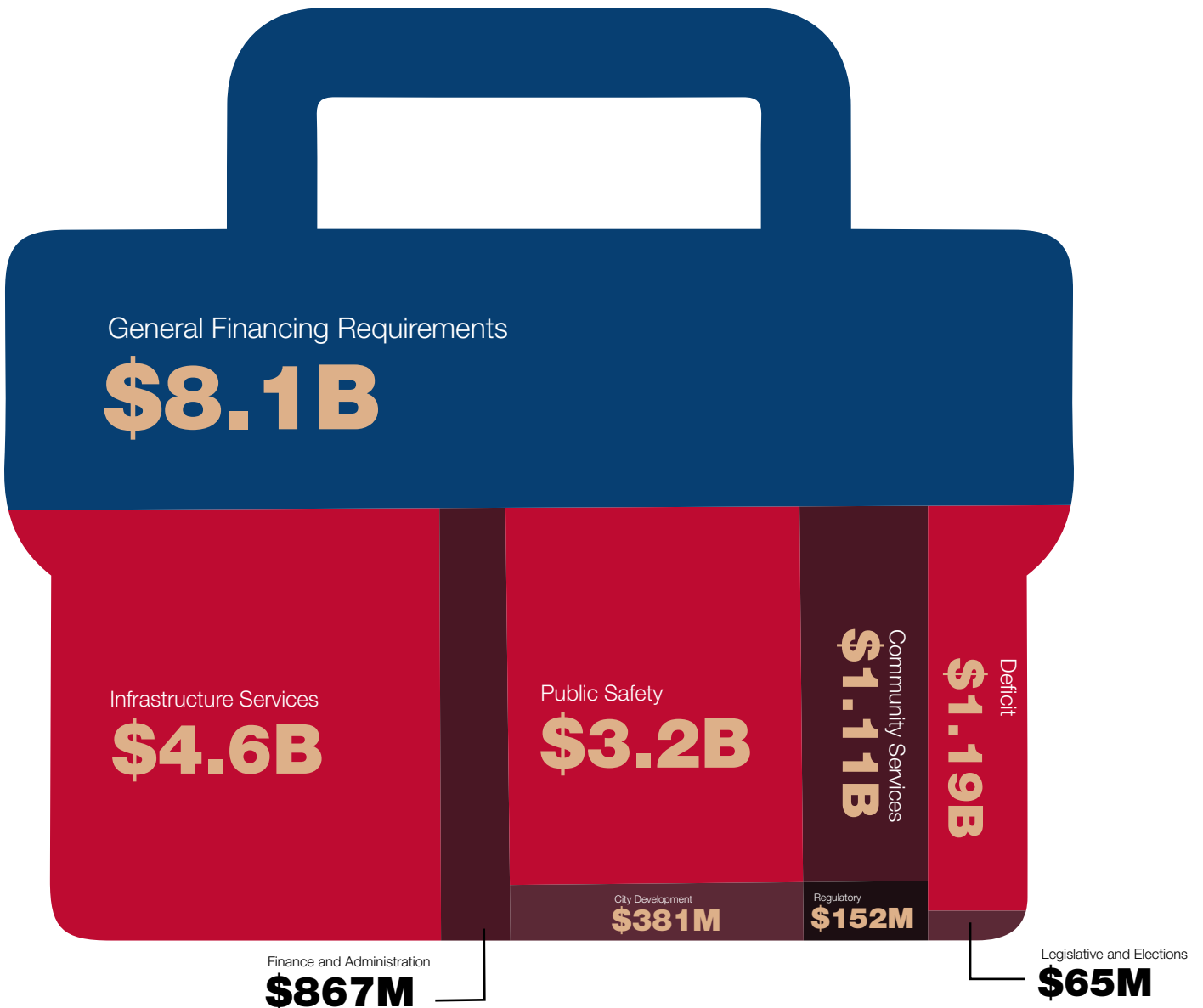
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Mayor Johnson himself warned after the budget's passage that a \$163 million gap remains and that emergency mid-year cuts may be necessary if revenues fall short. With official projections showing shortfalls of \$1.16 billion in 2027 and \$1.225 billion in 2028, the 2026 budget is best understood not as a resolved problem but as a one-year deferral of a structural reckoning that continues to grow.

costs: \$283 million in police misconduct settlements and \$166 million in retroactive firefighter back pay.

Taken together, pensions and debt service now consume approximately 40 percent of the city's operating budget. That share is structurally locked; it cannot be reduced through hiring freezes, departmental cuts, or efficiency drives. Every dollar of growth in those obligations is a dollar that must come from somewhere else, squeezing the discretionary services, libraries, public health clinics, mental health outreach, and street maintenance that residents experience most directly.

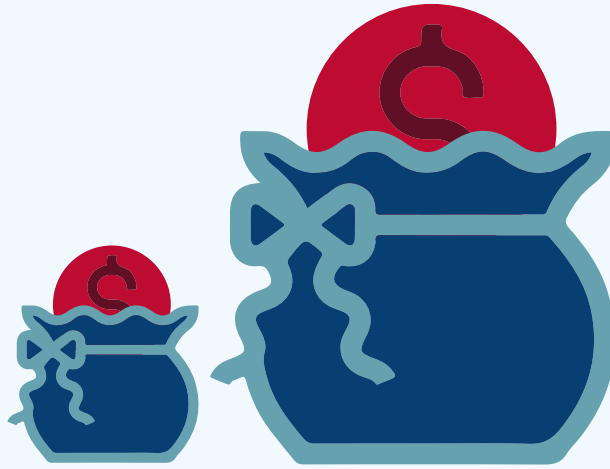
The 2026 budget holds those services largely intact on paper. Whether they remain intact in practice depends on whether the revenue measures that nominally balance this budget particularly the new 15 percent cloud tax and the record \$1 billion TIF surplus sweep materialize as projected. Mayor Johnson himself warned after the budget's passage that a \$163 million gap remains and that emergency mid-year cuts may be necessary if revenues fall short. With official projections showing shortfalls of \$1.16 billion in 2027 and \$1.225 billion in 2028, the 2026 budget is best understood not as a resolved problem but as a one-year deferral of a structural reckoning that continues to grow.



NET TOTAL, ALL FUNCTIONS

\$16,842.55M

Deductions & Transfer
\$1,826.02M



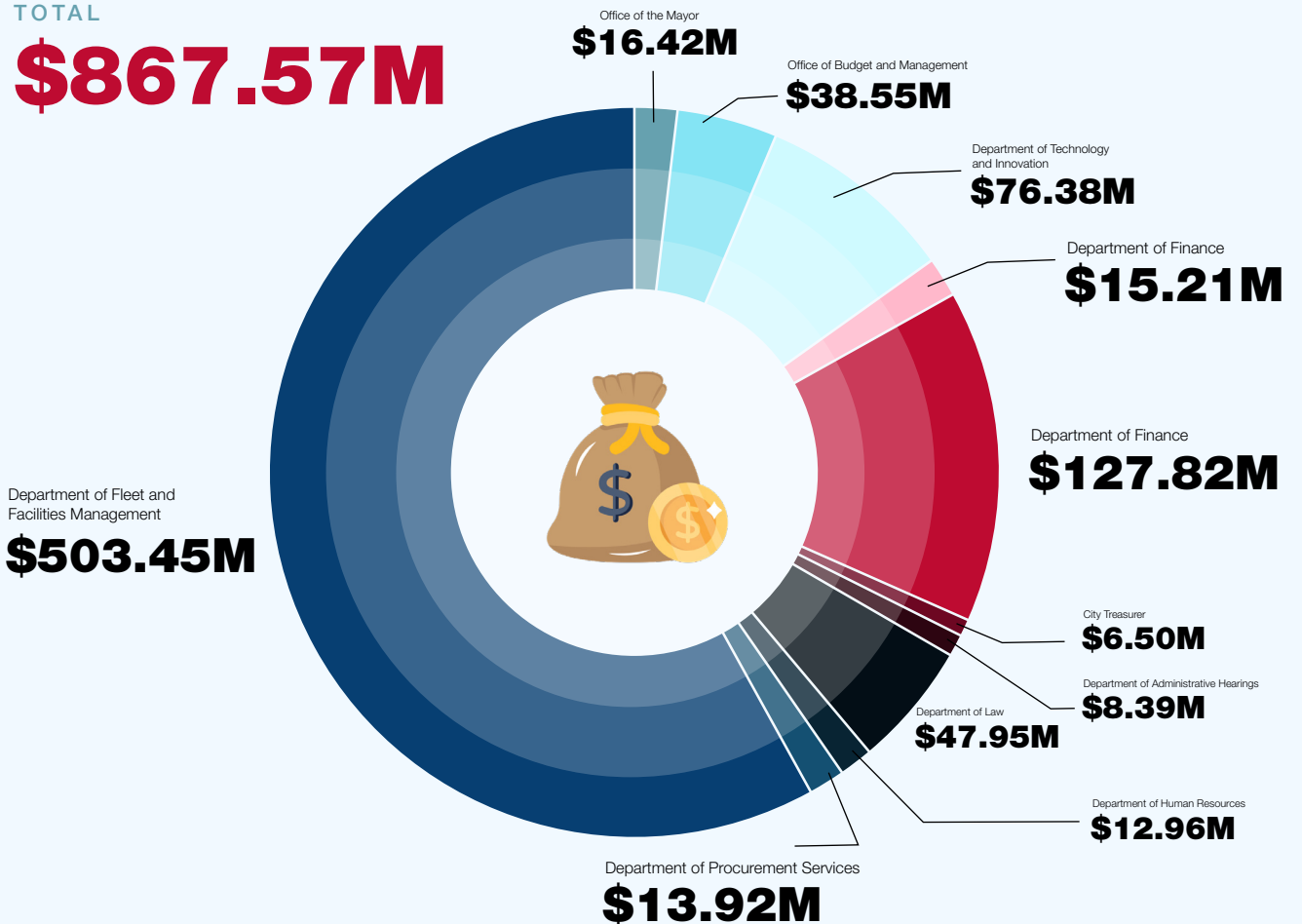
Total, All Functions
\$18,668.57M

Expenditure by Department

Finance and Administration

TOTAL

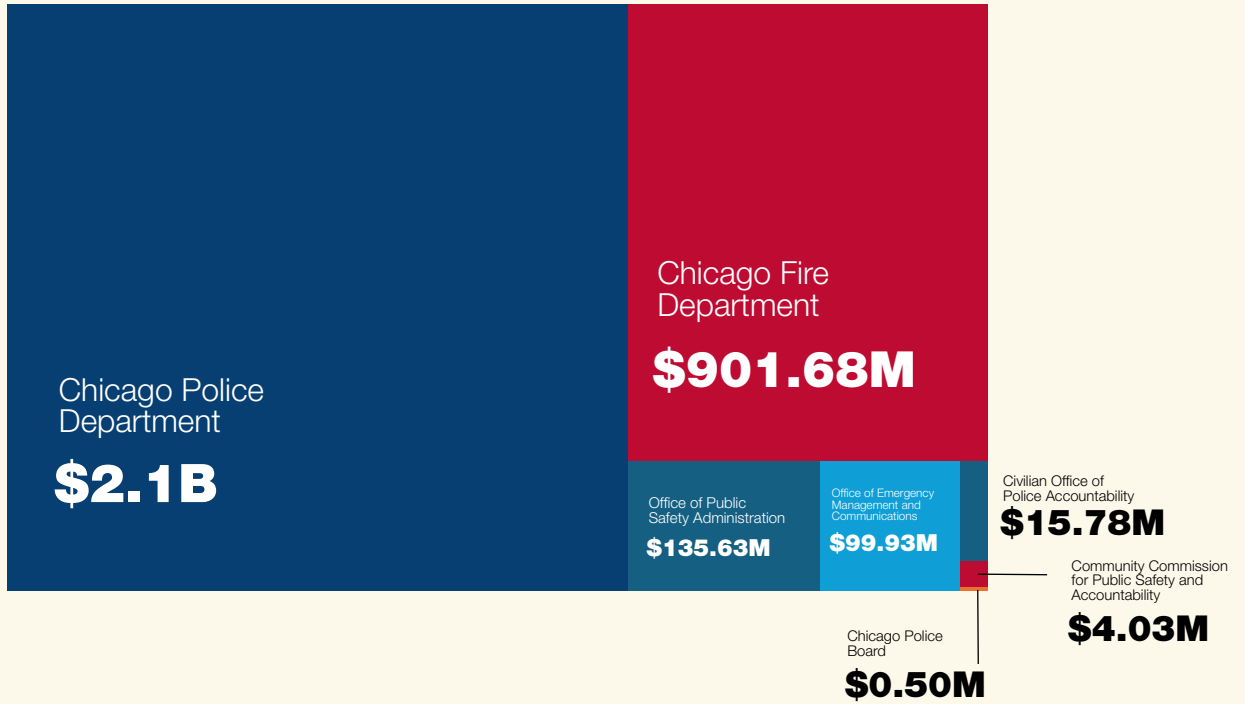
\$867.57M



Public Safety

TOTAL

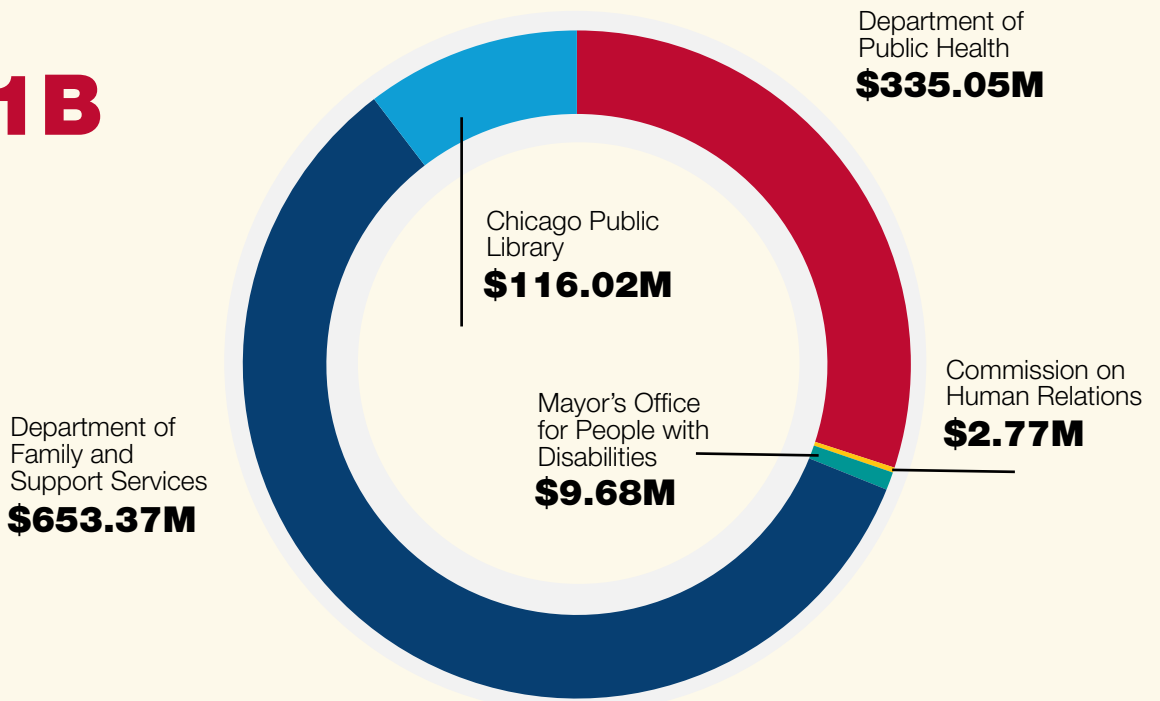
\$3.2B



Community Services

TOTAL

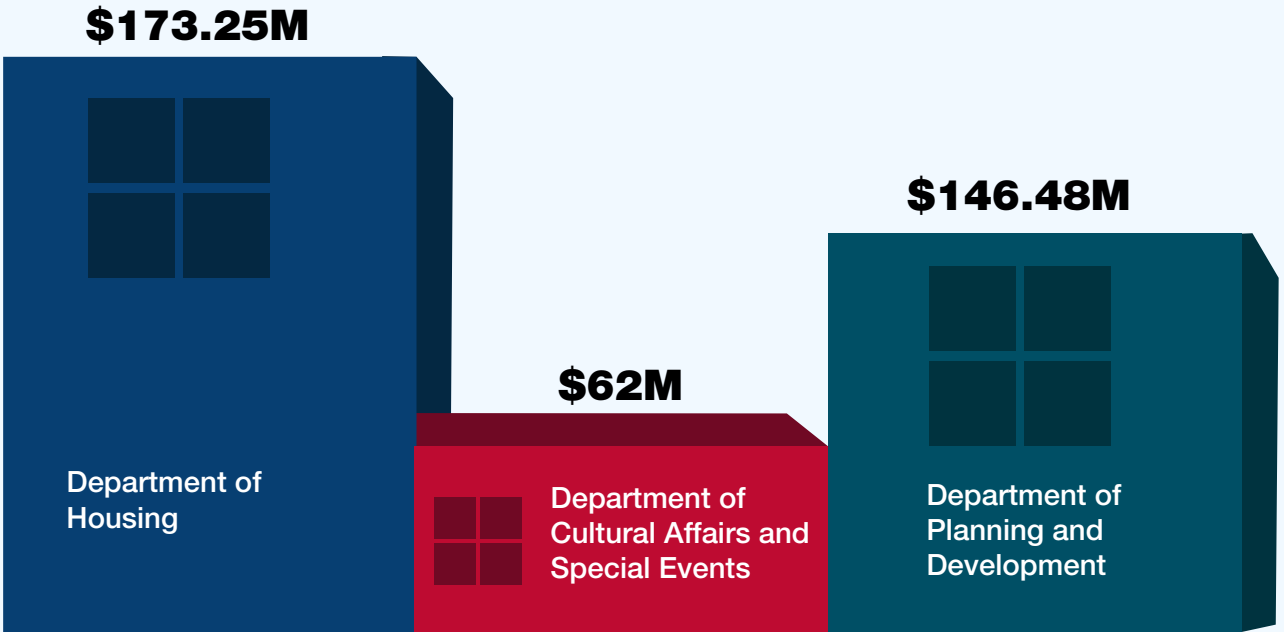
\$1.1B



City Development

TOTAL

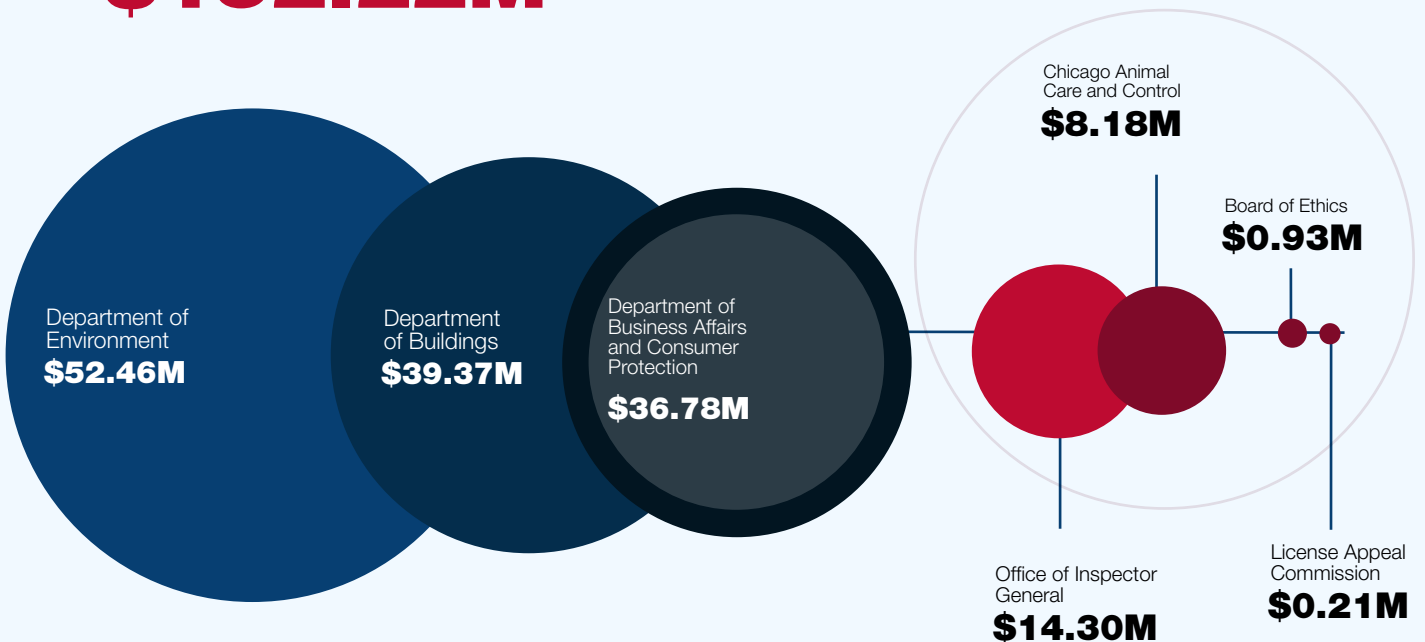
\$381.74M



Regulatory

TOTAL

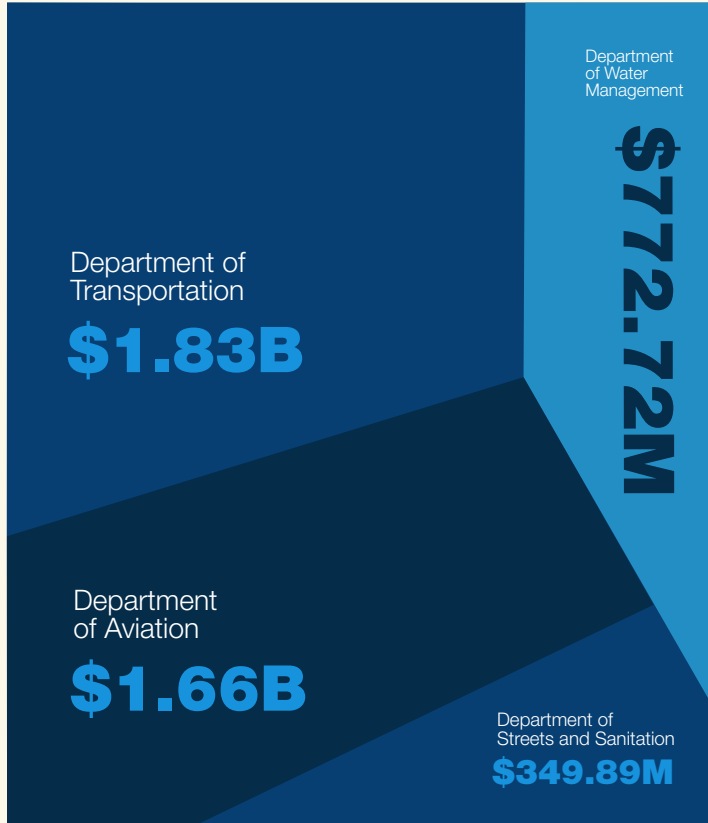
\$152.22M



Infrastructure Services

TOTAL

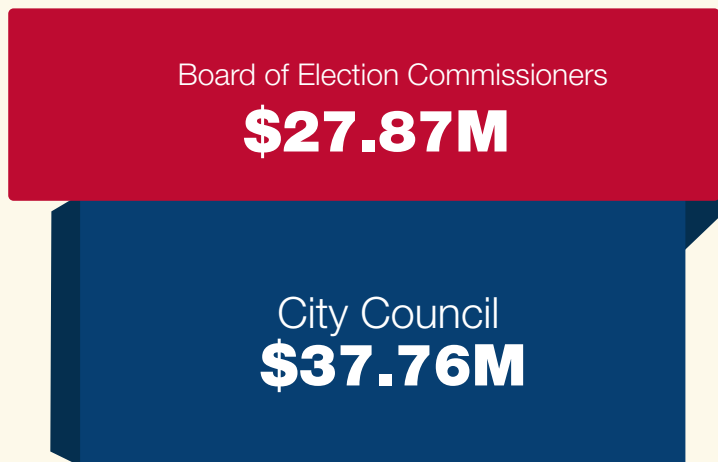
\$4.6B



Legislative and Elections

TOTAL

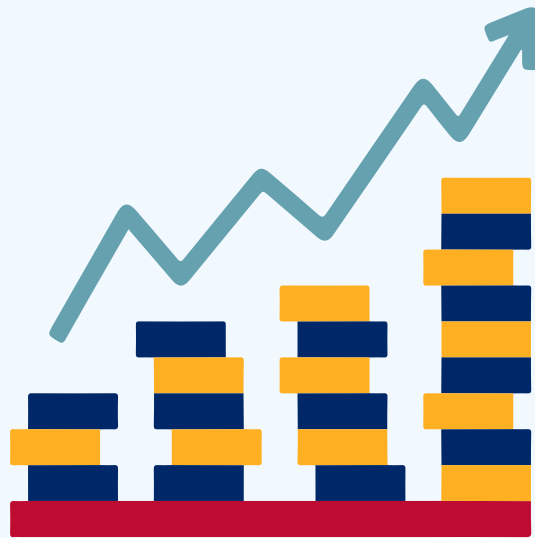
\$65.63M



General Financing Requirements

TOTAL

\$8.1B

Finance
General

\$8.1B

\$1 billion



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Fiscal Vulnerabilities and What They Mean for Chicago

Chicago entered 2026 without a safety net. The federal pandemic relief, approximately \$1.9 billion in ARPA funds, has been exhausted, leaving the city's budget without support for 4 years. There are no remaining reserves to draw down, no extraordinary federal transfers on the horizon, and a Corporate Fund gap of \$1.19 billion that had to be closed with whatever tools were available. What those tools were and how durable they are are the central questions facing the city's finances.

The Council's budget is an improvement, not a solution

When Mayor Johnson presented his October 2025 budget proposal, it rested on two revenue pillars the City Council rejected: a "Community Safety Surcharge," effectively a revival of the corporate head tax, charging businesses with more than 100 employees \$21 per month per worker, estimated to generate \$100 million, and a cloud tax increase to 14 percent. The Council struck down the head tax entirely, citing concerns about its effect on business retention and job creation. It then went further than the Mayor on the cloud tax, raising the Personal Property Lease Transaction Tax to 15 percent rather than the proposed 14 percent, making Chicago the only city in the United States with a municipal cloud tax at that rate. The Civic Federation projects that this increase will generate \$415 million in new annual revenue.

In place of the head tax, the Council built its gap-closing strategy on three additional mechanisms. It declared a record \$1 billion TIF surplus, the largest in Chicago's history, of which the city retains \$232.6 million in its Corporate Fund, with the remainder distributed to other taxing bodies, including Chicago Public Schools. It authorized \$1.8 billion in new bond issuances. And it restored the full \$238.6 million advance pension payment that the Mayor had sought to cut to \$120.8 million, a restoration that mattered not only fiscally but also for the city's credit standing: the Mayor's original pension cut had already

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prompted S&P Global Ratings to revise its outlook on Chicago's debt from stable to negative.

The Council's version is better than the Mayor's proposal; however, it is not enough.

Chicago is borrowing to pay the bills

Fiscal watchdogs are most alarmed not by the total debt authorized, but by the intended use of \$450 million. Of the \$1.8 billion in new bonds, \$283 million will cover police misconduct settlements, and \$166 million will cover retroactive firefighter pay under a newly ratified collective bargaining agreement neither of which is a capital investment. Financing these recurring operational costs over the long term is a significant concern.

The Civic Federation, whose analysis was led by former Inspector General Joseph Ferguson, notes that this practice, "borrowing to pay day-to-day bills," is precisely what contributed to Chicago's prior credit rating downgrades. The principal and interest on that debt must be repaid from future budgets, compounding the structural deficit rather than reducing it. Combined with \$830 million in backloaded bonds issued earlier in 2025, with no principal payments due until 2045, the total new debt burden is considerably larger than the FY2026 budget figure alone suggests.

Pensions and debt service now account for approximately 40 percent of the city's operating budget. That share is legally fixed and growing. It cannot be reduced by eliminating a city program or freezing hiring. Every dollar those obligations grow is a dollar that must either be raised from taxpayers or cut from services residents can see: health clinics, libraries, street repairs, or mental health services.

A note on shelter services

One structural shift embedded in the 2026 budget is worth tracking at the service level. As of January 2025, the Department of Family and Support Services completed the transition of Chicago's shelter system into a single unified network named the "One System Initiative," replacing the parallel infrastructure that had separately housed migrants and longer-term unhoused residents. The consolidated system operates with a reported capacity of approximately 6,800 beds, available to all unhoused residents regardless of immigration status or arrival date.

Whether this consolidation delivers the efficiency gains and equitable access it promises, or simply absorbs two underfunded systems into one, will become clearer in mid-year departmental reporting. Residents and advocates should closely monitor the DFSS budget actuals.

What 2027 and 2028 look like from here

The city's own Office of Budget and Management, confirmed by the Council Office of Financial Analysis, projects a \$1.16 billion Corporate Fund shortfall in 2027 and a \$1.225 billion shortfall in 2028 under the baseline economic scenario. In a negative scenario, a recession in late 2025 or early 2026 could widen that 2028 gap to over \$2 billion. In 2027, required payments for pensions will go up by over \$60 million compared to 2026, due to a schedule set by the state and a new pension law, HB3657, that Governor Pritzker signed in 2025, which adds about \$11.5 billion in long-term debt and \$7 billion in extra payments until 205

None of the revenue measures in the 2026 budget address this trajectory structurally. The cloud tax is real revenue, but it is untested at 15 percent and faces legal and competitive pressure. The TIF sweep cannot be repeated at this scale without stripping the very reserves designed to fund future development. The debt proceeds counted as 2026 revenue are treated as 2027 expenditure obligations. And the \$163 million gap that Mayor Johnson himself warned remains in the "balanced" budget means the city may not even finish 2026 in the position the approved ordinance assumes.

Chicago is not facing a budget problem. It is facing a structural mismatch between what the city is legally and contractually obligated to spend and what its current economy reliably generates in revenue that has been deferred, bridged, and papered over for years. The 2026 budget defers it again. At some point, deferral becomes a decision.



What residents should demand in 2026

The budget is now law. The accountability work begins now. Residents and their alderpersons should be pressing for answers to four specific questions before the 2027 budget cycle opens:

1

10%

What is the mid-year revenue performance of the 15 percent cloud tax — and what is the contingency plan if it underperforms by even 10 percent?

2

\$60m

How will the city fund the \$60 million increase in mandatory pension contributions due in 2027 without another round of one-time fixes?

3

2027

Which union contracts expiring in 2027 will be renegotiated, and what cost parameters has the city set before entering those negotiations? And what structural spending reforms not efficiency language, but actual reductions or restructuring is the administration prepared to put on the table before October?

A city that cannot answer those questions clearly by mid-2026 is a city that will arrive at its next budget in the same position it arrived at this one: holding a gap, holding a press conference, and reaching for the nearest one-time tool.

Your money. Your city. Your move.

The budget is now law. But a budget passed is not a budget delivered. The gap between what city officials approve in December and what residents experience in their neighborhoods is where civic accountability either works or fails. Here is how to close that gap.

1

Attend City Council meetings

Full Council meets at City Hall, 121 N. LaSalle. Committee on Budget and Government Operations hearings, where the real scrutiny happens, are open to the public. Testimony slots are available. Your alderperson's office can register you to speak.

Refer to chicityclerk.com for meeting schedules and agendas

2

Track spending in your ward

Each alderperson controls a menu program budget for ward infrastructure. Use the Chicago Data Portal to see how those funds are allocated and spent by ward, by department, and by year. Compare what was promised in October to what was contracted by June.

See data. cityofchicago.org to monitor spending data

3

Engage your alderperson directly

Chicago has 50 alderpersons. Nineteen voted against the revenue ordinance; thirty voted for it. Both groups now own the consequences. Find your alderperson's office, show up to their ward nights, and ask specific questions, not general ones. Specific questions are harder to deflect.

Find your ward and alderperson at chicago.gov

4

Follow budget reporting and watchdogs

The Civic Federation, Better Government Association, COFA, and BudgIT publish independent analyses at no cost. The city's own mid-year budget report, typically released in August, is the earliest signal of whether 2026 revenues are tracking to projections. Read it when it drops.

Questions to ask and why they matter

1

Why do pensions and debt now consume roughly 40% of the operating budget and what is the plan to stop that share from growing?

Pension contributions are projected to rise by more than \$60M in 2027 alone, driven by a state-mandated schedule and a 2025 pension sweetener law (HB3657) that added \$11.5B in long-term liabilities. No structural reform has been enacted. Ask what will give way when that bill comes due.

2

The cloud tax and TIF surplus cannot close a \$1.19B gap every year. What recurring revenue will replace them in 2027?

The 15% cloud tax is untested at this rate and faces business and legal pressure. The 2026 TIF sweep was the largest ever declared it cannot be repeated at scale. Official projections show a \$1.16B gap in 2027. There is currently no identified plan to close it.

3

Chicago borrowed \$450M to pay police settlements and firefighter back pay. Who bears the interest and from which future budget does it come?

Borrowing to pay recurring operational costs is the practice that contributed to Chicago's prior credit rating downgrades. The Civic Federation describes it as a repeat of a documented mistake. The interest compounds in future budgets. Ask your alderperson to name the repayment source.

4

Are taxes being collected equitably and are fines and fees falling hardest on those least able to pay?

Fines and penalties account for \$481M in city revenue. Research consistently shows that municipal fines fall disproportionately on lower-income and Black and Brown communities. The cloud tax is nominally paid by businesses but is routinely passed through to consumers and small operators. Ask who is actually paying.

5

Are public funds producing visible results in your neighborhood and how would you know if they weren't?

Appropriation is not delivery. The CPD has consistently exceeded its overtime budget spending \$190M in 2025 against a \$100M allocation. DFSS shelter services were restructured mid-year. Public health and library positions were cut. Ask what performance metrics apply to every major department budget line and where those results are publicly reported.

Key dates to watch in 2026

Mid-2026 Mid-year budget report

This is the first official signal on whether cloud tax and other new revenues are tracking projections. If they are not, emergency cuts follow.

Oct 2026 Mayor's 2027 budget proposal

Watch whether the proposal relies again on one-time fixes or whether structural reforms to spending and sustainable revenue finally appear.

Aug 2026 FY2027 Budget Forecast

The city publishes its forward-looking gap estimate. This is the moment to see whether the \$1.16B projected 2027 shortfall has grown, shrunk, or been addressed.

Closing note from BudgIT

Chicago's 2026 budget did not solve the problem. It survived it, for one more year.

The city enters 2026 having closed its largest budget gap since the pandemic through a combination of a record tax rate, a record TIF surplus, and a record level of new debt authorization. Each of those words and records should give pause. You cannot set records every year. And you cannot borrow your way to structural balance.

What makes this moment different from prior Chicago budget cycles is not the size of the gap. It is the absence of a cushion. ARPA is gone. The TIF pantry has been raided to its limit. The advance pension payment that credit agencies closely watched was nearly cut and may face pressure again in 2027. The structural mismatch between what Chicago is legally obligated to spend and what it reliably earns is not a problem that creativity, political will, or noble intentions alone can solve. It requires decisions that impose real costs on actual constituencies, such as labor, business, property owners, or service recipients, and no group has yet been asked to bear a proportionate share.

That is not a partisan observation. It is an arithmetic one. And it is the reason that informed, persistent, organized civic engagement is not optional right now. Elected officials respond to what they hear from constituents between budget cycles, not just during them. The 2027 budget conversation has already started in the offices and committee rooms of City Hall. It should also be happening in every ward meeting, community organization, and neighborhood association in Chicago.

BudgIT's role is to make the numbers accessible, the stakes clear, and the questions sharp. What happens next depends on you.



Citizens' Guide to Chicago's 2026 Budget

T - Chicago FY2026 Budget Analysis · usoffice@budget.org · www.budget.us |
Sources: City of Chicago OBM · Civic Federation · COFA · BGA



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