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MAYOR BRANDON JOHNSON RELEASES FY2026 BUDGET FORECAST

Forecast projects \$1.15 billion gap; City ends 2025 with \$146 million deficit amid pension reimbursement uncertainty and continued threats from the federal government.

CHICAGO — Mayor Brandon Johnson today released the City of Chicago's 2026 Budget Forecast, providing residents and civic leaders with a candid assessment of the City's financial outlook as the administration prepares to introduce a balanced budget later this fall.

The forecast projects the City will close 2025 with a \$146 million deficit, driven by weaker-than-expected business-related tax revenues, the exhaustion of one-time reserves, and the continued uncertainty surrounding a \$175 million pension reimbursement from Chicago Public Schools (CPS). Looking ahead, the City faces a projected Corporate Fund gap of \$1.15 billion in 2026, slightly higher than the \$1.12 billion gap forecast at this time last year. The shortfall reflects rising personnel-related costs—including \$629 million in wage, healthcare, and pension growth—as well as the ongoing structural imbalance between recurring revenues and expenditures.

At the same time, the City faces unprecedented threats from the federal government. Cuts to Medicaid, SNAP, violence prevention, and public health funding as well as the expiration of American Rescue Plan funds will all have direct and indirect impacts on our city's budget and financial future.

Additionally, pension reforms at the state level, without any new tools to raise progressive revenue at the city level, have added significant costs to our pension obligations in coming years.



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“This forecast shows both the scale of the challenge before us and the strengths that make Chicago capable of meeting it,” said **Mayor Brandon Johnson**. “We have one of the most diverse and dynamic economies in the world. Together with City Council, labor, business, and community leaders, we will bring forward a balanced budget that protects essential services, invests in our neighborhoods, and builds a safer and more affordable Chicago.”

The forecast reflects three potential economic scenarios through 2028: a baseline projection of modest growth and persistent inflation; a negative case in which recessionary conditions widen the shortfall to over \$2.0 billion by 2028; and a positive case where stronger growth narrows the gap to about \$716.4 million by 2028.

Key findings from the forecast include:

- **Revenues:** Corporate Fund revenues are projected at \$5.26 billion in 2026, a 9.1% decline relative to 2025, reflecting the loss of \$424.6 million in one-time resources and continued uncertainty around CPS pension reimbursements.
- **Expenditures:** Corporate Fund expenditures are projected at \$6.41 billion in 2026, an increase of 10.7% relative to 2025, driven by personnel services (\$4.16 billion), pensions (\$907.8 million), and contractual services (\$617.6 million).
- **Pensions:** Since 2023, the City has made more than \$820 million in supplemental contributions to slow the growth of unfunded liabilities. For 2026, the Corporate Fund’s share of pension obligations totals \$907.8 million, including \$219.4 million in supplemental payments.

Budget Director Annette Guzman stressed that transparency and discipline will guide the City’s approach to closing the gap.

“This forecast makes clear that we cannot rely on one-time resources or uncertain reimbursements to sustain core services,” said **Budget Director Annette Guzman**. “Our structural challenges are real, and they require durable, recurring solutions. At the same time, Chicago’s economy remains strong, and with transparency and discipline we can chart a path that protects residents, supports our workforce, and strengthens the City’s long-term financial health.”

The 2026 Budget Forecast is a planning tool, not a spending plan. It provides City Council and residents with clear sightlines into the fiscal challenges and trade-offs that must be



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addressed. The Mayor will present a balanced budget recommendation to City Council this fall.

The full FY2026 Budget Forecast is available on [the Office of Budget and Management website](#).

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