



**CHICAGO
FINANCIAL FUTURE
TASK FORCE**

FINAL REPORT | MAY 31, 2026

Understanding the Budget: A Step by Step Guide by CFFTF



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01 Message from the Co-Chairs

To the Chicago Community,

We all want a Chicago that works for everyone, a city with strong neighborhoods, reliable services, safe streets, good jobs, thriving businesses and a bright future for our children. But delivering on that promise requires us to be honest about the challenges we face and thoughtful about the choices we must make going forward.

Whether managing a household budget, running a business or governing a city, long-term success depends on understanding what resources are available, what obligations must be met and what investments are needed for the future. But Chicago's fiscal challenges did not emerge recently, or even in the past decade. They have developed over several decades, as the cost of delivering essential services, meeting pension obligations and maintaining critical infrastructure has grown faster than the revenues available to support them. What began as annual budget gaps has become a structural challenge that demands sustained solutions.

That is why Mayor Brandon Johnson brought together the Chicago Financial Future Task Force. Its 23 volunteer members include leaders from business and labor, community organizations and public policy. Independent and non-partisan, the Task Force was focused on helping Chicago understand its choices and identify responsible, lasting solutions.

Our work unfolded in two phases. First, we released an Interim Report focused on near-term options for the City's 2026 budget. Now, our just completed Final Report looks more deeply at the recurring issues shaping Chicago's financial future, including pensions and other long-term liabilities, revenues and expenses, the role of state law and City authority, opportunities to modernize government operations, and the importance of economic growth.

This report is not a single plan because Chicago's fiscal challenges were not created by one decision, one administration or one budget cycle—and they will not be solved that way. Instead, the report presents a range of options for City leaders and residents to consider. Some ideas could begin sooner. Others would take more time, require cooperation with the State of Illinois, or need further planning and public discussion. Each option comes with trade-offs. Each deserves careful review. And none should be considered without asking how it affects residents, neighborhoods, services, affordability and fairness.

This work was informed by extensive community engagement. Through surveys, focus groups and deliberative town halls held across every part of Chicago, residents shared their priorities, concerns and hopes for the City's future. They brought different experiences and perspectives to the table, but many shared concerns about affordability, service delivery and the City's long-term fiscal future. They also made it clear that earning trust matters. People want to know not just what changes are being considered, but why they are being considered, how decisions can be made, and whether those decisions will lead to visible improvements in daily life.

These perspectives helped ensure that the Task Force evaluated Chicago's fiscal challenges not only through a financial lens, but also through the lived experiences and needs of the people who rely on city services every day. The insights gathered through that process also helped shape the educational materials that follow.

Solving these challenges will not be easy, and it will not happen overnight. But avoiding hard choices will only make those choices harder later. Throughout this process, our commitment was to provide an objective view of the City's fiscal condition, explain the issues in plain language, and offer a clear view of the options and trade-offs before us.

Chicago has faced tough times before and has always found a way forward. We are confident that progress is possible if we work together, tell the truth about the problem, listen to residents, and make responsible decisions that protect both today's services and tomorrow's opportunities.

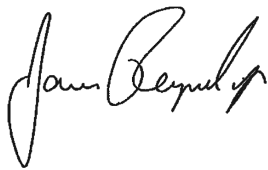
This guide is meant to help make the budget easier to understand. We hope it gives you the tools to follow the conversation, ask good questions, and make your voice heard because the decisions we make today will shape Chicago's future for decades to come.

It has been a privilege to contribute to this effort on behalf of the City of Chicago. We share a common commitment to a stronger, more sustainable future for our city, and we hope this work helps support the thoughtful conversations and decisions needed to achieve that goal.

With gratitude,



**Karen Freeman-Wilson Co-Chair, Chicago Financial Future Task Force
President & CEO, Chicago Urban League**



**Jim Reynolds Co-Chair, Chicago Financial Future Task Force
Chairman & CEO, Loop Capital**

02 Making the Budget Make Sense: The Taskforce Budget Tutorial

A city budget can seem complicated, but at its core it is simply a plan for how public dollars are used to provide services and invest in the future. The decisions made in Chicago's budget affect daily life in countless ways, from public safety, transportation and public health to libraries, neighborhood services, infrastructure and economic development.

Many Chicagoans who participated in the Task Force's community engagement process told us they are concerned about the City's long-term fiscal feasibility for the future. But they said they do not always understand how budget decisions are made or how those decisions affect their lives. These tutorials are designed to help close that gap by explaining key budget concepts in plain language and providing context for the discussions shaping Chicago's future.

As noted in the message from our co-chairs, Chicago's fiscal challenges did not emerge overnight. They developed over many years as the cost of providing services, meeting long-term obligations and maintaining critical infrastructure grew faster than the revenues available to support them. As a result, the City now faces ongoing fiscal challenges that cannot be solved through one-time actions alone. They are persistent and structural.

The Chicago Financial Future Task Force examined many of the factors contributing to these challenges, including pensions and other long-term liabilities, revenues and expenditures, government operations, economic development and the role of state law in shaping the City's fiscal options. The recommendations and options presented in the Final Report reflect that work.

The tutorials that follow are intended to help residents better understand how Chicago's budget works, why these challenges matter and what options are available to address them. They provide straightforward explanations, practical examples and plain-language context to support informed conversations about the City's future.

An informed public is essential to good decision-making. We hope these materials help you follow the conversation, ask questions, understand the necessary trade-offs and make your voice heard as Chicago charts its path forward.

Tutorials:

1. What Is a City Budget?
2. How Does the City Budget Impact Me?
3. What Is a Structural Budget Challenge?
4. Where Does the Money Come From?
5. How Do I Think About the Budget Through a Family Budget Lens?
6. What Does the Task Force Recommend?

7. Why State and City Cooperation Matters
8. How to Explain the Budget to Others in Plain English
9. Why Get Involved? Your Voice Matters

Tutorial 1: What Is a City Budget?

Every year, Chicago creates a budget that acts as a financial roadmap for the city. It shows where public dollars come from, what services they support and what priorities city leaders choose to fund.

Money comes into the City through sources such as taxes, fees, fines, permits, service charges and support from state and federal governments. That money is then used to pay for the services and obligations that keep Chicago running. These include police, fire and emergency response, sanitation, public health, libraries, transportation-related services, infrastructure and general government operations.

Chicago's primary operating fund is called the Corporate Fund. It pays for many of the core services residents rely on every day. The City also manages other funds that are restricted for specific purposes, like water, sewer and aviation operations. Restricted dollars generally cannot be redirected to pay for general City services.

This distinction is important. While people often hear about the City's total budget, discussions about annual budget deficits typically focus on the Corporate Fund because it pays for many of the City's core services and offers more flexibility than funds that are legally restricted for specific purposes.

But bottom line, a budget is more than just a financial document. It reflects choices about what services to provide, what obligations must be met and what investments can be made in residents, neighborhoods, businesses and the future. Understanding those choices is one of the first steps in understanding how city government works.

Tutorial 2: How Does the City Budget Impact Me?

The decisions that set the City budget affect daily life in ways that many people may not realize. Budget decisions influence how quickly potholes are repaired, how often garbage is collected, how libraries are staffed, how public health programs operate, how streets and sidewalks are maintained and how police, firefighters and emergency responders are deployed throughout the city. They also affect investments in infrastructure, neighborhood development, transportation and other services that support quality of life.

When the City has stable revenues and manages its costs responsibly, it is better positioned to deliver reliable services, maintain public assets, respond to emergencies and invest in Chicago's future. Strong finances also provide greater flexibility to address unexpected challenges and pursue new opportunities.

When the City faces significant budget pressures, residents may feel the effects in different ways. That can include delayed repairs, deferred investments, higher taxes or fees, staffing challenges or difficult decisions about service levels and priorities. Even when cuts are avoided, the City may postpone important investments or rely on temporary solutions that do not address underlying challenges.

Whether you realize it or not, budget decisions shape many of the services you use every day. Understanding those decisions helps residents participate more effectively in conversations about Chicago's future and the choices that affect their communities.

Tutorial 3: What Is a Structural Budget Challenge?

A structural budget challenge is a problem that keeps returning year after year because costs are growing faster than revenues. In Chicago's case, recurring expenses have grown faster than recurring revenues for many years. In other words, the challenge is not the result of a single bad year or unexpected event. It reflects a longer-term imbalance between the resources available to the City and the costs of providing services and meeting financial obligations.

This does not mean Chicago is out of options. It does mean that temporary solutions alone cannot solve the problem. One-time funds, short-term cuts or delaying investments may help close a budget gap in a particular year, but they do not address the underlying imbalances.

A major part of Chicago's structural challenge involves long-term obligations, particularly pensions. For many years, the City's pension systems were not funded at levels sufficient to cover future obligations. Today, Chicago must make significant pension contributions to address that past underfunding while continuing to pay for current services. As those required payments increase, less funding is available for other priorities unless revenues also grow. Other long-term costs, including debt service, settlements and judgments and infrastructure needs, also place pressure on the City's finances and reduce flexibility in future budgets.

One way to think about a structural budget challenge is through a household example. Imagine a family with regular bills, old debt and rising costs, while its income grows more slowly. The family might balance this month's budget by using savings or postponing repairs, but unless it changes its long-term financial plan, the same challenge is likely to return month after month.

That is why the Chicago Financial Future Task Force focused on long-term solutions. Addressing a structural challenge requires more than balancing a single year's budget. It requires finding ways to better align revenues, obligations and investments over time.

Tutorial 4: Where Does the Money Come From?

Just like households and businesses need income to pay their bills, cities need revenue to provide services.

Chicago receives money from many different sources, including taxes, fees, fines, permits, service charges and funding from state and federal governments. Some of these revenues grow when the economy grows. Others are fixed, limited by law or do not automatically keep pace with inflation and rising costs.

This creates a challenge. The cost of providing services, maintaining infrastructure and meeting long-term obligations can increase every year, while some revenue sources remain relatively flat. When costs grow faster than revenues, budget gaps can emerge.

There is no single solution. Cities typically strengthen their finances through a combination of approaches, including:

- Collecting money that is already owed (note: not all money owed is collectable)
- Improving government efficiency
- Updating technology and administrative systems
- Reviewing fees and taxes when appropriate
- Working with state government to address legal or financial constraints
- Growing the local economy and expanding the tax base

Economic growth is especially important because it can generate additional revenue by attracting businesses, residents, visitors, jobs and investment.

The key is matching the solution to the challenge. One-time problems may call for one-time solutions. Long-term challenges require long-term strategies.

Tutorial 5: How Do I Think About the City Budget Through a Family Budget Lens?

A family budget is not the same as a city budget, but it can help explain some of the choices city leaders face.

Imagine a family whose housing costs, utility bills, medical expenses and debt payments continue to rise while household income grows more slowly. The family might get through a difficult month by using savings, postponing repairs or cutting back on spending. Those steps can help in the short term, but they do not solve the underlying challenge.

Eventually, the family must step back and ask bigger questions:

- Can we reduce unnecessary costs?
- Can we increase reliable income?
- Can we manage debt more effectively?
- Are we spending money in the most efficient way?
- Should we make investments now that could reduce costs later?
- Do we need help from others who influence our financial situation?

Chicago faces similar questions, but on a much larger scale. The City must maintain essential services, invest in neighborhoods, meet long-term obligations and prepare for future challenges, all while balancing competing priorities and limited resources.

A responsible approach cannot rely on only one solution. It requires balancing costs, improving efficiency, collecting revenues that are already owed, considering revenue options, supporting economic growth and ensuring public dollars are used responsibly. Like a family planning for the future, the City must make decisions today that support long-term financial stability tomorrow.

Tutorial 6: What Does the Task Force Recommend?

The Chicago Financial Future Task Force did not create a single plan for City Hall to follow. Instead, it developed a range of options that City leaders and residents can consider as they work to strengthen Chicago's long-term financial future. Its recommendations are designed to help the City reduce its reliance on short-term fixes, improve financial stability, protect essential services and create a stronger foundation for future growth.

The Final Report focuses on four areas.

1. Long-Term Liabilities and Public Pensions

Long-term obligations such as pensions, debt service, settlements and judgments consume a growing share of City resources. As those costs increase, less funding is available for other priorities.

The Task Force explored options such as making additional pension contributions when possible, improving claims and litigation management, coordinating more closely with the State on pension issues and ensuring that new pension obligations created by State action are accompanied by funding solutions.

2. Revenues, Expenditures and Fiscal Architecture

This area focuses on how the City raises revenue, manages spending and organizes government operations. The goal is to help public dollars go further by improving efficiency, strengthening collections, modernizing technology and creating a more sustainable fiscal framework.

Examples include expanding already improved debt collection efforts, modernizing outdated technology systems, strengthening cybersecurity, using emerging technologies responsibly and identifying opportunities for collaboration between governments.

3. Economic Development

A stronger economy can help create a stronger fiscal future. That's because economic growth expands the tax base by attracting businesses, residents, jobs, visitors and investment. Over time, that growth can generate additional revenues that support public services and reduce pressure on taxpayers.

The Task Force examined ideas such as supporting neighborhood business corridors, encouraging housing development, improving the use of vacant land, attracting investment and making it easier to do business in Chicago.

4. Community Insights and Equity Considerations

The Task Force also sought input from residents citywide through surveys, focus groups and town halls held across Chicago. Participants consistently emphasized the importance of public safety, transportation, affordability, reliable services, transparency, accountability and long-term fiscal stability.

These perspectives helped shape the Task Force's work. Budget decisions should be evaluated not only by their financial impact, but also by how they affect residents, neighborhoods, trust in government and quality of life throughout the city. Together, these four areas provide a framework for understanding both the challenges facing Chicago and the options available to address them.

Tutorial 7: Why State and City Cooperation Matters

Chicago is responsible for balancing its budget and delivering essential services, but it does not control every rule that affects its finances. Some of the City's biggest fiscal challenges are influenced by State law or the Illinois Constitution. These include certain pension requirements, revenue-sharing formulas and limits on some local revenue options. As a result, some solutions can be implemented by the City alone, while others require action by the State of Illinois or cooperation between both levels of government.

That is one reason the Chicago Financial Future Task Force looked beyond City Hall when evaluating potential options. Long-term fiscal stability will depend not only on decisions made by Chicago leaders, but also on partnerships with state policymakers.

As Illinois' largest city and economic engine, Chicago's financial health matters beyond city limits. The City helps drive jobs, business activity, tourism and tax revenues throughout the region and the state. When Chicago succeeds, the benefits extend far beyond its borders. For that reason, lasting solutions often require shared responsibility, collaboration and a commitment to solving problems together.

Tutorial 8: How to Explain the Budget to Others in Plain English

If someone asks why Chicago's budget is such an important topic, here is a simple way to explain it: Chicago's budget works a lot like a household budget, just on a much larger scale. Money comes in and money goes out. The City uses that money to provide services people depend on every day, while also paying long-term obligations such as pensions and debt.

The challenge is that some of those costs have been growing faster than the revenues available to support them. When that happens year after year, the City faces what is called a structural budget challenge. Like a family facing rising expenses, the City can sometimes use temporary solutions to get through a difficult year. But if the same gap keeps returning, longer-term changes may be needed.

That is why the Task Force developed a range of options rather than a single solution. Some focus on managing costs. Others focus on modernizing government operations, growing the economy or working with the State to address issues that cannot be solved by the City alone. The goal is not to suggest that every option should be adopted. Instead, it is to help residents and policymakers understand the choices, trade-offs and opportunities involved.

In plain English: Chicago needs to pay its bills, maintain essential services, invest in its future and ensure that its finances remain sustainable over time. Doing that will require thoughtful decisions, public engagement and a willingness to plan for the long term.

Tutorial 9: Why Get Involved? Your Voice Matters

Budgets are about more than numbers. They are about the services people use, the neighborhoods they live in and the opportunities available to future generations. During the Task Force's community engagement process, residents consistently emphasized the importance of transparency, accountability, affordability, reliable services and long-term fiscal stability. Many also expressed a desire for a better understanding of how budget decisions are made and how those decisions affect their daily lives.

In truth, every budget decision involves choices about priorities, investments and trade-offs, and those choices affect residents in different ways. That is why public participation matters, and there are many ways to get involved. You can attend community meetings, follow City budget discussions, review public materials, ask questions, share your perspective with elected officials and help others understand the issues being discussed.

Chicago has faced difficult challenges before and found ways to move forward. With clear information, honest conversations and broad public engagement, residents can help shape a stronger, more stable and more prosperous future for the city. An informed public helps create better decisions. When residents understand the challenges, opportunities and trade-offs involved, they are better equipped to participate in conversations about the City's future.

03 Facts You Should Know

What's happening and why it matters

- Chicago's fiscal challenge is structural, not just a one-year budget gap.
- The City has repeatedly balanced annual budgets using temporary resources and short-term actions, including federal pandemic relief, TIF surplus, hiring freezes, targeted program reductions, and delayed investments.
- Those tools helped close near-term gaps, but they did not fix the underlying mismatch between recurring revenues and recurring expenditures.
- Beginning in FY2027, the Corporate Fund faces a projected shortfall of approximately \$680 million under baseline assumptions.
- Longer-term projections show recurring structural gaps of roughly \$700 million to \$780 million annually.
- The Final Report does not advance a single recommended course of action. It presents a menu of options to help City leaders, stakeholders, and the public understand the choices ahead.

Final Report topline

Budget numbers to know

- FY2026 Corporate Fund: approximately \$6.5 billion.
- Public safety spending: approximately \$3 billion, or 45% of Corporate Fund spending.
- General Financing Requirements, including pension contributions and debt service: approximately \$2 billion, or 35% of Corporate Fund spending.
- Pension costs and debt service across all City funds: approximately \$4 billion, or 25.1% of total City spending.
- Chicago public pension systems: approximately \$48.5 billion in liabilities and \$13 billion in assets.
- Aggregate unfunded pension liability: approximately \$36 billion.
- Aggregate pension funded ratio: approximately 26.2%.
- Structural deficit: Corporate Fund faces a projected \$680 million shortfall that persists even under baseline assumptions, beginning in FY2027.

Final report at a glance

- The Final Report includes 58 total recommendations across three recommendation areas.
- Long-Term Liabilities and Public Pensions: 10 recommendations focused on pensions, debt, settlements and judgments, State coordination and asset optimization.
- Revenues, Expenditures and Fiscal Architecture: 25 recommendations focused on revenue administration, collections, operational efficiency, technology modernization, governance and fiscal sustainability.

- Economic Development: 23 recommendations focused on business growth, investment attraction, housing production, neighborhood development, tourism and long-term competitiveness.
- Of the 58 recommendations, 31 are categorized as high impact.
- Unlike the Interim Report, the Final Report does not assign one combined dollar-value estimate to all recommendations. Instead, recommendations are evaluated by impact, feasibility and timing because many are structural, long-term, State-dependent or designed to grow the tax base over time.

Community input at a glance

- Community engagement helped shape the Final Report's approach to fiscal reform.
- The Task Force gathered input through a citywide survey, nine focus groups and deliberative town halls held across Chicago.
- 537 Chicagoans participated through surveys and structured engagement activities.
- 76% of survey respondents said they were very concerned about the City's structural fiscal imbalance.
- 51% said they understood the City's budget development and approval process "not at all" or "not very well."
- Residents identified reliable services, public safety, transportation, affordability, transparency, accountability and long-term fiscal stability as top priorities.

What this means

- Chicago faces a structural budget deficit, meaning recurring costs continue to grow faster than recurring revenues, even during periods of economic stability.
- A growing share of City spending is committed to obligations such as pensions, debt service and other long-term costs.
- That leaves less flexibility for neighborhood services, future investments, and new priorities.
- Annual budget balancing alone will not solve the problem.
- Long-term fiscal stability requires a combination of better cost management, revenue modernization, stronger collections, State-City coordination, operational reform, and economic growth.
- Economic growth is part of the fiscal solution because a stronger economy can expand the tax base and generate recurring revenues that support City services.

What the technical terms mean

- **Corporate Fund:** Chicago's primary operating fund. It pays for many of the services residents use every day, including public safety, public health, libraries and general government operations.
- **Fee:** You pay for a City service, like a permit. Goal: cover the cost of the service.
- **Fine:** A penalty if you break a rule or law.
- **Tax:** A charge that funds City operations.

- **Asset monetization:** The City earns money from its assets through a lease, sale, license, or other arrangement. These options may be one-time or structured over time.
- **Structural gap:** The City has this problem when its regular costs keep growing faster than the regular money it brings in. In plain English, this is what happens when the bills keep rising faster than the income.
- **Long-term liabilities:** These are big bills the City must pay over many years. They include pensions, debt payments, and legal settlements or court judgments
- **Home rule:** This means the City can make some decisions on its own. But for some issues, the City needs help or approval from others, including the State of Illinois.

How the Task Force thought about fairness

- Members looked at who would pay, who would benefit, and how different choices could affect residents, neighborhoods, workers, businesses, and communities.
- Members reviewed practices and policies used by peer cities to better understand how Chicago compares and identify potential options for reform. This included gauging how our taxes, fees, fines, costs, and services line up.
- Community input helped shape the Final Report. Residents said they care most about reliable services, public safety, transportation, affordability, transparency, accountability, and long-term financial stability.

How the Final Report is structured

The Final Report is organized around four major areas of work:

1. Community Insights and Equity Considerations
2. Long-Term Liabilities and Public Pensions
3. Revenues, Expenditures, and Fiscal Architecture
4. Economic Development

The report includes 58 total recommendations across three recommendation-producing sections:

Recommendation Segment	Number of Recommendations	High Impact	Medium-High Impact	Medium Impact	Low-Medium Impact
Long-Term Liabilities and Public Pensions	10	3	3	2	2
Revenues, Expenditures, and Fiscal Architecture	25	21	1	3	0
Economic Development	23	7	2	12	2
Total	58	31	6	17	4

Note: Unlike the Interim Report, the Final Report does not assign a total dollar-value range to every recommendation category. Instead, recommendations are evaluated by impact, feasibility, and timing because many are structural, long-term, State-dependent, or intended to grow the tax base over time.

Who's on the Task Force

- Co-Chairs: Karen Freeman-Wilson (Chicago Urban League) and Jim Reynolds (Loop Capital).
- 23 members total. For bios, see the [Task Force Team Bios](#) (on the site).

Timeline and deliverables

- Interim Report: August 31, 2025 to inform near-term FY2026 budget discussions.
- Final Report: May 31, 2026 to address longer-term structural reforms and options for Chicago's financial stability.
- Final Report subcommittees: Community Insights, Long-Term Liabilities, Revenues and Expenditures, and Economic Development.

04 Helpful Links to Learn More

Visit ChicagoFinancialFuture.org to explore all available resources and materials.

Watch the ‘Understanding Chicago’s Budget: A Family-Friendly Guide’

A short, plain-language overview of why Chicago’s budget matters, what the Task Force is, and how the options work. Great first stop if you want the “big picture” in a few minutes.

Meet the Task Force

Learn about the 23 volunteers, leaders from business, labor, community and policy organizations who donated their time and expertise to develop these options.

Read the Report

Dive into the details. The Final Report explains the challenge, methods, and the full menu of recommendations (as well as their estimated impacts and assumptions). Ideal for readers who want the nitty-gritty.

Frequently Asked Questions

Clear answers to common questions: What is the Corporate Fund? Why is there a gap? What’s on the table? Who decides what happens next? Perfect for quick, practical information.

Chicago Financial Future Task Force

May 31, 2026

For inquiries, please visit our website and complete the [Contact Us form](#).