

Financial State of Chicago



Money Needed
to Pay Bills

\$41.1 billion



Taxpayer Burden™

\$42,600



The City's Bills Exceeded Its Assets

Total Assets	\$49,679,301,000
Minus: Capital Assets	-\$31,298,714,000
Restricted Assets	-\$6,580,083,000
Assets Available to Pay Bills	\$11,800,504,000
Minus: Total Bills*	-\$52,913,958,000
Money Needed to Pay Bills	\$41,113,454,000
Each Taxpayer's Share of this Burden	\$42,600

*Breakdown of Total Bills

Bonds	\$29,635,250,000
Other Liabilities	\$11,932,008,000
Minus: Debt Related to Capital Assets	-\$27,253,705,000
Unfunded Pension Benefits	\$36,533,053,000
Unfunded Retiree Health Care Benefits	\$2,067,352,000
Total Bills	\$52,913,958,000

Grade:

F

Bottom line:

Chicago would need \$42,600 from each of its taxpayers to pay all of its outstanding bills and received an "F" grade for its finances. According to Truth in Accounting's grading scale, any government with a Taxpayer Burden greater than \$20,000 is given an "F" grade.

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Introduction & Background

The Chicago government derives its power from the consent of the governed, making it essential for officials to report their actions and results in a truthful and understandable manner. And because official government reports are often complex and misleading, Truth in Accounting (TIA) provides this transparent, citizen-friendly research and report just in time for the 2026 annual budget debate, which must be signed into law by December 31st, 2025.

This is Truth in Accounting's 11th annual Financial State of Chicago report. This report analyzes the fiscal health of our nation's third-largest city based on its 2024 Annual Comprehensive Financial Reports (ACFRs).

Chicago operates under a balanced-budget mandate intended to prevent future financial distress and ensure the elected officials "live within its means". By law, spending should not exceed earned revenue in any fiscal year. Yet Chicago has defied the intent of this requirement, posting operating losses in 10 of the past 12 years. COVID-19 federal aid temporarily masked deficits in 2020–2021, but shortfalls exploded beyond \$500 million in both 2022 and 2023 and approached \$1 billion in 2024.

● **FACT #1:**

Chicago, IL had \$13 billion available to pay \$51.4 billion worth of bills.

● **FACT #2:**

The outcome was a \$41.1 billion shortfall, which breaks down to a burden of \$42,600 per taxpayer.

● **FACT #3:**

New state law, signed by Gov. Pritzker supposedly needed to meet the IRS Safe Harbor Rule, expands Tier 2 police/fire pensions, piling \$11B+ onto Chicago's unfunded liability.

Because of the flawed government budgeting and accounting standards, set by the Governmental Accounting Standards Board (GASB), Chicago and other cities can balance their budgets on paper using the following accounting maneuvers:

- Inflating revenue projections
- Counting borrowed funds as income
- Keeping pension and retiree healthcare costs "off the books"
- Delaying bill payments into the next fiscal year

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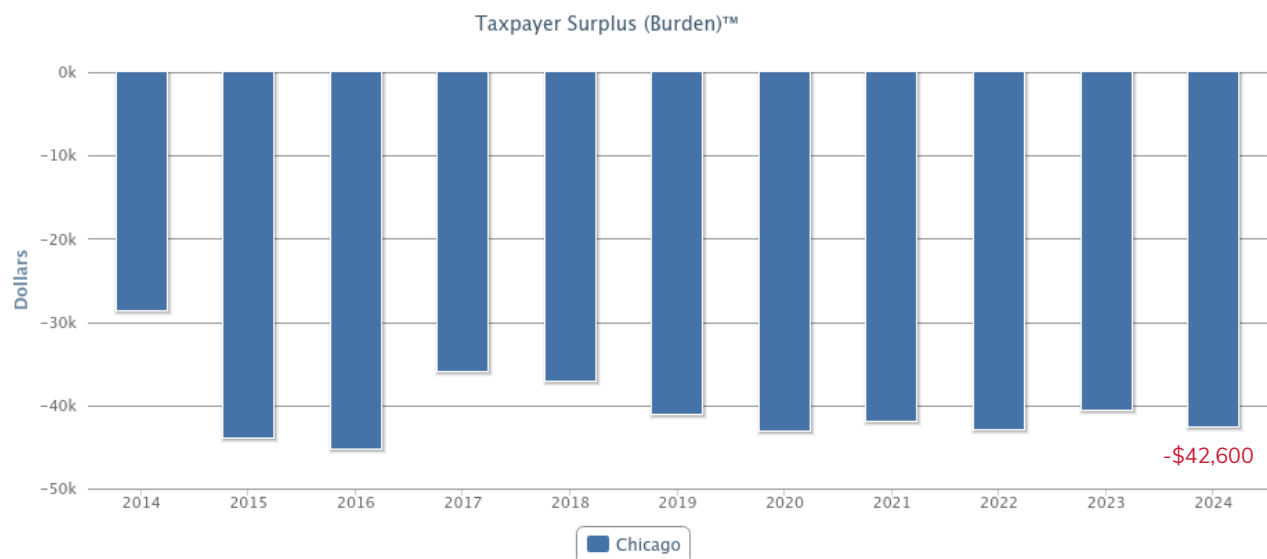
The Mandate: No Spending Without Taxing Consequences

“POLITICIANS SHOULD NOT HAVE THE PLEASURE OF SPENDING (GETTING VOTES) WITHOUT THE PAIN OF TAXING (LOSING VOTES).”

— FORMER U.S. TREASURY OFFICIAL FRANK CAVANAUGH

The most damaging practice?

Understating true employee compensation. Salaries are paid today, but pensions and retiree healthcare are earned today and paid tomorrow. These are current-year costs that belong in the budget. When excluded, officials shift billions in obligations onto future taxpayers.



The city's bad budgeting practices have resulted in persistent fiscal deficits, contributing to the city's overall financial shortfall, now totaling \$42,600 per taxpayer. We urge Mayor Johnson and the city council to stop presenting the budget as balanced when it is not and to end practices that sidestep the balanced budget mandate. This mandate exists to ensure accountability, reveal true financial obligations, and protect taxpayers from hidden costs. Honest accounting will give Chicago a clear financial picture and safeguard the city's long-term fiscal stability. These persistent deficits contribute to the city's overall financial shortfall, which now amounts to \$42,600 per taxpayer.

Chicago's Pension Shortfall Threatens Services

According to our latest analysis, Chicago's financial condition remains deeply strained. The city has \$13 billion in assets available to pay \$51.4 billion in bills, leaving a staggering \$38.1 billion shortfall. That represents a Taxpayer Burden of \$42,600 per taxpayer, one of the highest among major U.S. cities. As a result, Chicago earned an F grade in this year's report. The persistent gap between assets and obligations reflects long-standing structural imbalances that continue to undermine the city's fiscal stability.

A major driver of this shortfall is the city's woefully underfunded pension system. Chicago's pension plans are only 25 percent funded, meaning that for every \$1 in benefits earned and promised, only 25 cents has been set aside. The unfunded liability now exceeds eight times the city's annual payroll, a level that could result in reduced spending on essential services such as schools, roads, public safety, and sanitation. Over the past decade, Chicago's systems have been underfunded by more than \$11 billion, compounding the strain on taxpayers and limiting the city's flexibility to provide basic services. Mayor Johnson and the city council now need to face the long-term consequences: higher taxes, reduced services, or both for decades to come.

The city's financial burden was further intensified by a new state law signed by Governor J.B. Pritzker to comply with IRS Safe Harbor requirements. Some observers believe the claim that the benefit enhancements were needed to comply with those requirements is a ruse. The law expands Tier 2 police and firefighter pensions, adding more than \$11 billion to Chicago's already massive unfunded liability. The combination of chronic underfunding and newly expanded benefits has delivered a double blow to the city's balance sheet. Governor Pritzker and state legislators later admitted they were unaware the legislation would add such a significant amount to the liability. Because Illinois' pension benefits are constitutionally guaranteed, elected officials cannot roll back the enhanced benefits or reduce obligations. This reality underscores the critical importance of competent, transparent fiscal management before promises become unaffordable and irreversible.

Chicago's predicament illustrates why ERISA-style protections are needed for state and local governments. When Congress passed the Employee Retirement Income Security Act in 1974, it excluded public pensions, assuming that governments would be responsible stewards of their employees' benefits. Decades later, Chicago and Illinois prove that assumption misguided.

The data in this report comes from Chicago's audited 2024 Annual Comprehensive Financial Report and its retirement systems' reports. To explore prior years or compare financial, demographic, and economic data across other states and cities, visit Data-Z.org.

Truth in Accounting is a 501(c)(3) nonprofit committed to educating and empowering you with understandable, reliable, and transparent government financial information so you can be a knowledgeable participant in your government and its budget process.

Questions for Citizens to Ask Elected Officials at the Public Budget Debate

Chicago's elected officials must face direct, unflinching questions about how they claim a "balanced" budget while running multi-billion-dollar deficits and shifting costs to future generations. If they cannot answer these questions clearly and with specific data, it is a signal that transparency is lacking and taxpayers are being misled.

1. Is the budget fully funding the actuarially determined pension funding payment? Not just the statutory minimum or a smoothed contribution—does this budget include the full amount needed to cover benefits earned this year and reduce the existing unfunded liability?
2. Are we inflating revenue assumptions to balance the budget on paper? What specific revenue projections are built into the budget, and how do they compare to actual collections over the past three years? Are we assuming one-time gains or unrealistic growth?
3. Are we counting borrowed money—such as bond proceeds or debt refinancing—as income in the operating budget? If yes, how much, and how does that violate the spirit of the balanced-budget requirement?
4. Are pension and retiree healthcare costs being left "off the books" in the budget presentation? The budget may appear balanced, but are the full compensation costs—including accruing retirement benefits—clearly disclosed and funded in this year's plan?
5. Are current bills being delayed into the next fiscal year to avoid showing a deficit? Provide a list of any payables, accrued liabilities, or vendor payments deferred past year-end. How much is being pushed into future budgets?

Citizens deserve yes-or-no answers with supporting numbers. Evasion, jargon, or deflection means the budget is not truly balanced, and the financial burden will only grow.

**Help us prevent cities from
accumulating debt while claiming a
balanced budget.**

**Support our mission today with a
donation.**

