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Chicago Budget Gap Narrows to \$128 Million as Revenue Rebounds.

- **Deficit smaller than 2022, bolstered by stronger revenues**
- **Mayor says 2023 budget gap is “lowest in recent memory”**

Chicago faces a \$127.9 million budget deficit in fiscal 2023, a gap smaller than in the previous year given a rebounding economy and stronger-than-expected revenue picture.

The city is “starting on a true road to financial stability and recovery,” Mayor Lori Lightfoot said during a budget address on Wednesday, when she shared her preliminary deficit estimate for the next fiscal year. She called the budget gap “the lowest in recent memory.”

The third-largest US city closed a \$733 million hole in 2022 and a \$1.2 billion gap in 2021 within its corporate fund. That’s the main operating fund from which the city pays for services ranging from policing to tree trimming, through a combination of tax increases, cost cuts and other revenue. Rising pension contributions have been a key reason for higher city expenditures.

The city’s spending is increasing about \$228.2 million over what was budgeted in 2022, led by \$100.8 million in additional personnel costs and \$66.6 million of pension spending. Revenues are expected to be \$100.3 million more than this year’s budget, a city document outlined.

Like many other municipalities, the city has benefited as revenue increased since the depths of the pandemic, helped by a broader economic recovery. Large events such as Lollapalooza in recent weeks have contributed to an uptick in leisure travelers, and office workers have been trickling back to a once-shuttered downtown.

Lightfoot also touted the new Chicago casino, which she said will generate \$2 billion of new value for the city, creating 3,000 permanent jobs and 3,000 construction jobs.

“The Chicago Casino also features a \$40 million upfront payment from Bally’s, which we already received and has gone entirely towards the City’s annual required pension contribution,” she said.

The city’s outstanding debt is expected to be reduced by \$866 million by the 2023 fiscal year, expanding infrastructure funding capacity, Lightfoot said.

Federal stimulus, including almost \$1.9 billion from the American Rescue Plan Act earmarked for the city, has helped Chicago recover some of the revenue lost when the spread of Covid-19 closed businesses and kept residents at home. Affordable housing and homelessness support, family assistance and community development are some of the city’s top priorities for the aid money, as outlined in the Chicago Recovery Plan.

Lightfoot called the federal stimulus money a “once in a generation” resource. “We will be making opportunities created by the American Rescue Plan permanent and tangible,” she said.

In the coming months, the mayor will release her formal 2023 budget proposal, and the Chicago City Council will deliberate and vote on it before the end of this year.

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