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ANALYSIS OF ILLINOIS' FY 2027 PROPOSED GENERAL FUND BUDGET

May 7, 2026

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Analysis of Illinois' FY 2027 Proposed General Fund Budget

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Actuarially Required Contribution	ARC
Actuarially Accrued Unfunded Liability	AAUL
American Rescue Plan Act	ARPA
Bureau of Labor Statistics	BLS
Commission on Government Forecasting and Accountability	COGFA
Consumer Price Index	CPI
Coronavirus Aid, Relief and Economic Security Act	CARES Act
Criminal Justice Information Authority	CJIA
Department of Central Management Services	CMS
Department of Children and Family Services	DCFS
Department of Commerce and Economic Opportunity	DCEO
Department of Corrections	DOC
Department of Healthcare and Family Services	DHFS
Department of Human Services	DHS
Department of Juvenile Justice	DJJ
Department of Public Health	DPH
Department on Aging	DOA
Employment Cost Index	ECI
Evidence-Based Funding for Student Success Act	EBF
Fiscal Year	FY
General Assembly Retirement System/Judges' Retirement System	GARS/JRS
Governor's Office of Management and Budget	GOMB
Gross Domestic Product	GDP
Healthcare Provider Relief Fund	HPRF
Illinois Board of Higher Education	IBHE
Illinois Community College Board	ICCB
Illinois Department of Early Childhood	IDEC
Illinois Department of Employment Security	IDES
Illinois Department of Revenue	IDOR
Illinois Department of Transportation	IDOT
Illinois Emergency Management Agency	IEMA
Illinois Secretary of State	SOS
Illinois State Board of Education	ISBE
State Employee Retirement System	SERS
State University Retirement System	SURS
Teachers' Retirement System	TRS

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1. Introduction

On February 18, 2026, Governor JB Pritzker delivered his 8th State of the State budget address to the General Assembly. He also released his $56.1 billion General Fund budget proposal for FY 2027 (the "**FY 2027 Proposed GF Budget**"), which includes a very slight year-to-year increase in spending on services of less than 1.4% in nominal, non-inflation adjusted dollars. But that ignores the impact of inflation, which drives up the cost of funding services in the public sector, just like it increases costs in the private sector. After adjusting for inflation, proposed FY 2027 spending on public services would be about 2% less than FY 2026.

To limit that real cut to two percentage points, Pritzker had to include $649 million in new revenue-generating initiatives in the FY 2027 Proposed GF Budget. Those initiatives include: (i) phasing in changes to the Net Operating Loss deduction corporations can carry forward (saving the potential loss of $269 million in revenue); (ii) increasing taxes for casinos by reinstating a graduated rate tax structure (raising $120 million in new revenue); (iii) creating a first-ever per-user fee for social media companies that collect and sell consumer data (raising an additional $200 million in new revenue); and (iv) reducing the proportion of net income tax revenue the state shares with municipalities under the Local Government Distributive Fund (diverting $60 million in revenue transfers away from local governments and to the General Fund).

Of the $56.1 billion in total proposed FY 2027 spending, roughly $16.3 billion, or 29%, cover "hard costs" the state must pay because they are either required by law or constitute contractual obligations. That leaves $39.8 billion to fund services for the year, with 95% of those service expenditures targeted to the four core areas of Education, Healthcare, Social Services, and Public Safety.

Pritzker began his address touting a number of fiscal policy accomplishments achieved during his tenure—and the data show he has truly been a responsible fiscal steward. Under Pritzker's watch, the state has garnered 10 consecutive credit upgrades—the first such upgrades for Illinois in 25 years. That's a far cry from the eight downgrades Illinois suffered under his predecessor, Governor Rauner, who also left Pritzker an $8 billion backlog of unpaid bills and next to nothing in Illinois' rainy day fund.[1] During his tenure, Pritzker completely eliminated the bill backlog and built up the rainy day fund to $2.4 billion, and also paid-off some $12 billion in debt.[2]

The aggregate "funded ratio" of the state's five public pension systems has also improved, increasing from 40.3% when Pritzker took office to 47.9% in FY 2025—the highest funded ratio in 17 years.[3] A "**funded ratio**" is determined by dividing the current monetary value of a pension system's total assets by its total liabilities. Attaining the highest aggregate funded ratio in close to two decades certainly counts as a step forward for the state's public employee pension systems. That said, those systems are still nowhere near being considered fiscally healthy.

According to the United States Government Accountability Office ("**GAO**"), to qualify as financially healthy, a public pension system should have a funded ratio of at least 80%.[4]

The federal Pension Protection Act of 2006 also uses 80% as the threshold for large private plans to qualify as not at risk of default.[5] Standard & Poor's gives a rating of above average to pension systems that have funded ratios of 80% or above, while Fitch Ratings "considers a funded ratio of 70% or above to be adequate," and "less than 70% to be weak."[6]

The American Academy of Actuaries ("**AAOA**"), however, cautions that because of various outside economic factors, like volatile interest rates and stock market fluctuations, "no single level of funding

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distinguishes a healthy plan from an unhealthy plan."[7] Instead, funded ratio just gives a snapshot of where a plan stands fiscally at a given moment in time. According to the AAOA, "while funded ratio may be a useful measure, pension plans should have a strategy to reach "100% funded within a reasonable amount of time."[8]

Which means irrespective of which standard for evaluating the fiscal health of a pension system's funded ratio you prefer, as things stand today the state's pension systems are decidedly not healthy.

For the third year in a row, the Governor also used his budget address to call out significant constraints in the state's General Fund, categorizing FY 2027 as a "challenging" budget year. Due to the state's fiscal shortcomings, Pritzker acknowledged that General Fund spending, even on programs he personally supported, would be less than what was desirable.

Of course, the General Fund being subject to fiscal challenges is nothing new. Until Pritzker's tenure, the General Fund had run annual operating deficits dating back to at least 1985.[9] These chronic deficits matter because the General Fund is the state's primary operating budget, with 95% of expenditures supporting Education, Healthcare, Human Services, and Public Safety. The ongoing failure to fund these core services adequately and sustainably over time degrades the quality of life in every community across Illinois.

The Governor laid much of the blame for FY 2027's fiscal challenges at the feet of President Trump, citing "headwinds from Washington" and the gutting of federal funding for programs that support working families. The fiscal chaos emanating from the Trump Administration is rooted in Trump's seminal legislation, the One Big Beautiful Bill Act ("**OBBBA**"), and his administration's episodic freezing or cancellation of federally appropriated funds. The Governor's Office of Management and Budget ("**GOMB**") estimates OBBBA and Trump's other fiscal shenanigans will cost Illinois some $8.4 billion over the next five years—a figure that actually understates the full potential scope of long-term problems. In fact, current estimates are that the annual cost of fully offsetting Trump's Medicaid cuts alone will reach $4.43 billion beginning in FY 2028.[10]

While it's entirely appropriate to blame Trump for the fiscal difficulties his policies create, in Illinois those policies have simply exacerbated a long-standing "structural deficit" that has historically plagued the General Fund. A structural deficit exists whenever a tax system consistently fails to generate sufficient revenue growth to both maintain current public service levels from year-to-year—after adjusting solely for changes in inflation and population—and meet existing debt service obligations as they become due. Illinois has faced a structural deficit in its General Fund for generations.

Determining the primary driver of the structural deficit in the state's General Fund is the only way to identify effective approaches to redressing it. The factors that drive structural deficits over time are typically exorbitant spending growth, poorly designed tax policy, or some combination thereof. In Illinois, all the data make one thing quite clear: overspending on services is not the reason Illinois has a structural deficit in its General Fund. In fact, after adjusting for inflation, proposed General Fund spending on core services in FY 2027 is projected to be 16.0% less than it was a quarter of a century ago in FY 2000 under Republican Governor George Ryan.

Recently, some positive but temporary fiscal developments masked the structural deficit. During the pandemic and shortly thereafter, Illinois received $6.4 billion in federal relief funds that supported General Fund expenditures over a period of five years.[11] Then, after the height of the pandemic, Illinois experienced significant economic growth as consumers resumed spending, generating record corporate profits and in turn record state-level corporate income tax revenue.[12] Those unique

factors—alongside various revenue enhancements enacted between FY 2022 and FY 2026 that generated an aggregate of $1.5 billion in recurring General Fund revenue—concealed the structural deficit. Except for the newly generated recurring revenue, the other factors that mitigated the impact of the structural deficit were temporary in nature, and hence are no longer available to help cover General Fund expenditures. This is why the Proposed FY 2027 GF Budget increases discretionary spending by 1.4% but results in an inflation-adjusted year-to-year cut of 2%.

It is clear that the longstanding structural deficit—compounded by new fiscal pressures from the Trump Administration—pose significant fiscal challenges for Illinois. If decision makers want to resolve the state's fiscal problems sustainably, they must implement a comprehensive pension re-amortization plan and reform Illinois tax policy to work in the modern economy. For more information, see CTBA's response to the FY 2027 Budget Proposal.

2. Key Findings

2.1. FY 2027 Revenue

2.1.1. Total General Fund Revenue

- Total General Fund revenue in FY 2027 is projected to be $56.1 billion, which is a **$758 million** dollar, or 1.4%, year-to-year nominal dollar increase over the $55.3 billion in total projected revenue for FY 2026.[13] After inflation, this represents a year-to-year real decrease in revenue for FY 2027 of $1.177 billion, or 2.1%.[14]
- The key reason FY 2027 revenue is projected to increase by $758 million on a year-to-year basis is the $649 million anticipated to be generated by various new revenue proposals the Governor included in the FY2027 Proposed GF Budget.

  Those new revenue proposals include:

  a) Phasing in changes to the Net Operating Loss ("**NOL**") deduction corporations can carry forward to offset future profits, which is projected to generate $269 million in FY 2027.

  b) Realigning the tax treatment for 15 of the 16 casinos in Illinois by eliminating the current tax rate cap of 20% and reinstating a graduated tax structure ranging from 15% to 50%, based on a casino's adjusted gross receipts, which is projected to generate $120 million in FY 2027.

  c) Creating a first-ever fee, which includes a per-user levy plus a lump-sum levy, for social media companies that collect and sell consumer data, such as X, Facebook, Instagram, and Tik Tok. The proposed fee scales up for platforms with more users. Revenue generated by this fee would be earmarked to support K-12 education, and the fee is projected to generate $200 million in FY 2027.

  d) Reducing transfers of state income tax revenue to local governments under the Local Government Distribution Fund, below the statutorily required amount. Under the Local Government Distributive Fund ("**LGDF**"), the state shares its income tax revenue with local governments across Illinois. The Governor proposes to reduce the proportion of net income tax revenue proceeds the state would share with municipalities under the LGDF from 6.47% to 6.23%, saving the state an estimated $60 million in LGDF transfers out for FY 2027.[15]

- If the new revenue proposals for FY 2027 are not enacted, total General Fund revenue for FY 2027 would be projected at $55,327 billion, or only 0.1% higher in nominal dollars than the $55,297 billion projected for FY 2026.[16]

2.1.2. Long-Term General Fund Revenue Growth

- If the total projected FY 2027 General Fund revenue of $56.1 billion materializes, it would represent a real, inflation-adjusted **increase of $8.6 billion** over the roughly $47.5 billion in General Fund revenue Illinois' tax system generated over 25 years ago in FY 2000, an average real increase in revenue of just $322.4 million per year, which is less than one percent annually .[17]
- That minimal growth in General Fund revenue is primarily attributable to tax rate increases that were enacted during this sequence of time. Consider that revenue from the individual (50%) and corporate (10%) income taxes account for almost 60% of all General Fund revenue from any source.[18] In FY 2000, the state's personal income tax rate was 3%, compared to the 4.95% it is now, and the corporate income tax rate was 4.8%, as compared to the 7% it is today.[19]
- This means the design of Illinois' tax policy is so flawed that despite increasing the rates of taxes which collectively generate 60% of all General Fund revenue, overall state revenue has barely exceeded inflation growth for more than 25 years.
- Even more eye-opening—if Illinois did not make the aforesaid increases in its income tax rates for both individuals and corporations, then after adjusting for inflation, **the amount of General Fund revenue projected for FY 2027 would be $5.2 billion less in real terms than it was more than 25 years earlier in FY 2000**.[20]
- **In fact, when measured in real, 2026, inflation-adjusted dollars, the state has only realized real revenue growth from its individual and corporate income taxes during the unprecedented spike in revenue that occurred during the post-pandemic economy over the past three years**.[21]
- Moreover, stagnation and decline typify the performance of most state taxes other than the income tax, that feed the General Fund.
- Sales tax revenue has declined in both real and relative terms over the last 25 plus years, primarily because Illinois has one of the narrowest sales tax bases of the 45 states that impose a general sales tax.[22] The base of a tax is simply what private sector economic activity is subject to the tax in question. Illinois' sales tax base is overly narrow because it is assessed primarily against the sale of goods rather than services.[23]
- The term "**Historic Recurring Federal Transfers**" refers to all ongoing federal transfers the state typically receives in its General Fund in a given fiscal year, exclusive of the one-time relief funding received to address the pandemic. Although Historic Recurring Federal Transfers to Illinois have varied some over the past 25 years, since FY 2009 the clear trend has been a notable decline. Indeed, on an inflation-adjusted basis, Historic Recurring Federal Transfers to the Illinois General Fund dropped from a peak of $9.9 billion in FY 2009, to a projected $4.07 billion in FY 2027, a decline of 59%.[24]

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- The main take-away from long-term revenue trends in Illinois is clear: All the data continue to demonstrate that Illinois' state-level tax policy is seriously flawed; does not work in the modern economy; and hence fails to generate real growth in revenue over time that is adequate to keep pace with the real growth in the cost of providing core public services over time. This is the primary reason Illinois has a "structural deficit" in its General Fund.

2.2. FY 2027 Proposed General Fund Appropriations

2.2.1. Overall

- The FY 2027 Proposed GF Budget identifies a total of $56.1 billion in net appropriations for spending. Of that amount, $16.3 billion, or 29%, are for "Hard Costs," while $39.8 billion, or 71% are for "Current Services."[25]
- "**Current Services**" include spending on public services over which elected officials generally have at least some discretion, while "**Hard Costs**" cover mandatory spending obligations required by law or contract, over which decision makers have no discretion.
- In the FY 2027 Proposed GF Budget, **94 cents out of every $1** of all appropriations for Current Service spending go to the core areas of Education, Healthcare, Human Services, and Public Safety.[26]
- Overall, net Current Service appropriations in FY 2027 are scheduled to be **$560 million greater** than in FY 2026, in nominal, non-inflation-adjusted dollars.[27] After adjusting for changes in inflation and population, however, total proposed appropriations for Current Services in FY 2027 are scheduled to be **$812 million, or 2.0%, less** than in FY 2026 in real terms.[28]
- Taking a longer view, it is clear the structural deficit in the state's General Fund has diminished Illinois' capacity to continue funding the same level of Current Services over time. In fact, after adjusting for inflation, the proposed appropriations for Current Services in FY 2027 are scheduled to be 16.0% less than actual spending on those services was 27 years ago in FY 2000.[29]

2.2.2. FY 2027 Education Spending

- Three subcategories fit under the heading of "Education" in the General Fund budget: Early Childhood; K-12 Education; and Higher Education.
- The FY 2027 Proposed GF Budget appropriates $2.1 billion for spending on Early Childhood Education, which is $1,328 billion more in nominal dollars than FY 2026.[30] That significant year-to-year spike is not because proposed spending on early childhood in FY 2027 is being dramatically increased. Instead, because the recently established Illinois Department of Early Childhood ("**IDEC**") is assuming full responsibility for all early childhood programs that were previously administered by other agencies, it is receiving an appropriation of $2.1 billion in the FY 2027 Proposed GF Budget, up from just $11.7 million in FY 2026. That FY 2027 proposed appropriation includes $748 million shifted from the Illinois State Board of Education (**"ISBE"**), $1.2 billion shifted from the Department of Human Services ("**DHS**"), and $19 million shifted from the Department of Child and Family Services ("**DCFS**"). It also includes a year-to-year increase of $109 million in nominal dollars over FY 2026. After adjusting for inflation, however, the $109 million year-to-year increase in early childhood appropriations shrinks to $40 million, or just 2% more than FY 2026.[31]

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- Considered over the long-term, after adjusting for inflation, appropriations for Early Childhood in the FY 2027 Proposed GF Budget are 420.0% greater than actual spending was over 27 years ago in FY 2000.[32] This is by far the largest real increase realized by any of the core service areas in that time sequence.
- The FY 2027 Proposed GF Budget appropriates $10.7 billion to K-12 Education funding, which is $297 million more in nominal dollars than FY 2026.[33] However, after adjusting for inflation, K-12 funding experiences a real, year-to-year cut of $68 million, or 0.63%, from FY 2026 levels.[34]
- Formula funding under the Evidence Based Formula for Student Success Act ("**EBF**") is increased on a year-to-year basis by a total of $305 million, raising the state's total investment in EBF funding from $8.9 billion in FY 2026 to $9.2 billion in FY 2027—but still leaving K-12 Education an estimated $3.4 billion short of what the evidence indicates every child needs to receive a quality education. [35] This marks the second straight year the statewide adequacy gap has worsened under the EBF.[36]
- Mandated Categorical Programs ("**MCAT**") for K-12 Education, which include funding earmarked by statute for specific programs and expenses like Special Education Transportation, receive a total appropriation of $1.2 billion in FY 2027, which represents a year-to-year increase of $51 million in nominal dollars over FY 2026.[37] It concomitantly leaves $500 million (30%) of projected MCAT expenses that districts are legally required to pay for FY 2027 unfunded.[38]
- The FY 2027 Proposed GF Budget appropriation for Higher Education is $2.6 billion, which represents a nominal dollar decrease of about $5 million over FY 2026.[39] After adjusting for inflation, however, the FY 2026 appropriation for Higher Education constitutes a real, year-to-year cut of $96 million, or 3.6%, when compared to FY 2026.[40]
- Taking a longer view, General Fund appropriations for Higher Education in the FY 2027 Proposed GF Budget are scheduled to be 48.5% less in real, inflation-adjusted dollars than actual spending thereon was in FY 2000.[41] **This is by far the greatest real cut imposed on any Current Service over the last 27 years.**

2.2.3. FY 2027 Human Services Spending

- In the FY 2027 Proposed GF Budget, the gross appropriation for all Human Services is scheduled to be $10.9 billion, which would represent a 6.3% decrease from the FY 2026 enacted appropriation of $11.7 billion in nominal dollars, and a 9.47% decrease in real, inflation-adjusted dollars.[42]

2.2.4. FY 2027 Healthcare Spending

- Healthcare funding in Illinois' General Fund consists primarily of appropriations for Medicaid and public health. Medicaid funding is complex and is covered through both the General Fund, and increasingly over time through several other "special funds," like the Healthcare Provider Relief Fund ("**HPRF**"). Illinois has increased its utilization of special funds to cover Medicaid expenditures for the express purpose of isolating dedicated revenue sources which generate enhanced federal matching dollars.

- In the FY 2027 Proposed GF Budget, the gross appropriation for Healthcare is $9.1 billion, which is $555 million, or 5.8% less in nominal dollars than (the **"FY 2026 Enacted GF Budget**"). That is an 8.96% decrease in real, inflation-adjusted dollars.[43] Of that gross Healthcare appropriation, $8.8 billion is targeted to DHFS, primarily to cover $6.08 billion of the state's Medicaid expenditures on poor, disabled, and low-income populations.[44] The remaining $286 million goes to the Department of Public Health.[45]
- The FY 2027 Proposed GF Budget also includes a statutory transfer in the amount of $2.4 billion from the General Fund to the HPRF, which is a special fund created to generate federal Medicaid matching dollars.[46]

2.2.5. FY 2027 Pension Funding

- The current schedule created for repaying the debt the state owes to its five public pension systems—known as the "**Pension Ramp**"—was passed in 1995, when Governor Jim Edgar signed P.A. 88-0593 into law. The FY 2027 Proposed GF Budget includes an $11.3 billion appropriation for pensions, which is the required General Fund contribution for FY 2027 under the 1995 Pension Ramp.[47]
- For the first 15 years of the Pension Ramp, the payments it required were dramatically below the actuarially required contribution ("**ARC**").[48] This resulted in the funded ratio of the systems decreasing, rather than increasing over that sequence. Hence by law, the Pension Ramp continued the prior practice of intentionally underfunding public pensions and diverting General Fund revenue that should have gone to cover the ARC to instead pay for Current Service delivery. This was done to avoid dealing with the structural deficit by raising taxes or significantly cutting spending on Current Services.
- Thereafter, the Pension Ramp established a debt repayment schedule that was so unrealistically back-loaded as to be unaffordable. Indeed, the FY 2027 appropriation required under the Pension Ramp is **$218 million more** than the $11.03 billion appropriation in FY 2026. [49]
- The state's existing tax policy will not be able to accommodate the annual increases in debt payments required under the Pension Ramp payments into the future.

3. FY 2026 and FY 2027 Revenue Projections

3.1. FY 2026 Updated Revenue Estimates

At the time that the FY 2027 General Fund budget was proposed, the Governor's Office of Management and Budget estimated that total General Fund revenue for FY 2026 would reach $55.2 billion.[50] As shown in **Figure 1**, this is **$72 million less in revenue** than GOMB initially projected when the FY 2026 General Fund Budget was enacted. This decline in anticipated FY 2026 General Fund revenue is primarily due to projected decreases in "net corporate income taxes, and federal sources."[51]

FIGURE 1
FY 2026 GENERAL FUND REVENUE UPDATE ($ MILLIONS)

Revenue Source	FY 2026 Enacted 7.1.25	FY 2026 Estimate 2.18.26	$ Change 7.1.25 & 2.18.26	% Change
Net Individual Income Tax	$28,420	$28,686	$266	0.94%
Net Corporate Income Tax	$5,238	$4,314	($924)	-17.64%
Sales Taxes	$10,717	$10,827	$110	1.03%
Other Sources	$3,955	$4,276	$321	8.12%
Transfers In	$2,768	$3,107	$339	12.25%
Interfund Borrowing	$0	$0	$0	0%%
Federal Sources	$4,200	$4,016	($184)	-4.38%
Total General Funds	**$55,297**	**$55,225**	**($72)**	**-0.13%**

Source: GOMB FY 2026 Enacted Budget & FY 2027 Proposed Walkdown

GOMB is not the only agency that makes revenue projections for the General Fund. Commission on Government Forecasting and Accountability ("**COGFA**") also makes such projections. This Report uses data from both COGFA and GOMB for all year-over-year comparisons of the FY 2026 Enacted GF Budget to the FY 2027 Proposed GF Budget.

3.2. FY 2027 Proposed General Fund Revenue Summary

In the FY 2027 Proposed GF Budget, total revenue for the year is projected at $56.1 billion, which is $758 million or 1.4%, greater in nominal dollars than the $55.3 billion projected for FY 2026.[52] As shown in **Figure 2**, without the proposed FY 2027 Revenue Enhancements, the total amount of FY 2027 General Fund revenue would have been $55.3 billion, or $728 million less than currently projected.

Figure 2
FY 2027 General Fund Base Revenue, by Source ($ Millions)

Revenue Sources	FY 2027 Base Revenue (Before Revenue Enhancements)
Individual Income Taxes	$29,572
Corporate Income Taxes	$4,036
Sales Tax	$11,044
All Other State Sources	$3,963
Transfers In	$2,641
Federal Sources	$4,071
Total General Funds Revenues	**$55,327**

Source: COGFA FY 2027 Updated Revenue Estimates

However, the vast majority of that projected $758 million in year-to-year revenue growth stems from the $649 million anticipated to be generated by various new revenue initiatives the Governor included in the FY 2027 Proposed GF Budget, as shown in **Figure 3**.

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FIGURE 3
FY 2027 RECURRING REVENUE ENHANCEMENTS ($ MILLIONS)

Revenue Enhancement	Description	FY 2026 Revenue Impact
State Casinos	Override the current tax rate cap of 20% and reinstate a graduated tax structure ranging from 15% to 50% based on a casino's adjusted gross receipts.	$120
Net Operating Loss Deduction	Phasing in changes to the Net Operating Loss ("**NOL**") deduction corporations can carry forward to offset future profits.	$269
Social Media Platform Fee	Per-user plus lump-sum fee for social media companies such as X, Facebook, Instagram, and Tik Tok that collect and sell consumer data, with the total fee scaling up for platforms with more users. Revenue generated by this fee will be deposited into the General Fund to support K-12 Education.	$200
Local Government Distribution Fund	Under the Local Government Distributive Fund ("**LGDF**"), the state shares its income tax revenue with local governments across Illinois. The Proposed FY 2027 Budget reduces the proportion of net income tax revenue proceeds the state would share with municipalities under the LGDF from 6.47% to 6.23%.	$60
	Total	**$649**

Source: GOMB FY 2027 Budget Summary[53]

Figure 4 compares General Fund revenue projections for FY 2026 and FY 2027, including the impact of the proposed revenue enhancements.

FIGURE 4
GENERAL FUND REVENUE: FY 2026 ESTIMATED VERSUS FY 2027 PROPOSED ($ MILLIONS)

Revenue Sources	FY 2026 Enacted	FY 2027 Proposed	$ Difference	% Difference
State Sources: Revenues				
Individual Income Taxes	$28,420	$29,632	$1,212	4.3%
Corporate Income Taxes	$5,238	$4,305	($933)	-17.8%
Sales Taxes	$10,717	$11,123	$406	3.8%
Public Utilities	$686	$704	$18	2.6%
Other State Sources	$3,269	$3,259	($10)	-0.31%
Total State Sources: Revenues	**$48,329**	**$49,023**	**$694**	**1.44%**
State Sources: Transfers In				
Lottery	$802	$832	$30	3.7%
Gaming Taxes	$178	$370	$192	107.9%
Other Transfers	$1,788	$1,759	($29)	-1.6%
Total State Sources: Transfers In	**$2,768**	**$2,961**	**$193**	**6.8%**
Total State Sources: Revenue & Transfers In	**$51,097**	**$51,984**	**$887**	**1.7%**
Federal Sources	$4,200	$4,071	($129)	-3.1%
Total General Funds Revenues	**$55,298**	**$56,055**	**$757**	**1.4%**

Source: CTBA analysis of FY 2027 Proposed Budget & FY 2026 Enacted Walkdown

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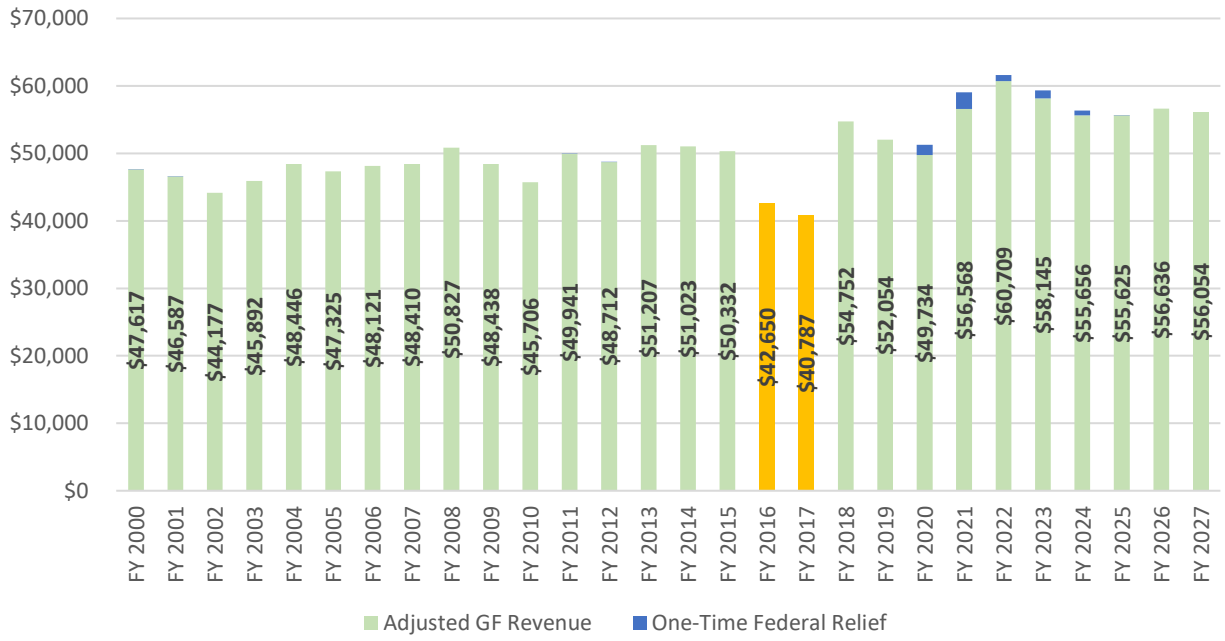
3.3. General Fund Revenue Growth Over Time

To ensure any historical analysis of revenue growth in Illinois accurately depicts the functionality of the state's tax policy, CTBA isolates and separately accounts for one-time, nonrecurring revenues, as well as separates proceeds from loan borrowings, given that loan proceeds must be paid back with interest. As **Figure 5** shows, after adjusting for inflation and putting all values in current, 2026 dollars, the $56.1 billion in total General Fund revenue projected for FY 2027 represents a real increase of $8.44 billion, or roughly an average of $312.5 million, or 0.66%, annually from the $47.6 billion generated 27 years ago in FY 2000.[54]

FIGURE 5
TOTAL GENERAL FUND REVENUE, FY 2000 – FY 2027 ($ MILLIONS),
INFLATION-ADJUSTED USING 2026 DOLLARS



SOURCE: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB

But that quite modest average growth actually overstates, significantly, the actual revenue performance of the state's tax system. That is because, in addition to the various revenue enhancements previously delineated in this section, Illinois has increased both its individual and corporate income tax rates since FY 2000, from 3% to 4.95%, and from 4.8% to 7%, respectively.[55] Changes in the state's income tax rates dramatically impact revenue performance, because collectively they are by far and away the most significant revenue sources that feed the General Fund.

For instance, the sharp decline in General Fund revenue in both FY 2016 to FY 2017 that is shown in **Figure 5** was due in large part to a reduction in the state's individual and corporate income tax rates.[56] In FY 2011, Illinois' individual income tax rate was increased temporarily from 3% to 5%.[57] Then in January of 2016, by operation of law the individual income tax rate automatically decreased from 5% to 3.75%.[58]

Not surprisingly, net individual income tax revenues the state realized declined in real, inflation-adjusted dollars by $2.8 billion from FY 2015 to FY 2016 following this rate cut, and the net corporate income tax revenue realized during that same time decreased by nearly an additional $1 billion.[59] Just two years later in FY 2018, the individual income tax rate was increased again, this time from 3.75%

to 4.95% under Public Act 100-0022.[60] Following that rate increase, revenue from the individual income tax jumped by an average of $1.1 billion annually.[61]

As **Figure 5** demonstrates, General Fund revenue in Illinois had shown significant, real, inflation-adjusted growth beginning in FY 2021.[62] However, that spike in revenue did not occur because Illinois' tax system was well designed and properly functioning. Instead, various factors were at play that temporarily masked the fiscal problems created by the state's flawed tax policy. These factors included: the release of pent-up consumer spending that occurred after pandemic restrictions were eased, higher than normal rates of inflation, and many corporations taking advantage of inflationary trends generally and supply chain issues specifically to price gouge and thereby generate record profits.[63] Once those unique economic factors were no longer in play after FY 2022, the rate of increases in General Fund revenue declined and reverted to the pre-2020 pattern of little to no growth.[64]

As shown in **Figure 5**, from FY 2000 through FY 2015, General Fund revenue remained relatively flat in real, inflation-adjusted terms. In FY 2016 and FY 2017, General Fund revenue declined precipitously as the temporary income tax increases that passed in FY 2011 were allowed to expire. The jump in year-to-year revenue that occurred in FY 2018 followed the enactment of permanent income tax increases which raised the individual rate from 3.75% to 4.95%, and the corporate rate from 5.25% to 7%.[65]

While those permanent income tax increases helped the state's General Fund recover some needed revenue, they were not meaningful enough to truly resolve Illinois' long-term fiscal shortcomings. In fact, after adjusting for inflation using 2026 dollars, the $49.5 billion of Adjusted General Fund ("**Adjusted GF**") **revenue for FY 2020 was only $2.1 billion greater than it was in FY 2000**, or **a total increase of just 4.5% over 20 years, an average increase of only 0.22% annually**.[66]

Following the start of the COVID-19 pandemic at the end of FY 2020 and continuing through FY 2027, cumulative inflation in Illinois increased by roughly 28%—among the highest multi-year increases in recent decades.[67] Over that same time period, however, General Fund revenue is projected to increase by only 12.7%, excluding one-time federal relief.

Had General Fund revenue growth merely kept pace with inflation, total receipts would have increased by $8.1 billion—about $1.8 billion more than the actual projected increase of $6.3 billion.[68] In other words, even though General Fund revenue has grown at a relatively strong nominal pace since FY 2020, it has nonetheless failed to keep up with inflation, underscoring how Illinois' tax system continues to lag behind the modern economy.

To gain a more accurate longitudinal evaluation of the performance of the state's tax system, the comparison in **Figure 6** adjusts the amount of General Fund revenue projected for FY 2027 to be based on income tax rates as they existed in FY 2000. If Illinois' individual and corporate income tax rates were still 3% and 4.8% respectively, as they were in FY 2000, General Fund Revenue in FY 2027 would be $5.04 billion less in real terms than it was 27 years earlier in FY 2000.

This highlights just how poorly functioning Illinois' overall tax policy is as currently designed. The overall poor revenue performance of the state's current tax policy is detailed in the structural deficit analysis in Section 6 of this Report. As CTBA's research has demonstrated for years, unless and until the structural flaws with Illinois' tax policy are redressed, Illinois' fiscal system will not generate adequate revenue to sustain the same level of service delivery from one fiscal year into the next—even during good economic times.

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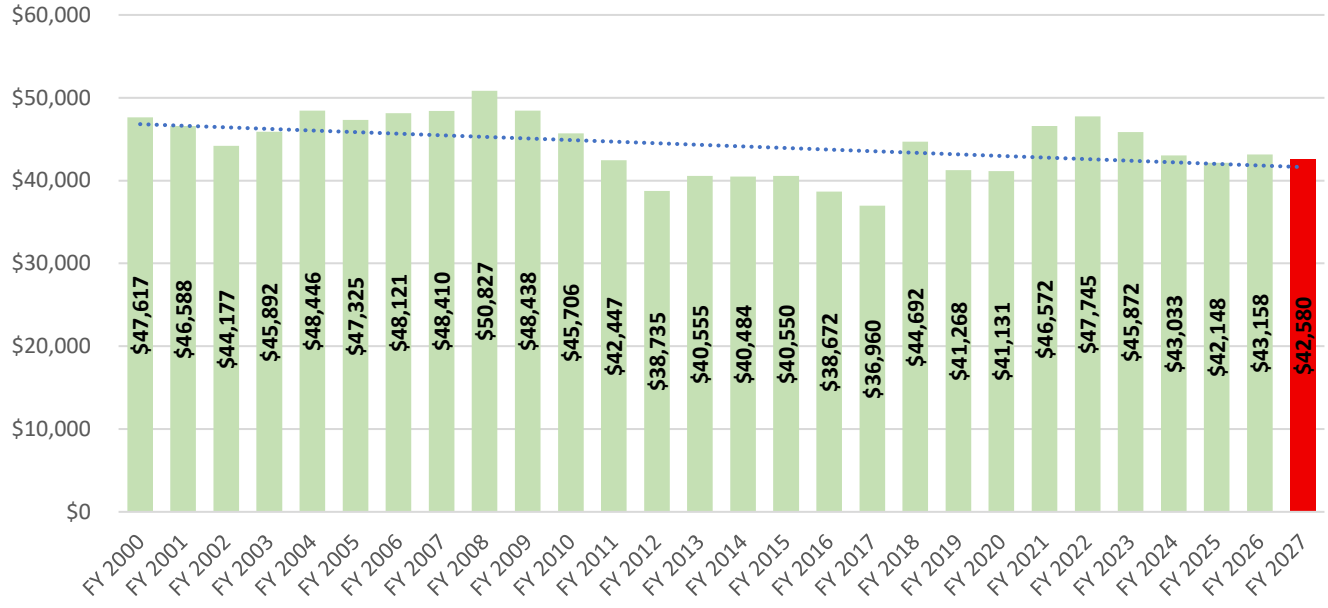
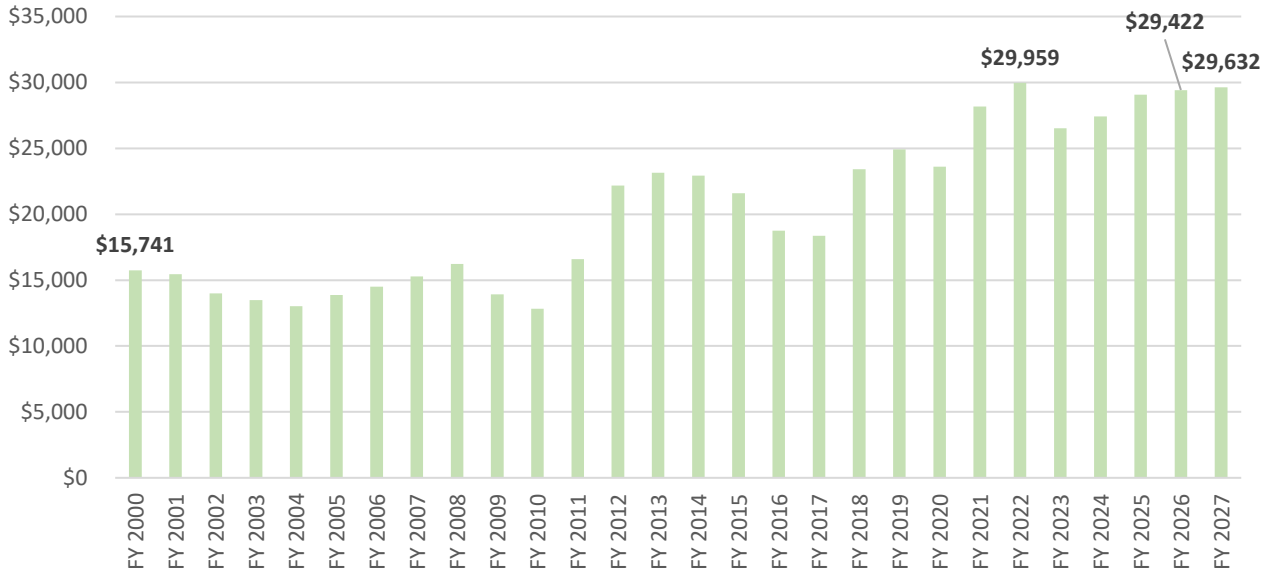
FIGURE 6
TOTAL GENERAL FUND REVENUE, FY 2000 – FY 2027 ($ MILLIONS), INFLATION-ADJUSTED USING 2026 DOLLARS—WITH INCOME TAX RATES HELD CONSTANT TO FY 2000 LEVELS



Source: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB

Digging deeper into the performance of various revenue sources that feed the General Fund, some interesting details emerge. For instance, as shown in **Figure 7**, after adjusting for inflation, the individual income tax revenue amount estimated for FY 2027 of $29.6 billion represents a decrease of roughly $327 million over the peak set in FY 2022.[69]

FIGURE 7
NET INDIVIDUAL INCOME TAX REVENUE, FY 2000 – FY 2027 ($ MILLIONS), INFLATION-ADJUSTED USING 2026 DOLLARS

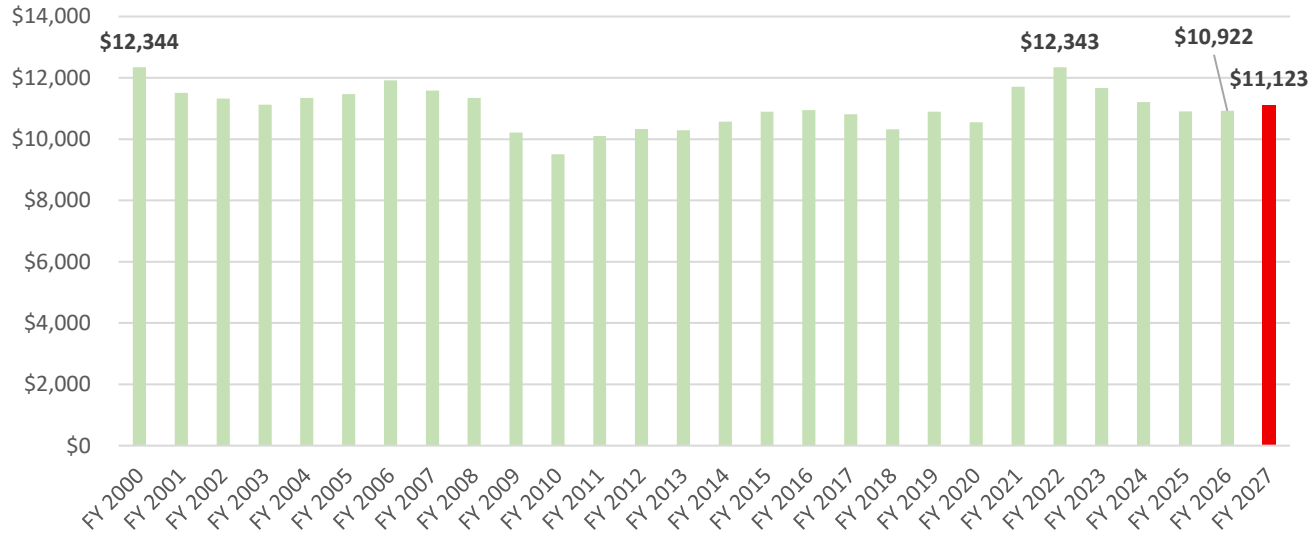


Source: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB[70]

Meanwhile, stagnation and decline typify the performance of the other state taxes that feed the General Fund. Indeed, when measured in 2026 inflation-adjusted dollars, **the state has realized no net revenue growth over the past 26 years from its sales taxes; liquor gallonage taxes; insurance taxes; corporate franchising taxes and associated fees—combined**.[71]

The most important of these revenue sources to exhibit little to no growth over the past 27 years is the sales tax. Consider that projected net sales tax revenue for FY 2027 is $11.1 billion, which is roughly 19.8% of all General Fund revenue. This represents a significant decline in importance as a revenue source over time. In real, inflation-adjusted terms, FY 2000 net sales tax revenue accounted for 26% of total General Fund revenue.[72] The real decline in sales tax revenue experienced in Illinois since FY 2000 is shown in **Figure 8.**

FIGURE 8
NET SALES TAX REVENUES, FY 2000 – FY 2027 ($ MILLIONS),
INFLATION-ADJUSTED USING 2026 DOLLARS



Source: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB[73]

The primary reason sales tax revenue has declined in real terms over time is that Illinois has one of the narrowest sales tax bases of the 45 states that impose a general sales tax.[74] The "base" of a tax is simply what the tax is assessed against. In the case of the sales tax, the "base" is comprised of the transactions the tax covers. Illinois has one of the narrowest sales tax bases of any state because Illinois' sales tax applies mainly to the sale of goods rather than services.

That is problematic because the economy has transitioned from being primarily product-based to being primarily service-based. Illinois' sales tax has failed to respond to this fundamental transformation. Consider that, between 2021 and 2025, the portion of growth in Illinois' state GDP attributable to the sale of goods declined from 25% to just 2%, while the portion of that growth attributable to the sale of services jumped from 66% to 74%.[75] Leaving most of the largest and fastest growing segment of the economy out of the state's sales tax base means revenue from the sales tax will not grow with the economy over time. That in turn contributes to the structural deficit and impedes Illinois' ability to fund core services from year-to-year, because even when service levels are not enhanced, the cost of providing them still grows annually with inflation.[76]

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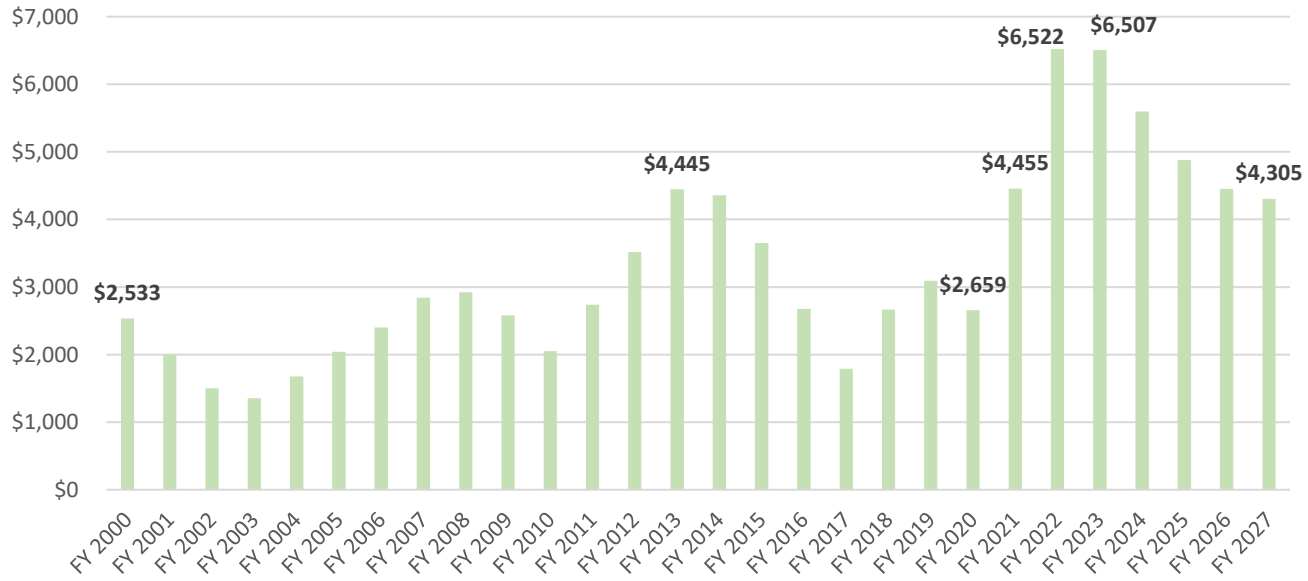
Revenue from several other state tax sources that feed the General Fund have also experienced real declines over the FY 2000—FY 2027 sequence, including: public utility taxes; cigarette taxes; and vehicle use taxes.[77] Moreover, historic recurring Federal Transfers to the state General Fund also decreased during this 27-year period.[78]

For a while, corporate income tax revenue was on track to have one of the most precipitous real declines from its peak, as shown in **Figure 9.**

In fact, corporate income tax revenue declined from its peak level of $4.4 billion in FY 2013, to $2.7 billion in FY 2020—a drop of $1.8 billion or 40.2% in inflation-adjusted dollars.[79] By FY 2021, corporate income tax revenue jumped back up to $4.46 billion, which is almost the exact same amount of revenue, after adjusting for inflation, that was collected at its prior peak in FY 2013. FY 2022 and FY 2023 saw corporate income tax revenue increase over the prior year by $2.1 billion. Since FY 2023, corporate tax revenue has seen a steady decline as shown below.[80]

FIGURE 9
NET CORPORATE INCOME TAX REVENUES, FY 2000 – FY 2027 ($ MILLIONS), INFLATION-ADJUSTED USING 2026 DOLLARS



SOURCE: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB[81]

The reason for the significant increase in corporate income tax revenue in FY 2022 and FY 2023 is two-fold: (i) first, legislation enacted in the applicable years eliminated various corporate tax expenditures, which increased annual, recurring revenue by $655 million; and (ii) a better-than-expected economic rebound from the COVID-19 pandemic, which was accompanied by corporate price gouging that in turn created record corporate profits.[82]

Meanwhile, although Historic Recurring Federal Transfers (i.e., excluding one-time federal relief received under programs like ARPA) made to Illinois have seen some variation over the past 20 years, since FY 2009 the clear trend has been a notable decline. Indeed, as shown in **Figure 10**, on an inflation-adjusted basis, Historic Recurring Federal Transfers to the Illinois General Fund have dropped from a peak of $9.9 billion in FY 2009, to a projected $4.07 billion in FY 2027, a decline of $5.8 billion, or 59%.[83]

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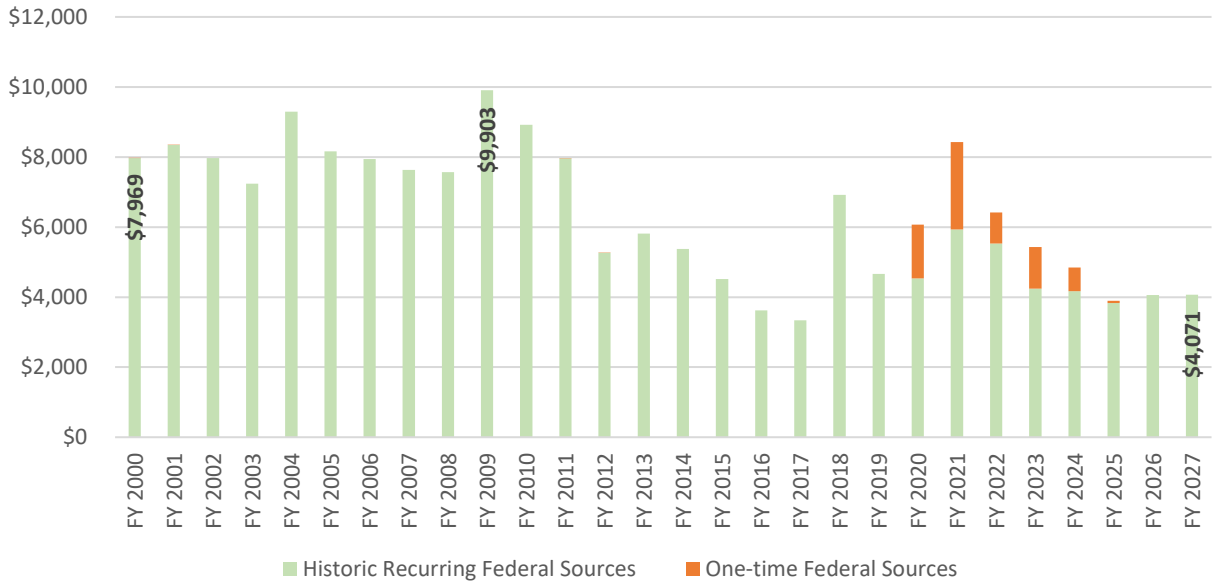
FIGURE 10
GENERAL FUNDS FEDERAL SOURCE REVENUES, FY 2000 – FY 2027 ($ MILLIONS),
INFLATION-ADJUSTED USING 2026 DOLLARS

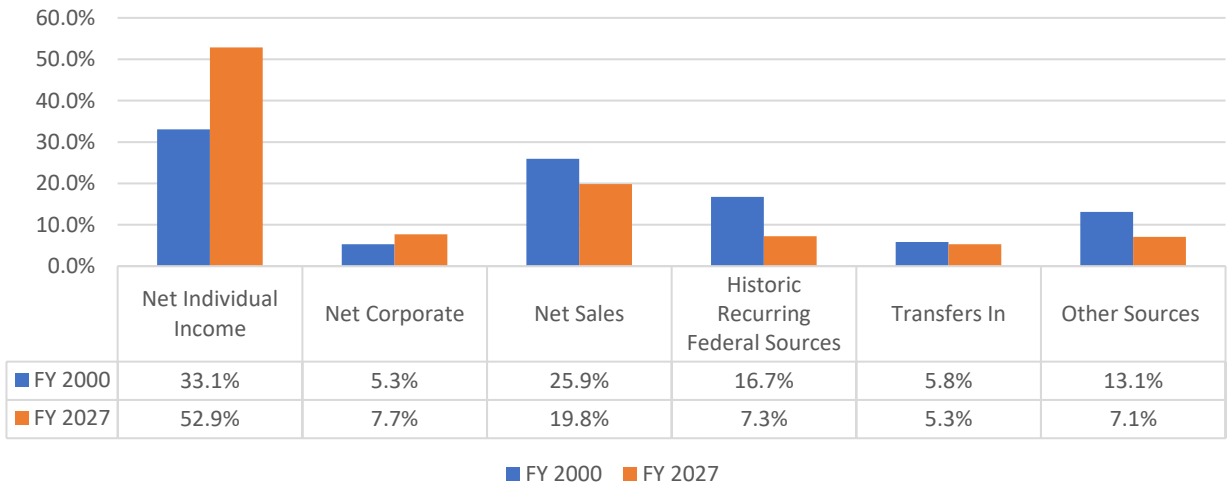


Source: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB[84]

The significant year-to-year increase in federal transfers Illinois realized over the FY 2017–FY 2018 sequence shown in **Figure 10** was primarily due to enhanced federal matching dollars received following the state's utilization of $6 billion in general obligation bond proceeds to pay past due Medicaid bills in FY 2018.[85]

Figure 11 shows how the share of total General Fund revenue by source has changed between FY 2000 and FY 2027, highlighting a growing over-reliance on the state's flat-rate individual income tax and the failure to respond to the modern economy with a sales tax that does not include most consumer services in its base.

FIGURE 11
SHARE OF FY 2000 & FY 2027 GENERAL FUND REVENUE BY SOURCE ($ MILLIONS)
INFLATION-ADJUSTED USING 2026 DOLLAR



	Net Individual Income	Net Corporate	Net Sales	Historic Recurring Federal Sources	Transfers In	Other Sources
FY 2000	33.1%	5.3%	25.9%	16.7%	5.8%	13.1%
FY 2027	52.9%	7.7%	19.8%	7.3%	5.3%	7.1%

SOURCE: CTBA ANALYSIS USING HISTORICAL REVENUE DATA FROM COMMISSION ON GOVERNMENT FORECASTING & ACCOUNTABILITY AND GOMB

4. FY 2027 Proposed General Fund Spending: Hard Costs

4.1 Differentiating Between Hard Costs and Current Service Expenditures

A state's General Fund is its primary budget—the one which both covers most current services and reveals actual legislative and gubernatorial priorities. Illinois' General Fund budget consists of two main elements: "Hard Costs" and "Current Services."

"**Hard Costs**" are mandatory spending obligations over which decision makers have no discretion. Hard Costs are required to be paid either by existing laws, such as debt service payments owed to bondholders, or contractual obligations, like paying health insurance benefits for state workers. In the FY 2027 Proposed GF Budget, **$16.3 billion**, or **29%**, of the $56.1 billion in total, net appropriations are for Hard Costs.[86]

"**Current Services**" are spending on public services over which elected officials generally have at least some discretion. Currently, 94 cents out of every $1 of General Fund spending on Current Services goes to the core areas of Education, Healthcare, Human Services, and Public Safety. After accounting for nondiscretionary Hard Costs, the remaining FY 2027 Proposed GF Budget contains a *gross* appropriation of $40.8 billion for spending on Current Services.

However, in the FY 2027 Proposed GF Budget, net appropriations for Current Services are less than gross appropriations. The reason for this is the General Fund budget proposed for FY 2027—as is typical for most General Fund budgets historically—identifies a dollar amount of gross appropriations that, despite being authorized, will not actually be spent. This line item is generally dubbed "**Unspent Appropriations**." The amount allocated to Unspent Appropriations in the FY 2027 Proposed GF Budget is $1.022 billion.[87] Though the total dollar amount that will not be spent is identified, there is no detail about which specific spending categories will be reduced when the Unspent Appropriations are applied. The Hard Cost and Current Service appropriations contained in the FY 2027 Proposed GF Budget are shown in **Figure 12** by major category.

FIGURE 12
FY 2027 PROPOSED GENERAL FUND APPROPRIATIONS ($ MILLIONS)[88]

Category	Item	FY 2026 Proposed
1. Total Hard Costs		**$16,331**
	Debt Service (Pension & Capital Bonds)	$1,850
	Other Statutory Transfers Out	$431
	Pension Contributions	$11,251
	Group Health Insurance	$2,799
2. Gross General Fund Service Appropriations		**$40,786**
	Healthcare (including Medicaid)	$9,068
	Human Services	$10,964
	Early Childhood Education	$2,088
	K-12 Education	$10,721
	Higher Education	$2,616
	Public Safety	$2,911
	Other	$2,418
	Unspent Appropriations	($1,022)
3. Net General Fund Service Appropriations		**$39,764**
4. Total Net General Fund Appropriations		**$56,094**

Source: CTBA analysis of FY 2027 Proposed Budget

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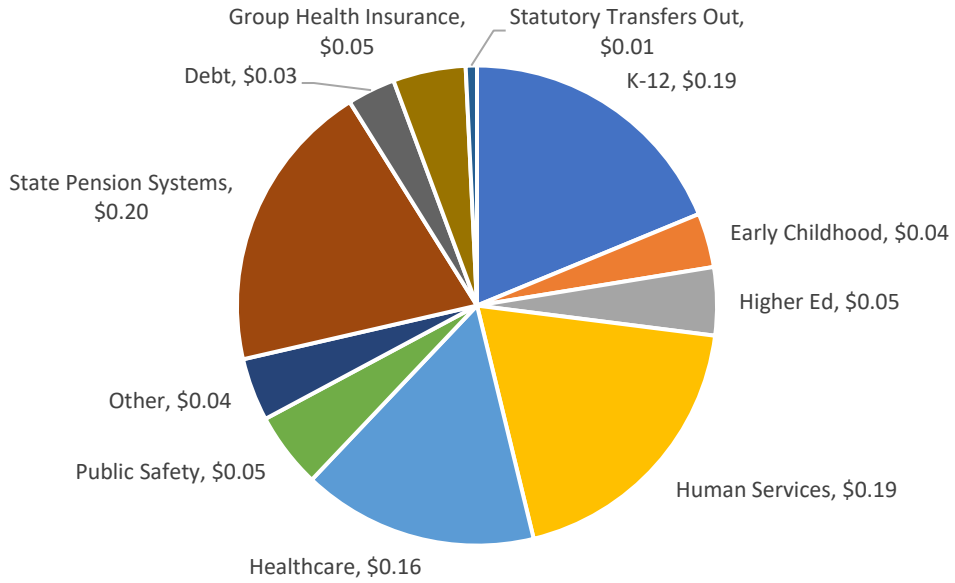
Figure 13 provides a breakdown of how every $1 of gross appropriations in the FY 2027 Proposed GF Budget is intended to be spent, including both Hard Costs and Current Services spending.

FIGURE 13
THE SHARE OF EACH DOLLAR OF GROSS APPROPRIATIONS FOR HARD COSTS AND CURRENT SERVICES IN THE FY 2027 PROPOSED GENERAL FUND BUDGET



Source: CTBA analysis of FY 2027 Proposed Budget

As shown in **Figure 13**, for every $1 in tax revenue that will be spent under the FY 2027 Proposed GF Budget, approximately $0.28 go to Hard Costs, which are aspects of the budget the Governor and General Assembly have little to no discretion over—like pension debt and debt service on bonds—while the remaining $0.72 is targeted to Current Services for the year. Out of that $0.72: $0.19 is for K-12 Education; $0.16 is for Healthcare; $0.19 goes to Human Services; $0.05 is for Higher Education; $0.05 goes to Public Safety; $0.04 is for Early Childhood Education; and $0.04 is targeted for all other government services, including environmental protection, economic development, and Illinois' Constitutional offices.

4.2 FY 2027 Proposed General Fund Spending on Hard Costs

Expenditures are categorized as "Hard Costs" because they are either required to be paid by current law or required to be paid under a binding state contract. Hence, neither the General Assembly nor Governor has the discretion to reduce or eliminate them without changing the law. The Hard Costs payable in FY 2027 are for "Group Health Insurance," "Debt Service," "Pension Contributions," and "Other Statutory Transfers Out." Collectively, a total of $16.3 billion has been identified to cover Hard Costs in the FY 2027 Proposed GF Budget, which represents an increase of $460 million (2.9%) in nominal dollars from the FY 2026 Enacted General Fund Budget.

Since Hard Costs must be paid, they constitute an automatic charge against the revenue available to fund Current Services in a fiscal year—which are for the most part Education, Healthcare, Human Services, and Public Safety. As a corollary, because the Hard Costs for a fiscal year must be paid, any accumulated deficit the state may be carrying in its General Fund impacts solely the discretionary appropriations made for Current Services in the applicable fiscal year.

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Figure 14 details how the Hard Cost appropriations proposed for FY 2027 differ from Hard Cost expenditures for FY 2026.

FIGURE 14
HARD COSTS, FY 2026 ENACTED AND FY 2027 PROPOSED GENERAL FUND BUDGETS ($ MILLIONS)

Total Hard Costs	FY 2026 Enacted	FY 2027 Proposed	$ Change FY 2026 & FY 2027 Proposed	% Change FY 2026 & FY 2027 Proposed
Group Health Insurance	$2,530	$2,799	$269	10.6%
Debt Service (Pension & Capital Bonds)	$1,780	$1,850	$70	3.9%
Pension Contributions	$11,034	$11,251	$217	2.0%
Other Statutory Transfers Out	$527	$431	($96)	-18.2%
Total	**$15,871**	**$16,331**	**$460**	**2.9%**
				#DIV/0!

Source: CTBA analysis of FY 2027 Proposed Budget & FY 2026 Enacted Walkdown

The first item listed under Hard Costs in **Figure 14** is "Group Health Insurance" or "Group Health," which covers the cost of the state's health insurance program provided to current employees and retirees. In FY 2027, the proposed appropriation for Group Health is $2.8 billion, a $269 million (10.6%) nominal-dollar increase from the FY 2026 Enacted GF Budget.[89] The $2.8 billion for Group Health covers over 110,000 members, 99,500 retirees, and nearly 173,000 dependents for both current members and retirees.[90]

The next item listed in **Figure 14** is "Debt Service." Debt service payments are payments made on general obligation bonds. Proceeds from the sale of general obligation bonds have primarily been used to finance capital projects and meet the state's required pension contributions. In the FY 2027 Proposed GF Budget, $1.85 billion is appropriated to be spent on debt service, a $70 million (3.9%) nominal increase from the FY 2026 Enacted GF Budget.

The third Hard Cost line in **Figure 14** is for "Pension Contributions." The FY 2027 Proposed GF Budget appropriation for Pension Contributions covers $11.3 billion of the $12.4 billion in total FY 2027 contributions the state is required to make to the five public employee pension systems it has the responsibility to fund: the Teachers' Retirement System ("**TRS**"), State University Retirement System ("**SURS**"), State Employees Retirement System ("**SERS**"), the General Assembly Retirement System ("**GARS**"), and the Judicial Retirement System ("**JRS**").[91] Also included in the "Pension Contributions" line is an additional $522 million in appropriations, of which $12 million goes to SURS for the Community College Insurance Program, $142 million goes to TRS for the Teachers' Retirement Insurance Program, and $368 million goes to the Public School Teachers' Pension and Retirement Fund of Chicago.[92]

Total projected pension contributions in FY 2027 are $238 million or 2% more than they were in FY 2026.[93] A more detailed analysis of pension funding at the state level in Illinois is set forth in Section 4.3 of this Report.

The fourth Hard Cost listed in **Figure 14** is "Other Statutory Transfers Out." As the name implies, Other Statutory Transfers Out covers expenditures other than pension debt and debt service that, pursuant to existing state legislation, must be paid from the General Fund annually. In the FY 2027 proposed GF Budget, appropriations for Other Statutory Transfers Out are scheduled to be $431 million or -18.2% less than in FY 2026 in nominal dollars.

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4.3 FY 2027 Pension Funding

The FY 2027 Proposed GF Budget includes an $11.3 billion appropriation for pensions, which is the portion of the pension contribution the General Fund is required to cover in FY 2027 under the 1995 Pension Ramp.[94] It should be noted that the total pension contribution for FY 2027 is $12.4 billion, with the remaining $1.1 billion contribution being covered by non-General Fund sources.[95] This required General Fund appropriation is $218 million more than the FY 2026 appropriation of $11.03 billion, as shown in **Figure 15**.[96]

The pension appropriation in the FY 2027 Proposed GF Budget includes $10.7 billion collectively for the five major state pension funds, the TRS, SERS, SURS, JRS, and GARS. The remaining $522 million in pension appropriations proposed for FY 2027 are scheduled to go to the Teachers' Retirement Insurance Program, the College Insurance Program, and the state's contribution to the Chicago Teachers' Pension Fund.[97]

FIGURE 15
FY 2027 PROPOSED GENERAL FUND PENSION APPROPRIATIONS ($ MILLIONS)

Item	FY 2026 Enacted	FY 2027 Proposed	$ Nominal Change	% Change
State Pension Funds				
Teachers' Retirement System (TRS)	$6,496	$6,594	$98	1.5%
State Employees' Retirement System (SERS)	$1,792	$1,839	$47	2.6%
State Universities Retirement System (SURS)	$2,069	$2,116	$47	2.3%
Judges' Retirement System (JRS)	$152	$154	$2	1.3%
General Assembly Retirement System (GARS)	$27	$26	($1)	-3.7%
State Pension Funds Subtotal	**$10,536**	**$10,729**	**$193**	**4%**
Other costs				
State Contribution to Chicago Teachers' Pension Fund	$363	$368	$5	1.4%
Teachers' Retirement Insurance Program	$123	$142	$19	15.4%
College Insurance Program	$11	$12	$1	9.1%
Other Cost Subtotal	**$497**	**$522**	**$25**	**5%**
Total Pension Costs	**$11,034**	**$11,251**	**$218**	**2%**

Source: CTBA analysis of FY 2027 Proposed Budget

At the time the Pension Ramp passed into law, the aggregate funded ratio for all five state systems was just 52.4%.[98] A "**funded ratio**" is determined by dividing the current monetary value of a pension system's total assets by its total liabilities to pay benefits to current and future members.

According to the United States Government Accountability Office ("**GAO**"), to be considered financially healthy a public pension system should have a "funded ratio" of at least 80%.[99]

The federal Pension Protection Act of 2006 also uses an 80% threshold for rating large private plans as being not at risk of defaulting on their liabilities.[100] Similarly, Standard & Poor's gives a rating of above average to pension systems that have funded ratios of 80%-90%, while Fitch Ratings "considers a funded ratio of 70% or above to be adequate and less than 70% to be weak.[101]

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The American Academy of Actuaries ("**AAOA**"), however, cautions that, because of various outside economic factors like volatile interest rates and stock market fluctuations, "no single level of funding distinguishes a healthy plan from an unhealthy plan." [102] Instead, funded ratio just gives a snapshot of where a plan stands fiscally at a given moment in time. According to the AAOA, "while funded ratio may be a useful measure, pension plans should have a strategy to reach 100% funded within a reasonable amount of time." [103]

Whether 80% or 100% is used as the funded ratio threshold, as things stand today the state's pension systems are decidedly not healthy. As of November 2025, which is the most recent data available, the state's five pension systems collectively had $275 billion in liabilities, but only $130 billion in assets to cover those liabilities.[104] This results in a funded ratio across all five state systems of just 47.4%, or fully 32.6 percentage points less than the lower, 80% threshold many consider the minimum for being healthy. It also means Illinois' state government faces a significant, as in $145 billion, aggregate "unfunded liability"—read that as "debt"—owed to its pension systems.

Back in 1995, the Pension Ramp was enacted to bring the pension systems up to a healthy funded ratio of 90% by 2045.

For the first 15 years of the Pension Ramp, however, the payments it required were dramatically less than the actuarially required contribution ("**ARC**") which was needed to fund the benefits being earned by state workers. This resulted in the funded ratio decreasing, rather than increasing, over that sequence—meaning the debt owed to the pension systems grew. Hence by law, the Pension Ramp simply continued the prior practice of intentionally underfunding public pensions and diverting what should have gone to cover the ARC to instead pay for Current Service delivery.

Effectively, this meant the state was borrowing revenue that should have funded the pensions to pay for services and racking up debt to the pensions which had to be repaid later, with interest that was compounding annually. This is irresponsible from a fiscal perspective because the significant compounding interest creates a much greater payment in the long run. In essence, the state's decision to divert revenue that should have covered pension contributions to instead cover service costs is tantamount to using a credit card to pay for food, rent, and utilities, and then not paying the monthly credit card balance in full. You get to eat and sleep indoors for a while, but at some point, your credit card bill becomes so large you may not be able to afford doing either.

Why did decision makers in both parties engage in the irresponsible fiscal practice of intentionally underfunding the pensions so they could divert revenue which should have covered pension contributions to instead pay for Current Services? To avoid taking the hard political, but responsible fiscal, actions needed to resolve the state's structural deficit, which is described in detail in Section 6 of this Report. Effectively, leaders from both parties lacked the political will to raise taxes to eliminate the structural deficit and support Current Service expenditures with current revenue. So instead, they chose to borrow against what was owed to the pension systems to maintain funding for a portion of the growth in Current Services costs which natural revenue growth was not covering because of the structural deficit. Then they left the obligation to repay the debt they were accruing to the pension systems to future generations, by back-loading payments under the Pension Ramp.

Indeed, the Pension Ramp got its name precisely because it provided for the repayment of the pension debt by substantially "ramping-up" annual repayments over the FY 2011-2045 sequence, creating a deferred debt repayment schedule that was so unrealistically back-loaded as to be unaffordable.

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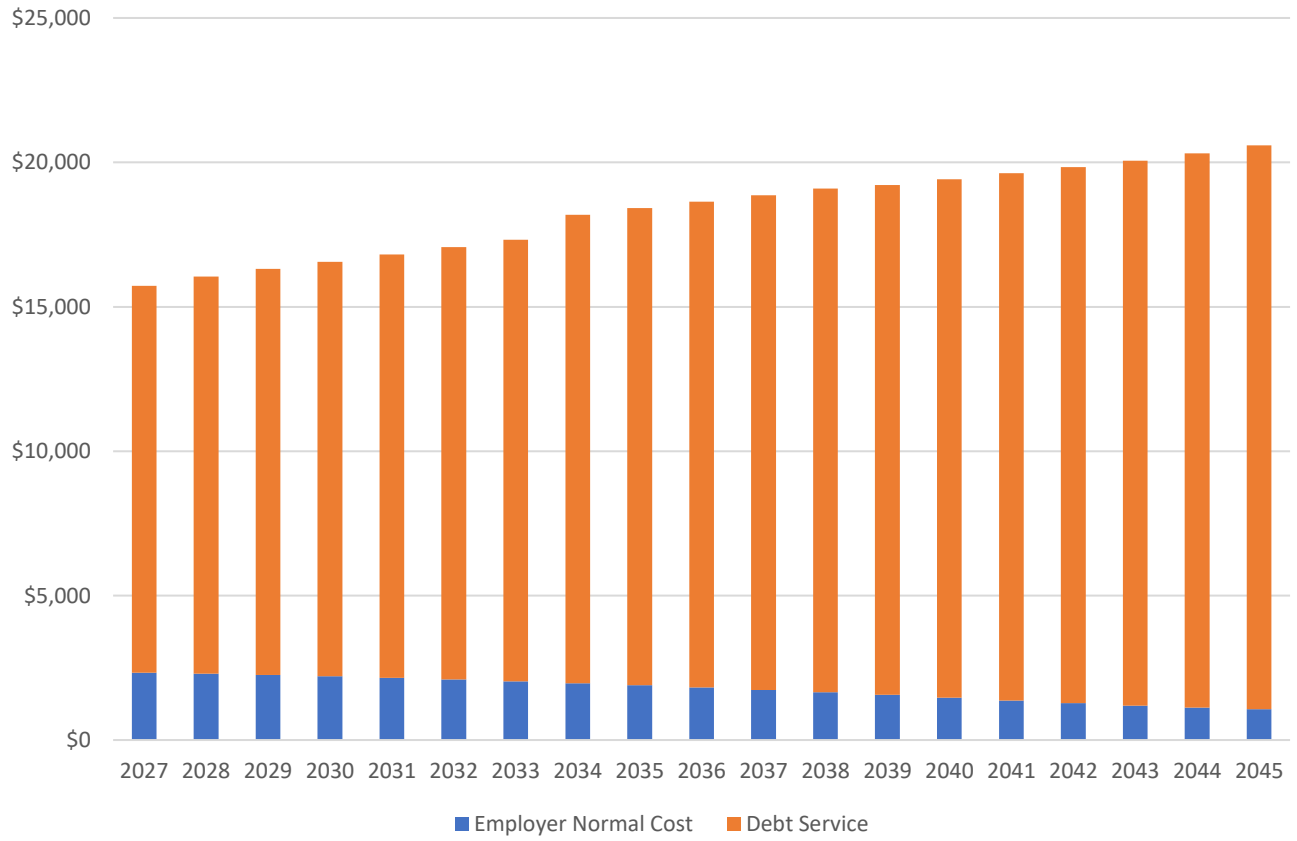
Figure 16 shows that under the current Pension Ramp, the annual, all funds contribution to the five state pension systems is projected to reach over $20 billion by FY 2045.[105]

FIGURE 16
PROJECTED ALL FUNDS CONTRIBUTIONS TO STATE PENSION SYSTEMS ($ MILLIONS)



Source: CTBA Analysis of 2025 Actuarial Valuations for Illinois TRS, GARS, SURS, JRS, and SERS

In the FY 2027 Proposed GF Budget, Governor Pritzker again suggested modifying the Pension Ramp to get the systems 100% funded by FY 2048.[106] The four primary elements of the Governor's proposals are as follows:

(i) First, the statutory funded ratio goal is increased to 100%.
Illinois is an outlier in setting the pension funded ratio goal at 90% instead of 100%.[107] The Governor's office notes that credit rating agencies and bond investors have consistently pointed to this 90% target as inadequate, so the Governor's office proposes aiming for 100% funded in part by adding an additional three years to the 2045 Pension Ramp.[108]

(ii) Second, the annual contribution into the pension systems is increased after certain existing debt is repaid.
The Governor is proposing to use a portion of the projected savings from bonds that will be fully repaid in fiscal year 2033 to shore up the state's pension systems.[109] GOMB projects that this will save $4.5 billion by FY 2045.[110] According to data provided by the Governor's office, the payment schedule under the current Pension Ramp will remain unaltered until 2030, and then the Governor's Proposed new ramp will begin utilizing savings from the aforesaid retired debt to slightly increase the annual payments into the systems through FY 2043.[111] Under the Governor's proposed changes to the Pension Ramp, to reach 100% funded, annual ramp pension payments are added for FY 2046, FY 2047, and FY 2048 which will vary in amount from between $13 billion-$15 billion, whereas under

the current Pension Ramp, those payments would drop to slightly over $2 billion in 2046, 2047, and 2048.[112]

(iii) Third, the challenge of the shortening "runway" is addressed through fixed length amortization strips.

Creating shorter fixed length amortization strips within the specified period of amortization identified by statute is an effective means to absorb or re-adjust payments based on shorter term investment performance, and is a practice recommended by the Conference of Consulting Actuaries Public Plans Community ("**CCA PPC"**).[113]

Closed multi-layer amortization manages volatility within the markets and shifts in actuarial projections more effectively.[114] For example, the Pension Ramp in Illinois is currently a closed, single layer amortization schedule which was designed to reach a 90% funded ratio by 2045. The statutory contributions were calculated to meet that 90% funded ratio by 2045 based on the initial unfunded liability that existed when the legislation was passed, and do not factor in any additional changes to the unfunded liability that occur over the course of what was at the time roughly a 50-year amortization schedule. Allowing for fixed length amortization strips within the current amortization period is a way to account for shifts in actuarial gains and losses, benefits, actuarial assumptions, and methodological changes that impact the unfunded liability.[115] Every year, the pension funds publish an actuarial valuation that accounts for these shifts, and the shorter amortization ramps mean that any unfunded liability created post the initial passage of the legislation also be amortized and eliminated, but over a shorter period.[116]

(iv) Fourth, if necessary, it adjusts the Tier II pensionable earnings cap to the Social Security Wage Base ("SSWB") for employees not coordinated with Social Security.

Analysis commissioned by COGFA already demonstrated that the Tier II Pensionable earnings cap is in violation of federal safe harbor standards for TRS, SURS, and SERS.[117] (See CTBA's report, Illinois Teachers' Retirement System and Tier II Pension Law: An Overview, to learn more about Tier II.) Solving that problem requires increasing the Tier II benefit, which obviously costs more money than what is prescribed to be paid under the Pension Ramp. To cover these costs, the FY 2026 Enacted GF Budget allocated $75 million as an additional contribution for adjusting the Social Security Wage Base for Tier II members, an amount that was based on analysis done by Segal, COGFA's actuary, that estimated the increase in state contributions needed to fund certain changes to Tier II benefits.[118] Segal estimated that $78 million would be needed in FY 2027 to again adjust the pensionable earnings cap to the Social Security Wage Base for Tier II members.[119]

Governor Pritzker also proposes extending the pension buyout program for an additional two years, through the end of FY 2028. To date, the pension buyout program has reduced unfunded liabilities in the pension systems by $2.9 billion.[120]

One sound alternative to the Pension Ramp is implementing a "level-dollar" re-amortization of the pension debt that eliminates back-loading. Under a level dollar repayment plan, the state would make greater annual payments in early years than what is required under the current Pension Ramp, but those new annual payments would remain level in nominal dollars over time. Over the long-term, this means in real, inflation-adjusted dollars, the cost to the state—and taxpayers—of repaying the pension debt under a level dollar re-amortization ends up being substantially less than under the Pension Ramp.

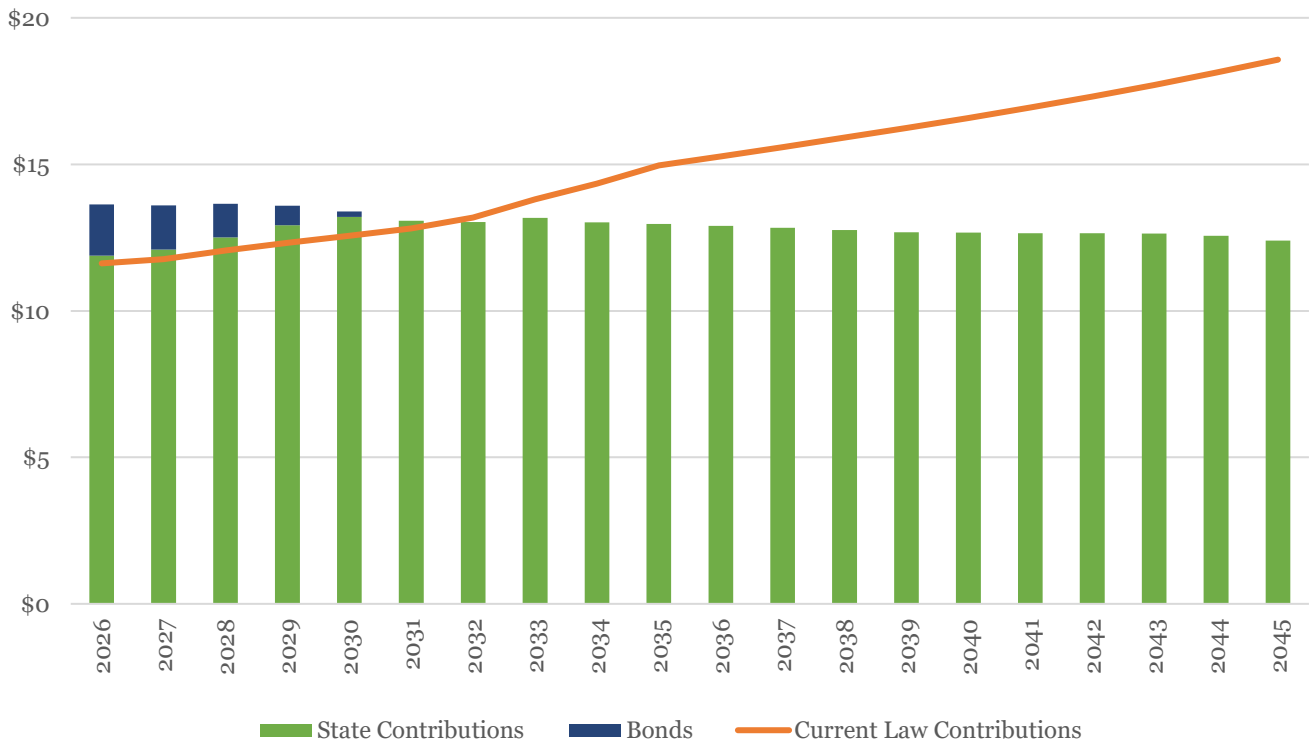
For instance, utilizing 2024 actuarial data, CTBA identified a level-dollar re-amortization scenario that would cost $43.1 billion less in taxpayer dollars than the Pension Ramp through FY 2045. This re-

amortization scenario still increases the funded ratio of the five state pension systems from their current level of around 47.4%[121] to 90% in 2045,[122] all while reducing the significant fiscal strain on Illinois' General Fund caused by the current back-loaded nature of the Pension Ramp. This re-amortization plan is shown in **Figure 17**. The savings are achieved by:

(i) Issuing $5.2 billion in pension obligation bonds over five years, the proceeds of which are used to front-load payments to the pension systems and retire existing unfunded liability debt by paying down the principal;
(ii) Moving pension contributions from the last day of the fiscal year to the first day of the fiscal year, generating an additional 364 days of investment returns on those contributions, which has a positive, compounding effect over time;
(iii) Re-amortizing the remaining pension debt on a level-dollar basis starting in 2033 to eliminate the fiscal strain created by the current back-loading of payments under the existing Pension Ramp; and
(iv) Including an additional minor front-loading of state contributions.

CTBA is preparing an updated model that factors in the most recent actuarial data and elements of the Governor's proposed pension reforms.

FIGURE 17
CTBA PENSION RE-AMORTIZATION AND CURRENT LAW ALL FUNDS CONTRIBUTIONS TO STATE PENSION SYSTEMS ($ BILLIONS)



Source: CTBA Analysis of 2024 Actuarial Reports for Illinois TRS, GARS, SURS, JRS, and SERS

5. FY 2027 Proposed General Fund Spending: Current Services

5.1 FY 2027 Proposed General Fund Discretionary Spending on Current Services

Since Hard Costs are mandatory expenditures required by law, they do not provide much insight into current legislative or gubernatorial policy priorities. Discretionary spending, on the other hand, does. Discretionary spending in the General Fund budget proposed for FY 2027 is represented by the respective appropriations made for Current Services. The vast majority of those appropriations, 94% go to the four core areas of Education, Healthcare, Human Services, and Public Safety.

Appropriations for "Education" cover three subcategories: "Early Childhood Education," "K-12 Education," and "Higher Education." As of FY 2027, all Early Childhood Education appropriations are administered by the Illinois Department of Early Childhood ("**IDEC**"), the agency responsible for administrating K-12 Education is the Illinois State Board of Education ("**ISBE**"). The Higher Education category includes appropriations made to the Board of Higher Education, the Illinois Community College Board, the Illinois Mathematics and Science Academy, the Illinois Student Assistance Commission, the State Universities Civil Service System, and Illinois' twelve public universities.

The "Human Services" category includes all appropriations made for the three agencies primarily responsible for delivering those services: the Department on Aging ("**DOA**"), Department of Children and Family Services ("**DCFS**"), and the Department of Human Services ("**DHS**"). Several other agencies that receive small amounts of General Fund appropriations are also grouped into the Human Services category.[123] The "Public Safety" category includes appropriations for the Department of Corrections ("**DOC**"), Department of Juvenile Justice ("**DJJ**"), the Illinois State Police, and several smaller agencies.[124]

The "Healthcare" category consists of appropriations for the Department of Health and Family Services ("**DHFS**") and the Department of Public Health.[125] Note that the vast majority of General Fund appropriations for DHFS—about 69%—are targeted for Medicaid, with another 28% for deposit into the Healthcare Provider Relief Fund, which is a special state fund separate from the General Fund that also covers Medicaid program expenditures.[126]

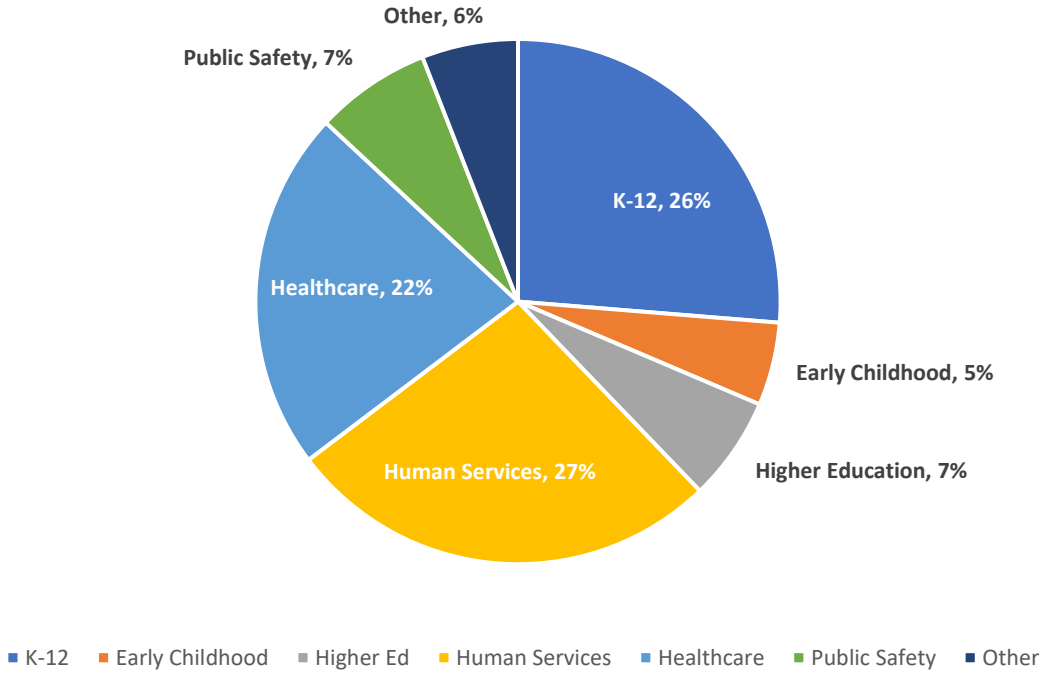
The category of "Other" includes appropriations for every other service provided by, and all other functions of, state government. This includes appropriations for: legislative agencies such as the General Assembly and **COGFA**; state Constitutional Offices; smaller state agencies such as the Department of Central Management Services ("**CMS**"), Department of Commerce and Economic Opportunity ("**DCEO**"), and the Illinois Department of Revenue ("**IDOR**"); all environmental protection expenditures; and various boards, commissions, and authorities, such as the Capital Development Board.

CTBA analyzes spending by agency and program category to determine the best fit for an agency's overall role. Following this analysis, CTBA determines that certain agencies that had been classified by the state one way were better suited to be included under a different category. For instance, based on its core functions, CTBA shifted the Human Rights Commission from the state's Economic Development category to "Human Services." The reason for this is simple: all General Fund appropriations to the Human Rights Commission are earmarked for Human Services programming.[127] Similarly, while the state categorized the Department of Public Health under "Human Services," CTBA

instead categorizes it under "Healthcare," given that all funding outside of administrative duties for that department is earmarked for healthcare programming.[128]

As shown in **Figure 18**, the appropriations in the FY 2027 Proposed GF Budget for Current Services continue to prioritize the same core services of Education (38%), Healthcare (22%), Human Services (27%), and Public Safety (7%) the state has historically devoted its General Fund to providing. Combined, these core service areas account for about 94 cents out of every dollar of the gross appropriations proposed for Current Services in FY 2027.

FIGURE 18
FY 2027 PROPOSED GENERAL FUND BUDGET GROSS APPROPRIATIONS FOR CURRENT SERVICES



Source: CTBA analysis of FY 2027 Proposed Budget

Although **Figure 18** shows the breakdown of the proposed *gross* appropriations for Current Services in FY 2027, spending reductions authorized by the "Unspent Appropriations" budget line will reduce total, net appropriations from the gross level of $40.8 billion to a net proposed expenditure level of $39.8 billion. However, there currently is no detail available to allocate to specific service categories the cuts authorized pursuant to the Unspent Appropriation line.

5.2 Year-to-Year Comparison of Appropriations for Current Services, FY 2026 & FY 2027 Proposed Budgets

Under the FY 2027 Proposed GF Budget, total net appropriations for Current Services are scheduled to be $39.8 billion, which is $560 million or 1.43% greater than FY 2026 appropriations in nominal dollars.[129] **Figure 19** shows the nominal dollar year-to-year change in appropriations between the FY 2026 Enacted GF Budget and the FY 2027 Proposed GF Budget.

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FIGURE 19
GENERAL FUND BUDGET SERVICES APPROPRIATIONS
FY 2026 ENACTED COMPARED TO FY 2027 PROPOSED ($ MILLIONS)

Category	FY 2026 Enacted (Nominal)	FY 2027 Proposed	$ Change	% Change
Healthcare	$9,623	$9,068	($555)	-5.77%
Human Services	$11,701	$10,964	($737)	-6.30%
K-12 Education	$10,424	$10,721	$297	2.85%
Higher Education	$2,621	$2,616	($5)	-0.18%
Early Childhood	$760	$2,088	$1,328	174.8%
Public Safety	$2,709	$2,911	$202	7.45%
Other	$2,331	$2,418	$87	3.72%
Total (Gross)	**$40,169**	**$40,786**	**$617**	**1.54%**
Total (Net)	**$39,204**	**$39,764**	**$560**	**1.43%**

Source: CTBA analysis of FY 2027 Proposed Budget & FY 2025 Proposed Walkdown

Overall, the FY 2027 Proposed GF Budget calls for a minimal increase in both gross and net spending on core services.[130] As highlighted in **Figure 20**, the level of spending on healthcare proposed for FY 2027 is **$555 million less** than it was last year in nominal dollars.

FIGURE 20
NOMINAL DOLLAR COMPARISON OF FY 2027 PROPOSED AND FY 2026 ENACTED
GENERAL FUND BUDGET APPROPRIATIONS FOR HEALTHCARE ($ MILLIONS)

	FY 2026 Enacted	FY 2027 Proposed	$ Change	% Change
Total Department of Healthcare and Family Services (DHFS)	$9,301	$8,781	($520)	-17.5%
DHFS Deposit to transfer to Healthcare Provider Relief Fund (HPRF)	$2,888	$2,383	($505)	-11%
Department of Public Health	$322	$286	($36)	-6%
Total Healthcare – General Funds	**$9,623**	**$9,068**	**($555)**	**-6%**

Source: CTBA analysis of FY 2027 Proposed Budget, GOMB Economic and Fiscal Report, & FY 2026 Enacted Walkdown
Note: Totals funds will not total as the Healthcare Provider Relief Funds are included within total DHFS GF budget

Of course, a nominal dollar comparison does not provide an accurate barometer of whether spending on services is actually growing, staying flat, or declining. That is because nominal dollar comparisons do not adjust for changes in either inflation or population, both of which make it more expensive to provide the same level of services from one fiscal year into the next.

There are two major inflation metrics published by the Federal Bureau of Labor Statistics ("**BLS**") that are used to determine how much the cost of products and services increase over time. The first is the Consumer Price Index ("**CPI**"). The CPI is a comprehensive inflation measure that broadly covers the change in price for all goods and services in the economy—from bread to bowling. However, state government purchases very few goods included in the CPI, which means the CPI is not the best measure for evaluating public sector spending.

The second major inflation metric is the Employment Cost Index ("**ECI**"). As the name implies, the ECI focuses on changes in the cost of paying compensation to workers over time. Public services are very labor intensive, and most public sector expenditures on services made through the Illinois General

Fund cover the compensation paid to the healthcare workers, teachers, correctional officers, social workers, and other civil servants who provide the public services consumed in communities across the state. Hence, the ECI is the more accurate metric for analyzing inflationary cost increases that impact public sector expenditures on services.

Calculating inflation adjustments over time is relatively simple. Say expenditures on Public Safety were $100 in year one, and the inflation rate for that year was 3%. In year two, the appropriation for Public Safety would have to be $103—that is $100 increased by 3%—to purchase the same level of services provided in year one, in what is referred to as "real"—i.e., inflation-adjusted—terms. If instead Public Safety received an appropriation of $101 in year two, then despite the $1 increase in nominal appropriations, in real, inflation-adjusted terms, spending was actually cut by $2.

Since FY 2023, inflation has grown at a greater average annual rate than it did over the previous 23 years.[131] Given that the state's revenue has not historically grown at levels that keep pace with inflation, the recent spike in inflationary pressure has had a particularly negative effect on the General Fund budget. So much so that in **FY 2027 most Current Service categories do not realize a year-to-year increase in gross appropriations on an inflation-adjusted basis,** as shown in **Figure 21.**[132]

FIGURE 21
GENERAL FUND BUDGET SERVICES APPROPRIATIONS
FY 2026 ENACTED COMPARED TO FY 2027 PROPOSED, ADJUSTED FOR INFLATION[133] ($ MILLIONS)

Category	FY 2026 Enacted (Nominal)	FY 2026 Enacted (inf. adj.)	FY 2027 Proposed	$ Change (inf. adj.)	% Change
Healthcare	$9,623	$9,960	$9,068	($892)	-8.96%
Human Services	$11,701	$12,111	$10,964	($1,146)	-9.47%
K-12 Education	$10,424	$10,789	$10,721	($68)	-0.63%
Higher Education	$2,621	$2,713	$2,616	($96)	-3.55%
Early Childhood	$760	$786	$2,088	$1,302	165.5%
Public Safety	$2,709	$2,804	$2,911	$107	3.82%
Other	$2,331	$2,413	$2,418	$5	0.21%
Total (Gross)	**$40,169**	**$41,575**	**$40,786**	**($789)**	**-1.90%**
Total (Net)	**$39,204**	**$40,576**	**$39,764**	**($812)**	**-2.0%**

Sources: CTBA analysis of GOMB; Healthcare appropriations inflation-adjusted using Midwest Medical Care CPI; all other appropriations adjusted using ECI from the BLS as of January 2024 and population growth from the Census Bureau as of January 2020

That said, total net spending on Current Services as proposed for FY 2027 is $812 million—or 2.0%—less in real terms than in FY 2026.

Moreover, the aggregate year-to-year real changes in funding levels for Current Services shown in **Figure 21** in most cases will overstate the amount of the actual increase. The reason for this is **Figure 21** compares the *maximum authorized* appropriations for Current Services in FY 2027 to enacted spending for FY 2026. Many of these maximum authorized spending amounts will not be realized, however, because there are $1.022 billion in "Unspent Appropriations" in the FY 2027 Proposed GF Budget, which, when applied over the course of the fiscal year, will reduce actual spending amounts for certain items below the gross appropriation authority identified therefor in the various service categories as noted in **Figure 21**.

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5.3 In Real Terms, Gross Appropriations for Most Core Services in the FY 2027 Proposed GF Budget Remain Less Than Two Decades Ago in FY 2000

As has been highlighted previously, due to its structural deficit, Illinois has disinvested in Current Services for such an extended period of time that the overall, net appropriations proposed for service spending in FY 2027 are 16.0% less than actual appropriations for said services were 27 years ago in FY 2000, in real, inflation-adjusted terms, as shown in **Figure 22.**

FIGURE 22
ILLINOIS GENERAL FUND APPROPRIATIONS FOR CORE SERVICES:
FY 2027 PROPOSED COMPARED TO ENACTED FY 2000 ($ MILLIONS)

Category	FY 2000 Enacted (Nominal)	FY 2000 Enacted (inf. adj.)	FY 2027 Proposed	$ Change (inf. adj.)	% Change (inf. adj.)
Healthcare	$5,022	$12,783	$9,068	($3,716)	-29.1%
Human Services	$4,599	$10,855	$10,964	$109	1.1%
K-12 Education	$4,674	$11,032	$10,721	($1,087)	-6.59%
Higher Education	$2,152	$5,079	$2,616	($2,462)	-48.5%
Early Childhood Education	$170	$402	$2,088	$1,686	419.9%
Public Safety	$1,350	$3,1875	$2,911	($276)	-8.65%
Total Net General Fund Service Appropriations	**$20,064**	**$47,355**	**$39,764**	**($7,591)**	**-16.0%**

Sources: FY 2000 unadjusted appropriations from Governor's final budget summary for FY 2000; and CTBA analysis of GOMB; Healthcare appropriations inflation-adjusted using Medical Care CPI; all other appropriations adjusted using ECI-C from the BLS as 2026 and population growth from the Census Bureau as of January 2026

It is worth noting that although proposed General Fund Healthcare appropriations for FY 2027 are projected to be 29.1% less than FY 2000 levels, some Healthcare appropriations formerly covered by the General Fund are now funded through other sources, as the state has created a number of special funds dedicated to covering Medicaid obligations.[134] Because of the increased utilization of these special funds, since FY 2014 a material portion—some 32%—of Healthcare funding, particularly for Medicaid, has gradually moved out of the General Fund.[135]

6. From Accumulated Deficit to Accumulated Surplus

An "**accumulated deficit**" is typically the sum of the unpaid bills for Current Services the state has remaining at the end of a given fiscal year; plus, the amount of any one-time revenues relied on to support delivery of Current Services in said fiscal year, that have to be replaced in the next fiscal year just to maintain flat service spending. An "**accumulated surplus"** is the opposite: it means the General Fund has more revenue in a given year than it has expenses for that year, inclusive of any unpaid bills that have carried forward from the prior year, and after replacing all one-time revenue used to fund recurring services and/or ongoing debt service obligations in the prior year.

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As things stand now, by the end of FY 2027, CTBA projects the State of Illinois will have a small accumulated surplus in its General Fund. The walk down showing how this accumulated surplus would develop between FY 2026 and FY 2027 is set forth in **Figure 23**.[136]

FIGURE 23
ESTIMATED ACCUMULATED SURPLUS OR DEFICIT AT THE END OF FY 2027 ($ MILLIONS)

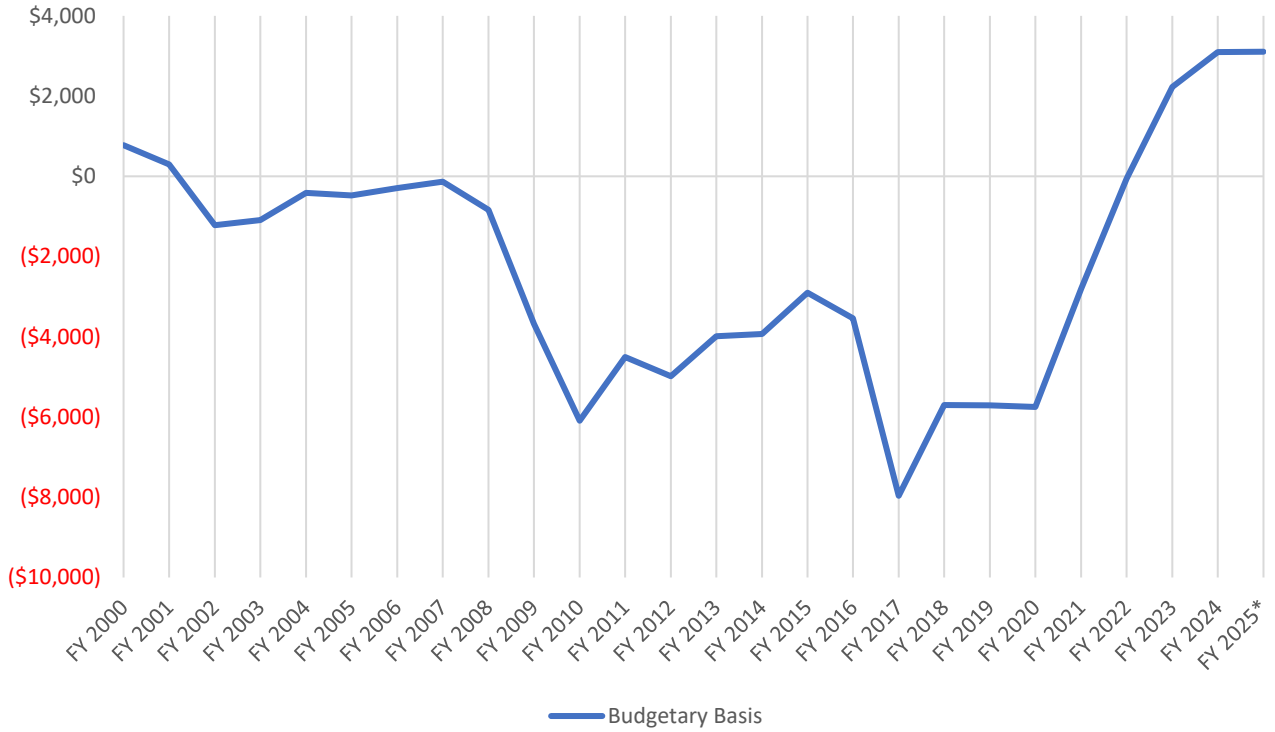
Item	Amount	Remaining Resources
Total FY 2027 General Fund Revenue	$56,055	$56,055
Accumulated Surplus Carry Forward from FY 2026	$440	$56,495
FY 2027 Hard Costs	$16,331	$40,164
FY 2027 Proposed General Fund Net Service Appropriations	$39,764	$400
Subtract Budget Stabilization Transfer	$176	$224
Projected Accumulated Deficit or Surplus at the end of FY 2027 based on the FY 2027 Proposed GF Budget	**$224**	
Accumulated Surplus as a Percent of General Fund Net Service Appropriations	**0.6%**	

Source: CTBA analysis of FY 2027 Proposed Budget, & FY 2026 Enacted Walkdown

The reduction in and ultimate elimination of the state's accumulated deficit over the last four fiscal years is primarily the result of the Pritzker Administration making sound fiscal policy choices. For instance, the administration's decision to repay the $3.2 billion Federal Reserve Municipal Liquidity Facility loan borrowed in FY 2020 two years ahead of schedule saved taxpayers $82 million in interest costs.[137] Similarly, legislators approved the Governor's recommendation to use $898 million of the state's unanticipated revenue growth for FY 2022 to pay some of the backlog of health insurance bills for state workers. Bear in mind, however, that without the FY 2027 revenue enhancements outlined in Section 3.2 of this Report, it is likely the FY 2027 estimated surplus would once again revert to an accumulated deficit in the General Fund.

Given that annual growth in the state's structural deficit usually increases the accumulated deficit in the General Fund on a year-to-year basis, it is of course good—and relatively novel—news that the accumulated deficit has been entirely eliminated, and that current projections are the General Fund will end FY 2027 with a surplus of $224 million.[138] In fact, prior to the last four fiscal years, the trend of General Fund deficits goes back decades all the way to FY 2001, as shown in **Figure 24**.[139]

FIGURE 24
ILLINOIS GENERAL FUND BUDGET DEFICIT/SURPLUS ($ MILLION), NOMINAL



Source: Analysis of Illinois Office of the Comptroller Comprehensive Annual Financial Reports, FY 1987 – FY 2024

The increase in cash flow over recent years allowed the State to commit to rebuilding its Budget Stabilization Fund—commonly referred to as the "Rainy Day Fund," as shown in **Figure 25**. Since Fiscal Year 2022, Illinois has made consistent progress in restoring this critical reserve, steadily increasing deposits and achieving the highest fund balance in state history.[140]

FIGURE 25
ILLINOIS BUDGET STABILIZATION FUND (RAINY DAY FUND) FY 2020 – FY 2027 PROPOSED

Fiscal Year	Deposits (Transfers In)	Fiscal Year-End Balance
FY 2020	$0	$0.06
FY 2021	$0	$0.06
FY 2022	$746	$751
FY 2023	$1,155	$1,903
FY 2024	$161	$2,064
FY 2025	$256	$2,320
FY 2026 (Estimated)	$161	$2,481
FY 2027 (Projected)	$176	$2,657

Illinois State Comptroller, "Rainy Day Fund" data, 2026

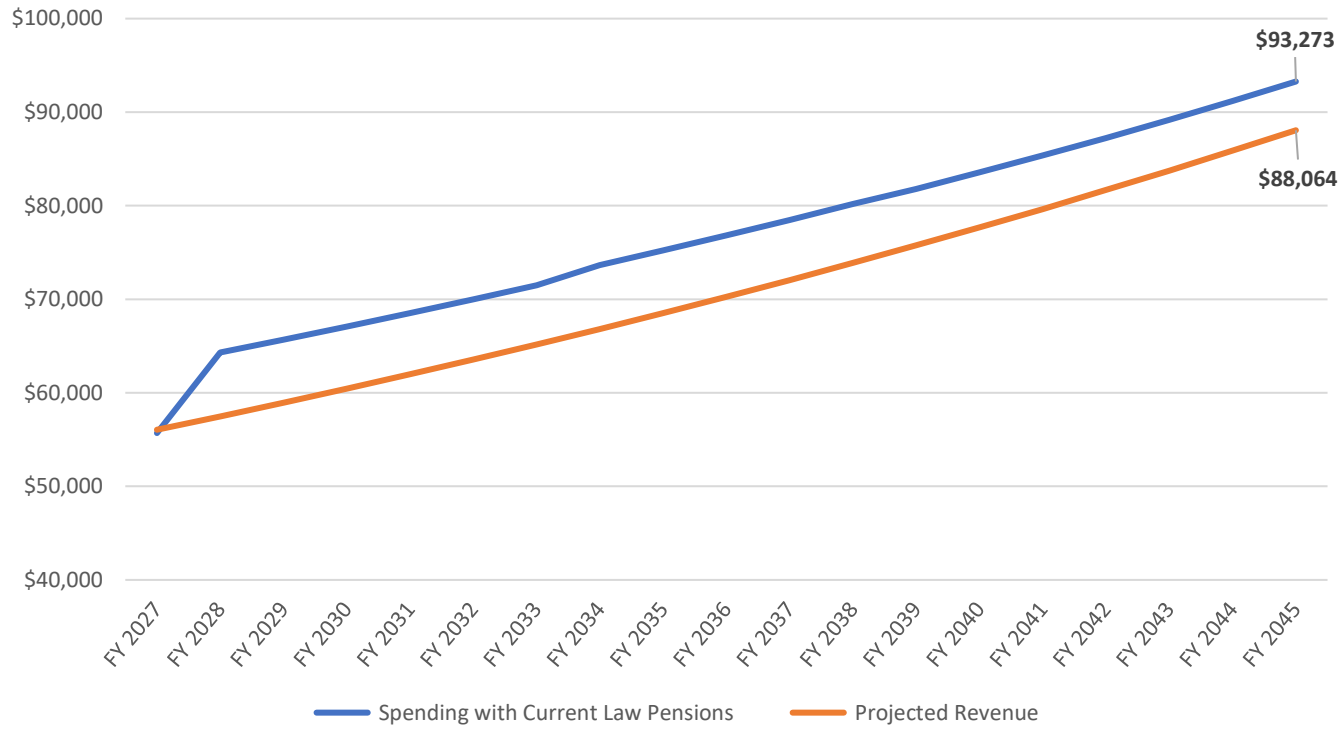
While the Pritzker Administration's fiscal initiatives implemented over the last five fiscal years were sufficient to eliminate the accumulated deficit, they have not completely eliminated the factors that have driven the state's historical, long-term "**structural deficit**." A "**structural deficit**" exists whenever a tax system, over an extended period of time, fails to generate enough revenue growth on a year-to-year basis to cover the cost of both:

(i) maintaining delivery of the same level of public services from year-to-year, after adjusting solely for changes in inflation and population, and assuming no changes in law; and
(ii) repaying existing debt service.

For nearly two decades, CTBA has shown how the data consistently demonstrate that the tax system which feeds the state's General Fund has historically grown revenue at a slower pace than the inflation-adjusted rate of increase in the cost of maintaining Current Service levels, plus the growth in paying the state's existing debt load—which in Illinois' case is owed primarily to the state's five pension systems, as detailed in Section 4.3 of this Report.

Figure 26 is a graphic depiction of the structural deficit in the Illinois General Fund using FY 2027 as the base year and assumes all the new revenue proposals included in the FY 2027 Proposed GF Budget will become enacted.

FIGURE 26
PROJECTED STRUCTURAL DEFICIT IN ILLINOIS' GENERAL FUND



Source: CTBA analysis using historical revenue data from COGFA and FY 2027 estimate from GOMB

The calculation shown in **Figure 26**, just like any structural deficit model, is a projection of how the deficit in Illinois' General Fund will grow in the future—assuming the state starts with a balanced budget in FY 2027. A structural deficit model does not show the actual dollar value of the accumulated deficit, if any, that would actually exist in any given year—especially if the beginning point of the projection is a fiscal year in which an accumulated deficit does exist.

To address a structural deficit, either real spending on services has to be cut, revenue has to be raised, or some combination thereof has to be proposed. Moreover, the pension debt Illinois owes to its five pension systems has to be re-amortized along the lines suggested in Section 4.3 of this Report. **As things stand now, the simple truth is Illinois' current structural deficit will continue to grow if there is no change in law**.

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At this juncture, eliminating the structural deficit by further cutting service spending is not a responsible option. Indeed, as shown in further detail in Section 5.2 of this Report, Illinois has been cutting real General Fund spending on Current Services since FY 2000.[141] Moreover, even after accounting for the increases in spending called for in the FY 2027 Proposed GF Budget, at the end of FY 2027 spending on Current Services is still projected to be 16% less in real terms than it was in FY 2000.

To make matters worse, the federal One Big Beautiful Bill Act, or "**OBBBA**," is projected to significantly increase the long-term structural deficit in the state's General Fund.[142] The financial stresses the OBBBA creates for the General Fund come from both the revenue and spending sides of the ledger.

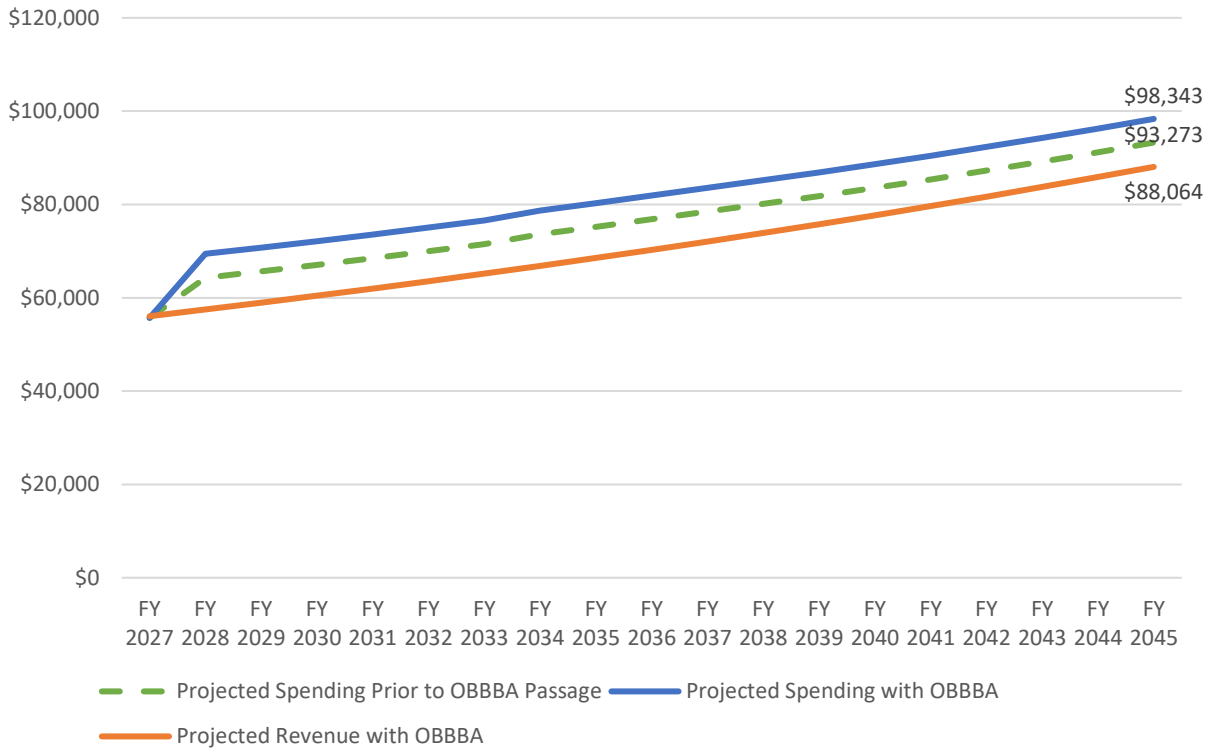
For instance, each of the individual and corporate income taxes levied in Illinois are based in large part on federal law. Because many Illinois state income tax provisions automatically conform to changes in federal law when enacted, Illinois lost $587 million in revenue due to federal income tax cuts included in the OBBBA, particularly those that benefit businesses.[143] The good news is the state can avert that significant revenue shortfall in its General Fund by decoupling from the income tax breaks contained in the Big Beautiful Bill. In fact, the General Assembly and Governor together passed Public Act 104-0453 in December 2025, decoupling from several federal tax changes included in the OBBBA; this decoupling restored an estimated $243 million in tax revenue for the state in FY 2026.[144] Given that state lawmakers in Illinois neither debated nor approved of those federal income tax cuts, it makes sense for lawmakers and the Governor to decouple from them.

While the solution to the revenue challenges created by the OBBBA are relatively straightforward, dealing with the substantial cost shifts created by various spending cuts to core services like Medicaid, and the combination of cuts and administrative changes made to SNAP will be far more difficult.[145] In fact, if the state wanted to make up for all the spending cuts and administrative changes made to federal programs in the OBBBA, the annual cost for Illinois' General Fund would exceed $4 billion per year on average beginning in FY 2028.[146]

The fiscal pressures created by the OBBBA for the General Fund include everything from imposing a greater share of SNAP administrative and benefit costs on the state, to placing limitations on healthcare provider taxes that will reduce federal Medicaid support.[147] Current estimates indicate the revenue and cost shifting elements of the OBBBA will cost the state's General Fund a total of $8.4 billion between FY 2027 and FY 2031.[148] This estimate likely understates the impact of the OBBBA because it does not account for any additional funding needed to backfill the federal cuts,[149] whereas CTBA estimates the annual cost to backfill the loss of Medicaid funding alone to be $4.43B beginning in FY 2028 when all Medicaid cuts go into effect.[150,151]

That $8.4 billion in combined lost revenue and increased spending pressure accelerates the long-term structural deficit created by the pre-existing imbalance between the growth of state resources and required spending on current services, as shown in **Figure 27.**

FIGURE 27
PROJECTED STRUCTURAL DEFICIT IN ILLINOIS' GENERAL FUND WITH H.R. 1 ("OBBBA") IMPACT



Source: CTBA analysis using historical revenue data from COGFA and FY 2027 estimate from GOMB

The following reforms would effectively counter the impacts of the OBBBA, and simultaneously redress the state's extant structural deficit:

1. Generating enhanced structural revenue growth by: (a) increasing the state's personal and corporate income tax rates, and (b) expanding the state's sales tax base to include most consumer services to better reflect the modern economy;
2. Creating some tax fairness among individuals with different levels of annual income and hence differing abilities to pay by implementing refundable income tax credits designed to offset all or a portion of the aforesaid tax increases that would be paid by low- and middle-income earners (for more information on how, see CTBA's report "Increasing the Income Tax," and its report on HB 4920/SB 3774; and
3. Replacing the state's back-loaded pension debt repayment plan under the "Pension Ramp," with a level-dollar payment plan, as outlined in Section 4.3 of this Report.

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