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ANALYSIS OF ILLINOIS' FY 2026 ENACTED GENERAL FUND BUDGET

November 10, 2025

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Analysis of Illinois' FY 2026 Enacted General Fund Budget s

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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 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

Governor Pritzker signed the General Fund Budget for FY 2026 into law on June 16, 2025 (the "**FY 2026 Enacted GF Budget**"). The FY 2026 Enacted GF Budget appropriates a total of $55.2 billion in net spending for the year.[1] Of that amount, $15.9 billion or 28.7%, cover "hard costs" the state must pay because they are either required by law, such as debt service owed to bondholders, or contractual obligations, like health insurance for state workers.[2]

The remaining $39.3 billion in appropriations fund the current services that will be provided during the year. Fully 95% of those current service expenditures fund the four core areas of Education (PreK, K-12, and Higher Ed), Healthcare (primarily Medicaid coverage for low-income families), Human Services, and Public Safety.[3] Illinois has historically devoted a similar percentage of General Fund current service expenditures to those same four core areas under both Republican and Democratic gubernatorial administrations.

Despite the fact that the allocation of service expenditures for FY 2026 align with historical priorities, the FY 2026 Enacted GF Budget did not garner bipartisan support, as no Republicans voted in favor of passing it.[4] In fact, Republican Senate Minority Leader John Curran derided the FY 2026 Enacted GF Budget as "unprecedented taxpayer funded spending growth."[5] That soundbite may resonate with conservative-minded spending scolds, but does not comport with the facts.

It is true that overall net current service appropriations in FY 2026 are scheduled to be $1.2 billion greater than in FY 2025, in nominal, non-inflation-adjusted dollars.[6] But that does not tell the whole story. Just like in the private sector, inflation drives up the annual cost of funding services in the public sector. After adjusting for inflation, year-to-year appropriations for current services in FY 2026 increased by just $298 million, which is less than 1% greater than FY 2025.[7]

And that relatively minor real increase in service expenditures does next to nothing to counter the long-term trend of real disinvestment in General Fund spending on core services. In fact, after adjusting for inflation, the enacted appropriations for current services in FY 2026 are scheduled to be 14.3% less than actual spending on those services was at the beginning of this century in FY 2000, under then Republican Governor George Ryan.[8]

So why the long-term disinvestment? The truth of the matter is Illinois' fiscal policies have not aligned with the modern economy for decades, which has created financial challenges for the state when it comes to funding core services sustainably. True, the fiscal condition of the Illinois General Fund has definitively changed for the better since Governor Pritzker first took office in 2019, when he inherited an $8 billion deficit from Governor Rauner.[9] That budget hole meant roughly 30% of all General Fund expenditures during Rauner's final year as governor constituted deficit spending. Unfortunately, that deficit under Rauner was also nothing new for Illinois. For more than two decades prior to Pritzker's inauguration, Illinois had failed to produce anything close to a balanced budget in its General Fund.[10]

Pritzker changed all that by being a responsible fiscal steward of the state's finances. Yes, over the past few years Illinois received some $6.4 billion in pandemic-related financial support from the federal government that helped shore up the General Fund.[11] The state also realized around $4.3 billion in unexpected revenue growth in FY 2023, due to a combination of factors including

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everything from the robust recovery that followed the pandemic, to corporations taking advantage of a 40-year high in inflation to price gouge, and thereby generate record profits, which in turn generated record corporate income tax receipts.[12]

But rather than fritter this one-time federal support away on pork projects, or build it into ongoing operations funding, Pritzker's Administration leveraged that fiscal largesse to help pay down the state's bill backlog, pre-pay $700 million in pension debt, deposit over $4 billion into the state's Unemployment Insurance Trust Fund, and invest over $2 billion in Illinois' Rainy Day Fund, so that it now sits at a historically high level of $2.3 billion, after being reduced to nearly zero dollars under Governor Rauner.[13]

Unfortunately, that ends the good news about the state's fiscal condition. When the FY 2026 Enacted GF Budget passed, Pritzker noted it reflected numerous "difficult decisions" which were compelled by the state's long-term, structural fiscal problems.[14] Those difficult decisions included both spending cuts and enactment of some one-time and ongoing revenue enhancements.

For instance, the state cut $330 million from the Health Benefits for Immigrant Adults program by eliminating coverage for non-citizens (aka "people") between 42 and 64 years old.[15] This will effectively deny healthcare support to some 30,000 individuals.[16]

Then there's education, where fiscal strains were evident in funding for everything from Early Childhood to K-12 and Higher Education. True, the Department of Early Childhood will receive an appropriation of $11.7 million, up from $4 million in FY 2025.[17] But there will be no increase to the Early Childhood Block Grant in FY 2026, which remains at the same $748 million that pertained in FY 2025.[18] After adjusting for inflation, that flat funding in nominal dollars results in a real year-to-year cut of $24 million.

Meanwhile the $50 million Property Tax Relief Grant (**"PTRG**") established under the state's school funding formula, the "**Evidence Based Formula for Student Success Act**" or "**EBF**," was not funded for the first time since that legislation passed in FY 2018. And while the scheduled $307 million year-to-year bump for K-12 funding in FY 2026 is certainly welcome, the shortfall in what the evidence shows every school needs to provide an adequate education to all students will increase from $2.6 billion in FY 2025, to $3.118 billion in FY 2026.[19]

Similarly, funding for Higher Education is not exactly robust in the FY 2026 GF Budget. For instance, the Monetary Award Program ("**MAP**"), which provides grant funding to low-income college students, will receive $721.6 million in FY 2026, a $10 million nominal dollar increase over FY 2025 levels.[20] After adjusting for inflation, however, that becomes a real, year-to-year cut of $11.3 million.[21] Meanwhile public community colleges and universities will receive a nominal dollar year-to-year increase in appropriations of just $44 million or roughly 1%.[22] After inflation, however, that becomes a real cut of $84 million or 2%.

To be clear, the aforesaid cuts and continued disinvestment in core public services included in the FY 2026 Enacted GF Budget were not sufficient to get FY 2026 expenses to balance with projected revenue. Which is why lawmakers found it necessary to fill some of the FY 2026 budget hole by manufacturing a total of $1.1 billion in both one-time and recurring revenue.[23] The key take-away from the FY 2026 Enacted GF Budget is inescapably clear: despite cutting real spending on services for decades, the state still could not balance its FY 2026 budget without bumping a number of taxes and fees by $482 million, sweeping some $237 million from other state funds, not making a

$171 million scheduled transfer to the Road Fund, and creating a tax amnesty program to raise a quick $228 million.[24]

And that is just the beginning of the bad news. Governor Pritzker issued an executive order on September 23, 2025, that, among other things, requires state agencies to identify cuts totaling 4% of their current year appropriations (the "**EO**").[25] Pritzker claims he was compelled to issue the EO by President Trump's "disastrous economic policies," as well as costs Trump's seminal legislation, the "Big Beautiful Bill" will impose on Illinois through a combination of tax breaks for wealthy individuals and corporations, and significant cuts to programs like Medicaid and SNAP.[26]

The data support Pritzker's contention that Trump's policy agenda will negatively impact the state's finances. Start with the U.S. economy, which is currently experiencing a significant economic slowdown.[27] Job growth is well below expectations, disposable income growth is stagnating, and S&P Global projects real GDP growth will be just 1.5% in 2025, and 1.7% in 2026, down from 2.5% in 2024.[28] While numerous factors contribute to these worrying economic trends, there's broad consensus among economists that Trump's ill-informed tariffs, mass layoffs of federal workers, and crack down on immigration bear a large part of the blame.[29]

When the economy goes south it creates two distinct fiscal problems for Illinois' General Fund. On the one hand tax revenue tends to flatten out or decrease, while on the other demand for public services tends to increase. Less revenue coupled with growing demand for public services creates one inescapable outcome: budget shortfalls. At this point in time the actual dollar impacts the slowing economy will have on state finances cannot be projected with precise certainty.

The fiscal strains the slowing economy creates for Illinois will be exacerbated by the "**One Big Beautiful Bill**" or "**BBB**." As things stand today, the cost to Illinois' General Fund of fully offsetting that legislation's tax cuts for rich folks, and reductions in Medicaid and SNAP expenditures, would be $4.4 billion next year alone.[30]

Covering those costs would be challenging even if Illinois' fiscal system was well designed, but it is not. State tax policy is so flawed the General Fund has a "structural deficit," which means revenue growth is inadequate to continue funding the same level of services over time, and pay the state's scheduled debt service. In fact, due to a confluence of factors including the structural deficit and the aforesaid fiscal impacts of Trump's policies, the Governor's Office of Management and Budget ("**GOMB**") recently projected that the General Fund will face a deficit in FY 2027 of at least $2.2 billion.[31]

Fortunately, there are textbook approaches available to guide the design of the tax reforms needed to simultaneously eliminate the structural deficit and more fairly impose tax burden on people. Be that as it may, it is always difficult to generate the political will required to get tax reform accomplished, no matter how needed.

But as former Chicago Mayor Rahm Emanuel once said, "You never want a serious crisis to go to waste."[32] No doubt, Trump's policies have created a serious crisis. One positive that could emerge from the fiscal chaos being fostered by Trump, is creation of a strong incentive for Illinois lawmakers and the governor to work together to eliminate the structural deficit by reforming Illinois tax policy.

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2. Key Findings

2.1. FY 2026 Revenue

2.1.1. Total General Fund Revenue

- Total General Fund revenue in the FY 2026 Enacted GF Budget is projected to be $55.3 billion, which is a **$1.3 billion** nominal dollar year-to-year increase over the $54 billion in total revenue currently projected for FY 2025.[33]
- The key reasons for the $1.3 million year-to-year projected increase in revenue is that lawmakers found it necessary to manufacture a total of $1.1 billion in both one-time and recurring revenue.
- Of the $1.1 billion in revenue enhancements: $438 million is realized as increased Corporate Income Tax revenue; $221 million is realized as increased Sales Tax revenue; $131 million is realized from Transfers In from Sports Wagering and other state funds; $50 million is realized from increased Individual Income Tax revenue; and $32 million from other State Sources such as Public Utility Tax and the Corporate Franchise Tax.[34]
- Without the impact of the tax enhancements and the $237 million in fund sweeps, General Fund revenues would have totaled approximately $54.18 billion, or only 0.34% higher than the $53.998 billion collected in FY 2025.

2.1.2. Long-Term General Fund Revenue Growth

- Prior to the unprecedented spike in revenue that occurred during the post-pandemic economy, flaws in the state's tax policy caused General Fund revenue growth in Illinois to be relatively flat over time, in real, inflation-adjusted terms. In fact, even after that spike, the projected General Fund revenue for FY 2026 of $55.3 billion represents a real, inflation-adjusted (using 2025 dollars) **increase of $8.25 billion** over the roughly $47 billion in General Fund revenue Illinois' tax system generated two decades ago in FY 2000, an average real increase in annual revenue of just $317.3 million, which is less than one percent per year.[35]
- That is surprising for two reasons. First, 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.[36] Second, revenue from the individual (50%) and corporate (10%) income taxes account for almost 60% of all General Fund revenue from any source.[37]
- Which means the design of Illinois' existing 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 two decades.
- 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 2026 would be $5.0 billion less in real terms than it was over two decades earlier in FY 2000**.[38]

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- In fact, stagnation and decline typify the performance of most state taxes that feed the General Fund. **When measured in real, 2025, 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**.[39]
- The main reason sales tax revenue has declined in real and relative terms over time is that Illinois has one of the narrowest sales tax bases of the 45 states that impose a general sales tax.[40] The base of a tax is simply what private sector economic activity is subject to the tax in question. Illinois' sales tax base is so narrow because it is assessed primarily against the sale of goods rather than services.[41]
- That is a losing proposition. Consider that, between 2021 and 2024, the portion of the growth in Illinois' state GDP that was attributable to the sale of goods declined from 33% to just 6%, while the portion of that growth attributable to the sale of services jumped from 66% to 74%.[42] Leaving most of the largest and fastest growing segment of the economy out of the state's sales tax base means the revenue therefrom will not grow with the economy over time. That in turn contributes to the structural deficit in the General Fund which consistently impedes the overall ability of Illinois' fiscal system to generate adequate revenue to fund core services sustainably over time.[43]
- 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 20 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 $9.8 billion in FY 2009, to a projected $4.2 billion in FY 2026, a decline of 57%.[44]
- The 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 2026 Enacted General Fund Appropriations

2.2.1. Overall

- The FY 2026 Enacted GF Budget identifies a total of $55.2 billion in net appropriations for spending. Of that amount, $15.9 billion, or 28.7%, are for "Hard Costs," while $40.2 billion, or 71% are for "Current Services."[45]
- "**Current Services**" include the spending on public services over which elected officials generally have at least some discretions, while "**Hard Costs**" cover mandatory spending obligations required by law or contract, over which decision makers have no discretion.

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- In the FY 2026 Enacted GF Budget, **95 cents out of every $1** of all appropriations for spending on Current Services go to the core areas of Education, Healthcare, Human Services, and Public Safety.[46]
- Overall, net Current Service appropriations in FY 2026 are scheduled to be **$1.2 billion greater** than in FY 2025, in nominal, non-inflation-adjusted dollars.[47] After adjusting for changes in inflation and population, however, total enacted appropriations for Current Services in FY 2026 are scheduled to be **$298 million, or 0.77%, greater** than in FY 2025 in real terms.[48]
- 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 enacted appropriations for Current Services in FY 2026 are scheduled to be 14.3% less than actual spending on those services was 26 years ago in FY 2000.[49]

2.2.2. FY 2026 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 2026 Enacted GF Budget appropriates $760 million for spending on Early Childhood Education, which is $8 million more in nominal dollars than FY 2025.[50] After adjusting for inflation, however, Early Childhood funding actually experiences a real, year-to-year cut of $17 million, or 2.1%, from FY 2025 levels.[51]
- Considered over the long-term, after adjusting for inflation, appropriations for Early Childhood in the FY 2026 Enacted GF Budget are 96% greater than actual spending was over 26 years ago in FY 2000.[52] This is by far the largest real increase realized by any of the core service areas in that time sequence.
- The FY 2026 Enacted GF Budget appropriates $10.4 billion to K-12 Education funding, which is $279 million more in nominal dollars than FY 2025.[53] However, after adjusting for inflation, K-12 funding experiences a real, year-to-year cut of $49 million, or -0.46%, from FY 2025 levels.[54]
- The FY 2026 Enacted GF Budget appropriation for Higher Education is $2.62 billion, which represents a meager nominal dollar increase of about $5 million over FY 2025.[55] After adjusting for inflation, however, the FY 2026 appropriation for Higher Education constitutes a real, year-to-year cut of $79 million, or 2.9%, when compared to FY 2025.[56]
- Taking a longer view, General Fund appropriations for Higher Education in the FY 2026 Enacted GF Budget are scheduled to be 43% less in real, inflation-adjusted dollars than actual spending thereon was in FY 2000.[57] **This is by far the greatest real cut imposed on any Current Service over the last 26 years.**

2.2.3. FY 2026 Human Services Spending

- In the FY 2026 Enacted GF Budget, the gross appropriation for all Human Services is scheduled to be $11.7 billion, which would represent a **5.18% increase** from the FY 2025

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enacted appropriation of $11.1 billion in nominal dollars, and a **1.84% increase** in real, inflation-adjusted dollars.[58]

2.2.4. FY 2026 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 2026 Enacted GF Budget, the gross appropriation for Healthcare is $9.6 billion, which is $263 million, or 2.8% greater in nominal dollars than the enacted FY 2025 state budget.[59] Of that gross Healthcare appropriation, $9.3 billion is targeted to DHFS, primarily to cover $6.07 billion of the state's Medicaid expenditures on poor, disabled, and low-income populations.[60] The remaining $322 million goes to the Department of Public Health.[61]
- In addition, the FY 2026 Enacted GF Budget also includes a statutory transfer in the amount of $2.89 billion from the General Fund to the HPRF, which is a special fund created to generate federal Medicaid matching dollars.[62]

2.2.5. FY 2026 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 James Edgar signed P.A. 88-0593 into law. The FY 2026 Enacted GF Budget includes an $11 billion appropriation for pensions, which is the required General Fund contribution for FY 2026 under the 1995 Pension Ramp.
- For the first 15 years of the Pension Ramp, the payments it required were dramatically below the actuarially required contribution ("**ARC**"). This resulted in the funded ratio of the systems decreasing, rather than increasing over that sequence. Hence by law, the Pension Ramp simply 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 2026 appropriation required under the Pension Ramp is **$421 million more** than the $10.6 billion appropriation the Pension Ramp required in FY 2025. [63]
- 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.

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3. FY 2025 Revenue

3.1. FY 2025 Updated Revenue Estimates

By the time FY 2025 had come to a close, the Governor's Office of Management and Budget ("**GOMB**") affirmed that the General Fund would end up with $53.9 billion in revenue for FY 2025.[64] As shown in **Figure 1**, this is **$717 million more in revenue** than GOMB initially estimated when the FY 2025 General Fund Budget was first enacted (the **"FY 2025 Enacted GF Budget**"). This significant bump in FY 2025 General Fund revenue was primarily due to increases in "net individual income taxes and "other sources" such as insurance taxes and interest on state funds/investments.[65] According the Commission on Government Forecasting and Accountability ("**COGFA**"), the "overall increase was significantly bolstered by approximately $1.290 billion in business-related income tax revenues reallocated to Personal Income Tax as part of the Department of Revenue's annual "true-up" process."[66] In the Illinois General Fund, "other sources" of revenue also includes the following items: vehicle use taxes, hotel taxes, and casino owner's license fees. Meanwhile the category of "transfers in" includes revenue from adult-use cannabis, sports wagering, and gaming taxes.[67]

FIGURE 1
FY 2025 GENERAL FUND REVENUE UPDATE ($ MILLIONS)

Revenue Source	FY 2025 Enacted 7.1.24	FY 2025 Actual 7.30.25	$ Change 7.1.24 & 7.30.25	% Change
Net Individual Income Tax	$26,507	$28,174	$1,667	6.29%
Net Corporate Income Tax	$5,378	$4,728	($650)	-12.09%
Sales Taxes	$10,907	$10,574	($333)	-3.05%
Other Sources	$3,904	$4,232	$328	8.40%
Transfers In	$2,561	$2,510	($51)	-1.99%
Interfund Borrowing	$0	$0	$0	0%%
Federal Sources	$4,024	$3,780	($244)	-6.06%
Total General Funds	**$53,281**	**$53,998**	**$717**	**1.35%**

Source: Fiscal Year 2025 Fourth Quarter Financial Review & FY 2025 Enacted Walkdown

GOMB is not the only agency that makes revenue projections for the General Fund. COGFA also makes such projections. This Report uses data from both COGFA and GOMB for all year-over-year comparisons of the FY 2025 Enacted GF Budget to the FY 2026 Enacted GF Budget.

3.2. FY 2026 Enacted General Fund Revenue Summary

Under the FY 2026 Enacted GF Budget, total revenue for the year is projected at $55.3 billion, which is $1.3 billion or 2.4%, greater in nominal dollars than the $54 billion realized in FY 2025.[68]

However, the vast majority of that projected $1.3 billion in year-to-year revenue growth is due to the $1.1 billion in new revenue that will be generated in FY 2026 through a combination of both one-time and recurring revenue initiatives that were just enacted, as shown in **Figure 2.**

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FIGURE 2
FY 2026 REVENUE ENHANCEMENTS ($ MILLIONS)

Revenue Enhancement	Description	FY 2026 Revenue Impact	Occurrence
Tax Amnesty Program	One-time program allowing taxpayers to pay back taxes without penalties or interest.	$228	One-time
Delay of Sales Tax Transfer to Road Fund	Temporarily halts a scheduled transfer of state sales tax on motor fuel to the Road Fund.	$171	One-time
Global Intangible Low-Taxed Income (GILTI)	Disallows federal deductions for foreign corporate income (under IRC §250 and §245A) to broaden the Illinois corporate tax base.	$264	Recurring
80/20 Safe Harbor	Limits the 80/20 rule allowing corporations to exclude foreign-source income from taxation.	$0	Recurring
Throwback Rule Change	Expands apportionment so multi-state corporations must include Illinois-related sales not taxed elsewhere.	$72	Recurring
Tobacco and Vape Tax Expansion	Expands tobacco products tax to include vape and other electronic nicotine delivery systems.	$50	Recurring
Sports Wagering Per-Bet Tax	Adds an assessment on online sports wagers, creating a per-bet levy on initial and subsequent wagers.	$36	Recurring
Hotel Tax on Short-Term Rentals	Extends the Hotel Operators' Occupation Tax to short-term rental platforms like Airbnb and VRBO.	$10	Recurring
9-8-8 Telecommunication Surcharge	Raises the telecommunications fee to fund statewide 9-8-8 mental-health crisis hotline operations.	$50	Recurring
EPA Fee and Penalty Increase	Raises various Illinois EPA permitting fees and penalties for pollution-related violations.	$10	Recurring
Fund Sweeps (P.A. 102-700 Excess Funds)	One-time transfer of unspent program funds from P.A. 102-700 allocations into the General Fund.	$237	One-time
	Total	**$1.128**	

Source: COGFA, FY 2026 Budget Summary

Of the $1.1 billion in revenue enhancements: $438 million come in the form of new Corporate Income Tax revenue; $221 million are from new Sales Tax revenue; $131 million from Transfers In from Sports Wagering and other State Funds; $50 million in new Individual Income Tax revenue; and $32 million from other state sources such as Public Utility Tax and the Corporate Franchise Tax.[69] As shown in **Figure 3,** without the enacted FY 2026 Revenue Enhancements, the total amount of FY 2026 General Fund revenue would have been $54.4 billion, or $872 million less than currently projected.

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FIGURE 3
FY 2026 GENERAL FUND BASE REVENUE + REVENUE ENHANCEMENTS, BY SOURCE ($ MILLIONS)

Revenue Sources	FY 2026 Base Revenue (Before Revenue Enhancements)	Revenue Enhancements Impact	FY 2026 Revenues (After Revenue Enhancements)
Individual Income Taxes	$28,370	$50	$28,420
Corporate Income Taxes	$4,800	$438	$5,238
Sales Tax	$10,496	$221	$10,717
All Other State Sources	$3,922	$32	$3,954
Transfers In	$2,637	$131	$2,768
Federal Sources	$4,200	$0	$4,200
Total General Funds Revenues	**$54,425**	**$872**	**$55,297**

Source: CTBA analysis of COGFA FY 2026 Budget Summary; without the Fund Sweeps

Without the impact of the revenue enhancements and the $237 million in fund sweeps listed in Figures 2 and 3, General Fund revenues would have totaled approximately $54.18 billion, or only 0.34% greater than the $53.998 billion collected in FY 2025 in nominal dollars. **Figure 4** highlights the comparison of General Fund revenue from FY 2025 to FY 2026, with the enacted revenue enhancements.

FIGURE 4
GENERAL FUND REVENUE: FY 2025 ESTIMATED VERSUS FY 2026 ENACTED ($ MILLIONS)

Revenue Sources	FY 2025 Actual	FY 2026 Enacted	$ Difference	% Difference
State Sources: Revenues				
Individual Income Taxes	$28,174	$28,420	$246	0.87%
Corporate Income Taxes	$4,728	$5,238	$510	10.79%
Sales Taxes	$10,574	$10,717	$143	1.35%
Public Utilities	$716	$686	($30)	-4.19%
Other State Sources	$3,516	$3,269	($247)	-7.03%
Total State Sources: Revenues	**$47,708**	**$48,330**	**$622**	**1.30%**
State Sources: Transfers In				
Lottery	$777	$802	$25	3.22%
Gaming Taxes	$186	$178	($8)	-4.30%
Other Transfers	$1,547	$1,788	$241	15.58%
Total State Sources: Transfers In	**$2,510**	**$2,768**	**$258**	**10.28%**
Total State Sources: Revenue & Transfers In	**$50,218**	**$51,098**	**$880**	**1.75%**
Federal Sources	$3,780	$4,200	$420	11.11%
Total General Funds Revenues	**$53,998**	**$55,298**	**$1,300**	**2.41%**

Source: CTBA analysis of FY 2026 Enacted Budget & FY 2025 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 the data demonstrates, due primarily to flaws in the state's tax policy, General Fund revenue in Illinois has only experienced significant, real, inflation-adjusted growth since FY 2021.[70] That growth was primarily due to the following factors: 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.[71]

Prior to FY 2020, revenue for the General Fund had remained relatively flat over time, in real, inflation-adjusted terms. Indeed, after adjusting for inflation using 2025 dollars, the $49 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 4.4% over 20 years, an average increase of only 0.22% annually**.[72]

For context, cumulative inflation over that 20-year period was 53.5%.[73] The failure of General Fund revenue to grow with inflation over time is one of the primary factors driving the state's long-term structural deficit, which is delineated at length in Section 6 of this Report.

Following the start of the COVID-19 pandemic at the end of FY 2020 and continuing through FY 2026, cumulative inflation in Illinois increased by roughly 23 percent—among the highest multi-year increases in recent decades. During that same period, however, General Fund revenue is projected to rise by only 17 percent, excluding one-time federal relief. Had revenue merely kept pace with inflation, total General Fund receipts would have increased by $8.3 billion—about $2.1 billion more than the actual projected increase of $6.2 billion.[74] 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. This persistent structural weakness sets up the next challenge: how to modernize the state's revenue base so that future growth aligns with economic reality rather than erodes against it.

As **Figure 5** shows, after adjusting for inflation and putting all values in current, 2025 dollars, the projected $55.3 billion in total General Fund revenue for FY 2026 represents a real increase of $8.25 billion, or roughly an average of $317.31 million, or 0.7%, annually from the $47.0 billion generated 26 years ago in FY 2000.[75]

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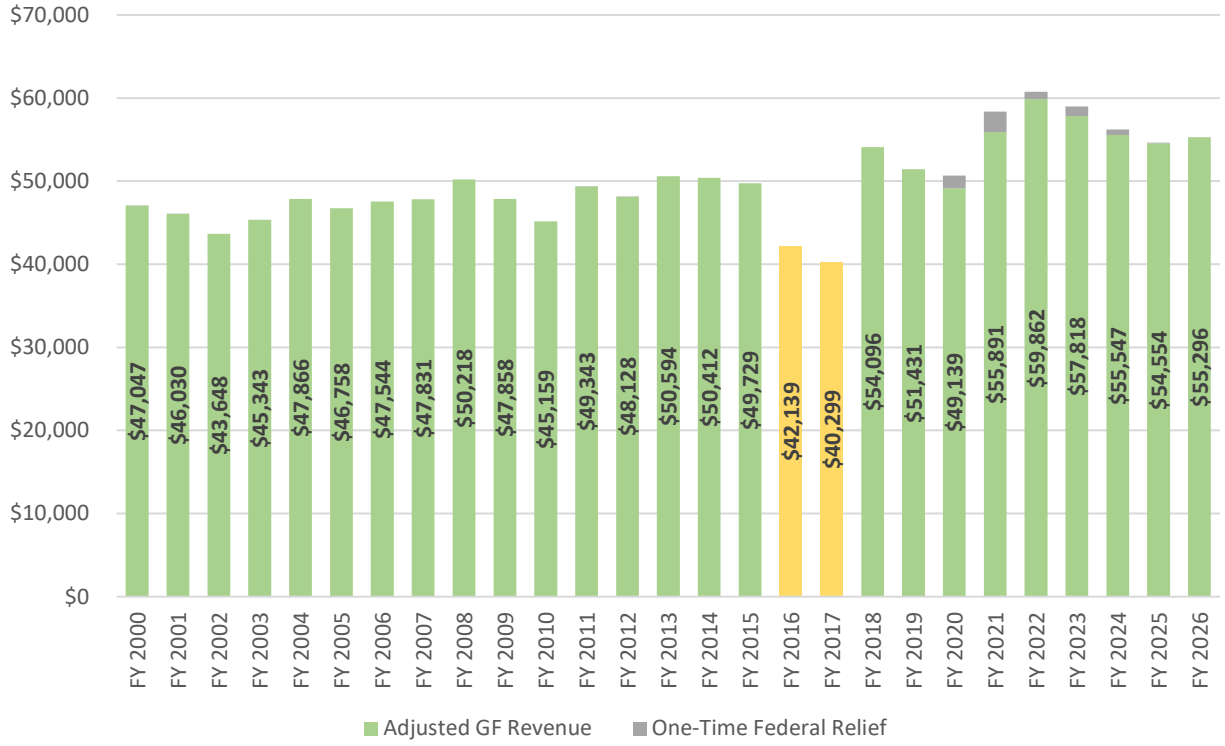
FIGURE 5
TOTAL GENERAL FUND REVENUE, FY 2000 – FY 2026 ($ MILLIONS),
INFLATION-ADJUSTED USING 2025 DOLLARS



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.[76] 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 shown from FY 2015 to FY 2017 in **Figure 5** was due in large part to a reduction in the state's individual and corporate income tax rates.[77] In FY 2011, Illinois' individual income tax rate was increased temporarily from 3% to 5%.[78] Then in January of 2016, by operation of law the individual income tax rate automatically decreased from 5% to 3.75%.[79] 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 an additional $1 billion.[80] 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.[81] Following that rate increase, revenue from the individual income tax jumped by an average of $1.1 billion annually.[82]

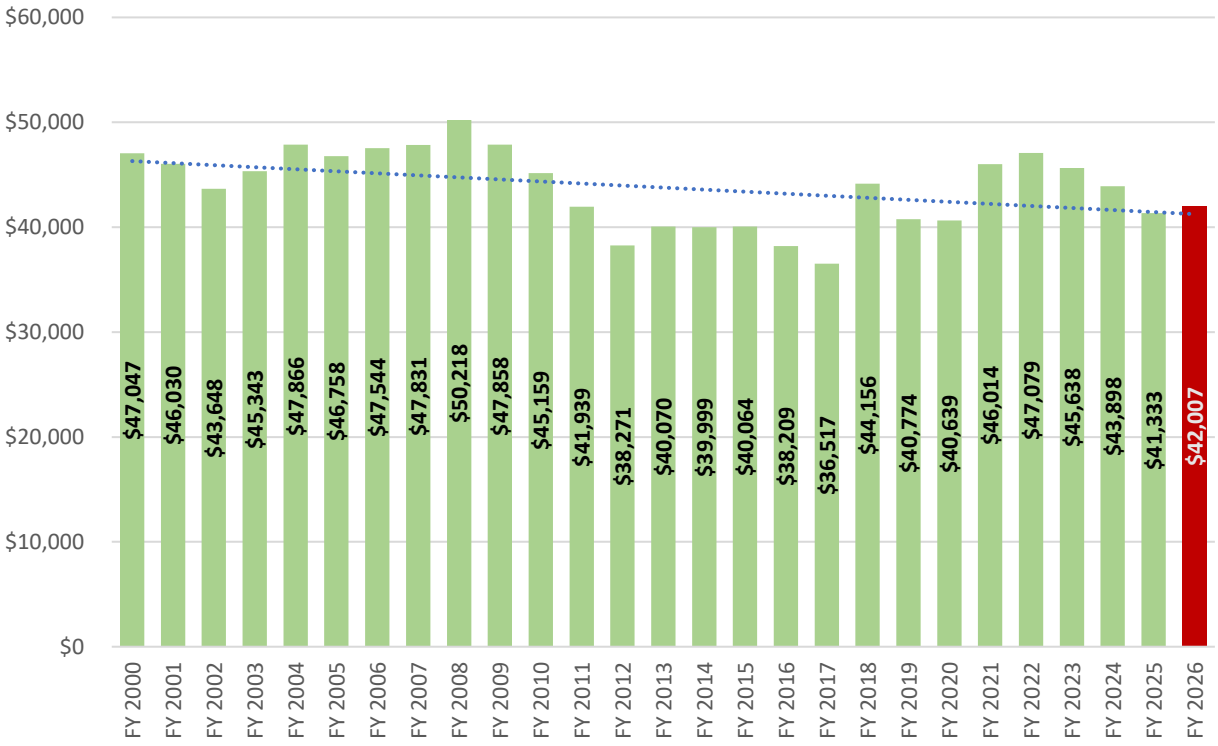
To gain an accurate longitudinal evaluation of the performance of the state's tax system, the comparison in

Figure 6 adjusts the amount of General Fund revenue projected for FY 2026 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 2026 would be $5.0 billion less in real terms than it was 26 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 model 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.

FIGURE 6
TOTAL GENERAL FUND REVENUE, FY 2000 – FY 2026 ($ MILLIONS), INFLATION-ADJUSTED USING 2025 DOLLARS—WITH INCOME TAX RATES HELD CONSTANT TO FY 2000 LEVELS

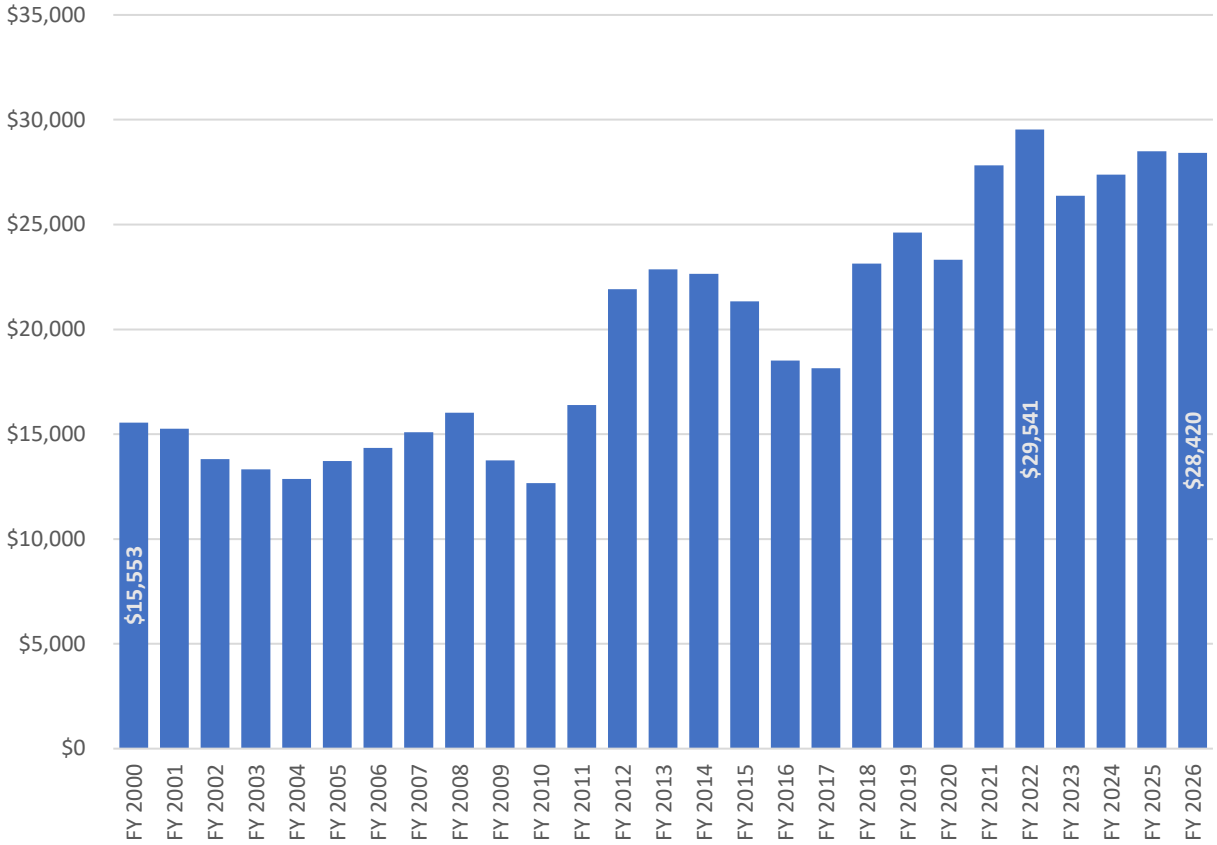


Source: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB

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 2026 of $28.4 billion represents a decrease of roughly $1.1 billion over the peak set in FY 2022.[83] However, the net projected FY 2026 individual income tax revenue amount is nonetheless still expected to be **$246 million** greater than it was in FY 2025, and some $12.9 million than in FY 2000, in inflation-adjusted dollars.

FIGURE 7
NET INDIVIDUAL INCOME TAX REVENUE, FY 2000 – FY 2026 ($ MILLIONS),
INFLATION-ADJUSTED USING 2025 DOLLARS



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

Meanwhile, stagnation and decline typify the performance of the other state taxes that feed the General Fund. Indeed, when measured in 2025 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**.[85]

The most important of these revenue sources to exhibit little to no growth over the past 26 years is the sales tax. Consider that projected net sales tax revenue for FY 2026 is $10.7 billion, which is roughly 19.4% 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.[86] The real decline in sales tax revenue experienced in Illinois since FY 2000 is shown in **Figure 8.**

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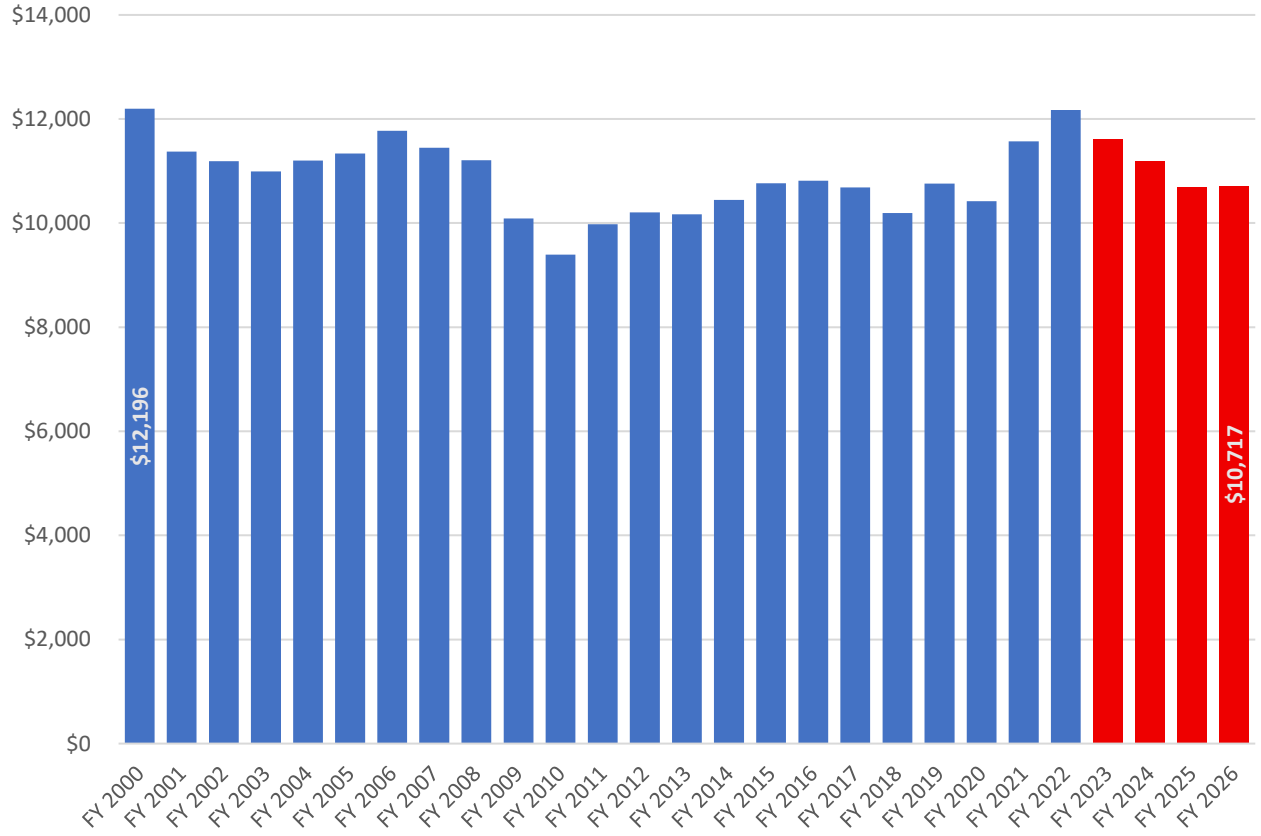
FIGURE 8
NET SALES TAX REVENUES, FY 2000 – FY 2026 ($ MILLIONS),
INFLATION-ADJUSTED USING 2025 DOLLARS



Source: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB[87]

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.[88] 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 products-based to being primarily service-based. Illinois' sales tax has failed to respond to this fundamental transformation. Consider that, between 2021 and 2024, the portion of the growth in Illinois' state GDP that was attributable to the sale of goods declined from 33% to just 6%, while the portion of that growth attributable to the sale of services jumped from 66% to 74%.[89] 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.[90]

Revenue from several other state tax sources that feed the General Fund have also experienced real declines over the FY 2000—FY 2026 sequence, including: public utility taxes; cigarette taxes; and vehicle use taxes. Moreover, historic recurring Federal Transfers to the state General Fund have also decreased during this 25-year period.[91]

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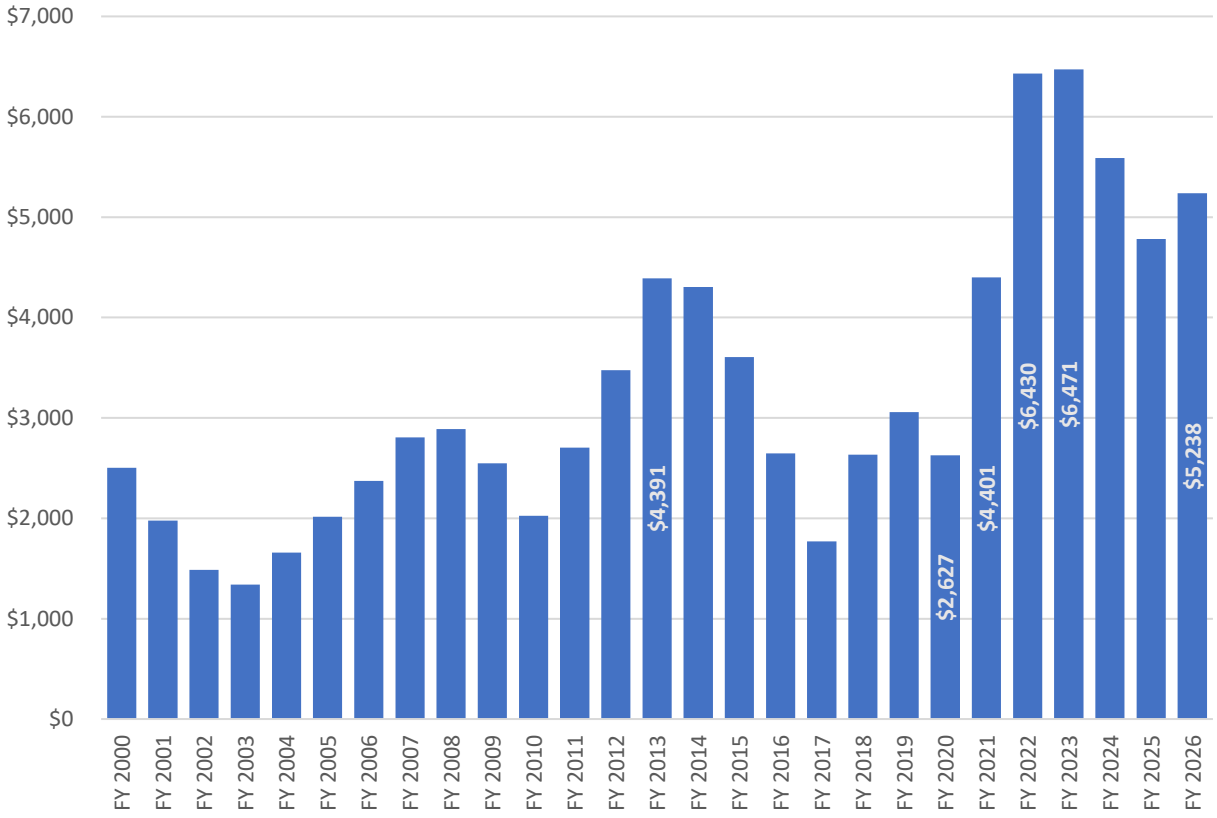
For a while, corporate income tax revenue was on track to have one of the most precipitous real declines from its peak, as shown in **Figure 9.** In fact, corporate income tax revenue declined from its peak level of $4.39 billion in FY 2013, to $2.6 billion in FY 2020—a drop of $1.7 billion or 38.6% in inflation-adjusted dollars.[92] By FY 2021, corporate income tax revenue jumped back up to $4.401 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 $2.0 billion and has remained relatively high thereafter, as shown in **Figure 9**.[93]

FIGURE 9
NET CORPORATE INCOME TAX REVENUES, FY 2000 – FY 2026 ($ MILLIONS), INFLATION-ADJUSTED USING 2025 DOLLARS



Source: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB[94]

The reason for the significant increase in corporate income tax revenue 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.[95]

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 $9.8 billion in FY 2009, to a projected $4.2 billion in FY 2026, a decline of $5.6 billion, or 57%.[96]

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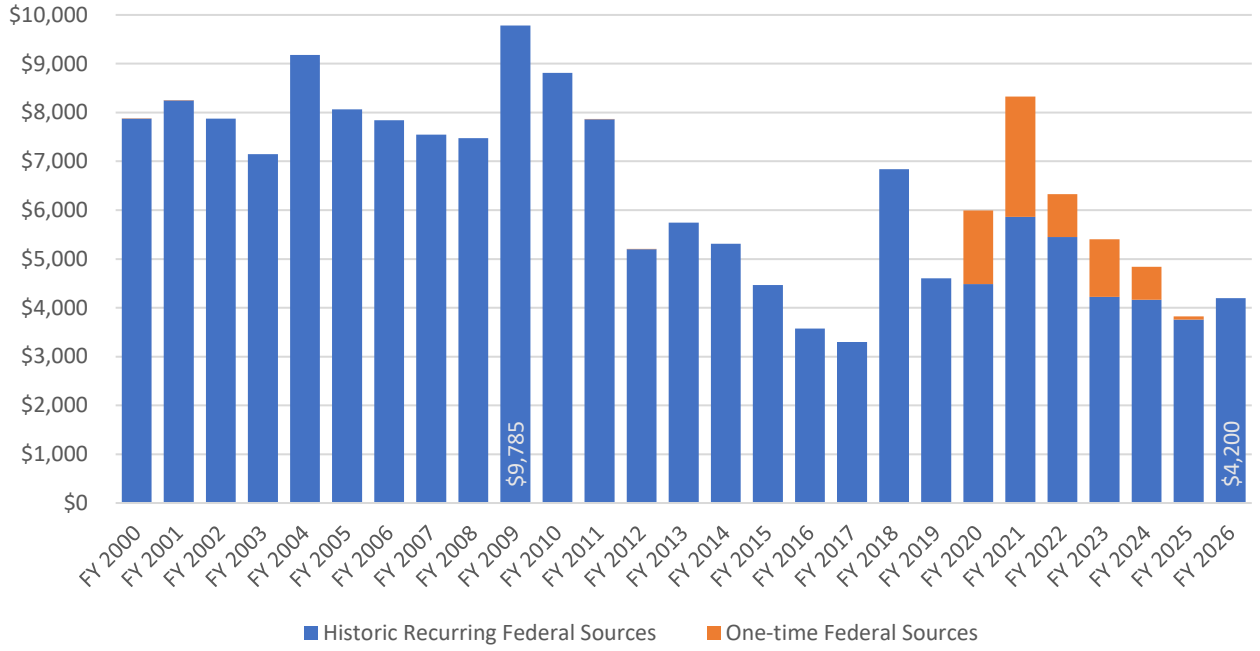
FIGURE 10
GENERAL FUNDS FEDERAL SOURCE REVENUES, FY 2000 – FY 2026 ($ MILLIONS), INFLATION-ADJUSTED USING 2025 DOLLARS

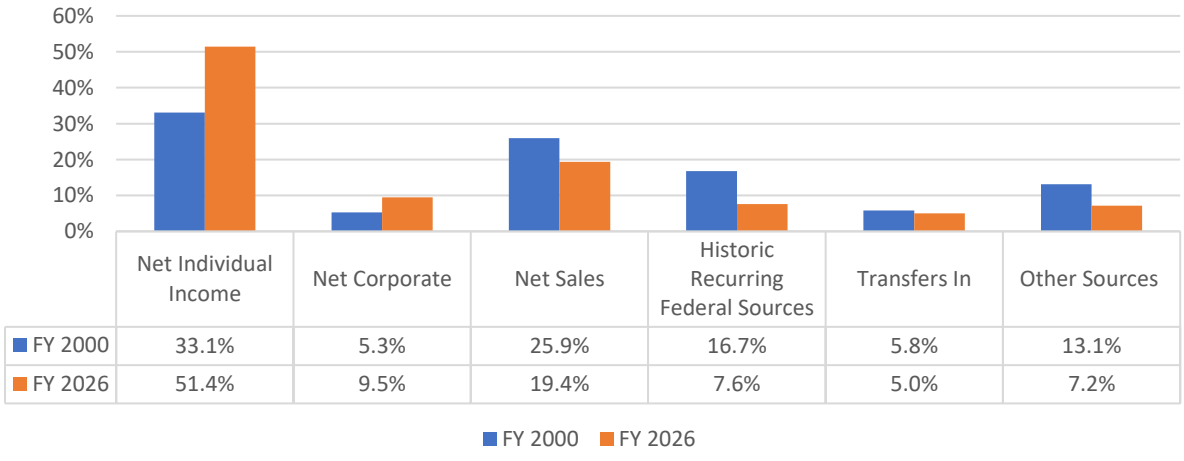


Source: CTBA Analysis using historical revenue data from Commission on Government Forecasting & Accountability and GOMB[97]

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.[98]

Figure 11 shows how the share of total General Fund revenue by source has changed between FY 2000 and FY 2026, 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 2026 GENERAL FUND REVENUE BY SOURCE ($ MILLIONS) INFLATION-ADJUSTED USING 2025 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 2026	51.4%	9.5%	19.4%	7.6%	5.0%	7.2%

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

4. FY 2026 Enacted 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 2026 Enacted GF Budget, $15.9 billion, or 28.7%, of the $55.3 billion in total, net appropriations are for Hard Costs.[99]

"**Current Services**" covers spending on public services over which elected officials generally have at least some discretion. Currently, 95 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 2026 Enacted GF Budget contains a *gross* appropriation of $40.2 billion for spending on Current Services.

However, in FY 2026, net appropriations for Current Services will be less than gross appropriations. The reason for this is the General Fund budget enacted for FY 2026—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 2026 Enacted GF Budget is $965 million.[100] 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 2026 Enacted GF Budget are shown in **Figure 12** by major category.

FIGURE 12
FY 2026 ENACTED GENERAL FUND APPROPRIATIONS ($ MILLIONS)[101]

Category	Item	FY 2026 Enacted
1. Total Hard Costs		**$15,871**
	Debt Service (Pension & Capital Bonds)	$1,780
	Other Statutory Transfers Out	$527
	Pension Contributions	$11,034
	Group Health Insurance	$2,530
2. Gross General Fund Service Appropriations		**$40,169**
	Healthcare (including Medicaid)	$9,623
	Human Services	$11,701
	Early Childhood Education	$760
	K-12 Education	$10,424
	Higher Education	$2,621
	Public Safety	$2,709
	Other	$2,331
	Unspent Appropriations	($965)
3. Net General Fund Service Appropriations		**$39,204**
4. Total Net General Fund Appropriations		**$55,075**

Source: CTBA analysis of FY 2026 Enacted Budget

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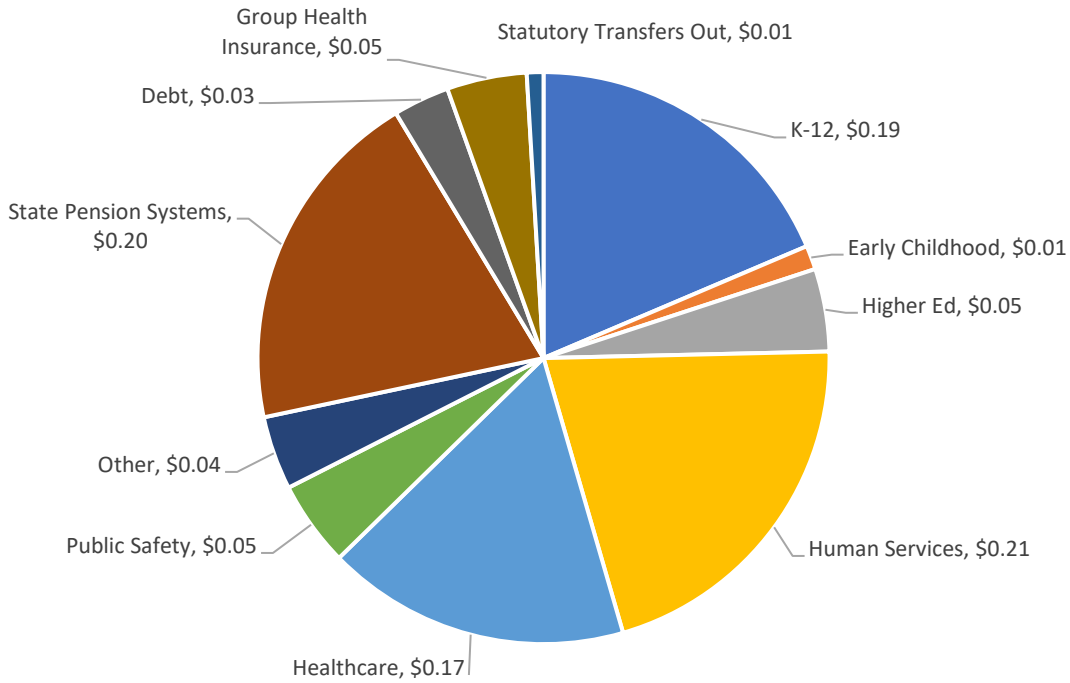
Figure 13 provides a breakdown of how every $1 of gross appropriations in the FY 2026 Enacted GF Budget is intended to be spent, including both Hard Costs and Current Services spending.

FIGURE 13
THE SHARE OF EACH DOLLAR OF GROSS APPROPRIATIONS FOR HARD COSTS AND CURRENT SERVICES IN THE FY 2026 ENACTED GENERAL FUND BUDGET



Source: CTBA analysis of FY 2026 Enacted Budget

As shown in **Figure 13,** for every $1 in tax revenue that will be spent under the FY 2026 Enacted 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; $0.17 is for Healthcare; $0.21 goes to Human Services; $0.05 is for Higher Education; $0.05 goes to Public Safety; $0.01 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 2026 Enacted 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 2026 are for "Group Health Insurance," "Debt Service," "Pension Contributions," and "Other Statutory Transfers Out." Collectively, a total of $15.8 billion has been identified to cover Hard Costs in the FY 2026 Enacted GF Budget, which represents an increase of $767 million (5.1%) in nominal dollars from the FY 2025 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.

Figure 14 details how the Hard Cost appropriations enacted for FY 2026 differ from Hard Cost expenditures for FY 2025.

FIGURE 14
HARD COSTS, FY 2025 ENACTED AND FY 2026 ENACTED GENERAL FUND BUDGETS ($ MILLIONS)

Total Hard Costs	FY 2025 Enacted	FY 2026 Enacted	$ Change FY 2025 & FY 2026 Enacted	% Change FY 2025 & FY 2026 Enacted
Group Health Insurance	$2,327	$2,530	$204	8.7%
Debt Service (Pension & Capital Bonds)	$1,720	$1,780	$60	3.5%
Pension Contributions	$10,612	$11,034	$421	4.0%
Other Statutory Transfers Out	$445	$527	$82	18.4%
Total	**$15,104**	**$15,871**	**$767**	**5.1%**
				#DIV/0!

Source: CTBA analysis of FY 2026 Enacted Budget & FY 2025 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 2026, the enacted appropriation for Group Health is $2.53 billion, a $204 million (8.7%) nominal-dollar increase from the FY 2025 Enacted GF Budget.[102] The $2.53 billion for Group Health covers over 109,000 members, 99,000 retirees, and nearly 172,000 dependents for both current members and retirees.[103]

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 2026 Enacted GF Budget, $1.8 billion is appropriated to be spent on debt service, a $60 million (3.5%) nominal increase from the FY 2025 Enacted GF Budget.

The third Hard Cost line in **Figure 14** is for "Pension Contributions." The FY 2026 Enacted GF Budget appropriation for Pension Contributions covers $11 billion of the $12.1 billion in total FY 2026 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**").[104] Also included in the "Pension Contributions" line is an additional $497 million in appropriations, of which $11 million goes to SURS for the Community College Insurance Program, $123 million goes to TRS for the Teachers' Retirement Insurance Program, and $363 million goes to the Public School Teachers' Pension and Retirement Fund of Chicago.[105]

Total projected pension contributions in FY 2026 are $421 million or 4% more than they were in FY 2025.[106] 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 2026

Enacted GF Budget, appropriations for Other Statutory Transfers Out are scheduled to be $527 million or 18.4% more than in FY 2025 in nominal dollars.

4.3. FY 2026 Pension Funding

The FY 2026 Enacted GF Budget includes an $11 billion appropriation for pensions, which is the portion of the pension contribution the General Fund is required to cover in FY 2026 under the 1995 Pension Ramp.[107] It should be noted that the total pension contribution for FY 2026 is $12.1 billion, with the remaining $1.1 billion contribution being covered by non-General Fund resources.[108] This required General Fund appropriation is $421 million more than the FY 2025 appropriation of $10.6 billion, as shown in **Figure 15**.[109] However, the $421 million year-to-year increase shrinks to a $158 million year-over-year increase when including the spring supplemental appropriation that increased the total FY 2025 contribution into the State Employees' Retirement System by an additional $264 million, bringing the final FY 2025 aggregate pension contribution from $10.6 billion up to $10.9 billion.[110]

The pension appropriation in the FY 2026 Enacted GF Budget includes $10.6 billion collectively for the five major state pension funds, the TRS, SERS, SURS, JRS, and GARS. The remaining $497 million in pension appropriations enacted for FY 2026 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.[111]

FIGURE 15
FY 2026 ENACTED GENERAL FUND PENSION APPROPRIATIONS ($ MILLIONS)

Item	FY 2025 Enacted	FY 2026 Enacted	$ Nominal Change	% Change
State Pension Funds				
Teachers' Retirement System (TRS)	$6,204	$6,496	$292	5%
State Employees' Retirement System (SERS)	$1,758	$1,792	$34	2%
State Universities Retirement System (SURS)	$1,998	$2,069	$72	4%
Judges' Retirement System (JRS)	$149	$152	$3	2%
General Assembly Retirement System (GARS)	$26	$27	$0	1%
State Pension Funds Subtotal	**$10,135**	**$10,536**	**$401**	**4%**
Other costs				
State Contribution to Chicago Teachers' Pension Fund	$354	$363	$9	3%
Teachers' Retirement Insurance Program	$114	$123	$9	8%
College Insurance Program	$9	$11	$2	19%
Other Cost Subtotal	**$477**	**$497**	**$20**	**4%**
Total Pension Costs	**$10,612**	**$11,034**	**$421**	**4%**

Source: CTBA analysis of FY 2026 Enacted Budget, GOMB Economic and Fiscal Report

At the time the Pension Ramp passed into law, the aggregate funded ratio for all five state systems was just 52.4%.[112] 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.

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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%.[113]

The 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.[114] 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.[115]

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." [116] 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." [117]

Whether 80% or 100% is used as the guideline, as things stand today the state's pension systems are decidedly not healthy. As of November 2024, which is the most recent data available, the state's five pension systems collectively had $266 billion in liabilities, but only $122 billion in assets to cover those liabilities.[118] This resulted in a funded ratio across all five state systems of just 45.8%, or fully 34.2 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 $144 billion, aggregate "unfunded liability"—read that as "debt"—owed to its pension systems.

Back in 1995, supporters of the Pension Ramp claimed it would 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 significantly. 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.

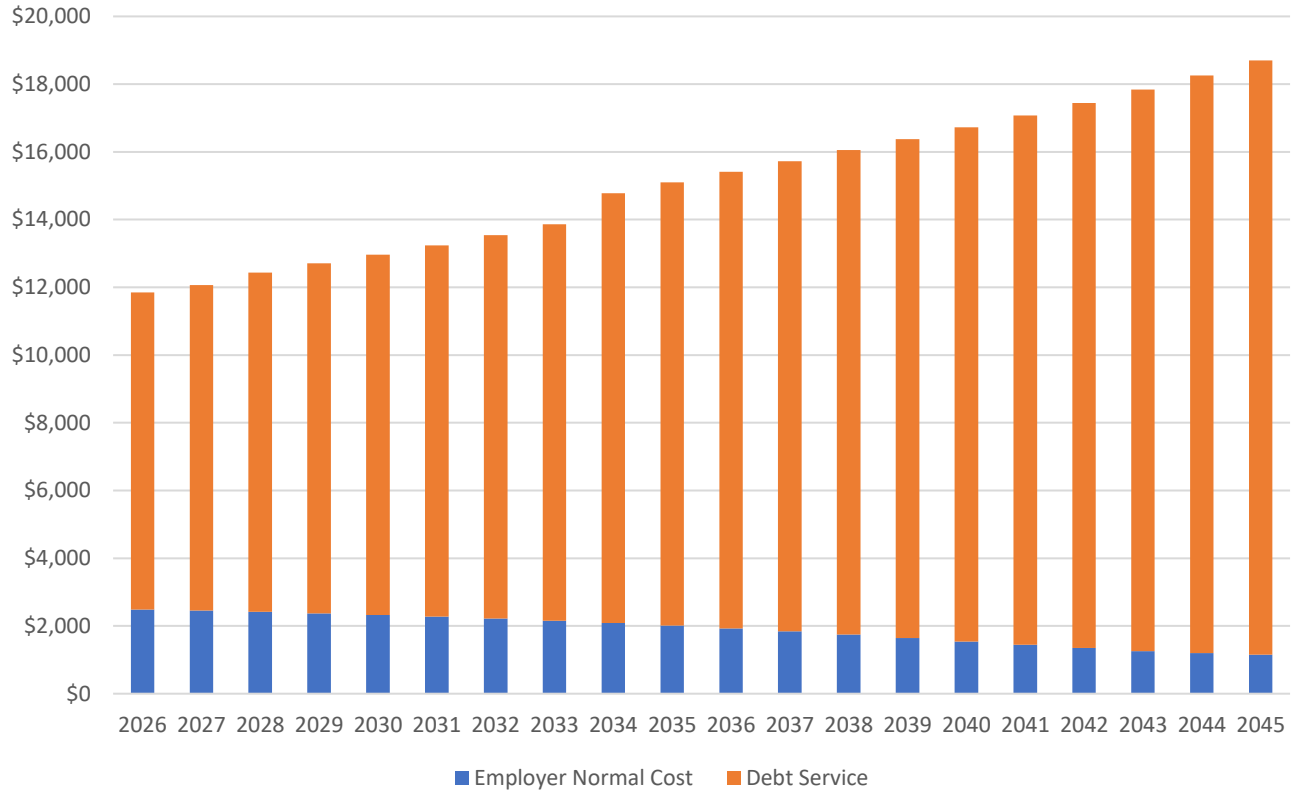
Why did decision makers in both parties engage in the irresponsible fiscal practice of intentionally underfunding the pensions so they could divert revenue which should have covered pension contributions to instead pay for Current Services? The political difficulty in dealing responsibly with the structural 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.

Figure 16 shows that under the current Pension Ramp the annual, all funds contribution to the five state pension systems is projected to reach nearly $17 billion by FY 2040, and slightly over $18 billion by FY 2045.[119]

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



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

In the FY 2026 enacted budget, Governor Pritzker suggested modifying the Pension Ramp to get the systems 100% funded by FY 2048.[120] 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%.[121] 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 is proposing aiming for 100% funded by in part adding an additional three years to the 2045 Pension Ramp.[122]

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(ii) Second, the annual contribution into the pension systems is increased after certain existing debt is repaid.

The governor is proposing to use half of the projected savings from bonds that will be repaid in fiscal year 2033 to shore up the state's pension systems.[123] GOMB projects that this will save $5.1 billion by FY 2045.[124] According to data provided by the Governor's office, the payment schedule under the current Pension Ramp will remain unaltered until 2033, and then the governor's enacted new ramp will begin utilizing savings from the aforesaid retired debt to slightly increase the annual payments into the systems through FY 2041.[125] Under the governor's enacted 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 $16 billion-$18 billion, whereas under the current Pension Ramp, those payments would drop to slightly over $2 billion in 2046.[126]

(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**).[127]

Closed multi-layer amortization manages volatility within the markets and shifts in actuarial projections more effectively.[128] 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, benefit, actuarial assumptions, and methodological changes that impact the unfunded liability.[129] 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.[130]

(iv) Fourth, 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.[131] (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 allocates $75 million as an additional contribution for adjusting the Social Security Wage Base for Tier II members, allowing Illinois to continue to be exempt from paying into Social Security for Tier II employees. This amount is 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.[132]

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

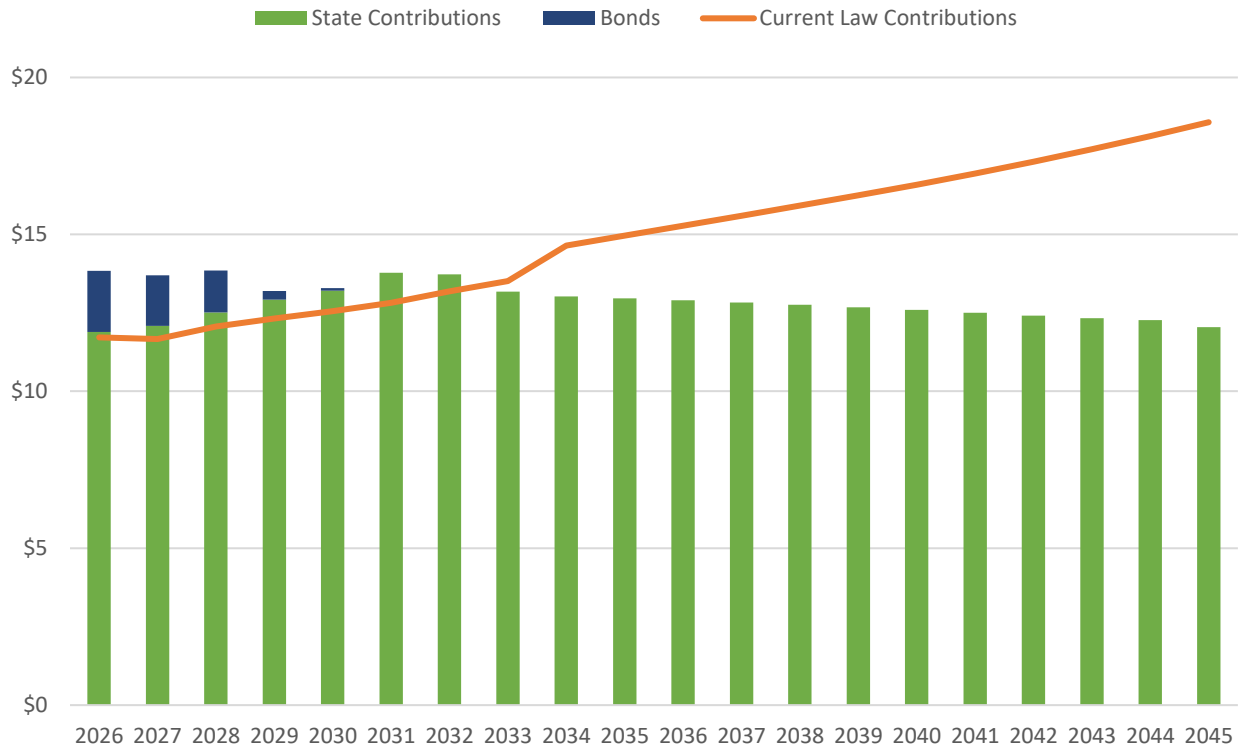
pension debt under a level dollar re-amortization ends up being substantially less than under the Pension Ramp.

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 46%[133] to 90% in 2045,[134] 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**. These savings are achieved by:

(i) Issuing $5.2 billion in pension obligation bonds between FY 2026 and FY 2030, 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 working on creating a new model that factors in updated numbers and elements of the governor's enacted 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 2026 Enacted General Fund Spending: Current Services

5.1. FY 2026 Enacted 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 enacted for FY 2026 is represented by the respective appropriations made for Current Services. The vast majority of those appropriations, 95% 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." The agency responsible for administrating appropriations for both Early Childhood Education and 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.[135] 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.[136]

The "Healthcare" category consists of appropriations for the Department of Health and Family Services ("**DHFS**") and the Department of Public Health.[137] Note that the vast majority of General Fund appropriations for DHFS—about 68%—are targeted for Medicaid, with another 32% 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.[138]

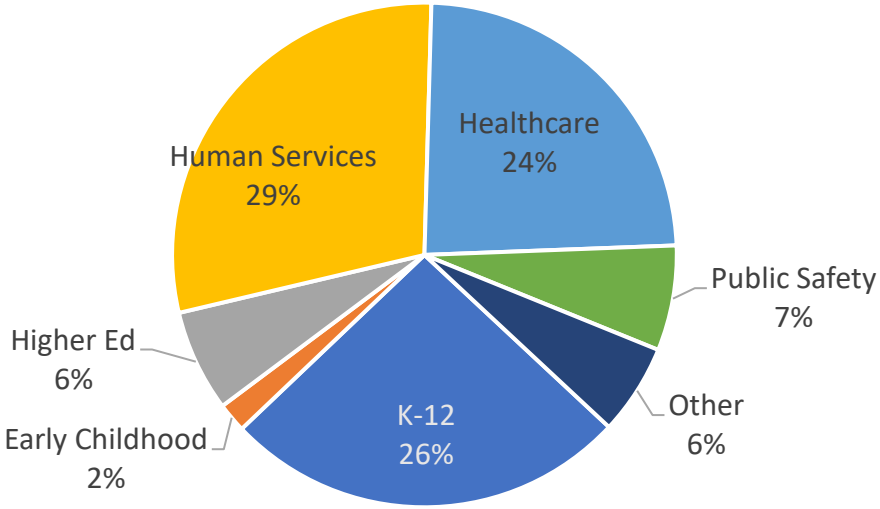
The category of "Other" includes appropriations for every other service provided by, and all other functions of, state government. This includes appropriations for: legislative agencies such as the General Assembly and Commission on Government Forecasting and Accountability ("**COGFA**"); state Constitutional 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 and East St. Louis Financial Advisory Authority.

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.[139]

Similarly, while the state categorized the Department of Public Health under "Human Services," CTBA instead categorizes it under "Healthcare," given that over 60% of the FY 2025 funding for that department is earmarked for healthcare programming.[140]

As shown in **Figure 18,** the appropriations in the FY 2026 Enacted GF Budget for Current Services continue to prioritize the same core services of Education (34%), Healthcare (24%), Human Services (29%), and Public Safety (7%) the state has historically devoted its General Fund to providing. Combined, these core service areas account for about 95 cents out of every dollar of the gross appropriations enacted for Current Services in FY 2026.

FIGURE 18
FY 2026 ENACTED GENERAL FUND BUDGET GROSS APPROPRIATIONS FOR CURRENT SERVICES



Source: CTBA analysis of FY 2026 Enacted Budget

Although **Figure 18** shows the breakdown of the enacted *gross* appropriations for Current Services in FY 2026, spending reductions authorized by the "Unspent Appropriations" budget line will reduce total, net appropriations from the gross level of $40.2 billion to a net enacted expenditure level of $39.2 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 2025 & FY 2026 Enacted Budgets

Under the FY 2026 Enacted GF Budget, total net appropriations for Current Services are scheduled to be $39.2 billion, which is $1.2 billion or 3.3% greater than FY 2025 appropriations in nominal dollars.[141] **Figure 19** shows the nominal dollar year-to-year change in appropriations between the FY 2025 Enacted GF Budget and the FY 2026 Enacted GF Budget.

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FIGURE 19
FUND BUDGET SERVICES APPROPRIATIONS
FY 2025 ENACTED COMPARED TO FY 2026 ENACTED ($ MILLIONS)

Category	FY 2025 Enacted (Nominal)	FY 2026 Enacted	$ Change	% Change
Healthcare	$9,360	$9,623	$263	2.81%
Human Services	$11,126	$11,701	$576	5.18%
K-12 Education	$10,145	$10,424	$279	2.75%
Higher Education	$2,616	$2,621	$5	0.20%
Early Childhood	$752	$760	$8	1.03%
Public Safety	$2,503	$2,709	$206	8.22%
Other	$2,349	$2,331	($18)	-0.76%
Total (Gross)	**$38,850**	**$40,169**	**$1,319**	**3.39%**
Total (Net)	**$37,955**	**$39,204**	**$1,249**	**3.29%**

Source: CTBA analysis of FY 2026 Enacted Budget & FY 2025 Enacted Walkdown

Overall, the FY 2026 Enacted GF Budget calls for a minimal increase in both gross and net spending on **most** core services.[142] As highlighted in **Figure 20,** the level of spending on healthcare enacted for FY 2026 is **$263 million more** than it was last year in nominal dollars. However, after including Spring Supplemental appropriations that added to the FY 2025 General Fund budget, the FY 2026 Enacted GF Budget appropriation is only $63 million more than the adjusted FY 2025 appropriations for Healthcare services.

FIGURE 20
NOMINAL DOLLAR COMPARISON OF FY 2025 ENACTED AND FY 2026 ENACTED
GENERAL FUND BUDGET APPROPRIATIONS FOR HEALTHCARE ($ MILLIONS)

	FY 2025 Enacted	FY 2026 Enacted	$ Change	% Change
Total Department of Healthcare and Family Services (DHFS)	$8,961	$9,301	$339	3.79%
DHFS Deposit to transfer to Healthcare Provider Relief Fund (HPRF)	$2,439	$2,888	$449	18.41%
Department of Public Health	$399	$322	($76)	-19.09%
Total Healthcare – General Funds	**$9,360**	**$9,623**	**$263**	**2.81%**

Source: CTBA analysis of FY 2026 Enacted Budget, GOMB Economic and Fiscal Report, & FY 2025 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—75 to 85% annually—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.[143] 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 2026 most Current Service categories barely realize a year-to-year increase in gross appropriations on an inflation-adjusted basis,** as shown in **Figure 21.**[144]

FIGURE 21
GENERAL FUND BUDGET SERVICES APPROPRIATIONS
FY 2025 ENACTED COMPARED TO FY 2026 ENACTED, ADJUSTED FOR INFLATION[145] ($ MILLIONS)

Category	FY 2025 Enacted (Nominal)	FY 2000 Enacted (inf. adj.)	FY 2026 Enacted	$ Change (inf. adj.)	% Change
Healthcare	$9,360	$9,690	$9,623	($67)	-0.69%
Human Services	$11,126	$11,485	$11,701	$217	1.89%
K-12 Education	$10,145	$10,472	$10,424	($49)	-0.46%
Higher Education	$2,616	$2,700	$2,621	($79)	-2.93%
Early Childhood	$752	$776	$760	($17)	-2.13%
Public Safety	$2,503	$2,584	$2,709	$125	4.83%
Other	$2,349	$2,425	$2,331	($94)	-3.86%
Total (Gross)	**$38,850**	**$40,132**	**$40,169**	**$37**	**0.09%**
Total (Net)	**$37,955**	**$38,906**	**$39,204**	**$298**	**0.77%**

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 enacted for FY 2026 is still $298 million—or just 0.8%—greater in real terms than in FY 2025.

However, the overall year-to-year real changes in funding levels for Current Services shown in **Figure 21** will, in most cases, overstate the amount of the actual increase. The reason for this is **Figure 21** compares the *maximum authorized* appropriations for Current Services in FY 2026 to enacted spending for FY 2025. Many of these maximum authorized spending amounts will not be realized, however, because there are $965 million in "Unspent Appropriations" under the FY 2026 Enacted GF Budget, which, when applied over the course of the fiscal year, will reduce actual spending amounts

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for certain items below the gross appropriation authority identified therefor in the various service categories, and hence reduce the corresponding increases noted in **Figure 21**.

5.3. In Real Terms, Gross Appropriations for Most Core Services in the FY 2026 Enacted GF Budget Remain Less Than Two Decades Ago in FY 2000

Despite the year-over-year nominal dollar increases in spending on most Current Services called for in the FY 2026 Enacted GF Budget, due to its structural deficit, Illinois has disinvested in Current Services for such an extended period of time that the overall, net appropriations for service spending in FY 2026 are still 14.3% less than actual appropriations for said services were over twenty-five 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 2026 ENACTED COMPARED TO ENACTED FY 2000 ($ MILLIONS)

Category	FY 2000 Enacted (Nominal)	FY 2000 Enacted (inf. adj.)	FY 2026 Enacted	$ Change (inf. adj.)	% Change (inf. adj.)
Healthcare	$5,022	$12,351	$9,623	($2,728)	-22.08%
Human Services	$4,599	$10,488	$11,701	$1,214	11.57%
K-12 Education	$4,674	$10,659	$10,424	($235)	-2.20%
Higher Education	$2,152	$4,907	$2,621	($2,286)	-46.59%
Early Childhood Education	$170	$388	$760	$372	96.01%
Public Safety	$1,350	$3,079	$2,709	($369)	-12.00%
Total Net General Fund Service Appropriations	**$20,064**	**$45,754**	**$39,204**	**($6,550)**	**-14.32%**

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 2024 and population growth from the Census Bureau as of January 2024

It is worth noting that although enacted General Fund Healthcare appropriations for FY 2026 are projected to be 22.8% 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.[146] Because of the increased utilization of these special funds, since FY 2014 a material portion of overall Healthcare funding, particularly for Medicaid, has gradually moved out of the General Fund.[147]

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 2026, CTBA projects the state of Illinois have an accumulated surplus. The walk down showing how this accumulated surplus will develop between FY 2025 and FY 2026 is set forth in **Figure 23**.[148]

FIGURE 23
ESTIMATED ACCUMULATED SURPLUS OR DEFICIT AT THE END OF FY 2026 ($ MILLIONS)

Item	Amount	Remaining Resources
Total FY 2026 General Fund Revenue	$55,297	$55,297
Accumulated Surplus Carry Forward from FY 2025	$654	$55,951
FY 2026 Hard Costs	$15,871	$40,080
FY 2026 Enacted General Fund Net Service Appropriations	$39,274	$806
Subtract Budget Stabilization Transfer	$161	$645
Subtract Additional Pension Stabilization Transfer	$275	$370
Projected Accumulated Deficit or Surplus at the end of FY 2026 based on the FY 2026 Enacted GF Budget	**$370**	
Accumulated Surplus as a Percent of General Fund Net Service Appropriations	**0.9%**	

Source: CTBA analysis of FY 2026 Enacted Budget, & FY 2025 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.[149] 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 2026 revenue enhancements outlined in Section 3.2 of this Report, it is likely the FY 2026 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 the FY 2026 Enacted GF Budget current projections are the General Fund will end FY 2026 with a surplus of $370 million.[150] In fact, before recent years, the trend of General fund deficits goes back decades, to the last time Illinois had a GAAP-based surplus in FY 1985.[151] Using the Budget Basis Balance, the last time Illinois had a positive balance was in FY 2001, shown in **Figure 24**.[152]

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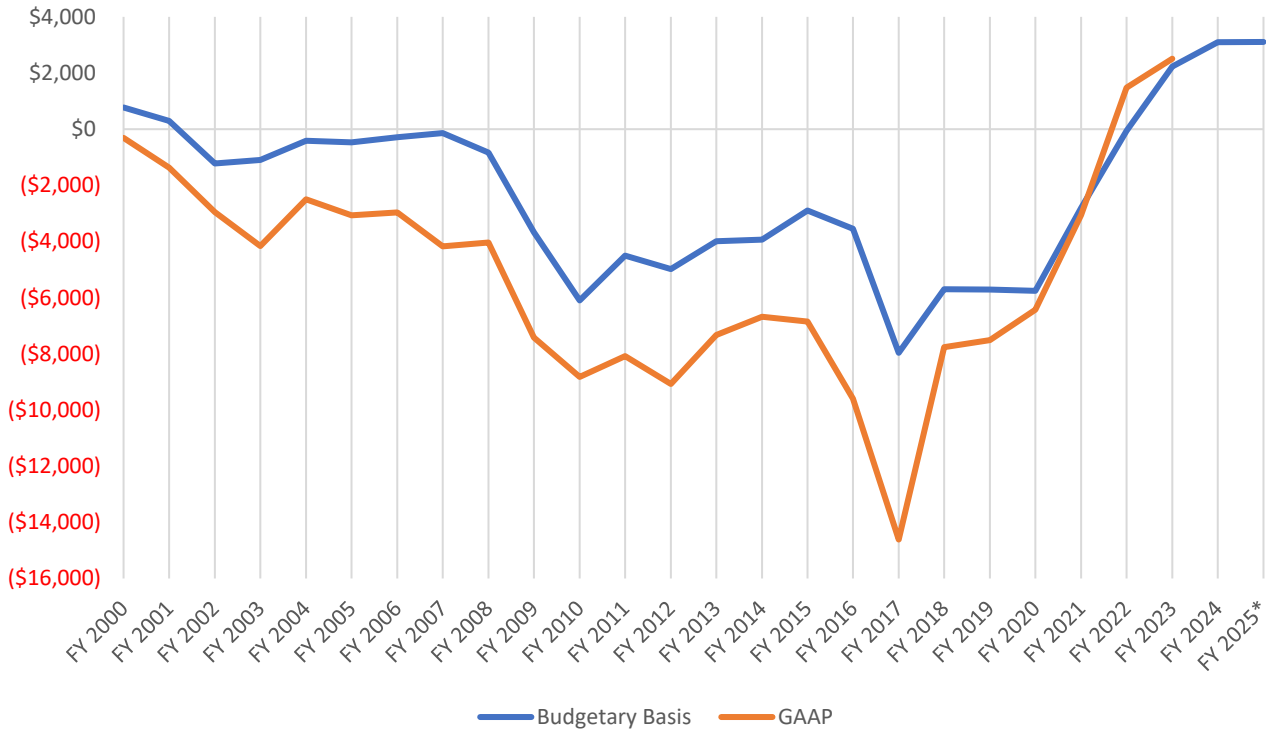
FIGURE 24
ILLINOIS GENERAL FUND BUDGET DEFICIT/SURPLUS ($ MILLION), NOMINAL



Source: Analysis of Illinois Office of the Comptroller Comprehensive Annual Financial Reports, FY 1987 – FY 2022

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, 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.[153]

FIGURE 25
ILLINOIS BUDGET STABILIZATION FUND (RAINY DAY FUND) FY 2020 – FY 2025

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*(estimated)*	$246	$2,310

Illinois State Comptroller, "Rainy Day Fund" data, 2025

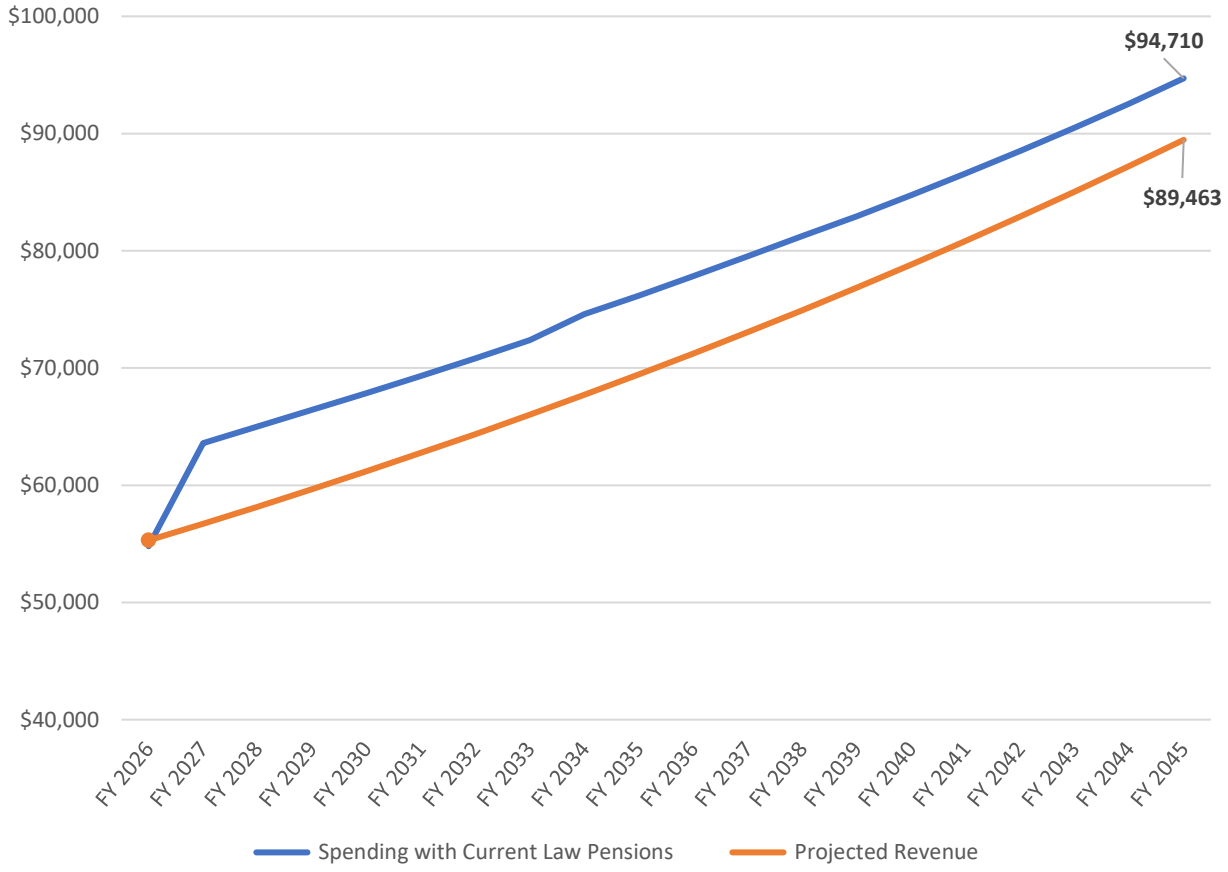
While the Pritzker Administration's fiscal initiatives implemented over the last five fiscal years were sufficient to eliminate the accumulated deficit, they have not completely eliminated the factors that have driven the state's historical, long-term "**structural deficit**." A "**structural deficit**" 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 2026 as the base year and assumes all the new revenue proposals included in the FY 2026 Enacted GF Budget are enacted.

FIGURE 26
PROJECTED STRUCTURAL DEFICIT IN ILLINOIS' GENERAL FUND



Source: CTBA analysis using historical revenue data from COGFA and FY 2026 estimate from GOMB

Figure 26 shows what the structural deficit would look like if the state of Illinois only continues to make minimum contributions to the EBF for K-12 education. There is a crucial factor to note about **Figure 26**. Primarily, the calculation projects how the structural deficit in Illinois' General Fund will grow in the future—assuming the state was starting with a balanced budget in FY 2026. Hence a structural deficit model simply measures the projected rate of growth in a deficit over time, not 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 enacted. 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.

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As things stand now, the simple truth is Illinois' current structural deficit will continue to grow if there is no change in law.

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.[154] Moreover, even after accounting for the increases in spending in the FY 2026 Enacted GF Budget, at the end of FY 2026 spending on Current Services is projected to be 14.3% less in real terms than it was in FY 2000.

To make matters worse, the federal One Big Beautiful Bill or BBB is projected to significantly increase the long-term structural deficit in the state's General Fund.[155] The financial stresses the BBB 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, in FY 2026 Illinois stands to lose an estimated $830 million in revenue due to federal income tax cuts included in the BBB, particularly those that benefit businesses.[156] 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. Given that state lawmakers in Illinois neither debated nor approved of those federal income tax cuts, it makes sense for law makers and the Governor to decouple from them.

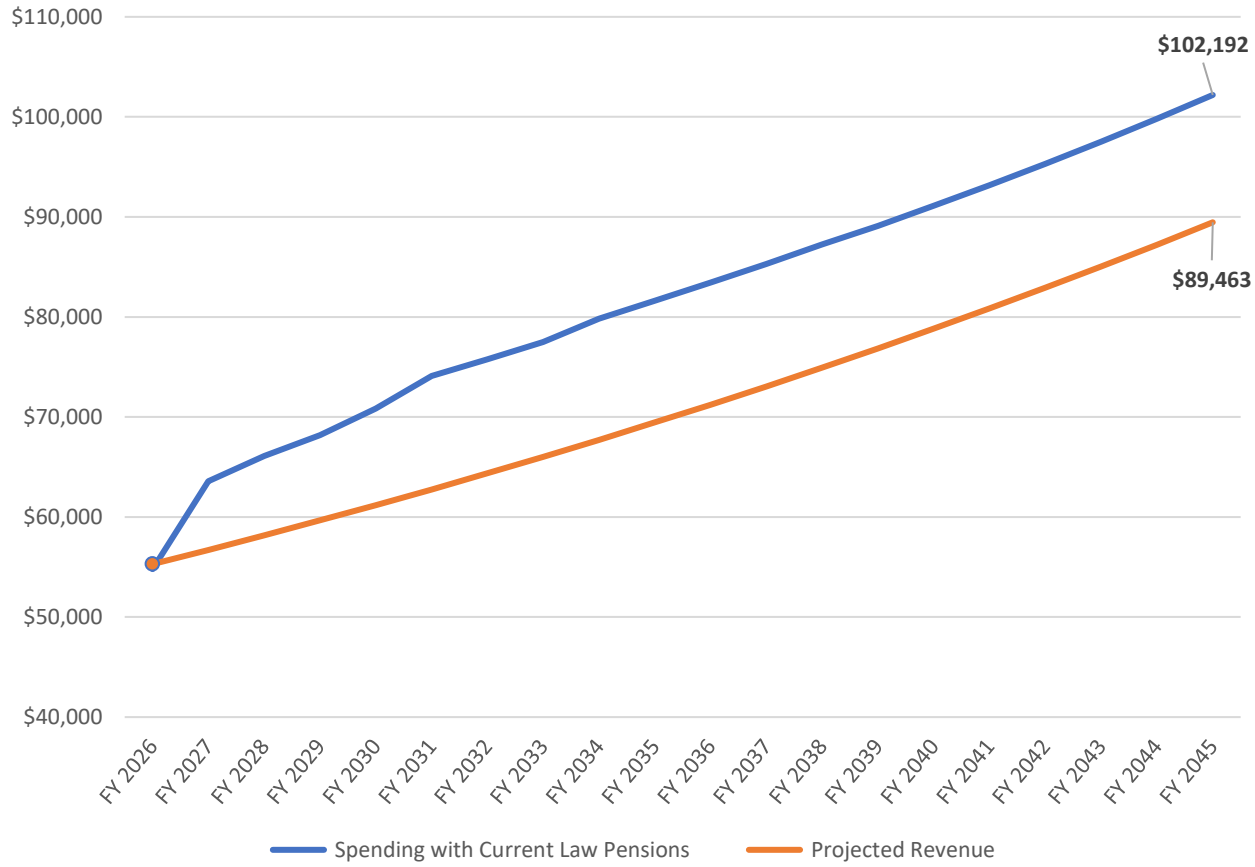
While the solution to the revenue challenges created by the BBB are relatively straightforward, dealing with the substantial cost shifts created by various spending cuts to core services like Medicaid, and combination of cuts and administrative changes made to SNAP will be far more difficult.[157] In fact, if the state wanted to make up for all the spending cuts and administrative changes made to federal programs in the BBB, the annual cost for Illinois' General Fund would exceed $4 billion per year on average over the next decade.[158]

The fiscal pressures created by the BBB 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.[159] Current estimates are the revenue and cost shifting elements of the BBB will cost the state's General Fund $1.7 billion by FY 2027.[160]

That $1.7 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 ("OBBB") IMPACT



Source: CTBA analysis using historical revenue data from COGFA and FY 2026 estimate from GOMB

The following reforms would effectively counter the impacts of the OBBB, 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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