

A Maintenance Budget: How Illinois' FY2027 Budget Proposal Balances the Books *Executive Summary*



by Lily Padula

Governor Pritzker's [FY2027 proposed budget](#) reflects a “maintenance budget” with General Funds spending (the State’s largest and most important fund group) remaining relatively flat and with limited new policy initiatives. The proposal closes an approximately \$2.2 billion gap by relying on growth in existing revenue, select new funding sources, redirection of existing funding, and limited new spending.

A portion of the gap is addressed by improved revenue projections and stronger-than-expected FY2026 tax collections, while additional revenues are generated through policy changes, including a proposed social media platform fee, gaming tax revisions, and an extension of the Net Operating Loss (NOL) deduction cap, which limits how much businesses can use past losses to reduce their current taxes. The budget also relies on reallocating existing revenues, including shifting sales tax revenues and adjusting the Local Government Distributive Fund (LGDF), which is the primary mechanism through which the State sends a portion of its income tax revenues to local governments. Despite this adjustment to LGDF, local governments should still receive approximately the same amount of funding as last year, as revenues are expected to come in \$1.2 billion higher than what the Governor’s Office forecasted in its [October 2025 Economic and Fiscal Policy report](#), reflecting the combined impact of baseline revenue growth and all new or adjusted revenue sources.

On the spending side, growth is limited and largely driven by statutory and formula-based obligations such as K-12 education funding, pension contributions, and debt service. The largest reduction in spending occurs in healthcare. However, this reflects a shift in how the State is paying for healthcare – moving to using special purpose funds over General Funds – rather than a reduction in services. Some savings are achieved by delaying the implementation of certain planned program enhancements, such as behavioral health investments, care coordination programs, and new covered services. Together, these changes contribute to an approximately \$1 billion reduction in projected General Funds expenditures compared with the October fiscal outlook.

Overall, the budget proposal achieves balance through incremental, short-term measures rather than structural reforms.

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