



How Illinois' Proposed FY2027 Budget Manages Federal Funding Risks

by Lily Padula

Federal funding supports about a third of Illinois' total All Funds operating budget, funding a variety of programs including health and human services. Recent federal policy changes under H.R. 1 signed into law on July 4, 2025, fundamentally shift more responsibility to the state, requiring Illinois to take on the administration and cost of core health and human services programs previously supported at the federal level. These changes introduce new fiscal pressures and uncertainty for Illinois with effects expected to grow over time as implementation unfolds.

The Governor's proposed FY2027 budget reflects a short-term, reactive approach, building upon previous tax decoupling actions and increasing SNAP and Medicaid administrative funding to address short-term impacts. However, these steps focus on implementation and do not address longer-term risks. Medicaid changes pose the most significant long-term threat, while SNAP creates more immediate costs but ones that are expected to grow in future years.

Illinois is actively challenging several federal actions through litigation, which has delayed or reduced near-term impacts. However, the State's fiscal outlook remains highly contingent on legal outcomes. Overall, the proposed budget responds to immediate pressures but does not present a comprehensive strategy to address structural funding gaps or long-term federal funding uncertainty.

