

FY27 State Budget Report Roundup



ILLINOIS STATE BUDGET OUTLOOK REPORTS

As Illinois heads into the final weeks of the legislative session, working toward adopting an FY2027 budget, the Civic Federation is highlighting a three-part series examining Governor Pritzker's FY2027 proposed budget and the State's broader fiscal and economic outlook.

Illinois faces structural budget problems—meaning faster growth in expenditures than core revenues, limited fiscal backstops, continually growing pension obligations, and a relatively weak economic growth trajectory. Federal policy changes also have introduced uncertainty for the State's financial outlook over the next several years. Together, these reports aim to provide policymakers and the public with an understanding of the State's fiscal condition, the risks on the horizon, and ways the State can work toward achieving long-term financial stability.

How Illinois' FY2027 Proposed Budget Balances the Books

The proposed \$56 billion General Funds operating budget closes a \$2.2 billion budget gap and achieves balance for the coming fiscal year through baseline revenue growth, targeted tax changes, and reallocations of existing resources. On the spending side, growth is largely driven by statutory obligations such as education funding, pensions, and debt service, with reductions in healthcare reflecting funding shifts rather than service cuts. But while this "maintenance" budget manages immediate pressures, it relies on incremental, one-time, and short-term measures rather than structural reforms, leaving longer-term fiscal challenges unaddressed.

How Illinois' FY2027 Proposed Budget Manages Federal Funding Risks

Federal funding accounts for roughly one-third of Illinois' budget across all funds, making recent federal policy changes a significant fiscal concern. This report outlines how new federal requirements shift greater costs and administrative responsibilities to the State, particularly for Medicaid and SNAP. The proposed budget takes a reactive approach to these changes, by increasing administrative staffing. However, it does not present a comprehensive strategy to address long-term funding risks, particularly regarding Medicaid cuts, leaving the State's longer-term fiscal outlook uncertain and highly dependent on ongoing litigation and federal policy decisions.

How Illinois' FY2027 Proposed Budget Addresses Long-Term Fiscal Sustainability

This report evaluates whether the proposed budget advances the State's long-term financial goals across four key areas: structural balance, fiscal resiliency, pension liabilities, and economic growth. It finds that the State's core tax base is not growing fast enough to support spending on core services, indicating a persistent structural imbalance. Reserves remain below recommended levels, proposed pension reforms are incremental, and economic development efforts do not address broader structural issues. Without policy changes to better align revenues and expenditures, support stronger economic growth, and expand the tax base, the State's fiscal position is likely to weaken over time.

Learn more

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