

## **FY27 Budget & State of the State**

### **Governor Pritzker Emphasizes Stability Amid Fiscal Pressures**

Governor JB Pritzker delivered his combined 2026 State of the State and Budget Address Wednesday, outlining his proposed \$56.1 billion FY27 budget and framing Illinois as fiscally stable but entering a tighter financial environment driven by slowing revenues, federal uncertainty, and rising fixed costs. The Governor again characterized the proposal as a balanced budget that preserves core services without imposing broad-based tax increases on working families.

Below are the key takeaways from the speech and budget books.

#### **Political & Legislative Outlook**

While the proposal avoids major tax increases, legislators will now begin reviewing agency budgets and spending proposals. As in prior years, negotiations are expected to focus on balancing fiscal restraint with ongoing service demands.

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#### **Fiscal Outlook**

The administration highlighted Illinois' improved fiscal position following several years of:

- Bill backlog reduction: now accounts payable – down from \$16B at its peak to under \$1B
- Credit rating upgrades: 9 credits upgrades since 2021
- Growth in the Budget Stabilization (“Rainy Day”) Fund: roughly \$2.4 billion

However, the FY27 forecast reflects a more constrained outlook due to:

- Slowing economic growth: projected under 2%
- Uncertainty in federal funding streams
- Increasing pension and healthcare obligations

These pressures limited the state's capacity for new programmatic spending.

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#### **Education Remains Top Funding Priority**

Education continues to represent the largest area of discretionary investment, including:

- Continued \$350M increase to Evidence-Based Funding for K-12 schools
- Ongoing early childhood education expansion
- Additional 1% support for higher education operations
- Sustained MAP and AIM High grant funding: total program funding exceeding \$770M

The administration tied these investments directly to workforce development and long-term economic competitiveness. The Governor proposed to create a Vocational Training Grant Program to support higher paying career paths for high school students to meet workforce needs.

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#### **Healthcare & Human Services**

Healthcare remains one of the largest cost drivers in the operating budget. Key funding areas include:

- Medicaid program obligations exceed \$30B (all funds)
- Behavioral health program increases across multiple agencies
- Maternal and child health investments maintained
- Services for seniors and persons with disabilities tied to caseload demand

Spending growth in this area is largely attributed to caseload demand and medical cost inflation rather than major eligibility expansions.

## **Public Safety Investments Maintained**

The FY27 proposal sustains funding for:

- Violence prevention programs (~\$250M and continued investment)
- Law enforcement training and grants
- Community-based intervention initiatives

Public safety continues to be framed as a shared state-local responsibility requiring sustained investment.

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## **Pensions & Fixed Costs Continue to Dominate**

Statutorily required pension contributions (\$11.2B) remain one of the single largest expenditures in the budget, alongside:

- Debt service: \$2.4B
  - State employee health insurance: \$3B
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## **Revenues**

Governor Proposed Revenue Adjustments for FY27:

- Social Media Platform Fee: +\$200 million
  - Adjust Net Operating Loss Deduction cap to phased approach: +\$269 million
  - Realignment of casino tax treatment for table and electronic games: +\$120 million
  - Hold Harmless for LGDF (6.47% to 6.23%): +\$60 million
  - Shift Sales Tax from Capital Projects to GRF: +\$79 million
  - Pausing new Data Center Tax Credits July 1, 2026: +\$0
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## **Capital Budget**

The FY27 capital plan continues multi-year investments across core infrastructure sectors, including:

- Transportation (roads, bridges, transit)
  - Vertical construction (schools, universities)
  - Water and environmental infrastructure
  - Broadband expansion
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## **Economic Development & Workforce**

The budget maintains funding for business attraction and workforce initiatives, particularly in growth sectors such as:

- Clean energy
  - Manufacturing
  - Technology and innovation
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## **Rainy Day Fund & Reserves**

The administration emphasized continued deposits and maintenance of budget reserves, positioning the state to better manage economic volatility compared to prior fiscal cycles.

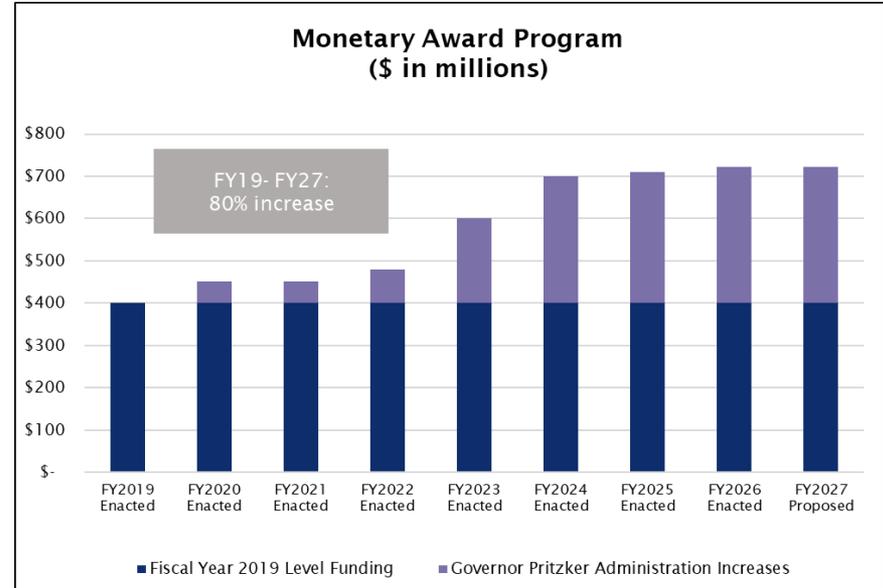


# Higher Education

*Investing in our Colleges and Universities*

## FY27 Proposed Budget for Higher Education:

- **\$721.6 million** to maintain the Monetary Award Program (MAP).
  - More than \$320 million, or 80%, increase for MAP since 2019.
    - ISAC projects awarding MAP grants to more than 150,000 students in FY26 - an increase of more than 21,000 since FY19.
    - Maximum award size has increased from \$4,869 to \$8,604 since 2019.
- **\$16 million**, or 1%, General Funds increase for operating costs of public universities (**\$13 million**) and community colleges (**\$3 million**).
- Continues funding to support community college investments in dual-credit and non-credit workforce grant programs.
- **\$2 million** to continue funding the Diversifying Higher Education Faculty in Illinois (DFI) program.
- **\$3 million** to support Common App simplified admissions across higher learning institutions.



- **\$5 million** to continue Early Childhood Access Consortium for Equity scholarships.
- **\$10.75 million** for Golden Apple Scholars and **\$2.5 million** for Golden Apple Accelerators.