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## ICCTA Government Relations and Public Policy Report -- Illinois Joint State of the State and Budget Address

February 21, 2024

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Gov. **J.B. Pritzker**'s sixth annual budget address, delivered to the Illinois General Assembly at noon today, emphasized an optimistic future for the state despite making some "hard choices" in the Fiscal Year 2025 spending plan.

Speaking before a joint session of the Illinois House of Representatives and Senate, Pritzker touted the state's fiscal recovery and achievements in early childhood education, economic development, and supporting vulnerable populations. He also proposed targeted investments and reforms in health care, children's services, and housing as part of the [proposed \\$52.7 billion FY25 budget](#).

"Illinois' budget is balanced, and it builds upon all of the progress we have made, paying our pensions in full, investing more in our public schools, social services, and healthcare while addressing the immediate and unique needs of the coming fiscal year," he said. (Gov. Pritzker's prepared comments are available [HERE](#).)

He also reflected on the accomplishments of the past five years, including elimination of the state's bill backlog, an investment of \$2 billion in the state's Rainy Day Fund, record-breaking film and TV production revenue, all-time high tourism numbers, strong energy reliability, and more.

**\*\*\*Please review [ICCTA's BILL LIST](#).**

**It is vital that we know your positions so that legislation does not slip through unopposed.\*\*\***

### HIGHER EDUCATION INVESTMENTS

FY25 Proposed Budget: \$2.55 billion General Funds

- Increases the Monetary Award Program by \$10 million, to a total of \$711 million – a 77% increase in 6 years
  - In FY25, a projected 146,000 students will benefit from MAP grants, up from 128,864 in 2019.
- Increases general funds by 2% for public universities (\$24.6 million) and community college (\$6 million) operating costs
- Continues funding to support community college investments in dual credit and non-credit workforce grant programs
- The Common Application to simplify admissions process to transfer students from community college students is extended with \$450,000
- Maintains teacher pipeline program funding for Golden Apple Scholars (\$10.75 million), Golden Apple Accelerators (\$5 million), and Minority Teachers of Illinois (\$8 million)

- \$20 million in continued funding for the Pipeline for the Advancement of the Healthcare (PATH) Workforce Program

## **PUBLIC PENSION FUNDING**

The FY25 budget proposal fully funds the state’s \$10.1 billion certified pension contribution from General Funds

- The state contributed an additional \$700 million above certified amounts to the systems across FY22 and FY23
  - These contributions will save taxpayers an estimated \$2.4 billion by FY45.
- Illinois is benefitting from reductions in its pension liabilities from the pension buyout program –so far reducing liability by an estimated \$2.0 billion.
  - FY25 contribution to SERS is estimated to be \$40 million lower and to TRS \$96 million lower than it would have been without the program.

### **Current Pension Funding Plan**

- In 1994, Gov. **Jim Edgar** and the General Assembly enacted a 50-year plan to achieve 90% funding of the retirement systems’ liabilities by 2045. Under the current plan, the state’s remaining unfunded pension liabilities in FY45 would total an estimated \$33.6 billion. Pension contributions are scheduled to grow from \$11 billion today to over \$18 billion by 2045 – growing roughly 2.6% per year. Contributions drop off drastically after FY45. Under the current funding statute, actual performance that deviates from actuarial assumptions must be made up by 2045. The ‘runway’ to get caught up shortens the closer to 2045 Illinois gets. To illustrate, if there is a large drop in the stock market that impacts the systems’ investment returns in FY43, the State would be required to contribute the full shortfall to reach 90% funding in FY45, the one remaining year under the Illinois funding plan.

### **Proposal to Manage Illinois’ Pension Funding Commitment**

1. Increase statutory funded ratio goal from Edgar’s 90% to 100% funded.
  - a. Adding three additional years to the funding payment plan (FY48) will get Illinois on a path to 100% funded like peer states.
  - b. Provides a plan to pay off the remaining \$33.6 billion in unfunded liabilities.
  - c. Will position the state for long-term fiscal stability.
2. Increase the state’s annual pension contributions when legacy debts are paid off.
  - a. In FY30, the 2017 \$6 billion Backlog Borrowing General Obligation Bonds will be retired.
  - b. In FY33, the 2003 \$10 billion pension funding General Obligation Bonds will be retired.
  - c. The Governor is proposing to dedicate half of the revenue being used to pay off the 2017 & 2003 bonds to make additional payments to the state’s pension systems when the debts are paid off.
  - d. Making the decision this year to dedicate these future savings to increase the pension contributions in FY30 through FY40 above what is currently required will save taxpayers an estimated \$5.1 billion by FY45.
3. Address challenge of a shortening “runway” through fixed length amortization strips beginning in 2035.
  - a. As the systems approach 100% funding and the end of the ramp, this proposal will soften the potential shock to the state budget from short-term negative returns.

- b. As noted by the State Actuary, creating layers of fixed length amortization strips to address annual over-or underperformance is a practice commonly used by public pension systems in other states.
4. Review and, if necessary, adjust the Tier 2 pensionable earnings cap to the Social Security Wage Base for employees not coordinated with Social Security.
  - a. Most Teachers Retirement System and State University Retirement System members and a limited number of State Employee Retirement System members are not covered by Social Security and must rely more heavily on their state pensions for a secure retirement.
  - b. As part of an overall review of funding the state's pension debts, the Governor encourages the boards of the affected retirement systems and the legislature to review and adjust, if necessary, the structure of the Tier 2 pensionable earnings cap for employees not coordinated with Social Security to ensure that the systems are and remain compliant with federal law.

### **FY25 PROPOSED CAPITAL BUDGET**

The Governor's [proposed capital budget](#) includes \$3 billion in new bond fund appropriations to enhance Rebuild Illinois. The new capital proposal includes the following:

- \$500 million for new quantum-related investments
- \$139 million to DCEO for economic improvement programs, including:
  - \$50 million to Prime Sites
  - \$40 million for Sites Development
  - \$25 million for public infrastructure
  - \$24 million to Manufacturing Training Academies
- \$900 million for maintenance and modernization of Department of Corrections facilities
- \$575 million for deferred maintenance and construction at higher education facilities
  - \$450 million for universities
  - \$125 million for community colleges
- \$157 million for additional funding to support construction of the new DPH laboratory in the Chicago area and rehabilitation of the Carbondale laboratory
- \$513 million for deferred maintenance and construction at state facilities
- \$100 million to DCFS for a multi-year capital grant program to improve capacity for youth placement by increasing bed capacity system-wide
- \$65 million for the Capital Development Board to complete a new DoIT central computing facility
- \$60 million to DoIT to complete various technology projects
- \$20 million for a new Department of Military Affairs Illinois National Guard readiness center in Peoria

### **OTHER PROPOSED FISCAL YEAR 2025 BUDGET HIGHLIGHTS**

- Builds on five years of historic fiscal progress with balanced budgets, nine credit rating upgrades, \$2 billion Rainy Day Fund, eliminated bill backlog, and a GDP that exceeds \$1 trillion.
- Continues transformative investments in early childhood education and childcare, K-12 education, higher education, and efforts to fight poverty.
- FY24 revised estimated spending reflects proposed spring supplemental appropriations of \$1.183 billion and proposed transfers.
- Estimated FY24 budgetary surplus of \$273 million, with \$205 million set aside in Budget Stabilization Fund.

- Proposed FY25 General Funds expenditures total \$52.695 billion, a \$752 million (<2%) increase from FY24 estimated spending.
- The proposed budget reflects full payment of the certified FY25 pension contribution.
- FY25 Government Services recommended budget reflects direct funding of enterprise-wide IT budget lines to the Illinois Department of Technology and current estimates of employee and retiree health insurance liabilities.
- Estimated FY25 budgetary surplus of \$298 million, with an estimated \$170 million reserved in the Budget Stabilization Fund.

### **FY24 AND FY25 REVISED REVENUE OUTLOOK**

- FY24 General Funds revenue forecast is revised to \$52.216 billion, a \$199 million revision upwards from November 2023 forecast
  - While economic activity is stable, it is not outperforming expectations by much
- Federal Reserve acted to raise interest rates to slow inflation, that move also slowed the overall economic growth rate
- While several aspects of the national economy remain stronger than expected, the economic activity does not always impact the state's taxable base:
  - Home sales linked closely to state sales tax revenues –negatively impacted by higher interest rates
  - Consumption patterns are switching back towards services
  - Corporate profits have leveled out
- FY24 and FY25 revenue forecast built on S&P Global December baseline economic forecast

### **NEWLY PROPOSED REVENUE FUNDS SUMMARY**

- General Funds FY25 revenues are estimated to total \$52.993 billion, a \$777 million, or 1.5%, increase from revised FY24 estimates.
- FY25 individual income taxes are forecasted to grow \$979 million, or 3.8%.
- FY25 Other Transfers-in are expected to drop by \$563 million due to the one-time nature of certain FY24 transfers.
- FY25 Federal revenue forecast \$339 million below FY24 due to one-time retroactive Medicaid claim draws in FY24.
- FY25 revenue forecast benefits from several proposed revenue adjustments, including:
  - Increase in Sports Wagering Tax from 15% to 35% -\$200 million
  - Continue the limit on the Corporate Net Operating Loss Deduction, but increase the cap to \$500,000 in allowable loss -- \$526 million
  - Cap Sales Tax Retailers' Discount -- \$101 million state/\$85 million local governments
  - Transfer mass transit costs from sales taxes to Road Fund -- \$175 million

### **SMART START ILLINOIS: INVESTING IN EARLY CHILDHOOD**

This multi-year program provides a comprehensive approach to investments in preparing children to be lifelong learners. Year 2 investments include:

- \$13 million to launch the Illinois Department of Early Childhood
- \$75 million in additional Illinois State Board of Education's Early Childhood Block Grant funding
  - Adds an additional 5,000 slots in preschool deserts

- Increases block grant to \$748 million, \$254 million more than 2019
- \$200 million investment in funding for Early Childhood Workforce Compensation Contracts
- \$5 million increase for the continued expansion of the Illinois Department of Human Services' Home Visiting Program

Other Early Childhood Investments include:

- \$36.5 million to support higher participation in the Child Care Assistance Program
- \$5 million in state funds for Early Childhood Access Consortium for Equity scholarships to replace discontinued federal funds
- \$3.5 million for the 2<sup>nd</sup> year of the Dolly Parton Imagination Library early childhood literacy program
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### **K-12 FUNDING**

FY25 ISBE Proposed Budget: \$17.38 billion All Funds, \$10.814 billion General Funds (\$449 million ISBE General Funds increase)

- Increases Evidence-Based Funding \$350 million, bringing EBF to \$8.6 billion
- Includes a \$30.7 million increase, for a total of \$1.1 billion, in grants for transportation and special education
- Includes \$10.2 million increase for Career and Technical Education Programs
- Includes \$45 million for the 2<sup>nd</sup> year of Teacher Vacancy Grant Pilot Program

### **STATE-BASED MARKETPLACE – EXPANDING ACCESS TO AFFORDABLE HEALTHCARE**

Public Act 103-0103, signed into law by Governor Pritzker in June 2023, authorized the creation of a state-based marketplace for Illinois, which gives the state the authority to create a more consumer-focused health insurance exchange specific to Illinoisans.

- SBM will go live for plan year 2026
  - ACA Open Enrollment Period begins November 1, 2025.
  - During the interim year, the state will advertise, provide consumer assistance, begin staffing and building IT infrastructure for the marketplace.
- The proposed FY25 budget includes funding to ensure the success of this roll out:
  - Agency funding will support staffing, consumer assistance navigators, marketing and advertising, and costs for an enrollment website.
    - \$17.8 million to the Department of Insurance
    - \$6 million to Department of Healthcare and Family Services
  - Funding increases to \$6 million for Get Covered Illinois, to expand the State's marketing and outreach effort to assist consumers in accessing affordable healthcare.
  - Close collaboration between DOI and HFS will ensure a smooth transition for individuals moving between Medicaid and the marketplace, avoiding potentially devastating coverage gaps.

### **HOME ILLINOIS - PREVENTING AND ENDING HOMELESSNESS IN ILLINOIS**

HOME ILLINOIS, housed at DHS, targets the prevention of homelessness, provides crisis response, expands housing support and increases job opportunities for the homeless. The proposed FY25 request increases the Home Illinois line by \$50 million and includes:

- \$35 million to maintain court-based rental assistance.

- More than \$181 million to support unhoused populations seeking shelter and services, inclusive of \$52.4 million to the Emergency and Transitional Housing Program.
- \$25 million in Rapid ReHousing services, including short-term rental assistance and targeted support services for households for up to two years.
- \$42 million to maintain funding for current supportive housing for individuals.
- More than \$33 million to provide street outreach, medical respite, re-entry services, access to counsel, and other shelter diversion supports.
- \$5 million is included in IDHS' budget to convert temporary shelters to sustainable community assets.

### **CONTINUING THE CHILDREN'S BEHAVIORAL HEALTH TRANSFORMATION**

The proposed FY25 budget includes almost \$35 million to continue funding and implementing recommendations from the Children's Behavioral Health Transformation Initiative, a collaborative and coordinated effort across six state agencies (DHS, HFS, ISBE, Department of Children and Family Services, Department of Juvenile Justice, and Department of Public Health) and their community partners.

- \$1.5 million for BEACON (Behavioral Health Care and Ongoing Navigation), the portal developed in partnership between Illinois and Google Public Sector.
- This new state-of-the-art online portal will provide a user-friendly experience for Illinois families to access behavioral and mental health resources for children.
- \$31.3 million for Comprehensive Community Based Youth Services Expansion.
- \$2 million for Pediatric Mental Health Training.

### **DEPARTMENT OF HUMAN SERVICES**

FY25 Proposed Budget: \$14.248 billion All Funds, \$7.282 billion General Funds

- Provides an additional \$50 million for Home Illinois to continue initiatives launched in FY24 through investments in eviction mitigation, shelter diversion, scattered site housing, and court-based rental assistance.
- \$2.4 billion for services for people with developmental disabilities in support of the *Ligas* consent decree –an increase of \$940 million since 2019. The FY25 budget proposes a nearly \$116 million general funds increase for these services, including:
  - Preserves over 2 million statewide service hours for I/DD group home Direct Support Professionals.
  - \$100 million to annualize the cost of the accelerated Guidehouse rate increases for Direct Service Providers effective January 1, 2024.
  - \$30.1 million for continued compliance with the *Ligas* Consent Decree including \$13.6 million to annualize FY24 placements and \$16.5 million for 630 new placements.
  - \$11.7 million to adjust for the SSI increase of 3.2 percent for the Home and Community Based Waiver.
- \$36.5 million increase for the Child Care Assistance Program to serve approximately 135,000 children.
- Funds the Division of Rehabilitation Services' Home Services Program with an increase of \$116 million to support expected caseload growth and liability increases.
- Provides emergency funding to support the joint response of the state of Illinois, city of Chicago, and Cook County to thousands of asylum seekers arriving in Illinois with a \$182 million commitment through allocations of funding at Welcoming Centers (\$115 million) and Home Illinois (\$67 million).
- Supports mental health care and treatment through a \$19 million increase for forensic inpatient and outpatient services, 9-8-8 hotline, and support of the *Williams* and *Colbert* consent decrees.

## HEALTHCARE AND FAMILY SERVICES

FY25 Proposed Budget: \$39.478 billion All Funds, including \$9.383 billion General Funds

- FY25 Medicaid liability is projected to total \$26.8 billion all funds, approximately 0.1% increase.
  - Total enrollment is projected at 3.6 million Illinoisans.
  - State continues to work through eligibility reviews following the end of the federal public health emergency's continuous enrollment requirement.
- Includes an increase of \$497.9 million to annualize Medicaid program rate increases and changes effective mid-FY24.
- Includes a new \$50 million for a Medicaid tiered safety net hospital add-on.
- Includes funding of \$629 million for the Health Benefits for Immigrant Adults and Health Benefits for Immigrant Seniors programs, of which \$440 million will be covered by State GRF.
- Includes a \$20.6 million GRF increase for Child Support Services.
  - Ensures 100% pass-through of child support collected on behalf of clients receiving TANF.
- The recommended budget provides \$10 million for a program to erase medical debts totaling an estimated \$1 billion in relief for more than 300,000 Illinois households.

## DEPARTMENT OF PUBLIC HEALTH

FY25 Proposed Budget: \$1.708 billion All Funds, \$269.9 million General Funds

- Provides \$6 million to hire 100 additional staff in the Office of Health Care Regulation.
- Proposes \$4 million to create an action plan that centers on reproductive care through community based providers and support community-based, full-spectrum care birth centers.
- Adds \$2 million for grants for freestanding reproductive health care clinics and maintains the funding of \$18 million to support existing reproductive health initiatives, including the navigation hotline and the learning/training collaborative for providers.
- Includes \$400,000 for a Homelessness Mortality and Morbidity Report to address health issues of those who are housing insecure.
- Includes \$500,000 to fund community-based tuberculous prevention, follow-up, and treatment.
- Provides \$45 million (\$15 million GRF and \$30 million in federal funds) to support critical IT replacement for Illinois' National Electronic Disease Surveillance System and Long-Term Care systems.
  - The first update for Illinois' Disease Surveillance System, the replacement for INEDSS, will be released in March 2024 and the second release is scheduled for summer of 2024.
  - IDSS will assist in the surveillance, investigation, data collection, tracking and reporting of communicable and emerging diseases.
- Maintains \$8.5 million to respond to unexpected public health threats and emergencies.
- Provides capital funding to adapt plans for a Chicago-area Public Health laboratory to current needs and to rebuild the Carbondale public health lab.

## DEPARTMENT OF CORRECTIONS

FY25 Proposed Budget: \$2.032 billion All Funds, \$1.920 billion General Funds

- Provides a \$22.6 million increase for staffing the 28 correctional facilities across the State.
- Continues funding to expand a federally funded construction workforce vocational training program.
- Includes sufficient funding to cover increased medical expenses and food related costs.
- Includes funding to implement an electronic healthcare records system.

## **DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY**

FY25 Proposed Budget: \$3.877 billion All Funds, including \$157.9 million General Funds

- Continues funding for core initiatives, including business attraction and development, workforce training, energy transformation, economic assistance programs, foreign trade, administration of federal funds, and tourism and film promotion.
- Includes \$20 million in capital funding to continue the Illinois Works Construction Pre-apprenticeship Program.
- Includes \$1.4 million for Illinois Works Administration to support the Bid Credit IT system development project.
- Provides additional funds for the Illinois Grocery Initiative to address food insecurity faced by millions of Illinoisans living in urban and rural food deserts –\$10 million
- Includes \$30 million for the Fast-Track Workforce program to provide employee screening, recruitment and job training development to employers.
- Funds a Chief Workforce Officer at DCEO.
- Continues to leverage the remaining amounts from the \$400 million set aside in FY23 for the Invest in Illinois Act closing fund initiative. To date, these monies have helped create jobs, spur business development, and lay the groundwork for further economic growth in multiple communities.
- Continues funding for the new Office of Outdoor Recreation to promote tourism at destinations around the State and grow the outdoor recreation economy of Illinois –\$2.5 million
- Continues funding for the multi-year initiative to develop and implement a one-stop business portal to assist entrepreneurs wishing to create new businesses or relocate businesses to Illinois –\$10 million
- Includes \$25 million for competitive business development capital grants to expand, rehabilitate, or relocate private businesses to Illinois.
- Continues the annual \$2 million for rural economic development, intended to connect communities and improve access to state and federal aid through outreach or technical assistance from rural navigators.

## **ENVIRONMENTAL PROTECTION AGENCY**

FY25 Proposed Budget: \$931.3 million All Funds

- Funds Electric Vehicle rebates –\$12.0 million
- Continues to provide funding for IJJA water infrastructure programs, with nearly \$622 million in IJJA-related capital appropriations.
- Provides capital funding for new Lead Service Line Replacement Inventory (LSLRI) grants –\$20 million
- Provides \$10 million for the Great Lakes Environmental Justice Program to fund environmental projects in underserved communities.
- Includes \$70 million for opportunities to address emerging contaminants in small and disadvantaged communities to confront per-and polyfluoroalkyl substance (PFAS) pollution.

## **\$11 BILLION IN DEBT PAYDOWN ACROSS FY22 - FY25**

- All COVID-related borrowing repaid
- All interfund borrowing repaid
- \$3.6 billion reduction in payables including delayed health insurance bills
- Paid off \$4 billion+ UI Trust Fund advance



- Extra \$700 million Pension Stabilization Fund contribution
- \$449 million set aside for Railsplitter bonds defeasance
- \$250 million dedicated to eliminating unfunded College Illinois! liabilities

### STATE RETIREE HEALTH CARE SAVINGS

- Negotiated a \$37.3 billion, or 63.5 percent, reduction in the State’s estimated long-term liabilities for OPEB programs (Other Post Employment Benefits)
- State realized an incredible 56% reduction in OPEB long-term liabilities in FY22

### KEY 2024 SESSION DATES FOR THE 103<sup>RD</sup> ILLINOIS GENERAL ASSEMBLY

- March 10: Deadline – Senate Bills out of Senate Committee
- March 19: Primary Election
- April 5: Deadline – House Bills out of House Committee
- April 12: Deadline – Third Reading Senate Bills in the Senate
- April 19: Deadline – Third Reading House Bills in the House
- May 2: ICCTA Lobby Day
- May 3: Deadline – House Bills out of Senate Committee & Senate Bills out of House Committee
- May 17: Deadline – Third Reading House Bills in Senate & Senate Bills in House
- May 24: Adjournment
- May 25-31: *Contingent Session Days for the Budget*

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*For more information on state legislative and public policy issues, please contact:*

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