

State of Illinois



Budget in Brief | Fiscal Year 2021 | JB Pritzker, Governor



Embargoed until 12:00 Noon, Wednesday, February 19, 2020



NOTICE

For Release at 12:00 Noon, Wednesday, February 19, 2020

There is a total embargo on the budget for fiscal year 2021 until 12:00 noon, Wednesday, February 19, 2020. This prohibition includes references to any and all material in this document. There must be no premature release of this document, nor should any of its contents be paraphrased, alluded to, or commented upon in stories prior to 12:00 noon, February 19, 2020.

Alexis Sturm, Director
Governor's Office of Management and Budget

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FISCAL YEAR 2021 BUDGET BRIEFING

Governor's Office of Management and Budget
February 19, 2020



Fiscal Year 2021 Budget – Rebuilding Illinois - Stronger Each Day

The proposed fiscal year 2021 budget builds on the progress that Illinois has made in the last year.

- ✓ Restore Economic and Budgetary Stability
- ✓ Ensure a Responsibly Balanced Budget Through Reserves Dependent on Public Act 101-0008 Taking Effect
- ✓ Make Illinois the Best State in the Nation to Raise a Family
- ✓ Strengthen Illinois' Social Safety Network
- ✓ Reform the Criminal Justice System and Invest in Public Safety
- ✓ Rebuild Illinois' Infrastructure
- ✓ Keep Illinois a World Leader & Competitive in a Global Economy



Governor Pritzker's First Year Accomplishments

- ✓ A balanced bipartisan state budget passed on time
- ✓ Approval and launch of Rebuild Illinois - a bipartisan historic capital plan
- ✓ Expanded childcare and preschool programs
- ✓ Record level of state K-12 funding
- ✓ Expanded vocational training, career and technical education, and college scholarships
- ✓ Investments in public safety through increased state troopers and a planned new forensics lab
- ✓ Legalizing adult-use cannabis with strong social equity provisions
- ✓ Suburban and downstate police and firefighter pension fund investment consolidation
- ✓ An increase in the state minimum wage
- ✓ Initiatives to provide equal pay for women and minorities, to expand apprenticeships and to set strong diversity goals in public works projects



FY2021 INVESTMENT PRIORITIES

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Governor Pritzker's FY2021 Investment Priorities

- ✓ Early Childhood Programs (Birth to Age 5)
- ✓ K-12 Education
- ✓ Higher Education
- ✓ Health and Social Services Programs
- ✓ Criminal Justice Reform and Public Safety
- ✓ Environmental and Cultural Resources
- ✓ Economic Development and Infrastructure



Birth Through Five

Investing in Our Children

Making Illinois the best state in the nation to raise a family, with record early childhood funding to prepare all Illinois children for kindergarten and beyond.

- ✓ Increases State Early Childhood Block Grant - **\$50 million**
- ✓ Strengthens Child Care Assistance Program to provide care to nearly 140,000 children monthly - **\$100 million increase**
- ✓ Increases Early Intervention Program funding - **\$7 million**
- ✓ Additional **\$13.5 million** federal funding to improve quality of preschool programs
- ✓ Increases home visiting services to an additional 500 families to provide coaching and support beginning with pregnancy and continuing through the first few years of the lives of their children - **\$4.25 million**

**Early Childhood Block Grant Funding
(Dollars in Millions)**





K-12 Funding

Historic funding for K-12 schools, helping to alleviate local property tax burdens

The recommended fiscal year 2021 budget continues to put Illinois on the right path to equitably serve every child in Illinois with adequate funding.

- ✓ Increases Evidence-Based Funding - **\$350 million**
- ✓ Improves the teacher pipeline through recruitment and retention of diverse and effective educators - **\$16.5 million**
- ✓ Funds new Student Care Department at ISBE - **\$2.2 million**
- ✓ Increases funding for transportation and special education grants - **\$51.3 million**
- ✓ Pilots a new program for Community Partnerships for Student Health and Well-Being - **\$2 million**
- ✓ Maintains support for Career and Technical Education at **\$43 million**



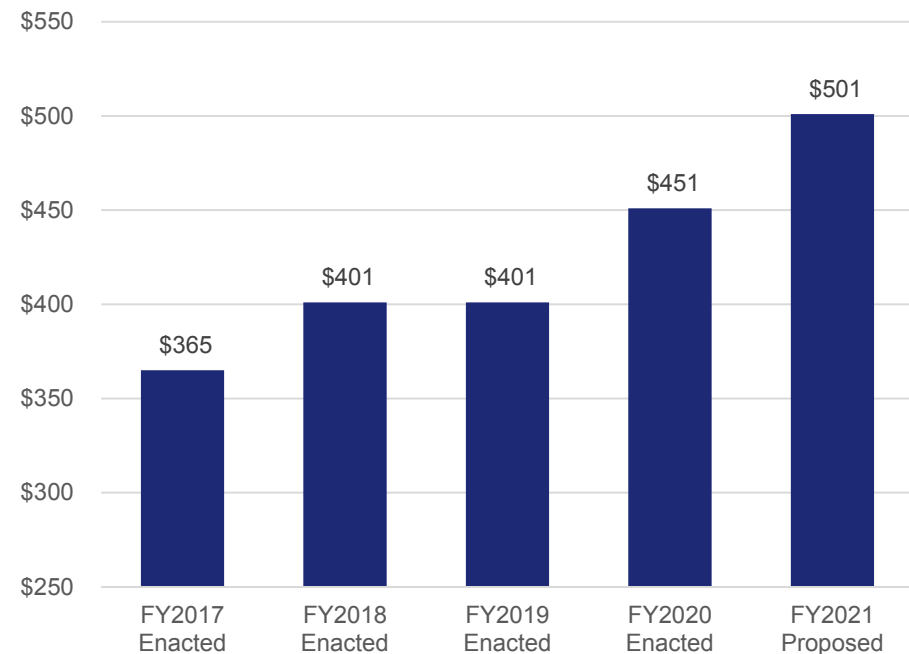
Higher Education

Investing in Our Colleges and Universities

Increasing college affordability and expanding economic opportunity.

- ✓ Increases Monetary Award Program (MAP) funding - **\$50 million**
- ✓ Dedicates **15% of MAP awards** to community college students
 - ✓ Tuition-free community college for MAP eligible students in families with incomes under \$45,000 w/federal Pell Grant
- ✓ Includes funding for the 3rd year of AIM HIGH Pilot Program - **\$35 million**
- ✓ Increases public university operations funding - **\$55.6 million**
- ✓ Increases community college operations funding - **\$14.9 million**
- ✓ Creates a new community college apprenticeship grant program - **\$5 million**
- ✓ Continues **\$500 million** in investments in innovative research facilities through Discovery Partners Institute and Illinois Innovation Network

MAP Grant Appropriations (\$ millions)





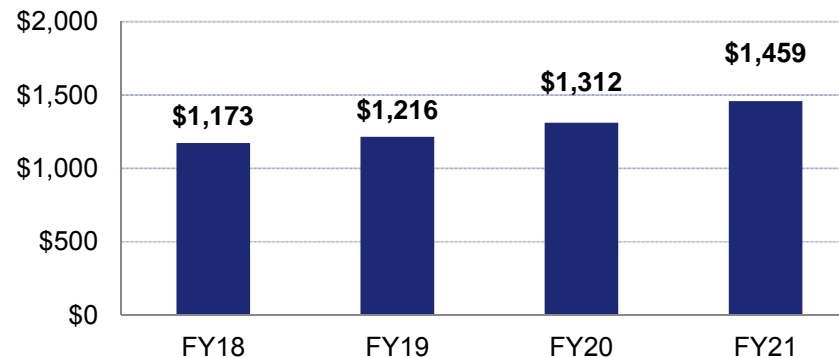
Department of Children and Family Services

Protecting the Most Vulnerable

Total Funding \$1.5 billion, including \$1.0 billion General Funds – a proposed increase of 7.9% over fiscal year 2020 and 20% increase over fiscal year 2019

- ✓ Provides funding for an additional 123 direct service staff, supplementing the 301 new staff hired in fiscal years 2019 and 2020 – an increase of 16% since 2018 - **\$11.7 million**
- ✓ Continues implementation of the Comprehensive Child Welfare Information System (CCWIS) that will modernize child welfare data and provide real-time information to aid caseworkers in the field - **\$27 million**
- ✓ Adds to general funds support for increased number of children coming into the Foster Homes program, currently serving just over 15,000 children - **\$25.9 million**
- ✓ Expands Family Preservation Programs with increased funding from GRF - **\$15 million**
- ✓ Covers proposed rate increases for institutions, group homes and other DCFS providers - **\$22.4 million**

DCFS Funding (\$ millions)



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Department of Human Services

Protecting the Most Vulnerable

Total Funding \$7.4 billion, including \$4.6 billion General Funds

- ✓ Supports compliance with the *Ligas* consent decree covering state care of individuals with developmental disabilities through rate increases for direct care staff and funding of nearly 700 new placements for individuals transitioning to less restrictive or community home settings - **\$118.5 million**
- ✓ Provides services to more individuals with disabilities needing assistance to stay in their homes through the Home Services Program and strengthens the program through provider wage increases - **\$90 million**
- ✓ Increases DHS funded home visiting to provide coaching and support beginning with pregnancy and continuing through the first years of their children's lives – **\$2 million**
- ✓ Includes **\$14.5 million** to complete the 2020 Census initiative
- ✓ Supports an additional 100 DHS caseworkers to reduce backlogs in Medicaid eligibility determinations to ensure those who need services are able to access them in a timely manner.



Healthcare and Family Services

Caring For Illinois Families

Covering Illinois' Medicaid Program, the DHFS proposed budget totals \$27 billion, including \$7.9 billion General Funds.

- ✓ Provides medical assistance to over 2.8 million Illinoisans including:
 - ✓ Just under 1.35 million children;
 - ✓ More than 475,000 seniors and adults with disabilities;
 - ✓ Approximately 460,000 adults in FamilyCare; and
 - ✓ Almost 520,000 adults eligible through the Affordable Care Act
- ✓ The MCO assessment enacted in 2019 is generating **\$1.1 billion** in revenues annually to support the Medicaid program
- ✓ Increases funding for Integrated Health Home Services by \$425 million, to a total of \$500 million - **\$42.5 million** state investment
 - ✓ Integrated Health Homes are a comprehensive system of care coordination services for individuals who have chronic conditions and receive Medicaid
- ✓ Adds funding to the HFS Inspector General to improve program integrity - **\$2.9 million**



Department of Public Health

Keeping Our Communities Safe and Healthy

Total Funding \$738 million, including \$144 million General Funds

- ✓ Reinstates marketplace navigator program to help individuals through the various insurance options available in the marketplace. The goal is to reverse the sharp reduction in enrollment of individuals in marketplace plans since the federally supported navigator program ended in 2015 - **\$4.5 million**
- ✓ Increases funding for lead screening - **\$1.5 million**
- ✓ Provides funding for Alzheimer's disease outreach and research - **\$1 million**
- ✓ Increases federal funding for HIV/AIDS programs, allowing the department to serve approximately 14,000 clients - **\$29 million**
- ✓ Funds a suicide prevention, education and treatment initiative, including the development of a strategic plan to make suicide prevention a core component of health care services - **\$750,000**



Other Human Services Agencies

Supporting Our Seniors

Department on Aging:

Total Funding \$1.3 billion, including \$1.2 billion General Funds

- ✓ Covers proposed rate increases for Homemaker services in the Community Care Program that serves approximately 67,000 seniors - **\$60 million**
- ✓ Funds Adult Protective Services to address increases in reports of suspected abuse and neglect - **\$4.1 million**
- ✓ Eliminates waiting list of approximately 600 seniors for Home Delivered Meals, a program that provides meals for 40,000 seniors each month - **\$2 million**

Serving Those Who Served

Department of Veterans' Affairs:

Total Funding \$180 million, including \$85 million General Funds

- ✓ Provides funding to operate the new 200-bed Chicago Veterans' Home scheduled to open in late 2020 - **\$20.6 million**
- ✓ Reappropriates funding for capital improvements and construction on the Quincy Veterans' Home campus - **\$241.9 million**

Chicago Veterans' Home under construction





Supporting Restorative Justice

The Justice, Equity and Opportunity (JEO) Initiative

Spearheaded by Lt. Governor Stratton, the JEO Initiative will continue to build a criminal justice system that gives Illinoisans a chance to reach their full potential.

Illinois Criminal Justice Information Authority:

Total Funding - \$244.4 million, including \$46.9 million General Funds

- ✓ Provides additional funding for Restore, Reinvest, and Renew (R3) initiatives for communities in need - **\$35 million**
- ✓ Maintains funding for Adult Redeploy Illinois, diverting non-violent offenders from state prisons by providing community-based services - **\$10.3 million**
- ✓ Adds new funding for a Research and Evaluation Unit to critically evaluate the effectiveness of programming - **\$450,000**

Department of Juvenile Justice:

Total Funding - \$130.7 million, including \$117.7 million General Funds

- ✓ Increases funding for consent decree compliance - **\$6.3 million**
- ✓ Invests in court diversion programs and restorative justice alternatives to end the criminalization of children



Adult-Use Cannabis

The JEO Initiative is being supported in part with revenue from the new adult-use cannabis program.

- ✓ The state's new adult-use cannabis industry generated nearly \$40 million in economic activity in the first month of legalization.
- ✓ Tax revenues from the sale of cannabis will be reinvested in communities through R3 grants, cost related to expungements of low-level cannabis convictions, and mental health and addiction treatment programs.
- ✓ An estimated **\$15 million** will be transferred to the general funds in fiscal year 2020 and **\$46 million** in fiscal year 2021 from cannabis tax revenues.
- ✓ In December 2019, Governor Pritzker issued pardons that will result in expunging 11,017 misdemeanor convictions for cannabis offenses involving less than 30 grams.



Investing in Public Safety

Improving the Criminal Justice System's Response to Crimes

Department of Corrections:

Total Funding \$1.6 billion, including \$1.5 billion General Funds

- ✓ Maintains level funding for mental health facilities at Joliet and Elgin Treatment Centers – **\$47 million**
- ✓ Includes additional personnel to allow appropriate staffing ratios at facilities across the state - **\$33.1 million**
- ✓ Achieves operational savings by folding Illinois Correctional Industries (ICI) into departmental programming

Illinois State Police:

Total Funding \$732 million, including \$300 million General Funds

- ✓ Funds three Illinois State Police cadet classes to graduate an estimated 255 sworn troopers – **\$17.2 million**
- ✓ Includes funding for a new Safe2Help tip line to share information that aims to help prevent suicides, bullying, school violence or other threats to school safety - **\$2 million**



Investing in Our Environmental and Cultural Resources

Environmental Protection Agency:

- ✓ Provides funding to ensure the proper remediation of power plants' coal ash waste - **\$52.8 million**
- ✓ Includes new capital appropriations to fund municipal water loans and grants to improve the quality of Illinois' water resources - **\$651.5 million**
- ✓ Reappropriates Rebuild Illinois initiatives such as Transportation Electrification, the Illinois Green Infrastructure Grant Program and grants for unsewered communities - **\$399.3 million**
- ✓ Includes **\$89 million** for the continued execution of grants from the VW Settlement Environmental Mitigation Trust Fund to help reduce emissions of nitrogen oxides in Illinois

Department of Natural Resources:

- ✓ Maintains funding for the operations and maintenance of the hundreds of state historic sites, parks and campgrounds throughout Illinois
- ✓ Funds aquatic nuisance management to combat invasive species such as Asian carp - **\$27.5 million**
- ✓ Includes reappropriations from Rebuild Illinois to address statewide water resources, land acquisition and local grant programs - **\$222.1 million**
- ✓ Funds annual capital programs to protect, acquire, enhance and manage natural, cultural and recreational resources – **\$77.2 million**



Economic Development and IT Infrastructure

Department of Commerce and Economic Opportunity:

Total Funding \$1.4 billion, including \$44 million General Funds

- ✓ Funds new and ongoing elements of the Governor's economic development plan, including the creation of the One-Stop New Business Permitting Portal – **\$2 million**
- ✓ Includes **\$18 million** for loans to social equity applicants to start and operate cannabis businesses
- ✓ Funds planning grants to supplement the Connect Illinois capital broadband initiative included in Rebuild Illinois - **\$500,000**
- ✓ Funds the new Film Workforce and Diversity Grant Program, with a focus on ensuring a diverse and inclusive workforce in the film industry - **\$2 million**
- ✓ Provides funding for the Illinois Works Jobs Program, which will help provide Illinois residents from all communities with access to careers in the construction industry and building trades - **\$2 million**

Investments in Technology

- ✓ Funds a new **\$2 million** cybersecurity program at Department of Innovation and Technology (DoIT) to provide cybersecurity resources to local governments
- ✓ Funds **\$3.9 million** in upgrades and enhancements to the GenTax system at the Department of Revenue that are estimated to increase revenue collection by \$50-78 million annually
- ✓ Funds the next phase of the Enterprise Resource Planning System through DoIT - **\$77.5 million**
- ✓ Provides **\$3 million** in state matching funds for the State Board of Elections to enhance technology and make election security improvements
- ✓ Funds the Illinois Longitudinal Data System 2.0 at DoIT, which will help the state develop high quality data sets for education and workforce development - **\$5 million**



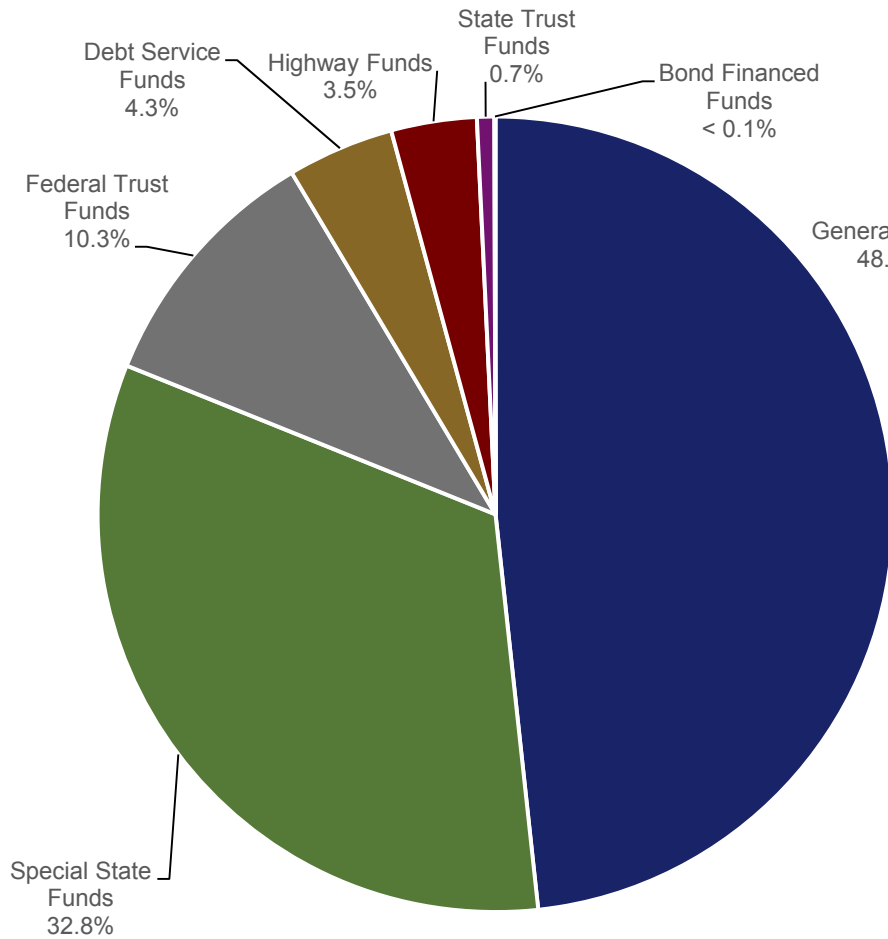
BUDGET WALK DOWN

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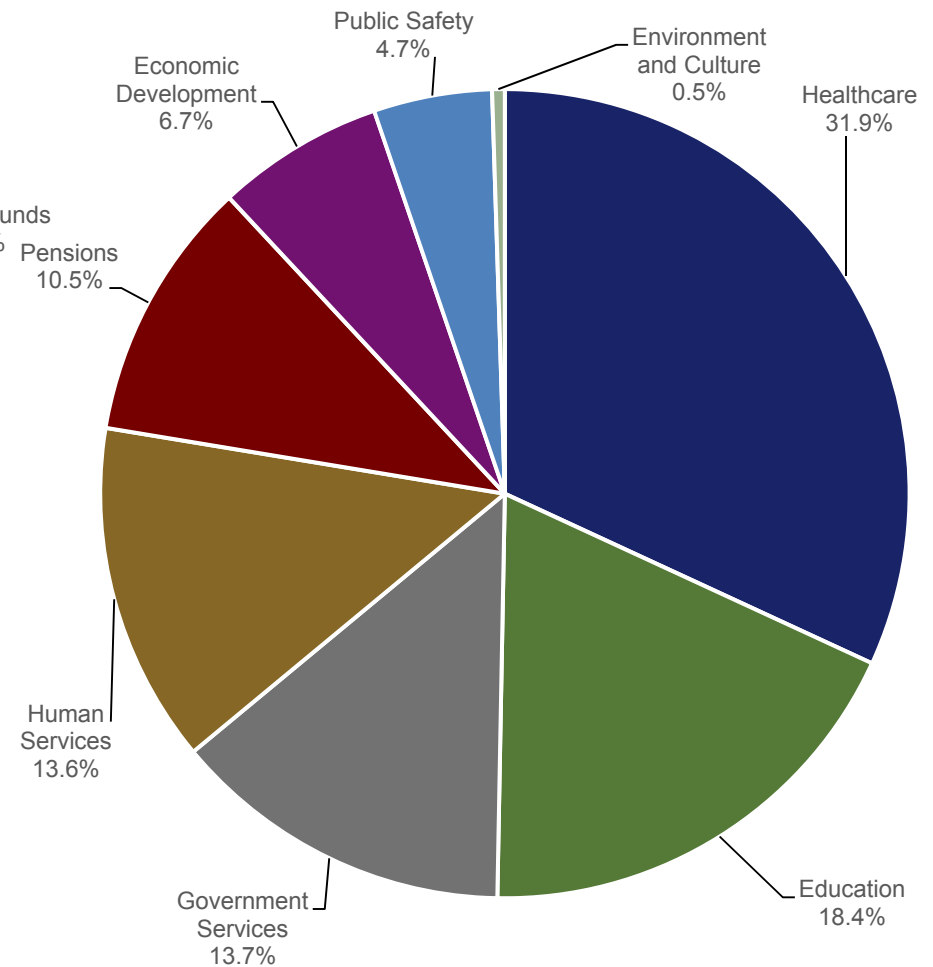


FY2021 Operating Budget Appropriations - All Funds: \$84.5 Billion

By Fund Category



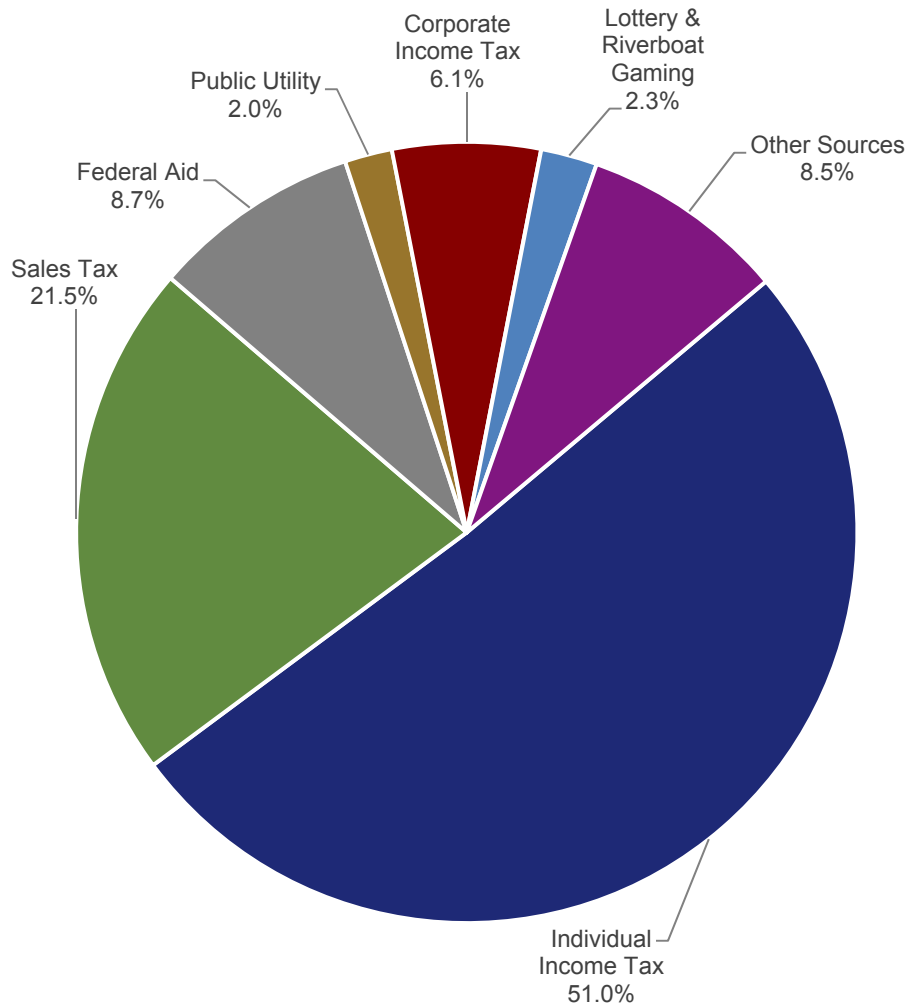
By Result Area



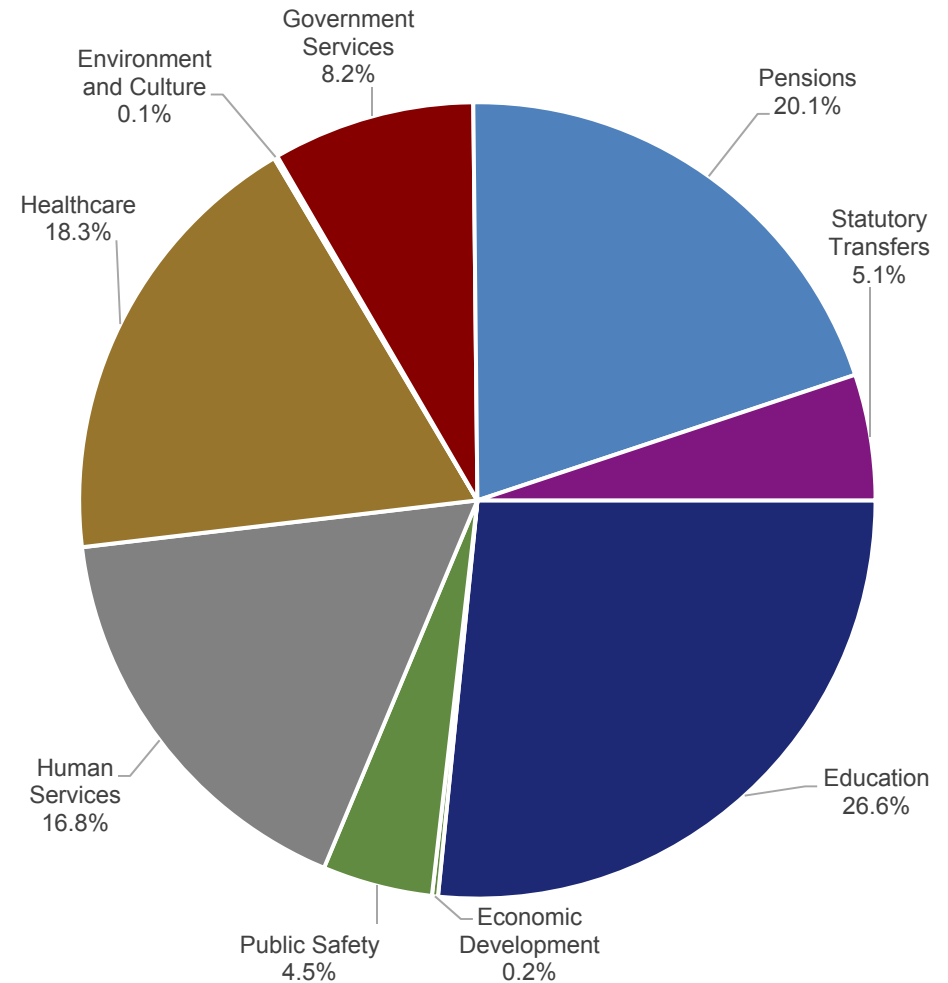


FY2021 General Funds Budget

Revenues: \$42.1 billion



Expenditures: \$42.0 Billion



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FY2020 and FY2021 General Funds Revenues Summary

- ✓ Base General Funds revenues are estimated to total \$40.7 billion, a \$656 million, or 1.6%, increase from FY2020 revised base estimates.
- ✓ Revenues from adult-use cannabis are expected to generate \$46 million for transfer to the General Funds in FY2021.
- ✓ An additional \$1.435 billion is forecast to be deposited into the General Funds if income tax rates under PA 101-0008 go into effect on January 1, 2021.

RESOURCES (\$ in millions)	Estimated FY 2020	Projected FY 2021	\$ Increase	% Increase
State Sources: Revenues				
Net Individual Income Taxes	19,435	20,126	691	3.6%
Net Corporate Income Taxes	2,490	2,489	(1)	0.0%
Net Sales Taxes	8,740	9,038	298	3.4%
All Other Sources	3,571	3,360	(211)	(5.9%)
Total State Sources: Revenues	34,236	35,013	777	2.3%
State Sources: Transfers In				
Lottery	700	728	28	4.0%
Riverboat Gaming	261	258	(3)	(1.0%)
Adult-Use Cannabis	15	46	31	213.7%
Other Transfers	1,675	1,000	(675)	(40.3%)
Total State Sources	36,886	37,045	159	0.4%
Federal Sources	3,154	3,651	497	15.8%
SUBTOTAL, RESOURCES	40,040	40,696	656	1.6%
Interfund Borrowing/Fund Reallocations	150	-	(150)	
Treasurer's Investment Borrowing	400	-	(400)	
PA 101-0008 Net Individual/Corporate Income Tax Revenues ¹	-	1,435	1,435	
TOTAL RESOURCES	40,590	42,131	1,541	3.8%

¹ PA 101-0008 takes effect January 1, 2021, adjusting individual and corporate income tax rates and generating an estimated \$1,435 million in FY2021 revenue for the general funds, if SJRCA 1 is adopted by the people of Illinois. If PA 101-0008 does not take effect, and no other additional revenues are realized, then estimated revenues for FY2021 will decline by \$1,435 million, certain appropriations will not take effect, and other transfers and borrowings will be used to maintain a balanced state budget.



Potential Public Act 101-0008 Rate Changes

- ✓ In spring 2019, the General Assembly adopted SJRCA 0001 which would remove Illinois' constitutional requirement for a flat income tax rate.
- ✓ This constitutional amendment will be voted on in the November 2020 general election.
- ✓ Concurrently with SJRCA 0001, Public Act 101-0008 was enacted, which specifies new tax rates that take effect on January 1, 2021 if the constitutional amendment is adopted.
- ✓ Public Act 101-0008 creates six separate marginal tax rates.

- ✓ Taxpayers who file as “single” reach the top tax rate of 7.99 percent when their net income exceeds \$750K; taxpayers who file as “married, filing jointly” reach the top rate when their net income exceeds \$1.0 million.
- ✓ The corporate income tax rate, a flat rate, matches the top individual income tax rate of 7.99 percent.

Public Act 101-0008 Income Tax Rates		
<i>Marginal Rates</i>	<i>Net Income Level, Single Filers</i>	<i>Net Income Level, Joint Filers</i>
4.75%	\$0 - \$10,000	\$0 - \$10,000
4.90%	\$10,001 - \$100,000	\$10,001 - \$100,000
4.95%	\$100,001 - \$250,000	\$100,001 - \$250,000
7.75%	\$250,001 - \$350,000	\$250,001 - \$500,000
7.85%	\$350,001 - \$750,000	\$500,001 - \$1,000,000
7.99%	Over \$750,000	Over \$1,000,000

At the top rate, the 7.99% rate applies to all net income.



FY2020 and FY2021 General Funds Expenditures Summary

- ✓ The proposed FY2021 General Funds budget has estimated expenditures totaling \$42.0 billion.
- ✓ The budgeted expenditures reflect the Governor's commitments to education and health and human services.
- ✓ The proposed budget reflects full payment of the certified FY2021 pension contribution.
- ✓ Estimated FY2021 budgetary surplus of \$108 million.

EXPENDITURES (\$ in millions)	Estimated FY 2020	Projected FY 2021	\$ Increase	% Increase
EXPENDITURES				
Education	10,826	11,430	604	5.6%
Economic Development	68	105	36	53.3%
Public Safety	1,867	1,922	55	2.9%
Human Services	6,565	7,238	673	10.3%
Healthcare (Medicaid)	7,464	7,890	426	5.7%
Environment and Culture	61	62	1	1.6%
Government Services	3,645	3,536	(109)	(3.0%)
Pensions	8,113	8,624	511	6.3%
Unspent Appropriations	(1,023)	(981)	42	(4.1%)
Total Operating Budget¹	37,586	39,826	2,240	6.0%
Statutory Transfers Out	393	401	8	2.1%
Debt Service	1,827	1,706	(121)	(6.6%)
Interfund Borrowing Repayment	170	90	(80)	(47.1%)
Investment Borrowing Repayment	408	-	(408)	N/A
Total Additional Expenditures	2,798	2,197	(601)	(21.5%)
TOTAL EXPENDITURES	40,385	42,023	1,639	4.1%

¹ PA 101-0008 takes effect January 1, 2021, adjusting individual and corporate income tax rates and generating an estimated \$1,435 million in FY2021 revenue for the general funds, if SJRCA 1 is adopted by the people of Illinois. If PA 101-0008 does not take effect, and no other additional revenues are realized, then estimated revenues for FY2021 will decline by \$1,435 million, certain appropriations will not take effect, and other transfers and borrowings will be used to maintain a balanced state budget.



Proposed Fiscal Year 2021 Budgetary Reserves

- ✓ The budget proposal is structured so that it will be balanced with or without the revenues resulting from PA 101-0008.
- ✓ The proposal includes budgetary reserves in the event the rates under PA 101-0008 do not take effect.

Reserve Action	Amount (\$ millions)
Reserve Proposed 5% Increase for University Operations	\$ 55.6
Reserve Proposed 5% increase for Community College Operating Grants	\$ 14.9
Reserve Proposed Increase in Funding for School District Mandated Categorical Lines	\$ 40.3
Reserve a Portion of Proposed School District Evidence-Based Funding Increase	\$ 150.0
Reserve Proposed First Year of Supplemental Funds for College Illinois!	\$ 27.0
Reserve Half Year of School Maintenance Capital Program	\$ 20.0
Subtotal, Education	\$ 307.8
Reserve Proposed FY21 Medicaid Provider Rate Increases	\$ 42.0
Reserve Portion of FY21 Contribution for State Employee Group Insurance Costs	\$ 400.0
Reserve Proposed FY21 Rate Increase for Department on Aging Community Care Program	\$ 40.0
Subtotal, Healthcare/Human Services	\$ 482.0
Reserve Costs for Proposed May 2021 State Police Cadet Class	\$ 3.5
Subtotal, Public Safety	\$ 3.5
Implement State Agency Targeted Hiring Freeze Beginning December 1, 2020	\$ 75.0
Reserve Proposed FY21 Awards for Open Space Land Acquisition and Development Grants	\$ 29.8
Reserve 5% of Income Tax Revenue Sharing with Local Governments	\$ 73.0
Reserve 5% of Sales Tax Revenue Sharing with Local Governments	\$ 25.0
Reserve Road Fund to Cover Additional Amounts for Transit Costs	\$ 100.0
Reserve Payment of Corporate Income Tax Refunds	\$ 300.0
Subtotal, State and Local Government	\$ 602.8
Total	\$ 1,396.1

Note: Additionally, the allocation of new funds for pensions (\$100 million) and the Budget Stabilization Fund (\$50 million) would be reserved.



FISCAL CHALLENGES

Addressing Inherited Liabilities

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Fiscal challenges impact national credit market's view of the State

- Moody's Investors Service, Fitch Ratings and S&P Global Ratings downgraded Illinois' general obligation bond rating a combined total of eight times during the budget impasse from 2015-2017.
- Illinois' general obligation bond credit rating (shaded blue to the right) is lowest of all state GO ratings.
- A lower credit rating means higher interest costs when the state borrows money.
- To demonstrate his commitment to improving Illinois' financial future, Governor Pritzker met with bond rating agencies and investors in New York City in calendar 2019, the first time in more than a decade that an Illinois governor had done so.
- The progress Illinois made over the last year was recognized by the rating agencies.
 - Fitch moved the state's outlook from negative to stable last summer.

Ratings Agency Scale				
Moody's	S&P	Fitch	Kroll	Rating description
Aaa	AAA	AAA	AAA	Investment-grade
Aa1	AA+	AA+	AA+	
Aa2	AA	AA	AA	
Aa3	AA-	AA-	AA-	
A1	A+	A+	A+	
A2	A	A	A	
A3	A-	A-	A-	
Baa1	BBB+	BBB+	BBB+	
Baa2	BBB	BBB	BBB	
Baa3	BBB-	BBB-	BBB-	
Ba1	BB+	BB+	BB+	Non-investment grade
Ba2	BB	BB	BB	
Ba3	BB-	BB-	BB-	
B1	B+	B+	B+	
B2	B	B	B	
B3	B-	B-	B-	
Caa1	CCC+	CCC	CCC+	
Caa2	CCC		CCC	
Caa3	CCC-		CCC-	
Ca	CC		CC	
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N/A		D		

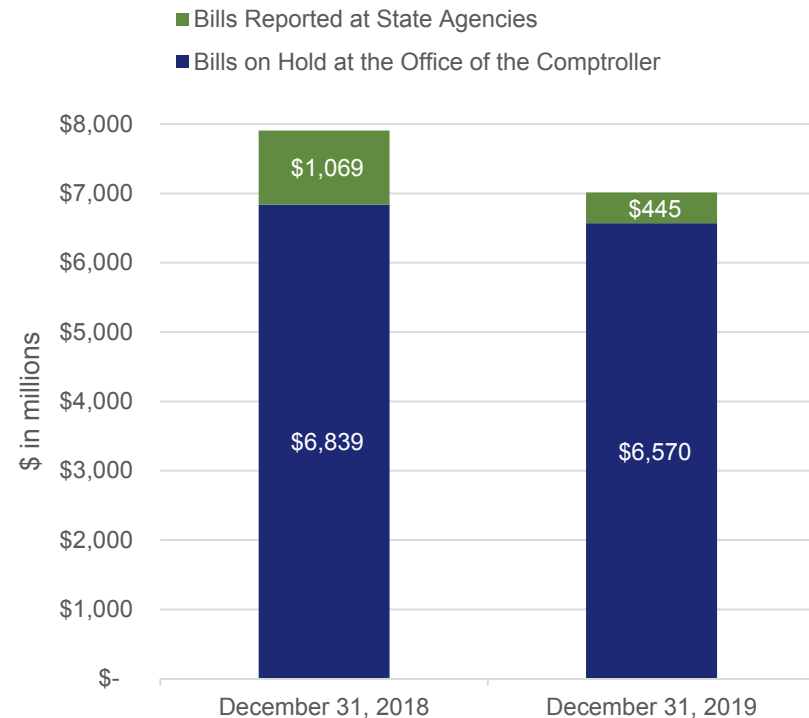


Backlog Reduction

Paying vendors and providers and reducing interest costs

- According to Comptroller’s Debt Transparency Act Reports, the Estimated General Funds Bill Backlog dropped from \$7.9 billion on December 31, 2018 to \$7.0 billion on December 31, 2019.
- Through statutory authority, the Comptroller, Treasurer and GOMB have worked together to identify available balances for investment borrowing or interfund borrowing to minimize state interest costs.
 - Interfund borrowing and the Treasurer’s investment borrowing are expected to save the state at least \$40 million in fiscal year 2020.
- Budget proposes an extension of interfund borrowing authority.
- Governor Pritzker recommends a reduction in the prompt payment interest rate from 12%/year to a market based rate.

Estimated General Funds Bill Backlog
(\$ in millions)



Source: Debt Transparency Report, Office of the Comptroller



Funding our Commitments

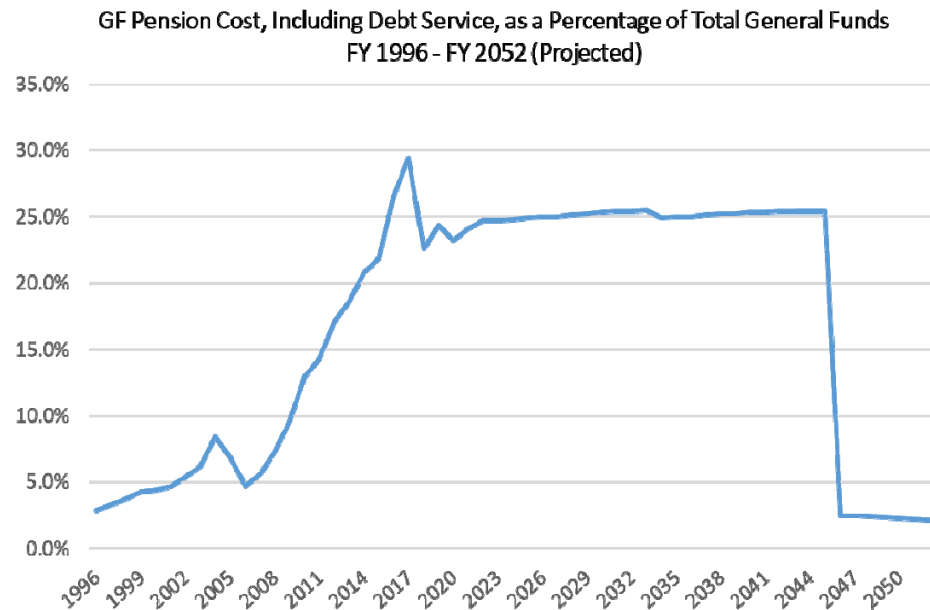
Proactive solutions to inherited debts

- ✓ Budget proposes to proactively stabilize College Illinois! prepaid tuition program.
 - ✓ According to 2019 actuarial reports, the program will be \$481 million short of what is needed to pay for current contracts.
 - ✓ FY2021 budget calls for the first annual contribution of \$27 million to address the deficit over 14 years.
 - ✓ Starting payments now could save up to \$100 million over the life of the program.
- ✓ Calls for annual increases in funding for retired community college staff health insurance plan.
 - ✓ Currently, the plan is on track to have a two year backlog (\$115 million) by the end of FY2021.
 - ✓ Proposes an increase in contributions from the state and participants to eliminate the backlog and rebalance the program funding.



Funding Pension Obligations

- ✓ Illinois' current pension payment schedule follows the plan set forth in 1994, 26 years ago.
- ✓ The FY2021 budget proposal fully funds the certified contribution of \$8.6 billion from the General Funds
- ✓ Annual pension contributions have grown to over 20% of the state's General Funds budget.
 - ✓ However, the percentage share dedicated to pension contributions is expected to level out.
- ✓ The Governor continues to explore additional ways to manage our pension commitments.
 - ✓ Pension buyout option programs were extended an additional 3 years in the 2019 legislative session.
 - ✓ The Pension Asset Transfer Task Force is exploring avenues for using existing assets for the benefit of the retirement systems.
 - ✓ Following the passage of legislation to consolidate investments of 649 suburban and downstate pension funds, the task force continues to review other options for consolidation.



Source for data through FY2045: Illinois State Retirement Systems report, CGFA April 2019. Source for projections beyond FY2045: Governor's Office of Management and Budget.



Responsible fiscal management

Dedicating additional revenues for the future

Funding Pension Commitments

- ✓ The fiscal year 2021 budget fully funds the systems certified contributions **and** pledges an additional \$100 million to be contributed to the systems above and beyond their certified amounts in the event that additional revenues are collected under PA 101-0008.
- ✓ The Governor proposes that an additional \$200 million a year in future years be contributed to the systems from revenues under PA 101-0008.
- ✓ This will be the first time since the 1994 funding plan was put into place that ongoing state revenues will provide additional contributions above the certified amounts.

Saving for a Rainy Day

- ✓ The Budget Stabilization Fund was created in 2001 but little has been invested in the fund since its creation with the last new funds dedicated in 2004 – 16 years ago.
- ✓ The balance of the fund was spent down during the impasse and held \$3.6 million at the end of FY2019.
- ✓ According to a Volcker Alliance 2019 report¹, Illinois was one of seven states that lacked or had limited policies governing use of rainy day funds.
- ✓ The Governor proposes allocating \$50 million of the FY2020 surplus to the Budget Stabilization Fund.
- ✓ The FY2021 budget dedicates \$50 million to the fund, if PA 101-0008 takes effect, and proposes automatic investments in subsequent years.

¹ <https://www.volckeralliance.org/rainy-day-fund-strategies>



Efficient and Effective Government

- ✓ **Health Care Savings** - Governor Pritzker prioritized negotiating in good faith with state workers, producing a reasonable agreement that generated significant savings for the state.
 - ✓ By the end of calendar year 2019, agreements had been signed, ratified or tentatively reached for 20 of 33 collective bargaining entities.
 - ✓ Those agreements included renegotiated health care for workers with an estimated \$650 million in cost savings to taxpayers through fiscal year 2023, including more than \$175 million in fiscal year 2021.
- ✓ **Agency Efficiency Savings** – Agency directors are continuously reviewing operations to achieve savings and develop innovative initiatives.
 - ✓ Department of Corrections – reduced temporary assignment and overtime costs, terminated under-performing IT platforms.
 - ✓ Department of Innovation and Technology – reviewed wireless pricing plans.
 - ✓ Department of Revenue – developed in-house a new travel voucher processing application that paid for itself within 3 months.



CAPITAL BUDGET

Infrastructure and Deferred Maintenance

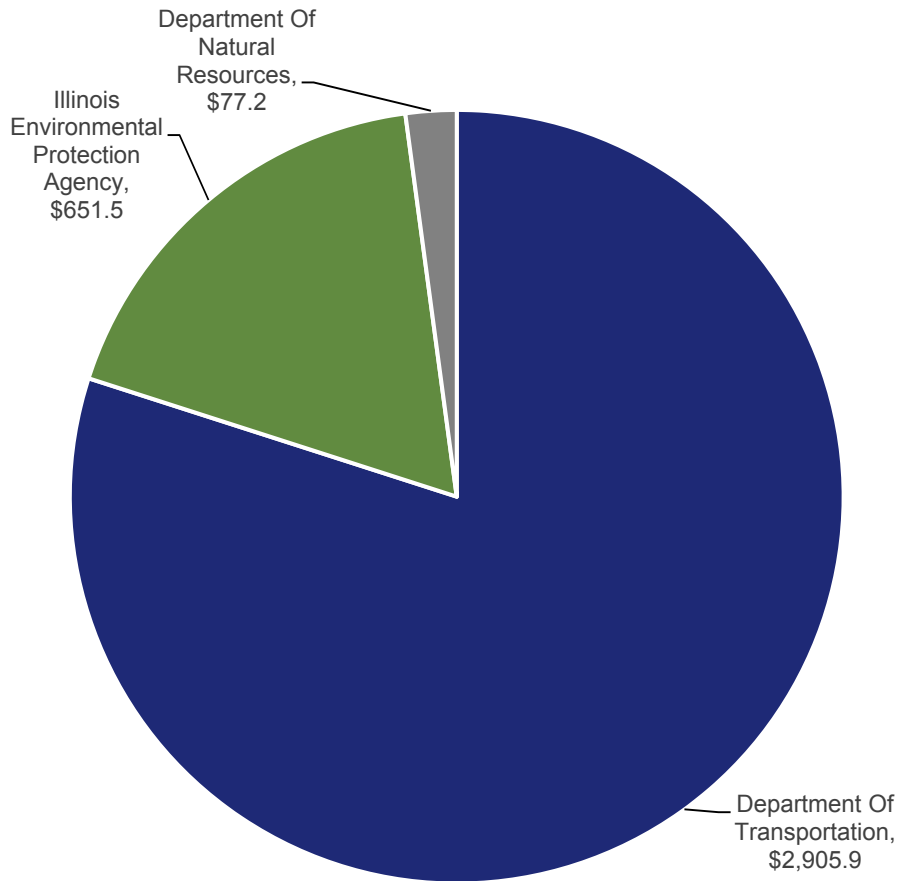
Embargoed until 12:00 Noon, Wednesday, February 19, 2020



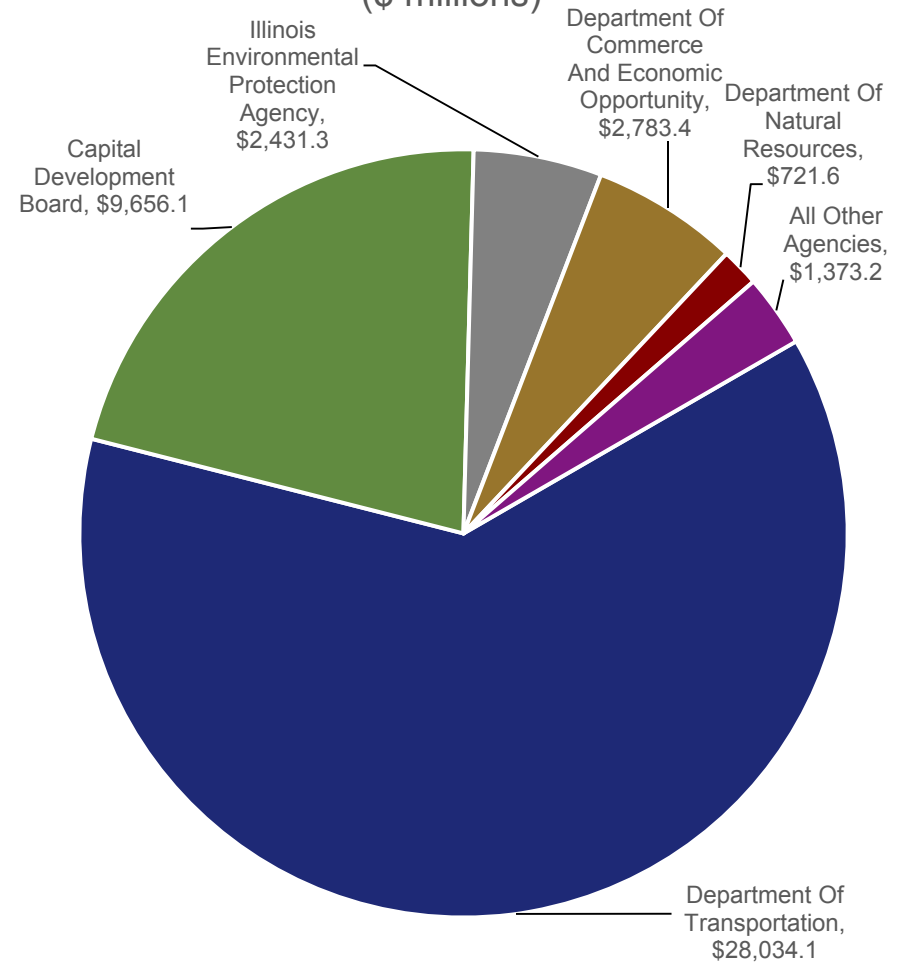
Governor's Capital Budget

Creating jobs and investing in Illinois' infrastructure

\$3.6B in FY2021 New Capital Appropriations (\$ millions)



\$45.0B in FY2021 Total Capital Appropriations (new and reappropriated) (\$ millions)





Rebuild Illinois Capital Plan

Historic \$45 billion plan was enacted in FY2020

Key components of the plan include:

- ✓ \$33.2 billion to upgrade the state's aging transportation system
- ✓ \$420 million for statewide broadband development and expansion
- ✓ \$3.4 billion to enhance Illinois' quality and competitiveness in education
- ✓ \$4.3 billion to upgrade existing and create new and better state facilities
- ✓ More than \$1 billion to expand and strengthen environmental programs
- ✓ \$465 million for improving and expanding facilities for healthcare and human services
- ✓ More than \$1.8 billion for enhanced economic and community development





Pardon Our Dust As We Begin To Rebuild Illinois

Key investments have begun in fiscal year 2020 and will continue throughout the six-year plan

Examples of progress under the Rebuild Illinois Plan include:

- ✓ Higher Education Infrastructure
 - ✓ Planning and design funding has been released in fiscal year 2020 for projects like the Communications Building at Southern Illinois University – Carbondale and the Fine Arts Complex at Illinois State University
 - ✓ Governor Pritzker announced this month that the State is moving forward with \$500 million in capital funding for the Discovery Partners Institute and Illinois Innovation Network
- ✓ State Facilities
 - ✓ Funding released to stabilize and prepare the Illinois State Armory for future use
- ✓ Connect Illinois
 - ✓ A \$50 million round of matching grant funding for broadband expansion was made available in February 2020
 - ✓ The proposed budget includes \$500,000 in planning grants to help execute the large-scale capital projects for broadband expansion
- ✓ Roads and Bridges
 - ✓ Funding and appropriation components of the Rebuild Illinois plan allowed the Illinois Department of Transportation to greatly expand their Proposed Highway Improvement Plan from \$2.3 billion for FY2019 to \$3.8 billion for FY2020



Need Additional Information?

- ✓ Please visit the Governor's Office of Management and Budget website to download a copy of the *Fiscal Year 2021 Budget* book, the *Fiscal Year 2021 Capital Budget* or to view the Interactive Budget portal.
- ✓ <https://www2.illinois.gov/sites/budget/Pages/default.aspx>