



STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
SPRINGFIELD, ILLINOIS 62706

JB Pritzker
GOVERNOR

MEMORANDUM

To: Agency Directors
From: Andy Manar
Deputy Governor for Budget and Economy
Date: May 8, 2024
Re: Update on FY25 Budget Negotiations

First, thank you to your agency leadership team for your partnership in developing the Governor's introduced Fiscal Year 2025 budget in February and for your active participation in submission of the budget to the General Assembly and attending appropriation hearings for the last few months. We appreciate your continued support of the Governor's mission for providing strategic investments in the State balanced with a commitment to fiscal stability.

As we continue to work with our General Assembly partners to pass our sixth consecutive balanced budget, it has become clear that opposition to proposed revenue is significant enough to direct agencies to prepare for the possibility of reductions to proposed spending. This memo will describe a FY25 base revenue adjustment as well as next steps for agencies as we make final preparations to get a balanced budget passed before adjournment on May 24th.

Governor's FY 25 Revenue Proposal

Source, Fiscal Year 2025 Budget Book, pages 64-66

In February, the Governor proposed several adjustments to the State's revenue base, totaling approximately \$1.1 billion. These proposed adjustments largely pay for spending that was set into motion in FY24. For example, fully phasing in and accounting for the total cost of the Medicaid omnibus bill impacts both FY24 and FY25. And as a reminder, the Governor's FY25 budget proposal increases spending a mere 1.5% over the current fiscal year. This helps illustrate how tight this budget truly is. It also helps illustrate how revenues must be part of the balanced budget conversation.

FY 25 Revenue Revision

Source: LBOC Report, May 7, 2024

The Department of Revenue and the Governor's Office of Management and Budget (GOMB) have completed a detailed review of revenue performance through the end of April based on data that was not available in February and will be revising the base FY25 General Funds revenue forecast upwards by approximately \$295 million. Details of this revision can be found in the most recent LBOC report. However, that revision is not enough to offset the need for additional revenue to support the FY25 proposed balanced budget.

Conclusion

The Governor believes his proposed balanced budget introduced in February best reflects the priorities and needs of the State for the coming year. The Governor will not sign an unbalanced budget. Therefore, we must prepare to implement a potential balanced budget scenario with \$800 million less in available revenue. While we do not know which specific programs would be impacted should the General Assembly choose to not pass the revenue package, we think it is prudent to prepare for the possibility.

As you prepare, keep in mind that the end of access to federal ARPA funds make it impossible to sustain many programs without additional revenue. In addition, please consider that much state spending is tied to entitlement programs or spending related to consent decree compliance. And finally, as your agency prepares for the impact of \$800 million in potential spending reductions, please focus on grant programs and other discretionary spending that has increased in recent years. We will know more as the General Assembly begins to make decisions about revenues and expenditures. Deputy Governors will be reaching out to agency leadership regularly to discuss additional details as budget negotiations progress.

Working with our General Assembly partners, Governor Pritzker remains committed to responsible fiscal management. That means signing only a true balanced budget with no increase to the bill payment cycle, no unrealistic revenue forecasts, no skimping on pension contributions, and continued deposits to the State's Budget Stabilization Fund while honoring the goals of increasing education funding, supporting the State's social safety net, and investing in economic development to continue to grow our state's economy.

The Governor appreciates your continued support and hard work. Please contact me or GOMB's Director, Alexis Sturm, should you have any questions.