

## STATE OF ILLINOIS

# Fiscal Year 2022 Budget Highlights

The comprehensive bill (SB2800) approved by lawmakers contains the FY22 operating and capital budgets.

The FY2022 budget also directs billions of dollars in federal aid from the American Rescue Plan Act (ARPA) and other federal aid packages to schools, public health, social services, small businesses, local governments and households, including funding targeted to communities disproportionately impacted by the pandemic.

At the height of the COVID-19 pandemic, the state borrowed \$3.2 billion from the Federal Reserve for cash management and to pay for essential state operations. The General Funds budget plan includes early repayment of the remaining \$2 billion of that emergency borrowing, saving millions of taxpayer dollars.

Illinois is expected to receive more than \$8.1 billion in federal relief through the ARPA Coronavirus State Fiscal Recovery Fund to assist the state in recovering from the impact of the COVID-19 pandemic over the next three and a half years. The state's FY22 budget allocates \$2.8 billion of the funds, including \$1 billion in capital projects, toward pandemic-recovery-related government programs, services and projects. Additional spending plans will be developed once final guidance is received from the federal government. It is expected that \$2-3 billion will be utilized to replace lost state revenues due to the pandemic and ensure continued funding of essential government services and minimal payment delays to the state's vendors.

The fiscal year 2022 capital budget, included in SB2800, represents a continuation of the historic Rebuild Illinois program and other ongoing capital initiatives, allowing the state to keep investing in projects for statewide transportation, environment, education, and community and economic development infrastructure. The FY22 capital budget also utilizes \$1 billion in ARPA funds to prioritize critical infrastructure projects for statewide broadband and water and sewer projects.

**The budget will go into effect on July 1, 2021, the beginning of the state's 2022 fiscal year.**

### FISCAL YEAR 2022 BUDGET HIGHLIGHTS

#### OVERVIEW

The State of Illinois' Fiscal Year 2022 budget plan for both operations and capital is contained in SB2800, along with SB2017, the budget implementation bill. The Fiscal Year 2022 General Funds budget plan reflects \$42.3 billion in base spending. The budget funds additional investments in the areas of education and human services while fully funding the Fiscal Year 2022 certified pension contributions and continuing progress on debt repayments. The Fiscal Year 2022 budget also directs federal dollars received from the American Recovery Plan Act (ARPA) to aid businesses, families, and invest in Illinois' communities. The estimated Fiscal Year 2022 General Funds base revenues for the enacted Fiscal Year 2022 General Funds budget total \$42.367 billion, reflecting changes to corporate tax loopholes included in SB2017.

During calendar year 2020, the State borrowed \$3.2 billion from the federal Municipal Liquidity Facility for cash management and to pay for essential state operations at the height of the COVID-19 pandemic. The \$1.2 billion borrowed in June 2020 was fully retired in fiscal year 2021; however, the \$2 billion December 2020 loan originally was scheduled to be repaid in three installments by December 2023. With improved economic performance, the Comptroller is expected to be able to set aside \$1 billion by the end of fiscal year 2021 for early repayment of the December 2020 borrowing and the remainder during fiscal year 2022. The early repayment will save taxpayers tens of millions of dollars in interest costs.

#### Paying Down Illinois' Debts

- Fully funds the \$9.8 billion General Funds pension contribution
- Repays \$2 billion emergency Federal Reserve loan early saving taxpayers tens of millions of dollars
- Repays funds Illinois borrowed from itself to ease cash flow
- Keeps pace with payment of the state's bills, with bill payment delays at the lowest levels in years
- Provides \$50 million to College Illinois! prepaid tuition trust fund to begin to shore up its assets

## Corporate Loophole Closures

The FY22 budget closes four tax loopholes worth \$655 million to the state and \$42 million to local governments including:

- \$314 million: Cap Corporate Net Operating Loss Deductions at \$100,000 per year for the next 3 years
- \$214 million: Roll Back Federal Tax Cut and Jobs Act 100% Accelerated Depreciation Deduction
- \$107 million: Align Domestic & Foreign-Source Dividend Deduction
- \$20 million: Freeze Phase Out of Corporate Franchise Tax

## Federal American Rescue Plan Act Funding

ARPA allocated \$8.1 billion in federal dollars to Illinois from the Coronavirus State Fiscal Recovery Fund and \$254 million from Coronavirus Capital Projects Fund to help Illinois over the next three years address the impact of the pandemic on Illinois families, businesses, and communities, and to replace revenues lost to the state during the pandemic. As a down payment on economic recovery and for continued response to the impact of COVID-19, the budget allocates \$2.8 billion in ARPA dollars for crucial investments for multi-year commitments to key areas, including:

- \$380 million for the ongoing costs of the state's response to COVID-19 at IEMA and other state agencies;
- \$307 million for health care providers, long-term care facilities, and mental and behavioral health programs to support the public health response and improving public health outcomes;
- Over \$100 million in assistance to impacted industries such as tourism;
- \$128 million for violence prevention and youth employment programs;
- \$163 million in grants to community support organizations, including \$87 million to welcoming centers;
- \$114 million for affordable and supportive housing programs;
- \$56 million for investments in education; and
- \$450 million for the Governor's Economic Recovery Plan:
  - o \$300 million for Back to Business Grants, with 40 percent of the funds going to communities that were disproportionately impacted by the pandemic
  - o \$10 million for Tourism promotion and Main Street festival grants
  - o \$50 million for Workforce Recovery efforts
  - o \$20 million for Community Navigators and targeted business support services
  - o \$25 million for the DCEO RISE program for local economic recovery planning and partnerships
  - o \$45 million in capital for commercial corridors and downtowns that have experienced disinvestment

In addition to the investments outlined above, the ARPA allocations in the budget includes a \$1 billion investment to accelerate critical infrastructure needs, including statewide broadband, to spur the economic recovery and create jobs and reserves \$2-\$3 billion to replace lost revenues to the State to fund essential government services.

## EDUCATION - PREK-12 AND HIGHER EDUCATION HIGHLIGHTS

### PreK-12:

- Increase of \$362.1 million General Funds for Evidence Based Funding - \$7.6 billion in total EBF appropriations
- Continues to support Early Childhood Education at \$543.7 million
- Funds a new principal mentoring and recruitment program - \$1.8 million General Funds
- Appropriates over \$8 billion in federal funds to K-12 schools from federal COVID-19 relief packages for costs to respond to the impact of COVID-19 on education, including funds for summer school, tutoring, technology needs, closing the digital divide, remote learning, mentoring, bridge programs and mental health professional development. \$582.9million (CARES Act), \$2.3 billion (CRRSA) and \$5.4 billion (ARPA)

### Higher Education:

- Preserves university operations funding at \$1.2 billion
- Increases funding to the Monetary Award Program (MAP) by \$28.2 million to \$479.6 million General Funds
- Includes \$35 million for the fourth year of AIM HIGH, a merit-based scholarship program that is intended to help stem the outmigration of Illinois' high achieving students
- Includes federal pandemic aid for higher education agencies, including \$44 million at IBHE, \$37 million at the ICCB and \$7 million at ISAC to enhance programs for higher education students
- In addition, universities and community colleges received approximately \$2.5 billion in direct aid from the COVID-19 relief packages through the Higher Education Emergency Relief Fund (HEERF) that flow directly to the institution

## **CRIMINAL JUSTICE AND PUBLIC SAFETY HIGHLIGHTS**

- Increases Restore, Reinvest, and Renew Program (R3) by \$30 million to \$75 million at the Criminal Justice Information Authority. This funding will support new initiatives with increased cannabis tax revenues
- Provides funding for a new cadet class at the Illinois State Police
- Includes a \$10.3 million increase in General Funds to the Law Enforcement Training Standards Board for basic and in-service training requirements, including a focus on crisis intervention training for new and current officers.
- Provides \$2 million at the State Police for officer worn body cameras and another \$3.4 million at LETSB for local government camera grants

## **SOCIAL SERVICES HIGHLIGHTS**

- Includes \$1.1 billion in General Funds at Department of Children and Family Services, a 10.8 percent increase to address increased caseloads and rate reimbursement increases
- Includes at the Department of Human Services:
  - o A \$170 million General Funds increase for services for people with developmental disabilities, to partially implement the Guidehouse rate study and for Ligas consent decree compliance, to a total \$1.5 billion General Funds
  - o \$3.4 billion in child care program resources from state and federal funds
  - o Eviction Mitigation/Rental Assistance Program - \$237.2 million all funds
  - o Additional funding for Mental Health Block Grant through ARPA funds - \$25 million in federal funds
  - o Additional funding for Substance Abuse Prevention and Treatment Block Grant through ARPA funds - \$25 million in federal funds
- Includes an increase of \$59.5 million General Funds under the Department on Aging's Community Care Program and additional funds for Home Delivered Meals and for the Senior Employment program and Area Agencies on Aging
- Appropriates \$2 billion in federal funds to the Department of Public Health for COVID-19 response including testing, contact tracing, and vaccine distribution
- Includes additional funding to support 45 new positions and enhance care at the state's four veterans' homes and provides funding for the Chicago Veterans' Home
- Includes additional federal funding for Illinois Department of Employment Security for improvements to the state's unemployment insurance program administration

## **MEDICAID**

Maintains all eligibility and benefit levels in the Medicaid program to ensure individuals retain their health coverage

- With the assistance of enhanced federal matching rates through the end of the calendar year, protects eligibility for currently enrolled participants
- Includes funding for the Medicaid Working Group omnibus legislation (SB2294) and Public Act 102-004
- Expands Medicaid-like coverage for noncitizens 55+ from 65+

## **REBUILD ILLINOIS**

The fiscal year 2022 capital budget, included in SB2800, represents a continuation of the historic Rebuild Illinois program and other ongoing capital initiatives.

- Allows the state to keep investing in projects for statewide transportation, environment, education, and community and economic development infrastructure
- The FY22 capital budget also utilizes \$1 billion in ARPA funds to cash-fund critical infrastructure projects for water and sewer projects and for statewide broadband, including Connect Illinois

## **TRANSPORTATION**

- Will allow IDOT to continue to hire staff to execute the landmark Rebuild Illinois construction program
  - Fully funds the Fiscal Year 2022 Road Program at \$3.32 billion. The FY22-27 MYP totals \$20.7 billion
  - Includes \$50 million funding for Passenger Rail Operating Assistance - Amtrak
  - Provides a \$14 million appropriation through ARPA to support the State's airports
  - Provides a \$17 million appropriation through ARPA to support rural transit districts
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