

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



Illinois: Tools for Sustainable State Budgeting

Long-term budget assessment:

Budget stress test:

Report: "Three-Year Budget Forecast FY 2024-FY 2026"³

Office: Commission on Government Forecasting and Accountability

Analyses

By law, the staff of Illinois' Commission on Government Forecasting and Accountability (COGFA) produces a report each March with three-year revenue and spending projections and analysis of the state's economy and long-term budget outlook.⁴

Each edition of this "Three-Year Budget Forecast" discusses risks the state faces, including a high-level summary of key causes and consequences of challenges, such as poorly funded public employee pensions, weak population

growth, and a (recently reduced) backlog of unpaid bills.⁵ The report also examines multiple spending growth scenarios, an approach that allows COGFA to explore whether the budget would be expected to remain balanced under various spending levels. For example, the 2023 edition included two scenarios based on historical spending growth rates and two tied to limiting the bill backlog.⁶

Separately, Illinois law requires the Governor's Office of Management and Budget (GOMB) to produce a five-year revenue and spending forecast each November.⁷ Although the GOMB provides little discussion of risks compared with the COGFA report, it does describe the governor's planned budget management strategies.⁸

COGFA also says that it analyzes stress scenarios—for example, by looking at how revenue would be affected by recessions—but it does not publish the results.⁹

Policy impact

The "Three-Year Budget Forecast" has little policy impact, receiving less attention from lawmakers than COGFA's short-term revenue estimates, which play a more direct role in budget development.¹⁰

Next steps

Illinois should consider ways to increase the policy impact of the "Three-Year Budget Forecast." This could begin with directly connecting lawmakers with the analysis, such as by holding legislative hearings on the report or requiring legislative panels to make policy recommendations informed by the analyses. Additionally, COGFA could include more specific findings or recommendations to spur legislative discussions, such as estimates of the level of ongoing spending the state can afford while maintaining a balanced budget in future years.

Changing the timing of the report may also help. COGFA typically releases the report in late March, when lawmakers are already deep into the legislative session and understandably preoccupied with finalizing the budget and completing their other business. Publishing the reports at the beginning of the budget development process could encourage policymakers to use them when writing the budget.

To begin stress testing, COGFA could consider publishing its recession analyses as part of the "Three-Year Budget Forecast"—which already describes the threat of a recession—or as a stand-alone report.¹¹ After reducing the balance of the Budget Stabilization Fund to the point that it was "barely enough to run state operations for 30 seconds" in 2018, Illinois finally has begun making substantial deposits into the fund.¹² A stress test could help policymakers set a goal for further savings in the coming years.

Endnotes

- 1 The Pew Charitable Trusts, "Tools for Sustainable State Budgeting" (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, "States' Use of Sustainable Budgeting Tools" (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Illinois Commission on Government Forecasting and Accountability, "Three-Year Budget Forecast FY 2024-FY 2026" (2023), <https://cgfa.ilga.gov/Upload/3YearBudgetForecastFY2024-FY2026.pdf>.
- 4 Illinois 25 Ill. Comp. Stat. Ann. 155, <https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=462&ChapterID=6>.
- 5 Illinois Commission on Government Forecasting and Accountability, "Three-Year Budget Forecast FY 2024-FY 2026," 6-8.
- 6 Ibid., 11-16.
- 7 Illinois 20 Ill. Comp. Stat. Ann. 3005, <https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=359&ChapterID=5>.
- 8 Illinois Governor's Office of Management and Budget, "Illinois Economic and Fiscal Policy Report" (2022), 14-17, <https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/economic-and-fiscal-policy-reports/fy2023/Economic%20and%20Fiscal%20Policy%20Report%20FY23%2011.14.22%20FINAL.pdf>.
- 9 B. Varner (chief economist, Illinois Commission on Government Forecasting and Accountability), interview with The Pew Charitable Trusts, June 6, 2023.
- 10 Ibid.
- 11 Illinois Commission on Government Forecasting and Accountability, "Three-Year Budget Forecast FY 2024-FY 2026," 6.
- 12 The Pew Charitable Trusts, "Fiscal 50: State Trends and Analysis, Reserves and Balances," updated March 16, 2023, <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind5>; Illinois State Comptroller, "Comptroller Mendoza Makes Record Deposit Into the Rainy Day Fund," news release, June 29, 2023, <https://illinoiscomptroller.gov/about/news/press-releases/comptroller-mendoza-makes-record-deposit-into-the-rainy-day-fund>. Illinois' Budget Stabilization Fund does not meet Pew's definition of a rainy day fund because all withdrawals must be paid back in the same fiscal year that they are made. However, Illinois has temporarily repealed this stringent repayment rule in the past to allow the state to use the fund more flexibly.

For more information, please visit: pewtrusts.org/fiscaltools

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