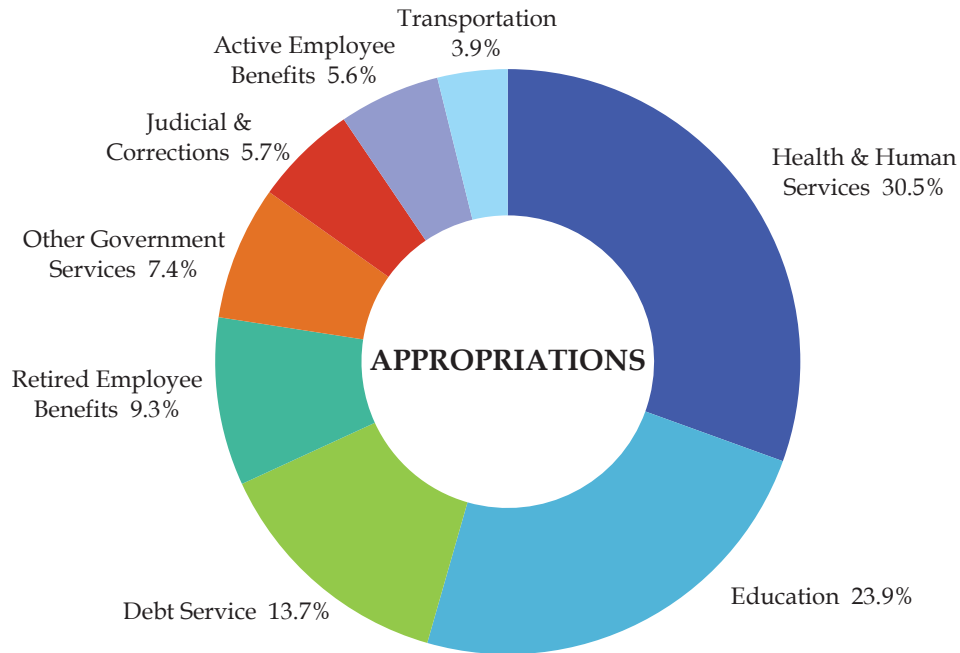
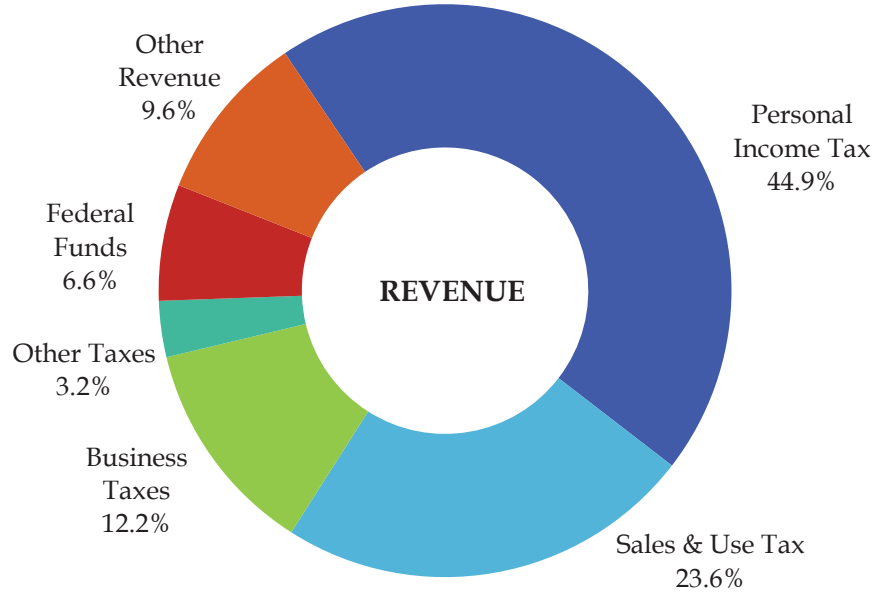


## Budgeted FY 24 Gross Revenue and Appropriations<sup>1,2,3</sup>

All Appropriated Funds



<sup>1</sup> Across all appropriated funds, FY 24 includes: (1) \$28.6 billion in gross revenue, or a net \$25.7 billion after accounting for an estimated \$2.9 billion in negative revenue adjustments including refunds and volatility cap transfers; and (2) \$25.3 billion in gross appropriations, or a net \$25.1 billion after accounting for \$145.7 million in budgeted lapses.

<sup>2</sup> Percentages may not sum to 100% due to rounding.

<sup>3</sup> **Appendices H and I** provide additional details on these categories. For appropriations, whole agencies are categorized according to their primary purpose with a few exceptions: Debt Service, Active Employee Benefits and Retired Employee Benefits, which are generally budgeted for centrally, are reflected as separate categories (e.g., "Transportation" is only a subset of total Special Transportation Fund appropriations).

Office of Fiscal Analysis

**EXECUTIVE SUMMARY****Budget Overview**

The legislative session began with projected positive balances of \$972 million in FY 24 and \$985 million in FY 25, when accounting for the additional appropriations required to maintain current services.

PA 23-204, the FY 24 and FY 25 Budget, included policies that reduced the projected positive balances to \$610.4 million in FY 24 and \$372.7 million across all appropriated funds.

**FY 24 and FY 25 Budget Balance**

All Appropriated Funds – In Millions of Dollars

Budget	FY 24	FY 25
Revenue Estimate	25,729.2	26,367.1
Net Appropriation	25,118.8	25,994.4
<b>BALANCE</b>	<b>610.4</b>	<b>372.7</b>

The FY 24 budget is 3.8% greater than the FY 23 budget, and the FY 25 budget is 3.5% greater than the FY 24 budget, across all appropriated funds.

The budget is under the spending cap by approximately \$10.4 million and \$11.6 million in FY 24 and FY 25, respectively.

The legislature also reallocated previously designated federal funding from the American Rescue Plan Act (ARPA) (\$466.6 million in FY 24, \$140.9 million in FY 25), and carried forward surplus appropriations from FY 23 to be spent in FY 24 (\$279.5 million) and FY 25 (\$73.6 million).

**Revenue Highlights**

The most significant changes impacting revenue include that the budget:

- Lowers the 3% personal income tax marginal rate to 2% and the 5% rate to 4.5% starting January 1, 2024, with a “recapture” provision limiting the benefit of these rate reductions to single/separate, joint, and head of household filers with taxable income below \$150,000, \$300,000, and \$240,000, respectively.

- Includes phases-out to the pension & annuity and IRA exemptions which eliminates the “benefits cliff” that affected single, separate, and head of household filers with federal adjusted gross income (AGI) of \$75,000 or greater and joint filers with federal AGI of \$100,000 or greater. Beginning January 1, 2024, the policy will benefit single, separate, and head of household filers with federal AGI below \$100,000 and joint filers with federal AGI below \$150,000.

- Increases the state earned income tax credit (EITC) from 30.5% to 40% of the federal EITC effective with the 2023 tax year.

- Transfers funds totaling \$115.8 million in FY 24 and \$104.9 million in FY 25 from the General Fund to the Municipal Revenue Sharing Fund (MRSF) to support various municipal grant programs.

The budget also permanently redirects the 0.5 percentage point sales tax diversion from the Municipal Revenue Sharing Account to the MRSF.

### **Appropriations Highlights**

The most significant policy changes impacting appropriations include that the budget provides funding of:

- \$53.3 million in both FY 24 and FY 25 to support a bonus for state contracted providers of direct health and human services for clients of ten state agencies.
- \$50 million in both FY 24 and FY 25 to support a provider bonus for DDS contracted providers.
- \$4.1 million in FY 24 and \$16 million in FY 25 to reduce the number of individuals on DDS's residential waiting list, giving priority to individuals who have caregivers aged 65 and older.
- \$3.4 million in FY 24 and \$8.6 million in FY 25 to increase the time limit, earned income disregard, and asset limit under temporary family assistance (TFA).
- \$150 million in FY 25 for education cost sharing (ECS) and choice programs. Of this amount, approximately \$68.5 million is to speed up the phase in of ECS funding to underfunded municipalities and \$81.5 million is to increase per student grant funding for operators of charter schools, magnet schools, and vocational agriculture programs, and for Open Choice receiving districts.
- \$14.2 million in FY 24 and \$53.3 million in FY 25 to support a 10% and 5% annual rate increase for licensed and unlicensed Care4Kids providers, respectively.
- Approximately \$15.5 million in FY 25 to support increasing the Pre-K rate from \$8,924 to \$10,500 per child per year.

### **Capital Budget**

Bond authorizations across General Obligation, Special Tax Obligation, and Clean Water Revenue bond types are increased by a net \$3.77 billion in FY 24 and \$3.73 billion in FY 25.

### **The Out Years**

The General Fund is projected to have a positive balance in each year from FY 26 through FY 28. Prior to the FY 24 and FY 25 Budget, the General Fund was projected to have positive balances of more than \$1 billion annually. Policies enacted in the biennial budget reduce projected out year balances, as compared to the baseline estimates, by over \$600 million per fiscal year.

Note: OFA refers to fiscal years such that "FY 24" refers to state fiscal year 2023-2024.